

# Langone on Leadership

An Interview with Kenneth G. Langone,  
Chief Executive Officer, Invemed Associates LLC

**EDITORS' NOTE** *Kenneth Langone co-founded The Home Depot in 1978 by raising \$2 million via his small investment bank, Invemed Associates. In 1957, Langone received a job in the investment department of the Equitable Life Assurance Society while obtaining his M.B.A. at NYU's Graduate School of Business (now the Stern School of Business). In 1962, after graduation and a stint in the Army, Langone joined the Wall Street firm R.W. Pressprich & Co., where he eventually became President. Langone later founded The Home Depot along with Bernard Marcus and Arthur Blank. In 1974, Langone established his Park Avenue brokerage and investment banking firm, Invemed Associates. He has served as a director of AutoFinance Group; ChoicePoint; DBT Online, Inc.; General Electric; Home Depot; The New York Stock Exchange; Unifi, Inc.; U.S. Satellite Broadcasting; and YUM! Brands, and is a member of NYU's Board of Trustees. Langone majored in economics and political science at Bucknell University.*



Kenneth G. Langone

**COMPANY BRIEF** *New York-based Invemed Associates seeks to invest in buyouts and minority stakes in small-cap public companies, and also sponsors corporate orphans and start-ups. The firm focuses its investments on retail, medical technology, and technology companies, and does not use leverage to finance transactions. The firm retains investments in portfolio companies for a lengthy period of time.*

**Has the economy truly come back today?**

We are coming back but we have a long way to go. We still haven't gotten a big kick from housing yet. Car sales are doing great. Technology is booming, but retail sales are just okay.

Right now, money is easy, but at some point, the market will be vulnerable.

**Despite issues in retail, Home Depot continues to perform. Why is that?**

The home is once again the most valuable asset in Americans' portfolio of assets. In the housing market, prices have gotten better so people again have positive equity.

The companies we're involved in are okay but there is no big beating of the drums.

**Is it an issue that the big companies aren't hiring people back?**

They are hiring, but cost-cutting is a continuous focus. Companies today are more conscious of cost containment and elimination than ever before, and that is coupled with the fact that technology is making companies more efficient with lower operating costs.

**How can so many available jobs be filled when so many people aren't trained for the jobs that are available?**

If we can get these kids educated, we can get them trained. There are a number of great jobs out there pleading to be filled. We need to educate technicians as well as engineers. College is not for everybody and if those who aren't college-bound have a good base in math or English, they are trainable for high-paying jobs.

**Are you optimistic that we can fix the education system?**

We have to deal with the unions. The most depressing measure is that the current generation of children in public schools today will be the first generation in the history of public education in America to have a lower literacy rate than the previous generation.

The people suffering the worst on the economic scale are those with little or no education, because they can't participate in higher paying jobs. Home Depot has never paid minimum wage, but we need our kids to be able to read, write, and count.

**What characteristics make for an ideal CEO?**

I appreciate people like Jack Welch who come to work every day asking how they can grow the business and make it more profitable. This is why the stockholders put CEOs in place: to be honorable, to be ethical, legal, and deliver superior results.

**How about the role of boards?**

Boards need to be more active than they have been in the past. Too many boards do not accept responsibility for performance and do not ask questions, like what to do about poor management performance. The board must remember that it represents the owners.

**It seems like everything you touch turns to gold.**

Not true. If you have six months, I can tell you all the ones that didn't turn to gold, but I do have a knack for digging myself out of holes. When I get into a bind, and often I do, I won't give up.

**Many executives say it can be lonely at the top, but you have many close friends.**

Yes, but I also understand that friendship cannot take precedence over performance. We don't have the luxury of sticking with someone just because he's a nice guy. The owners put us in the boardroom to act just as if they were in that room themselves.

**With regard to the commitment you made to NYU Langone, are you happy with how the institution has garnered such accolades?**

Accolades are fleeting. Don't take being a hero to the bank because by the time you leave the bank, you might be a goat. There isn't a day when I wake up without thinking that I have to make sure I don't slip back."

**New York City has become a very expensive place in which to operate. Might it lose companies that can't afford to be here?**

We have lost too many already – Pepsico, Exxon, JC Penny. Hopefully we're attracting young businesses, but we have to be careful that we don't reach an inflection point where too many companies leave.

New York is special but this doesn't mean people won't feel better served elsewhere. We can't take our residents for granted. Fortunately, we have a diverse base of activity today.

**Do you take time to appreciate the wins?**

My role model is Hank Greenberg. The fact that fate has shined on me, and given my wife and me good fortune far beyond our wildest dreams, doesn't mean I can sit there and feel I have enough. Being rich isn't what drove me.

When we started Home Depot, we felt if we had 100 stores doing \$20 million each, we'd have \$2 billion per year in sales and that would satisfy us.

Instead, we grew to 2,500 stores doing \$37 million average per store, producing profits like crazy. We had the right idea at the right time. Do I rest on my laurels now? No.

I want things to be a success, but I get more of a kick out of fixing things that don't work the way they should. ●