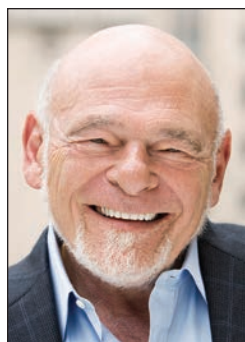


Setting an Example

An Interview with Sam Zell,
Chairman, Equity Group Investments

EDITORS' NOTE Sam Zell is the Chairman of Equity Group Investments, the private investment firm he founded some 45 years ago. He is also Chairman of Equity International, which he co-founded in 1999, and Chairman of five public companies listed on the New York Stock Exchange. Zell is also Chairman of Tribune Company. Previously, he served as Chairman for Equity Office Properties Trust. He serves on the JPMorgan National Advisory Board;



Sam Zell

the President's Advisory Board at the University of Michigan; and with the combined efforts of the University of Michigan Business School, established the Samuel Zell & Robert H. Lurie Institute for Entrepreneurial Studies. He is a long-standing supporter of the University of Pennsylvania Wharton Real Estate Center and has endowed The Samuel Zell and Robert Lurie Real Estate Center at Wharton. Zell is a graduate of the University of Michigan and the University of Michigan Law School. He began his career in real estate while an undergraduate.

COMPANY BRIEF Equity Group Investments (www.egzell.com; EGI) is a private investment company. Its founder, Sam Zell, pioneered the public equitization of the commercial real estate industry through the creation and leadership of Equity Residential, Equity LifeStyle Properties, Equity Office Properties Trust, and Capital Trust. EGI's investment portfolio encompasses a broad range of corporate and real estate interests, a small sampling of which includes Anixter International, Covanta Energy, Rewards Network, Kuwait Energy Company, WRSccompass, and Equity International.

Are you concerned that the U.S. is losing its entrepreneurial edge?

I'm very concerned that we're losing our edge. What has made America so unique is a 200-year period of immigration that self selects entrepreneurs – people with aspirational drive. The environment in the U.S., until recently, always nourished that entrepreneurial spirit.

Many entrepreneurs suggest it is tougher to build businesses today. Is there merit to that?

There is little doubt that the level of interference from the government is much greater today than it has ever been in my career. The philosophy of the current Administration is oriented toward government, rather than private sector, solutions. By definition, government solutions are limiting. If the

U.S. had historically adopted a model of over-reaching government influence, our country would look more like Belgium today. My concern is that the federal policies being put into place are moving us closer to a European model. So, yes, it is more difficult to build companies today. Heavy-handed legislation like Sarbanes-Oxley or regulation through the EPA or NLRB influence every decision that a company makes today.

Nevertheless, we've seen the tenacity of creativity through companies like Apple, Google, and Microsoft. So there is still opportunity and the orientation to create companies, but the burdens of doing so are greater than they've ever been.

Do you need to be born with an entrepreneurial edge?

There is an element of entrepreneurship inside everyone; it just varies in intensity from person to person.

My objectives in this arena have been to create environments that will help individuals recognize and nurture that element within themselves, as well as identify those very few who are entrepreneurial to their core. In particular, those in this latter group, who thrive on taking risks and being out on their own, have no traditional road map. I took that route in my career, so I understand the gap traditional courses leave in preparing entrepreneurs.

Where did your philanthropic bent come from?

As I have become more successful, there is a growing need on my part to add relevance. My success isn't ultimately measured in dollars, but in what I can achieve and the difference I can make. I get great satisfaction in making that difference. I believe entrepreneurship is the economic engine that drives this country, so fostering that orientation and skill set has an exponential impact.

How are you able to track the impact of your philanthropic efforts?

Much of my philanthropy is conducted in a non-endowment fashion – where I make significant commitments over 3 to 10 years with no guarantee of an 11th year. My theory is that the recipient will stay motivated and do such a good job that either I'll want to continue my support, or someone else will want to be associated with the program's success.

I'm less interested in having my name on buildings than I am in having my name on ideas.

What is it in an entrepreneur that helps him see challenges as opportunities?

It starts with an inordinate amount of self confidence, which enables you to stick to your decision despite conventional wisdom or what others may or may not be doing. In addition, real entrepreneurs have an innate tendency to not just recognize problems, but to see solutions. These two traits have repeatedly intersected throughout my career. There have been some very difficult rough patches over the past 40 years, but I always remained committed to a solution, even if that meant going right when everyone else was going left.

You have been bullish on investing in the U.S., but you have a lot of interest in Brazil and other areas. Is the U.S. still going to offer opportunities or do you need to go to the emerging markets?

That is a political question, not an economic question. I don't know what the future holds for U.S. politics. Is Western Europe the template of what America is going to be or will America be able to maintain its unique environment and culture? That question will determine how much the U.S. can grow, and consequently, the abundance of opportunity in our country. In addition, the U.S., along with the rest of the developed world, needs a serious dose of deleveraging. It's hard to create growth and deleverage at the same time.

In the interim, I continue to diversify into areas where I know there is significant growth. I invest in emerging markets with the understanding that I am trading the rule of law for growth; that is just part of the risk analysis.

Does it concern you that the U.S. can't get more reform in the K-12 system when there is such an emphasis on it?

There are a lot of competing interests in the K-12 system. The unionization of our educational system has done serious damage. Historically, the answer has always been to spend more money, but we've realized there is almost no correlation between the money spent and the performance achieved.

This is an enormous challenge for our country going forward. The stemming of immigration has taken a lot of parents out of the system who are concerned about their children, and without parental support, I don't know how you can achieve performance improvement in schools.

Do you ever think about your legacy?

Sure, but your legacy is not defined in dollars and cents; it's who you have influenced and the example you have set for others. ●