

Langone's Legacy

An Interview with Kenneth G. Langone,
Chairman, President, and Chief Executive Officer, Invemed Associates, Inc. and Co-Founder, The Home Depot, Inc.

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 1961, after graduation and a stint in the Army, Langone joined the Wall Street firm R.W. Pressprich & Co., where he eventually became an Executive Vice President and then 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 for Home Depot, Inc.; AutoFinance, Inc.; Unifi, Inc.; General Electric; and U.S. Satellite Broadcasting of Minnesota, and as a board member for New York Stock Exchange, ChoicePoint, YUM! Brands, Inc., InterWorld Corp., DBT Online, Inc., 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 portfolio companies for five to ten years. It prefers to exit its investments through an initial public offering.

Employing more than 325,000 associates and with 2,500 retail stores in all 50 states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, Guam, 10 Canadian provinces, Mexico, and China, The Home Depot (www.homedepot.com) is the world's largest home improvement specialty retailer.

Is it frustrating that public perception of leaders like yourself is not always positive, especially when you do so much good?

No, because I'm not doing it for recognition. Most people who do it feel a moral obligation to pass on what good fortunes come their way. The best philanthropy is only when it's between the giver and receiver and nobody else knows.

How difficult is it to say no when you can't be helpful to all?

There are limits and I don't believe in spreading myself too thin; I would rather focus my philanthropy on causes that I understand and believe in and where I have an ongoing and abiding responsibility to make sure they stay true to their mission. By staying focused, we are apt to do more than just give money.

Despite tremendous focus on the K-12 education system in the U.S., it remains broken. Why has it been so difficult to make significant improvement?

These problems didn't happen overnight and we won't fix these issues overnight. People should be judged more by their actions than they have been and I'm hoping that not only will the kids that are in our charter school get a benefit from that school, but that we can become a beacon for what needs to be done to give all kids a shot at a good life.

When you talk about the widening gap between the rich and poor, you also have to acknowledge the widening gap between the educated and uneducated. For example, in a city like Detroit, 40 percent of the students in their public schools don't graduate; they can't even get into the military. In New York, you have to be a college graduate just to become a cop.

Is the United States losing its competitive edge?

If you look at education in China and India, you'll see that we're losing our competitive edge. They are maniacal and passionate about education. Our children are not the primary objective of our educational system today – it's more about the adults that work in it and that is the problem.

The private sector can't make the necessary changes because we don't control the purse strings, but we can help by setting an example and by being vocal advocates.

With regulation today, people say it's harder to build a business and be entrepreneurial. Is there merit to that?

We founded The Home Depot in the '70s – the worst decade since the Depression. We founded it as inflation was about to skyrocket and interest rates were about to go to 21 percent. Could there be a worse time to start a business? And look at what we did.

If you address the human need, want or desire in a practical, professional, and motivated way, you will do business and make money.

Was there a secret ingredient?

We saw a business that was geographically fragmented. There was no national company then – those in business across the country had big margins, their service levels were waning, and they had limited assortment. We asked what happens if we get aggressive on pricing, offer a wide assortment, and when you come in to our store, we'll help you figure out how to do something? So it was about service, price, and assortment.

As to the NYU Langone Medical Center, what excited you to make such a significant commitment there?

Marty Lipton, Chairman of the University, came to see me with some real issues at the medical center and asked if I would consider becoming Chairman. A combination of my respect and admiration for him, plus having the opportunity to see what was there that nobody else knew about, led to my decision to get involved. In my first meeting with the doctors, I said, I have what you need – I know how to brag and you people don't. There was great medicine being practiced there – it's one of the greatest medical institutions in the world. There are two polio vaccines in the world and both were developed by NYU graduates Albert Sabin and Jonas Salk. The quality of care and compassion by the doctors for the patients needed to be recognized.

Isn't it tougher today to build that doctor/patient relationship?

It's not. There are forces at work to destroy it. Do doctors malpractice? Sometimes they do. Do all doctors malpractice? Absolutely not.

The three most powerful things in life are a kind word, a thoughtful gesture, and enthusiasm for what the other person is doing. Let someone know that you care about what they're doing and that they're doing well. Watch how they blossom. This is not rocket science. This is asking yourself, what do I need to feel better about me? Ninety-nine times out of 100, the other person needs the same thing.

To what do you attribute your success?

The last thing I can ever claim to be is a self-made man – anything but. I have had so many wonderful people who gave me a shot, encouraged me, and picked me up when I was down. I'm grateful for that. ●