



RLJ Companies Riding Out Economic Storm

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During a keynote speech before more than 500 guests at the D.C. Chamber of Commerce's Annual Meeting and Chairman's Inaugural Luncheon held Thursday, Dec. 15, businessman Robert L. Johnson used his companies as a palette from which to draw a compelling picture of the state of the American economy and some of its challenges.

Johnson, 65, formed the RLJ Companies after he sold Black Entertainment Television (BET) for \$3 billion to Viacom in 2000.

Johnson made a steady rise professionally before becoming chairman and chief executive of BET. After earning a master's degree from Princeton, he moved to Washington where he worked for the National Urban League and the Corporation for Public Broadcasting and served as press secretary to then-D.C. Delegate Walter Fauntroy. He also was a lobbyist for what was then the National Cable Television Association. All the time he was building contacts and a network that would prove invaluable later on. One of Johnson's primary benefactors and supporters in the early days of BET was John Malone, chairman of Liberty Media, who provided Johnson with much of the more than \$500,000 seed money which was part-loan, part-equity. And thus BET was born.

Johnson's political friendship with and support of then-Mayor Marion Barry produced dividends as Johnson skillfully pulled the D.C. Council into his corner and it selected his group from among a trio of competing minority-owned companies to start a cable company in the District.

Johnson calls the post-BET phase of his business life his "second act." His company, which manages \$5 billion in assets and employs 10,000 people, owns or holds significant interests in 15 portfolio companies which are focused on asset management, creating the climate to enable overlooked or undervalued companies to become profitable, and making inroads into underserved markets. RLJ is based in Bethesda, Md., with operations in New York, Florida, Los Angeles, Monrovia, Liberia and San Juan, Puerto Rico.

The title of the event was "Waiting to Exhale" Where is the Business Recovery? and Johnson used the lyrics to poke fun at the Republicans, the Washington Redskins and Herman Cain's much-vaunted and much maligned 9-9-9 plan. Then, he offered a financial forecast.

"The winds? Lehman Bros. collapsing and the world went to hell in a hand basket," said Johnson. "We're still here, so we can exhale."

Johnson said America and the rest of the world is dealing with a number of issues, primarily Europe's debt crisis, while here at home, the country is faced with bringing the unruly twins of the national debt and the deficit under control, sorting out issues surrounding healthcare, as well as "the unintended consequences of other issues."

"We are growing the economy in a competitive global environment," he said. "I think it [the country] will get there but not before the 2012 election."

Johnson, who was born in Mississippi, said he anticipates America's gross domestic product (GDP) to grow at between 2 percent and 2 ½ percent in the coming year, with corresponding growth in Asia and a dip in Europe.

The entrepreneur listed a number of formidable challenges which America is grappling with, including a slump in consumer confidence, a moribund housing market, politicians who are unwilling or unable to make hard choices, others who are intimidated by one thing or another, and companies that are hoarding an estimated \$3 trillion in cash because of political and economic uncertainty.

Of greater concern, he said, is the growing disparity between whites and people of color.

"There is a \$70,000 increase in wealth disparity between blacks and whites, the income gap has increased 10-fold, the average net worth of African-Americans is \$11,800 versus \$118,000 for a white family, and black unemployment is twice as worse," said Johnson at the event held in the Washington Hilton Hotel in Northwest ... the economic conditions affecting African-Americans has a spillover to Hispanics ... it's not a political, African American or Hispanic problem; it's a problem for all Americans."

As he continues to diversify his business portfolio, Johnson said on Dec. 15, his primary concern is how African-Americans gain access to wealth. He said they are underrepresented in the equity stock market, don't save and fewer of them have the financial means to buy a home, which translates into a "grave problems for all of us."

Johnson, whose company owns or controls a diverse portfolio of companies in the automotive, equity, hotel, real estate, banking/financial services/asset management, film production and gaming industries, applied what he called 'the Bob Johnson perspective' to his take on the country's recent economic highs and lows.

He, by the nature of his involvement and the circles he moves in, is in a unique position to take the country's economic pulse, monitor trends, develop some of his own, and calibrate ways to keep his portfolio of companies profitable and on the cutting edge.

"I'm on a number of boards and three of them touch the economy in special ways," Johnson explained. He focused on KB Homes, Lowe's and his ties to the hotel and automotive industries to illustrate the highs and lows of the American economy.

"This is a still-stagnant housing market," said Johnson. "Possibly, it has reached the bottom. There are signs people are beginning to be interested in buying homes again and there is increased spending in home construction."

He said that with people losing their jobs, others whose jobs are at risk, and with so many people's houses 'underwater,' home improvement giant Lowe's has been forced to reassess its growth plans.

"People are doing a bath or a kitchen as opposed to a whole house. This means a decline in what people spend per visit," he said.

A consequence of the decline in consumer spending has been that Lowe's top brass has scaled back the number of stores they had hoped to open.

On the bright side of his portfolio, Johnson said, are the hotel and automotive industries.

"Business travel is picking up and occupancy is beginning to show signs of growth," he said. "People are traveling to be face-to-face, and business people are back on the road. Optimal hotel revenue will continue to grow and there will be advantages for existing owners in the marketplace."

"(And) in the automobile industry, car sales have been the real bright spot in the manufacturing sector," Johnson said. "Before the crash, sales were between 14 and 15 million (cars sold a year); it's 12-13 million now. That's indicative of two things: people are willing to spend money on durable goods and the government did a good job reinvesting in the auto industry. Credit is available for auto purchases. (Soon), driving auto sales will begin to reverberate in the economy."

Johnson, who has a business relationship with private equity giant, the Carlyle Group, oversaw the creation of a special purpose acquisition corporation (SPAC) which is a blind pool. RLJ, which operates hedge and private equity funds, attracted investment funding and as a public trading company raised \$143 million. One private equity fund Johnson spoke of "is buying up businesses" and recently pulled together \$230 million and set up a mid-sized buyout fund with which to buy various businesses. One recent purchase is a book company that Johnson said he hopes will become a major player in the educational book sphere so he can boost educational development. Johnson took his hotel company public earlier this year. RLJ owns 140 hotels in the U.S. – with more than 20,000 rooms – three of which are in the District. According to Commercial Real Estate Direct, RLJ, through the fund it has raised, completed \$5.7 billion of acquisitions and sales over the past decade.

He has also partnered with Thomas F. "Mack" McLarty III and Stephen J. Landers, Sr., to form RLJ-McLarty-Landers Automobile Holdings, LLC. McLarty is a prominent Arkansas businessman and former Chief of Staff to President Bill Clinton. Johnson listed gross car sales at \$1.1 billion.

Johnson said he remains strongly committed to job creation, increasing employment opportunities and making capital more readily available to people of color, particularly those who live in underserved communities. He is championing what he calls the RLJ Rule, similar to the Rooney Rule that was adopted by the National Football League in 2003.

Johnson's proposal encourages companies to voluntarily implement a plan to interview a minimum of two qualified minority candidates for every job opening at the vice president level and above; and companies would interview at least two qualified minority-owned firms for vendor supplier/services contracts before awarding a new company contract to a vendor. Johnson said the private sector in the U.S. can solve the problems of job creation and increased minority access to capital by adopting the RLJ Rule which he describes as a "business solution to a social problem."

"The RLJ Rule is principally designed to encourage companies to voluntarily establish a 'best practices' policy to identify and interview the tremendous talent pool of minority individuals and businesses that are often overlooked because of traditional hiring or procurement practices," Johnson said recently in a press release announcing the Congressional Black Caucus's support for his proposal.

"The purpose of this voluntary RLJ Rule is not to suggest quotas or that companies hire any minority individual or firm that is not qualified. The RLJ Rule, if implemented properly, will further enhance a company's already established commitment to diversity and inclusion."

To that end, Johnson said he has also developed an Internet-based platform called Opps Place where major corporations looking for qualified applicants and minorities seeking jobs can link up.

"People always ask me, 'How do you find talented African-Americans? I hire them all the time; they don't live under rocks. Forty Fortune 500 companies who believe in inclusion and diversity have already signed up,'" Johnson said.

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