

## SCHOOLING STARTUPS

Number of master's programs offered in entrepreneurship.

2010-11  
106

2006-07  
89

# VENTURE

Johnson: "I'm not the smartest guy on the block, but I've had more opportunities than others."



## HOW I GOT STARTED

# Bob Johnson, Company Creator

The founder of Black Entertainment Television on his lifelong quest to build "wealth and opportunity." *Interview by Dinah Eng*

**YOU MAY KNOW** Robert L. "Bob" Johnson best for launching Black Entertainment Television (BET) back in 1980. But after selling BET to Viacom for \$3 billion, the 66-year-old Johnson has branched out into hotels (Marriott), auto dealerships, part ownership of the Charlotte Bobcats, and even British drama. His story:

**“After I sold BET, I could have done nothing. But my goal is to prove that African Americans can create wealth in every sector.”**



I was born in Hickory, Miss., the ninth of 10 children. My mother was a schoolteacher, and my father was a farm worker. We moved north to Freeport, Ill., where both of them became factory workers to earn better wages and get away from discrimination in the South. They taught us there's no such thing as lowly work as long as it's honest.

By the time I went to college in 1964, there was a movement to push African Americans toward higher education. I attended the University of Illinois through the National Defense Student Loan Program, and was a history major. After I graduated in 1968, I went to Princeton, which was looking to recruit minorities, and attended the Woodrow Wilson School of Public and International Affairs for my master's degree.

I didn't think about going into business at first. After college I had a series of jobs, working for the Corporation of Public Broadcasting, the National Urban League, and as press secretary for Walter Fauntroy [the first D.C. delegate to the House of Representatives].

In 1977 I was introduced to Bob Schmidt, president of the National Cable Television Association, and became vice president for governmental relations. I met the leaders of the industry and struck up a friendship with John Malone [then president and CEO of TCI]. He said to me, "I'm a business guy, and if you have any ideas, I'd be interested in supporting it."

As an African American, I had a desire to demonstrate the potential of African Americans to create value, wealth, and opportunity. I wanted to share the stories of African Americans that mainstream media was not covering. Black radio was playing, and black music was growing, and I wanted to reach the consumers who didn't have access to it.

With the evolution of satellite technology, you could reach niche markets that you couldn't reach with broadcast TV. So I told John Malone about my idea of creating Black Entertainment Television. It was 1979, and he had an interest in seeing minority cable happen because he had a station in Louisville that had a large black population. So he put the first half million in.

He bought 20% of the company for \$180,000 and loaned me \$320,000. It was a great strategy for me, because if he put in the money as debt, BET would be a minority-controlled company. He told me he believed I'd work harder for myself

than I would for him. As we grew the company, John put in more money as debt, and it all got paid back. His initial \$180,000 investment netted him \$700 million in stock when we later sold to Viacom.

He served on the BET board for 18 years. Most talented African Americans are not given the opportunity or access to support from someone like John Malone. The white community knows a lot about black athletes and musicians but doesn't have the same affinity for black businessmen. When I would go to the bank for an investment, they'd ask me, "Who else is in the deal?" I'd say, "John Malone," and you could feel the instant seal of approval.

My first problem starting BET was persuading cable operators to carry the programming. Back then, the cable system had 20 to 30 channels. An operator would tell me, "I only have 5% of blacks in my market. Why should I give a channel to you?" I told them that quality entertainment was colorblind, and the industry had to show politically that it was diverse to be deregulated.

Another difficulty was the programming. Back then, Hollywood wasn't producing black programming. The successful shows they did—*The Bill Cosby Show*, *The Jeffersons*, and *Good Times*—were all on the broadcast networks. So we would license black-oriented movies from studios that weren't being released, and developed original programming with African-American creators.

We launched Jan. 25, 1980, broadcasting two hours a week on Friday nights, and reached 3.5 million households. In 1981, when MTV didn't feature rap and hip-hop

artists, it gave us an opening. We got free music videos from the record companies. We ran black college football and black gospel music. We served a unique audience that other businesses weren't serving.

In 1983, Taft Broadcasting came in as an investor with \$1 million or \$2 million. Time Warner started giving in-kind help with cable carriage and satellite distribution in 1986, and we became cash-flow positive. I decided to take the company public, and in 1991 we became the first African-American company to be traded on the New York Stock Exchange. Eight years later, John and I were looking at the business, and the market wasn't giving us the valuation it did to others. We were at \$32 a share; we ended up buying the company back at \$62 a share.

Shortly after that, Viacom approached John about buying Discovery, and he said, "You might want to talk to Bob about BET." I was trying to buy some radio stations and was ready to close the deal when I heard that Time Warner and AOL had merged. AOL had paid a huge amount for content, and I decided to pull back because content was so valuable. I talked to Viacom and said that as long as we can work out some issues, I'd sell. I thought there would never be a better time to maximize our returns. So in 2001 we sold BET for \$3 billion and I stayed on as CEO through 2006.

After I sold BET, I could have done nothing. But my goal is to prove that African Americans can create wealth in every sector. So I decided to create a company with a diverse portfolio. I continued to serve as CEO of BET while starting RLJ Development, a company I formed

## *My Advice* | **BOB JOHNSON** Founder, BET

**ESTABLISH STRATEGIC PARTNERSHIPS.** Have people who will go to bat for you, vouch for you, or take a risk for you when you need it. Make those friendships before you need them.

**CREATE A BRAND IDENTITY.** Your brand is your personal character—what you say, how you carry yourself, how you respond to people. You have to be able to project a sense that there's value in knowing you.

**LET THE PEOPLE WHO WORK FOR YOU KNOW THAT YOU'RE ALL IN IT TOGETHER.** If I make money, you'll make money. If I'm here working until midnight, you need to be here till midnight. They get to ride up the elevator with you, and if you don't go up, they're in the same position.

with Tom Baltimore [formerly a VP with Hilton Hotels], and purchased six hotels in 2001. We instantly became the largest African-American hotel owner in the country. Today we have 144 hotels with an enterprise value of \$2.8 billion. I started the RLJ Cos. in 2002.

There's often reluctance on the part of white business owners to cast their lot with black entrepreneurs. But when white Americans get to know you, they think, here's a guy I can do business with. I got into private equity with the Carlyle Group because David Rubenstein and I were both on the board of Johns Hopkins University. We created a deal [RLJ Equity Partners], and are buying companies together now.

Likewise, I was a friend of Bill Clinton's and got to know Mack McLarty, who was his White House chief of staff. Mack said he's got some car dealerships and would like to grow them. So now I have 60% in it [RLJ McLarty Landers Automotive Holdings], and we're the largest

minority-owned automotive dealership in the country.

Now I've come full circle with the acquisition of Image Entertainment and Acorn Media Group to form RLJ Entertainment. I want to make Acorn TV the brand for exciting British drama and mysteries, and use Image's urban titles to create a digital channel for African-American programming, along with original programming. We're thinking of creating a Hispanic channel that will be competitive with Telemundo and Univision next. The Asian market would be great too.

I'm not the smartest guy on the block, but I've had more opportunities than others. There are two things I'm proudest of achieving. One is starting BET, which will be around long after I'm gone. Second, my success can be used as a beacon to the broader white business community to say, "If Bob Johnson can do it, then there are a lot of African-American guys and women who can do it." ■