

Living the Culture

An Interview with Arthur M. Blank,
Owner and CEO, Atlanta Falcons
and Chairman, The Arthur M. Blank Family Foundation

EDITORS' NOTE *Arthur Blank is Owner and CEO of the Atlanta Falcons National Football League team. He also owns Mountain Sky Guest Ranch in Montana. He co-founded The Home Depot in 1978 and retired from the company as Co-Chairman in 2001. Through his generosity, his family foundation, along with personal giving, has granted more than \$250 million to various charitable organizations.*



Arthur M. Blank

FOUNDATION BRIEF *Formed in 1995, the mission of The Arthur M. Blank Family Foundation (www.blankfoundation.org) is to promote positive change in people's lives and to build and enhance the communities in which they live. The foundation has a particularly strong interest in supporting innovative endeavors leading to better circumstances for low-income youth and their families. The Arthur M. Blank Family Foundation is focused on enhancing education, preserving green space, sustaining the arts, and sparking collaboration among its community partners.*

Are you surprised at the depth of the economic crisis and the speed at which it came about, and when you look towards a road to recovery, where do you see us today?

I don't know if there's anybody who was not surprised. While we're pretty clearly on the road to recovery, this road is not going to be a straight one. There are going to be a lot of potholes along the way, and people are going to be spending and saving differently than they have in the past. It will take awhile for consumers to pay down debt, to make sure they're comfortable in their homes, and to feel more secure that their investments are beginning to return to some base of normality. I think they'll move forward but with not quite the same vigor as they have in the past.

Many feel that while the stimulus was a necessity at the time, that true recovery is going to come back through the private sector's entrepreneurship and innovation. Do you agree, and do you worry that with regulation today, it's more challenging for entrepreneurs to grow their businesses?

The Obama administration did not have a whole lot of choice in taking the severe and theoretically strong steps they've taken. When

things were cycling downward as rapidly as they were, they had to make decisions over a very short period of time and, obviously, investing a trillion dollars in anything over a short period of time, you're going to make some mistakes; there is going to be some inefficiency in how that money was invested, spent, or distributed. Having said that, I do think that the great majority of the economic decisions the administration has made have been correct.

There is always room in this world for people to become entrepreneurs. For those who see an opportunity and have a vision that they can get people to follow, there is always room. Certainly there are more controls in place today than when we started Home Depot in 1978, but there are a lot of great companies being formed today that are growing very quickly and I'm sure that will be the case in the future.

Very early on at Home Depot, there was an emphasis on values within the organization, which helped stimulate its success. Can you highlight your thinking behind the importance of that and what it did for Home Depot?

We had our version of a three-legged stool: assortment, low prices, and great customer service. But the way all that came to life was through the culture; it was based on the clarity that existed among all of our associates about what their role was: take care of the customers, yourselves, and your associates. We didn't confuse them with lots of stuff that would take their minds away from supporting the culture and the values that the organization upheld. We actually lived those values for the better part of 10 or 15 years before they were even written down, but they're what separated us from all of our competitors.

With a company like Home Depot, which rapidly grew to a large size and scale, how were you able to maintain the entrepreneurial spirit of the company?

I remember being advised by one of our investment bankers that when we reached \$1 billion in volume, we were not going to be able to maintain our culture, and that was very troubling to me. We realized the only way we could ensure the culture would be maintained as the company grew was if we paid attention to whether or not the people we were promoting

were not only good at their jobs, but were actually living the culture of our company. If somebody wasn't what I'd call a Home Depot cultural guru, they never got promoted. So in a sense, we cloned the culture over and over again by promoting those who understood it from within and by making sure the people we brought in from the outside got it. We used to say that people had to bleed orange. Yes, it was about staying in stock, having the right merchandise and prices, and providing great service and services, but the root of it was having this unique culture that was very clear in the minds of all of our associates.

Can those you hire be assimilated into the culture once you have hired them, or must you be able to recognize the basic traits in them before they are hired?

You do the best you can to see it in them before you hire them, but sometimes you make mistakes. We were very careful not to put people in senior positions until they had proven themselves.

In addition, the company values weren't something you put on the wall, read, and had to memorize – they were values we lived. All of our associates understood what it was about, and we reinforced it at every opportunity.

In the early days, did you know the Home Depot concept would work, and could you ever have envisioned it would have become what it has?

We knew we were going to figure it out, but we also had a tremendous sense of humility, and we knew, at the end of the day, we had to listen to our customers. We opened up two stores in June of '79, one in the fall of '79, and one in early '80, and we spent a tremendous amount of time asking the customers what we needed to do better. So we kept refining our business, and we knew if we did what the customers told us needed to be done, we would be successful. We always said the customer was the yellow brick road for us, and if we followed the customer, we were going to be successful. We never challenged the customer. Our attitude was always the customer knew more about the business than we knew about the business, and that we just had to figure out exactly what they were saying.

One reason we were able to become as big as we are is due to something (Wal-Mart Founder) Sam Walton said years ago. We were at an investor conference where Sam was a

speaker, and when asked if he ever thought the company would get to the size it had, he said, "All we did was open up one store at a time and focus on each store as if it was the most important store that we had ever opened up." We maintained that philosophy for years in our company. We had a rolling five-year plan, but we opened and tried to run every store as if it was the only store we had. I would articulate to our store managers that you have to run that store as though it has your name on it and not ours. So for every single customer that comes into that store, you have to make believe they're coming into your house as a guest and you want them to walk out with a smile on their face. In our case, we were in the business of making people's problems go away and making their dreams come true, so we gave the responsibility to our store managers to make sure no customer walked out of the store that was not happy.

Some feel that as an entrepreneur, once you've grown a company to a certain size, it takes a different skill to manage it. Do you agree with that, or can you adapt?

You can adapt – we did. When we started the company, it was a couple of people. But when I left the company, we were doing about \$55 billion with 1,200 stores. All of our skills had to be developed over the years, and we had to be responsive to a business that was a lot more sophisticated than when we first started out. Hopefully, whether you're talking about family or business, you always get better – you continue to work at refining your skills. We worked very hard at that at Home Depot.

Early in your career, did you encounter challenges and failures that were tough to get past?

We lost half of our start-up money the first six months we were in business. We were confident that we could eventually come out of that and make it work for our stakeholders, but there were times when we were concerned.

We acquired a nine-store company in '84 called Bowater, and we thought we could convert the stores overnight and people would understand it was Home Depot, but that whole process took much longer than we expected, and we had to replace a lot of the folks because we couldn't get them to understand our culture. We also had to change the merchandise mix in the stores more dramatically than what we thought. So we learned a lot from that experience.

Having lived Home Depot for so many years, was it challenging when the time came to separate from it?

I have six children, but I consider HD to be my seventh child. So I've never considered myself to be separated emotionally from the company. I felt badly for a period of years until Frank Blake, the current CEO, was appointed, because the company wasn't getting the kind of leadership that it deserved. I've always been attached to it, but after 23 years, I was ready to move on.

With regard to the foundation, how have you decided to focus it and what are your key initiatives?

I've tried to not run the foundation with me at the head of the table. Our trustees include my wife and my three adult children, so I want them to be in a leadership position of making

decisions and being involved with our foundation. My vote carries no more weight than anybody else's around the table. I want my family to be prepared to run this foundation in the future when I'm not here.

We're involved in a variety of issues primarily focused on disadvantaged youth, including ensuring a fair start in children's critical early years and helping kids transition from high school to post-secondary education. We're involved in the arts and in the environment heavily, supporting parks and green space preservation and development. We used to make a fair amount of grants on a nationwide basis, but the great majority is done in Atlanta now. We have a guest ranch in Montana called Mountain Sky, and we do a lot of nonprofit work in the area. We also do a lot of work through the Atlanta Falcons Youth Foundation – we have the largest privately funded foundation in the NFL today.

Did you always have an interest in sports, and when you look at the ownership of the Falcons, what made you excited about that opportunity?

I've always been a very competitive per-

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son and I've always loved sports, so when we had an opportunity to buy the Falcons when I retired in 2001, I saw it as a way to make a difference in Atlanta. The team and the franchise weren't where they needed to be, and I thought the skill set that I and others could bring to the team would be important.

In addition, 90 percent of the cultural fundamentals and business principles we employed at Home Depot are transferable to an NFL club. The football part of it is different, but everything else is the same.

There are so many players throughout pro sports who are very involved in the community, but public perception of them is often negative. Is that frustrating, and can more be done to highlight the good these players are doing?

We work hard at doing that. Unfortunately, the media often is not as interested in those kinds of stories as they are in some of the other stuff you read about. But throughout the National Football League, 95 percent of the players are fine young men who are committed to doing the right things. Very often, they have a passion for the community, but they don't know how

to connect the dots to make a meaningful difference, so providing knowledge and support is important. A good number of players in our club have started their own foundations or are involved with others, and we give them as much support as we can in that regard. There are a tremendous number of great stories throughout the NFL of these young men who not only give financial resources, but who give their time – time that is often very limited, particularly during the football season. Yet they give their one day off to be involved in the community.

Has the role of a CEO changed or evolved, and what are the key characteristics that make a successful CEO today?

The key characteristics are still the same. You need a leader with a vision who can inspire people, someone who will hire and surround himself or herself with people who are even smarter than he or she is, and then give these people the financial and human resources they need to be successful, and the sense of responsibility that goes with that.

Having said that, the role of a CEO today is a lot more challenging to manage than when we were running Home Depot, mainly in terms of the increased level and complexities of regulations and laws. So it's important for a CEO to have the right staff around him so he can focus primarily on the business and still have time to deal with some of these other issues that are requirements of running a big company today.

For those young people now graduating who long to achieve the kind of success you've achieved, what advice would you give them early in their careers?

The first step is to find an industry that you love. Then find a company in the industry that matches you from a cultural standpoint, because if you work in an industry that you love but you work for a company that doesn't treat its associates right, you're not going to be happy there. If you do those two things, you're going to be successful financially, you'll help make the company successful, and you're going to be successful in life because you're going to be happy.

You were able to fulfill the CEO role and still make time for your family. How were you able to achieve that balance?

It's something I was very proud of when I left the company. My adult children say they never realized how big the company was because I went out of my way to make sure that I was there for the important events in their lives. You don't ever want to deliver a message to your family that you're going to put them on the back burner, take care of your career, and check back with them in about 10 years, because children and spouses don't understand that, and they shouldn't have to. You start out with a clean calendar and ration time for everything, making sure it's all kept in balance.

Do you ever think about stepping back from the action and slowing down?

It's not my nature. I'm not a good sideline guy. I like to be in the middle of the game. It's why during Falcons games, I go down to the field in the middle of the fourth quarter; that's where I belong, with our players and our coaches – that's where the game is and that's where my heart is. ●