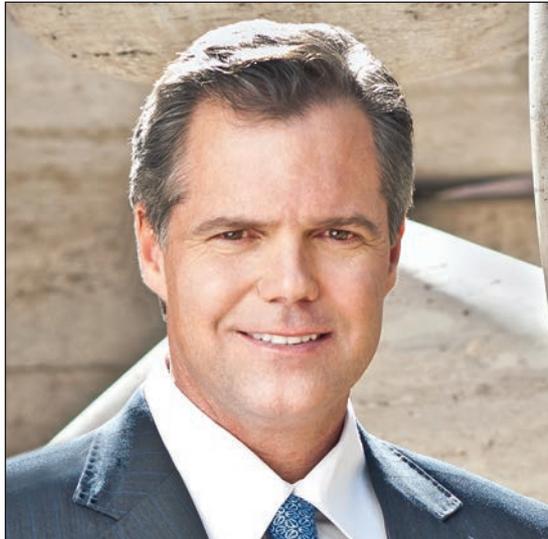


Investing in Human Assets



James J. Murren

EDITORS' NOTE James Murren received his undergraduate degree at Trinity College where he studied art history and urban planning, and continued his studies in Rome. He joined the Wall Street firm of Cyrus J. Lawrence as a securities analyst and earned the Chartered Financial Analyst certification in 1991. During his career on Wall Street, he served as a managing director and the Director of U.S. equity research for Deutsche Bank. In 1998, he joined MGM as CFO and member of its board of directors. In 1999, he became President and was promoted to Chief Operating Officer in 2007; he became Chairman and CEO in December 2008. He was an original founder of the state of Nevada's cancer research and treatment center, the Nevada Cancer Institute, and is a member of its board of directors.

COMPANY BRIEF MGM Resorts International (www.mgmresorts.com) is one of the world's leading global hospitality companies, operating a portfolio of destination resort brands including Bellagio, MGM Grand, Mandalay Bay, and The Mirage. The company also owns 51 percent of MGM China Holdings Limited, which owns the MGM Macau resort and casino and is in the process of developing a gaming resort in Cotai. It also owns 50 percent of CityCenter in Las Vegas, which features the ARIA and VDARA resorts.

What makes MGM special and allows it to perform consistently well year after year?

We have beautiful resorts and we invest in them, but the most valuable assets are our people. We invest a considerable amount of money in the human assets of our company and it has yielded positive returns.

Fundamentally, we realized that people don't have a need to visit our resorts – we don't fulfill an essential need. What we do provide is special experiences, which means our best marketing dollar is the one that we don't spend – it's the marketing dollar spent on the most effective

An Interview with James J. Murren, Chairman and Chief Executive Officer, MGM Resorts International

media, which is when our guests go home and tell their family and friends that they had a good experience; that drives more revenue to us. So it begins and ends with the employees.

Is training the reason why there is such a low staff turnover within your company? How critical is it for your guests to see the same faces when they return?

Our turnover is well below the industry average and we have many multigenerational families that work with us. This has to do with what our founder, Kirk Kerkorian, has always been and what he represents to all of us. I can speak from personal experience in terms of his leadership, his tremendous sense of duty and philanthropy, and his community spirit.

Regardless of the organization, it's about the tone at the top and how employees feel about the organization that employs them. We have always taken that to heart and I'm continuing that philosophy. It involves finding very definable ways to improve the employees' way of life, be it through training, our health care benefits, our workplace environment, the food we serve in our employee dining rooms, the community outreach we do for organizations that our employees care about, and the opportunities for advancement based on one's own capabilities regardless of race, religion, background or gender.

Overlying all of that has been a strong effort behind internal communication, which was vital during the recession. Our employees want to be engaged, inspired, and communicated with. They're not expecting to be told that everything will be okay, but they want to know what the game plan is and they want to have input to that game plan. That two-way communication has been one of my most pressing priorities since I became Chairman and it's yielding some good morale at our company.

How far do you go in providing the necessary technology without losing the personal relationships?

You have to be extraordinarily responsive to consumer behavior – consumers are clearly using technology for so many of their decisions. They use social media sites to determine where to stay before they visit us, but also in terms of connecting with social groups and going to properties based on what they're getting on a real-time basis. We have invested millions in this area, both through our internal efforts and with several outside companies.

You have to use technology as a tool and not as a crutch and use it to assist interaction among people. It's all about the human experience and the culture of service, and it's a mistake to hide behind technology or use it as a replacement for creating a connection with a guest.

The many ways that we use technology now are creating the reverse of that – they're getting the employees more in touch with the guest by liberating them from the drudgery of sitting at their desks gathering data.

We're implementing a major new HR software system, which will get a lot of our HR executives out of their offices and onto the floors with fellow employees, addressing issues and leading the way for other managers to spend time out of their offices, interacting with employees and guests.

Will much of your future growth come about internationally or is there still more opportunity in the U.S.?

We see strong opportunities in the U.S. We are a Las Vegas-based company and are U.S.-centric but our brands are well-known around the world. We have an extraordinarily successful resort in Macau and we have strong aspirations to be in other markets throughout Asia, perhaps in Latin America, and perhaps in Europe over time.

We have a non-gaming hospitality division that is currently in various stages of developing non-casino hotels in major cities such as Mumbai and New Delhi; Chengdu, Shanghai, Beijing, and many others in China; and throughout Asia, the Middle East, and Northern Africa.

But most of our cash flows come from the U.S. and we're focused on U.S. and North American opportunities. I'm spending a lot of time in Western Massachusetts, where we hope to develop a resort in Springfield to help that city that has been so badly punished by 60 years of challenges. I'm spending time in Prince George's County in Maryland where we would love to build an international resort on the banks of the Potomac. We're also looking at Toronto. Over time, there will be other opportunities as gaming has become far more mainstream in the U.S. and North America, and a far more holistic entertainment experience rather than simply a casino experience.

Large resorts are becoming more demographically appealing to various ages and that plays to an MGM strength. We excel in the non-gaming areas compared to our competitors.



CityCenter in Las Vegas features ARIA and VDARA resorts

Does the market truly understand the quality product and value that Las Vegas offers today?

There aren't many positives about the recession, but one silver lining has been a strong desire for the consumer to focus on value-added for dollar spent. I see this universally among all consumers – not just the value-conscious; every type of consumer at every different household income range is focused on it. They're willing to spend some money but they expect to get a tremendous value for their dollar spent.

Las Vegas scores well there in terms of a value destination in a more broadly defined sense than what we used to traditionally think of value, which would be more moderate-spend customers.

The scars left by the recession on consumers and businesses are not fully healed, and none of us will forget quickly, but that plays to Las Vegas' advantage over some higher priced cities or higher priced convention or tourist destinations. That's one reason why Las Vegas had an all-time record in terms of visitors to the city in 2012 – and that trend will continue.

We also see that trend continuing with the convention planners and Fortune 500 companies that are far more willing to move their conventions away from locations that had been their tried-and-true spots.

Once people try us, we will more than likely win them over for many reasons: conventions here do better in terms of delegate attendance and spend, and it's more convenient and less expensive for many of the convention hosts.

CityCenter, specifically, was an attempt to broaden people's awareness and experiences beyond those of the typical Las Vegas resort. It goes beyond the boundaries in resort design, development, and management, but also expands the consumers' own expectations of design and of hospitality. That is a principal reason people come to Las Vegas – they want to experience something they can't get at home and they want to see something innovative and appealing.

I'm proud of what we have accomplished there. It was not easy and was not an initial success when it opened mid-recession, but it's getting stronger every day and is now one of the most important resorts in Las Vegas.

How critical is corporate responsibility to the culture of MGM Resorts and do you focus on meeting needs that align with the business?

I've never met a more modest philanthropic individual than Mr. Kerkorian. He mostly gives anonymously and does it simply to help people. All 62,000 people at MGM know that giving is a core value of this company; it is part of the DNA. Our employees are expected to give in whatever fashion they can.

We focus our attention on areas where we can have the most immediate impact, and we have to focus our philanthropy primarily in the markets in which we operate. It's where our employees live and work and where our partners, vendors, and tenants are based.

That is a focus of our philanthropy, be it in Nevada or Michigan or in Mississippi, but we're not limited to those markets. We give broadly to national and international organizations and many times it's event-specific, when there is a crisis in the U.S. or overseas.

We have tried to marry corporate dollars with organizations that we feel not only have met the essential need but are well run, efficient, and that need our help. We're particularly moved by organizations that are not as established that could use some organizational assistance.

We focus primarily on children, health care, education, seniors, and hunger. Our independent foundation, the MGM Foundation, is employee run; the employees decide where that money goes because it's their own. The company pays the administrative costs and organizes everything for them, and we give several million dollars away to the targeted areas we believe we need to focus on.

We have an extraordinarily strong board-level Corporate Social Responsibility committee that is active with management. Internally, I

chair a CSR committee of men and women who direct that committee to implement training and diversity programs in a granular and increasingly comprehensive fashion, which has been gratifying to all of us. It's the concept of "inspiring our world".

We had an event in December in Las Vegas to announce this and we're taking that show on the road to our employees in Detroit and Mississippi. We look to touch every one of our employees with the messages of our mission – to engage, entertain, and inspire – our vision as a company; our core values of Teamwork, Integrity, and Excellence that link our 62,000 employees; and what we stand for regarding the vital issue of inclusion and diversity in our workplace.

How important is diversity when you're dealing with such a varied customer base?

Today, more than half of our employees are women. We are constantly looking for ways to attract the best and brightest women to our company and to promote from within wherever we can.

We feel strongly that the company's goals should be to reflect the customers that we are accommodating, and I'm driven toward equality and opportunity for everybody here.

This industry wasn't much better than Wall Street in terms of diversity when it began in the '70s and '80s. However, we have made it a major goal of the company, and I have made it a mission of mine, to be an employer of choice that values the contributions of all of its employees.

Any time that we can help create that overarching view that you're going to be valued regardless of who you are and what your background is, we win as a company. This has to be my most important role here.

How challenging is it to lead an organization like yours? What has made you so successful as a leader today?

In this company, I look for the best candidate for the job at hand, regardless of background. I have been a fan of bringing people in from outside of our industry to shake up the status quo. I have tried to create clear delineations of responsibilities, because I'm not a fan of a lot of bureaucracy.

When I became the CEO, we had to define our mission and vision. We interviewed thousands of our employees about their issues, which helped educate us on how to move forward. We established a set of core values; we empowered people to make decisions and to not be afraid of making mistakes.

The men and women here today have withstood the recession – they didn't give up. They're working just as hard today as ever.

I've tried to provide an environment where people feel like their contributions are going to be recognized, and that they will be communicated with and rewarded for their efforts. Broken down that way, a large company can be a series of smaller organizations that are all part of the same team. It gets to be more manageable in terms of the work product. I feel confident that the people around me are the most competent and I know we can tackle future challenges because we're handling the present very admirably. ●