CHAPTER 1

The Power of Partnerships

Getting from Me to We

Coming together is a beginning.
Keeping together is progress.
Working together is success.

—Henry Ford (1863–1947)
American industrialist

THIS BOOK IS ABOUT A PRINCIPLE OF LEADERSHIP THAT I CALL THE *POWER of Partnerships.* It's a simple philosophy based on putting aside our individual concerns in order to work together toward a greater good. For business people like me, the Power of Partnerships can produce dramatic benefits for the bottom line. Whenever managers, employees, communities, shareholders—and even competitors—join forces in pursuit of shared goals, *everybody* wins.

It's an approach to leadership that is not divisive, but unifying; not competitive, but collaborative; not based on a zero-sum philosophy of scarcity, but on abundance—the economic, intellectual, and spiritual abundance that human beings can produce when their talents and energies are unleashed. The Power of Partnerships has worked for our company, Loews Hotels, benefiting our employees, our owners, and the communities we serve. And as I'll explain in this book, it's also working for many individuals, businesses, and other organizations in almost every field of human endeavor.

This isn't the standard approach to business. Most of the heralded CEOs you see on the cover of *Fortune* magazine or being interviewed on CNBC didn't get there by talking about partnerships. Some of them pride themselves on their ability to squeeze, manipulate, and exploit other people. Of course, they probably don't use those words. Management gurus have developed plenty of euphemisms. But in the end, the classic hard-driving business leader most Americans are familiar with achieves results through power and fear—not through collaboration. It's a model of leadership that dates back to the robber barons of the nineteenth century and survives today in the newest dog-eat-dog reality TV show, *The Apprentice.*

Yet, history shows that the power of intimidation is often short lived. As the master manipulators of the 1990s are discovering, one by one, the effectiveness of leading through fear eventually fades. And when your ethical lapses eventually come back to ruin you, few of those who once flattered you are really sorry to see you go.

Deep down, I believe, most business people—most people from any walk of life—are idealistic. They'd like to believe that it's possible to succeed by appealing to the best in their fellow humans . . . that the Power of Partnerships is real and not a naïve fantasy. But many people find it hard to break away from cynical assumptions about human nature. I see the skepticism on their faces when I talk about the amazing things that real partnerships can achieve. I can almost hear them thinking:

> This all sounds very nice. And it probably works, up to a point. When times are good, people are willing to work together and share the rewards. But it's a different story when times are bad. When the crunch comes, it's everyone for himself! The law of the jungle rules. That's just the way people are.

This attitude is very hard-nosed, realistic, and cold-blooded—and *dead wrong.* I can tell you that, when the crunch comes, the vast majority of people will respond to an appeal for cooperation, mutual support, and teamwork. If a few leaders show by their own attitudes, words, and actions that they *really* believe in the Power of Partnerships, most people around them will rise to the occasion and join in the effort for the good of all.

Tisch's Tips

Think about your own attitudes toward the people you work with and the organizations you contribute to. Do you assume that most people are motivated only by self-interest? Maybe life in today's hard-knock world has made you cynical. If so, try opening your mind to a more positive, idealistic point of view. People *can* be motivated by interests other than self. The Power of Partnerships is real—and it works.

The Power of Partnerships isn't a brand-new idea. Smart leaders in business, politics, and nonprofit organizations have long operated through partnerships. But it's an idea that has become more timely than ever.

In today's complex world, no one can be all things to all people; no single organization is capable of mobilizing all the resources required to accomplish everything it needs to do. Therefore, we *must* work with and through other organizations. For businesses, the organizations we need to partner with include other companies as well as industry associations (which advocate for us in the public arena), educational institutions (which provide us with skilled employees), civic groups (which help shape a society in which we can work and do business comfortably), and government agencies (which provide a framework of laws, regulations, and infrastructure that allows business to operate).

The Power of Partnerships begins with the recognition that no organization exists in a vacuum; we can achieve success and prosperity only by working effectively with others. But managing by partnership means more than this. It also means redefining the terms of traditional business relationships and transforming them from adversarial to cooperative. In essence, it means shifting your philosophy of relationships from *Caveat emptor* ("Let the buyer beware") to the Golden Rule: "Do unto others as you would have others do unto you."

As this book demonstrates, managing in accordance with the Power of Partnerships offers you and your organization enormous benefits:

- The Power of Partnerships eliminates or reduces obstacles by converting potential adversaries and enemies into allies and friends.
- The Power of Partnerships expands your reach into markets and suppliers by giving you contacts, connections, and channels of communication beyond those you own.
- The Power of Partnerships gives you access to resources, talents, and strengths controlled by other companies and organizations, thereby multiplying your capabilities and compensating for your limitations.
- The Power of Partnerships aligns the interests of your organization with those of a broader community, so that anything that benefits one of your partners benefits you.
- The Power of Partnerships reduces the amount of time, energy, and money that must be devoted to conflict resolution and stress management, freeing up resources for more productive pursuits.
- The Power of Partnerships makes your organization a more positive, ethical, and friendly place to work, which attracts better employees.
- And because one partnership tends to beget further partnerships, the Power of Partnerships produces a positive spiraling effect. By contrast, when conflict and division dominate, they lead to increasing isolation and a negative, downward spiral.

You can enjoy these benefits only if you make a serious commitment to address the challenges involved in partnership:

- You can't fake partnership. Unless you are genuinely prepared to treat your partner's concerns as equal in importance to your own, don't expect to forge a real or lasting partnership.
- Partnership demands creativity. It is usually easy to see how the interests of partners conflict or clash; it is not so easy to find a new way of doing business that allows you to transcend the conflict and meet both partners' needs.
- Partnership requires compromise. If the idea of leaving a single dollar on the table drives you nuts, you may not be cut out for management by partnership.

- Partnership demands commitment and consistency. When you enter a partnership, you are inviting other people and organizations to rely on you. In effect, you are saying, "I will follow through on my promises; I will be here tomorrow, and the day after that, and the day after that." This doesn't mean that a partnership-oriented company can never change; it does mean that you can't change arbitrarily or capriciously, without considering the impact on your partners.
- Partnership requires flexibility. A control freak is unlikely to be comfortable in a true partnership. One of the main benefits of partnership is that it mobilizes the talents of two or more partners to benefit them all; but this can't happen unless you are willing to let your partners unleash their talents—even if they make choices that are different from the ones you would have made.
- Partnership requires openness. Partners need to understand one another as well as their businesses. This means sharing information—not necessarily in every detail, but in enough depth so that every partner is equipped to manage appropriately for everyone's mutual benefit. You can't expect to keep a partner in the dark.
- Above all, a partnership requires fairness. Everyone must benefit from a partnership; otherwise, it's not a true partnership. If you try to use a partnership as an opportunity to exploit or take advantage of other people or organizations, the partnership will soon collapse.

The chapters of this book provide illustrations of these challenges, along with stories about how smart leaders are tackling those challenges and turning them into opportunities.

Some in the business world who resist the idea of partnership do so because of a "libertarian" philosophy that emphasizes the supposedly absolute moral right of each person to the fruits of his or her labor. Libertarianism has many variations, each with its favored theorists and vocabulary. Some libertarians consider themselves devotees of the novelist Ayn Rand, others of economists like F. A. Hayek and Milton Friedman, still others of philosophers such as Hume, Locke, and Mill; they describe themselves using terms ranging from "libertarian" to "objectivist" to "anarcho-capitalist." I'm not trying to write a philosophical treatise. My quarrel is with the loosely defined, often ill-considered form of libertarianism that some business people use to criticize most forms of collective enterprise.

According to this form of libertarianism, the idea that business accomplishments grow out of cooperation among individuals and groups is for wimps. "Real" business people believe in going it alone, with no reliance on government or social institutions, which are viewed as parasites or leeches draining resources and energy from the only true creators of wealth—the entrepreneurs.

At its worst, this philosophy can be egotistical and mean-spirited. It's also factually inaccurate. The reality is that virtually every business relies on social and governmental resources for part of its success. The myth of the go-it-alone business hero is just that—a myth.

Where would the entrepreneur be without the infrastructure provided by American government and society?—the roads, harbors, water supply, sewage systems, airports, and railroads, all of which were built partly or entirely with government funding, planning, and resources. Where would businesses get trained employees without the public systems of education at the elementary, secondary, and college levels? How could business survive without the basic guarantees of law and order, enforceable contracts, and elemental rules of fair business established and maintained by governments?

And within the memory of some living Americans, we've seen instances of how dependent capitalism is on a vibrant and effective public sector. During the Great Depression of the 1930s, when tens of millions of Americans lost their jobs and their homes, faith in free enterprise sank to historic lows. Many joined extreme political parties—the socialists, communists, and various right-wing groups—that promised to fix the failures of capitalism through dictatorial methods.

How was capitalism saved? In significant measure through the creative efforts of Franklin D. Roosevelt (FDR) and the "brain trust" in his government, which created a safety net for citizens through Social Security and related programs; stimulated the economy through spending programs like the TVA, CCC, and WPA; and created mechanisms to correct the excesses and abuses of capitalism, such as the SEC, FDA, and FTC. The era of partnership between government and private enterprise that FDR launched—and into which some business people had to be dragged kicking and screaming—may have kept America from going the way of Germany, Japan, Italy, and Russia.

Some young entrepreneurs in the high-tech arena echo the "libertarian" idea that business and the broader community are two completely separate and unrelated spheres. For example, they lobby against regulation of commerce on the Internet by saying that government contributes nothing to their success and can only harm them. They overlook the fact that the Internet wouldn't exist without the government. It originated in the 1960s in a Defense Department research program known as Arpanet, and its successful protocols and systems owe much to ongoing government programs.

The point is not that regulation of the Internet is necessarily a good idea; it's a complex question with good arguments on both sides. But for the young denizens of Silicon Valley to imagine that they created today's high-tech industries from scratch, with no help from the rest of society, is very naïve.

If you think your business today has been operating successfully without partnerships, you are probably fooling yourself. Look again at your operation and think seriously about how you rely on help or cooperation from other businesses, community groups, civic and educational institutions, government, social agencies, and individual citizens.

Tisch's Tips

What role do partnerships play in the success of your business or other organization? To answer this question, begin by jotting down a list of the outside businesses, associations, nonprofit or civic groups, public agencies, and other organizations your business interacts with. For each, note what they contribute to your organization, as well as how your organization contributes to them. You may be surprised at the number, complexity, and importance of the partnerships your organization relies on.

In today's complex world, operating without partners is not really an option for any but the simplest of businesses. The real choice is whether you will partner deliberately or inadvertently, effectively or ineffectively, thoughtfully or carelessly.

Here's a story that illustrates the role of partnerships in creating prosperity for people, companies, and communities. It also reveals more than a little about my personal leadership style—and how my company, Loews Hotels, manages to succeed in a highly competitive business arena through skillful use of partnerships, creativity, and sometimes a bit of *chutzpah.*

The story begins in 1993, a time when the hospitality industry was in the midst of some very tough times. The late 1980s had seen tremendous overdevelopment, leading to a glut of hotel rooms, just in time for the prolonged recession of the early 1990s to send demand into a tailspin.

We at Loews Hotels were fortunate. We'd watched the feeding frenzy of the 1980s from the sidelines rather than contributing to the overbuilding. (The conservative investment philosophy for which our parent company, Loews Corporation, is noted served us well then, as it has so many other times.) Thus, as other hotel chains were licking their wounds, we were preparing for a period of controlled growth, hoping to take advantage of the improving business climate.

We were looking for opportunities. A big one came along in 1993 when the city of Miami Beach announced it was seeking a business partner to build a new hotel geared both to upscale family travelers and to groups, associations, and businesses holding meetings.

Famous for its sunny climate and beautiful seashore, Miami Beach also boasts a magnificent convention center, which in 1990 had been renovated and nearly doubled in size to over 500,000 square feet. But because of the lack of large, upscale beachfront hotels to house convention-goers, the city-owned center was underutilized, costing Miami Beach millions of dollars in lucrative convention contracts and saddling the city government with an expensive asset that was losing money year after year. And with the economy still stagnant, no hotel company was ready to launch any major development in Miami Beach on its own.

To remedy the problem, the city had decided to initiate a competitive search to find a partner that could work with the local government to develop, build, and operate a new 800-room luxury hotel near the convention center.

The deal wouldn't be a slam-dunk by any means. The lingering slump in the hospitality business meant that investment funds for hotel building were hard to find. The city soon discovered that no developer was willing to take on the risk alone. In response, the City Commission developed a well-thought-out plan for a private/public partnership. It included some carefully targeted tax breaks and loan guarantees that would make a profitable development project possible at minimal cost to taxpayers.

The result: Every major hotel company in American responded to the request for proposals, touching off an intense bidding process. Names like Sheraton, Hyatt, Marriott, Peabody, and Ritz-Carlton topped the list. The relatively small Loews Hotel chain was a distinct underdog in this competition against the nation's biggest hospitality firms.

Nonetheless, we at Loews believed we had a special feeling for the project. One reason was our history. The Tisch family would not be newcomers to the Miami area. The very first hotel we'd ever built from scratch had been the Americana in neighboring Bal Harbour, a magnificent 400-room beachfront resort that became an icon of modernist architecture in the 1950s, the heyday of Miami Beach.

The Americana was designed for us by Morris Lapidus, the creator of such renowned Miami Beach landmarks as the Fountainebleau and Eden Roc hotels. Lapidus was aptly described by *The New Yorker* as "a fearless manipulator of colors and materials [who] dares to juxtapose them in a way that would make poor, timid Mother Nature blanch." He'd gone all out on the Americana, designing a lobby of Italian travertine marble, a rock pool with live alligators, and a glassed-in garden of tropical flowers with an open roof to capture rain.

The hotel was opened in December 1956, with five days of nationally televised publicity. Stars like Groucho Marx and Gina Lollabrigida attended the opening ceremonies, and NBC's *Today, Tonight,* and *Perry Como* shows were all broadcast live from the Americana.

Loews Hotels eventually sold the Americana in 1972, seemingly closing the Miami chapter in our family's history. During the subsequent decades, Miami fell on hard times. The Mariel boatlift of the 1970s, the Liberty City riots of 1980, and the drug and crime problems of the 1980s all helped to scare away travelers. Now, 20 years after the departure of Loews, the city was ready for a comeback. Miami's South Beach district was beginning to become a hot spot favored by artists, photographers, fashion models, musicians, and others from the hip young crowd. Loews Hotels was determined to be a part of the city's renaissance.

In response to the call for hotel proposals, we pulled together a team that worked 14-hour days through January and February of 1994. We crafted an impressive package that included architectural concepts, financial projections, environmental protection plans, and much more. We worked hard to make the best possible use of the proposed location for the hotel—a five-acre site at Collins Avenue and 16th Street in the heart of Miami Beach's historic Art Deco district. It included the historic St. Moritz Hotel, a long disused property dating to 1927 that the winning firm would be expected to renovate and include in the new facility.

Back in the late 1930s, up to one hundred small hotels were built in this neighborhood every year, most of them designed in the glamorously rhythmic, colorful, playful art deco style. Our plans, developed by architects John Nichols and Bernard Zyscovich, called for a hotel on a grand scale that would harmonize with rather than fight this magnificent artistic heritage.

This approach was a natural for Loews Hotels. We're unusual in that we pride ourselves on the uniqueness of each property we own or operate. Every Loews Hotel echoes the special style of the city it adorns. The only thing they all have in common is a high level of amenities and service as well as a warm, unpretentious quality of casual elegance that is distinctly Loews. Our insistence on developing properties that complement their surroundings is another aspect of our belief in treating the communities we serve not merely as customers, but also as partners.

During the spring of 1994, the very public competition for the Miami project began to heat up. In March, six developers submitted their conceptual plans to the city government. Reaction to these plans, we knew, would be an important first hurdle. The Loews design quickly won kudos. In the *Miami Herald,* architecture critic Peter Whoriskey observed that two of the six plans "actually fit" the challenging beachfront site—ours and that submitted by the Marriott team. The Loews plan, Whoriskey wrote, succeeded "by respecting the peculiar urban/beach blend of the neighborhood." He even preferred our design to that developed for Hyatt by none other than Morris Lapidus himself (in partnership with his son Alan)—a handsome concept, Whoriskey acknowledged, but one that "adapts less successfully to the pedestrian character of South Beach streets" than the Loews design.

This was a good omen. But we knew that esthetics alone wouldn't win the competition. Loews Hotels needed another edge. Four months before we were scheduled to present our final plans to the Miami City Commission, we gathered for a crucial brainstorming session.

As the meeting began, I laid down the challenge as I saw it. "We're an underdog in this competition," I said. "Loews Hotels doesn't have as extensive a distribution network like some of the chains we're up against. But we know that we're the right company for this project. We understand the kind of public/private partnership Miami Beach is seeking. We'll manage our end in a way that will enrich the whole community, from the hundreds of local employees we'll hire to the nearby businesses who will benefit from our presence. But how can we convey that sense of commitment? How can we design our presentation so that it shows, not just our professionalism and our intelligence, but our *heart*?"

The meeting began to percolate. We filled a pad with notes. There were many clever ideas, but none of them struck the right chord. Then an offbeat notion occurred to me. "Have you been watching the Winter Olympics on TV? David Letterman's mom is over in Lillehammer, and her video reports are really wacky and fun. Maybe we could do something like that."

"What do you mean?" someone else responded. "Get David Letterman's mom to make a video for our presentation?"

"No, no," I replied. "Not David Letterman's mom—we'll use *my* mom!"

Suddenly everyone around the table was excited. This might be the difference-maker we'd been seeking. But there was just one problem. My mother, Joan, is a very private person. I wasn't so sure she'd be willing to join our road show company.

When our team next met, I had to report that my mom wouldn't be serving as our spokesperson in Miami. The truth is, I'd been afraid to ask her.

The table fell silent. You could feel the disappointment in the room. My mind was racing, scrambling for an alternative. Suddenly it hit me. "I have an idea," I announced. "It may be crazy. But here it is. I'll appear in the video myself—*playing my mom.*"

One thing I've always said is that no leader should ever consider himself too important for any job, no matter how big or how small. Or how embarrassing. Now, I'd decided, it was time for me to walk the walk.

The reactions around the table ranged from shock to disbelief to disapproval. "You're right about one thing—it *is* crazy," someone commented. "It's embarrassing," "It'll make you look silly," "Don't do it!" others declared.

But a few people warmed to the idea. "This is South Beach we're talking about," someone noted. "Not Boston or Chicago. It's a free-spirited place. People will get it—and they'll like it."

The more we talked, the better the idea began to sound. It was gimmicky, yes. But maybe this gimmick could help us stand out from our rivals in a positive way. As the competition had unfolded over the previous two years, I'd spent a lot of time in Miami. I'd come to know the community well. I had a pretty good feeling as to how they'd respond. A few moments of self-deprecating humor, I suspected, might make our audience feel comfortable with Loews Hotels, maybe even help them bond with our company emotionally. "It'll work," I decided. "Let's do it."

So it came to pass that, on a sunny May morning, I found myself strolling the streets of Miami Beach with a camera crew, interviewing passers-by about the prospects for a new hotel—decked out in a dress, high heels, lipstick, rouge, a curly wig, and even a set of Lee Press-On Nails.

The resulting videotape was unique, to say the least. Nearly all of the interviewees I spoke to expressed enthusiasm about the idea of the new hotel. They could also be seen eyeing the interviewer with expressions ranging from incredulity to confusion to barely suppressed laughter. You couldn't blame them. My wig and makeup didn't do a very good job of hiding my five o'clock shadow, and it was probably obvious from the way I tottered that I'd never been in high heels before. My greatest triumph was simply managing to keep a straight face.

Later, with a little deft editing, we produced a short video that we felt sure would help Loews Hotels stand out from our competitors. At the very least, it would demonstrate to the people of Miami Beach our eagerness to become their partners, and our willingness to do anything reasonable—or even unreasonable—to earn the assignment.

The day before the big meeting with the Miami City Commission, our team flew down to Miami and set up shop in the Alexander Hotel. We spent the day honing and rehearsing our presentation. Our first run-through took three hours. This was a problem—a big one. The city had set a strict one-hour time limit and had warned us, "If you run long, we'll turn off your microphone and shut off the lights." So we knew they meant business.

We went to work on cutting the presentation down to size. We eliminated exhibits, trimmed financial details, simplified our explanation of the design. The second run-through was better, but it still ran two hours. By now it was late in the afternoon; we were scheduled to open the morning session at nine o'clock sharp. We had no choice but to fuel up on coffee, pizza, and sandwiches, and keep working.

Now we started eliminating entire sections of the presentation. Some scheduled speakers, such as representatives of our bank and project consultants who'd traveled to Miami specifically for the occasion, were scratched from the agenda. The remaining items were reduced even further. Finally, we thought we were ready for our last run-through.

It was after midnight. All of us were exhausted, our nerves frayed. Just then, my father, Bob Tisch, walked in. We'd invited him to join us in Miami, not only as one of the founders of Loews Corporation and our company's spiritual leader but also as a business person with a long history of success in Florida. Dad was with Armando Codina, a friend and local business partner. "You're just in time to watch our dress rehearsal," I told them. "Grab a seat."

The final run-through went smoothly. Everyone presented their segments crisply, hitting the key ideas and then quickly handing the microphone to the next team member. We were delighted—being forced to drastically trim our presentation had made it far more forceful and compelling. When the last PowerPoint slide was shown, exactly 55 minutes had elapsed. Perfect timing.

Charlotte St. Martin, our executive vice president of marketing, rose to her feet. "We have a final surprise," she announced in her usual southern drawl. "Our CEO's mom was very excited when she heard about this project. In fact, she was so excited, she flew all the way down to South Beach to talk to some local people about it. Now here's a video in which Joan Tisch shares what she heard."

Bob was perplexed. He turned to me. "I didn't know your mom flew down to Miami. When did this happen?"

"Just watch, Dad," I said. In silence, we watched the video of me in drag. My stomach was churning. Bob's sense of business decorum is a little more traditional than mine. I had no idea how he'd react to my stunt.

When the video ended and the lights went up, my dad looked at me. "What was *that*?" he asked. Before I could respond, he continued, "You are *not* going to show that video."

I took a deep breath. "Last time I checked, my business card said, 'Jon Tisch, President of Loews Hotels.' It's my decision, and I say we're showing it."

"Have it your way," he replied. "But don't say I didn't warn you."

If the next day's showdown hadn't already been producing butterflies in my stomach, now I had one more reason to be nervous. No one wants to give his father an opportunity to say, "I told you so"—even though I knew that after-the-fact recriminations have never been my dad's style.

Our team members exchanged some final handshakes and scattered to their rooms to catch a few fitful hours of sleep before the next morning's showdown.

At 9 A.M., the Loews Hotels team made its presentation before the City Commission. Because of Florida's so-called "sunshine law," virtually all government meetings are open to the public, and this competition had captured the interest of the city. Over 400 people, including members of the rival hotel teams, local lobbyists, lawyers, business people, and interested citizens had crammed the auditorium.

We reviewed our architectural, financial, and other plans, and talked about our readiness to partner with the city and the entire Miami community. The presentation went smoothly, just like the dress rehearsal. The final five minutes arrived. We ran the videotape.

The first few moments were greeted with dead silence. The audience was clearly puzzled: Who *was* this homely dame in the tape? And why did she look so suspiciously like the CEO of Loews Hotels?

As the silence dragged on for what seemed an eternity, we on the Loews' team were becoming increasingly nervous. Would no one get the joke? Would the concept bomb? Would the Commission members decide that the CEO of Loews Hotels had a few screws loose? Maybe we'd all made fools of ourselves and blown the project in the process. I began thinking, *Well, if I have to, I can probably get a job at some other hotel company . . .*

Finally, after an agonizing 90 seconds, one member of the audience chuckled. Then a second person suddenly burst out laughing. The dam broke. Within seconds, the room was awash with laughter. *We did it!* I thought. *We've got them on our side!*

Sure enough, little Loews won the contract.

We later learned that one of our major competitors had been so sure of winning the deal that it had printed thousands of brochures proudly listing its forthcoming Miami Beach property—a hotel that was never to be.

Did we beat out our bigger competition just because we made the commissioners laugh? Not really. If our proposal hadn't been absolutely first rate, they'd have laughed at the video—then picked another company. Fortunately, the Loews Hotel plan had captivated the experts. Vincent Scully, the noted architectural historian who served on the selection committee, described our design as "a wonderful example of using history in the present. There is a sense that the architects care about Miami Beach." Our company structure and management style also played a part in the decision. According to the *Miami Herald,* the selection committee liked the relatively small size of the Loews Hotel chain, believing that "a smaller outfit would mean that the landmark Miami property would garner more attention from corporate headquarters." On both points—the quality of our design and the importance Loews Hotels attached to the project—our readiness to create a true partnership with the city helped push us over the top.

Nonetheless, I'm convinced that our video stunt also made a difference. The fact that we were willing to go the extra mile—even to do something unorthodox in pursuit of the project—underscored the depth of our commitment. The message of our video was: *We want to be your partners—and we'll stop at nothing to make our partnership work.*

Soon after the announcement that Loews had won the bid, future bookings at the Miami Beach Convention Center increased dramatically. We set to work restoring one hundred rooms at the St. Moritz to their original art deco splendor and constructing our new hotel tower on the adjacent property, complete with restaurants and 65,000 square feet of meeting space.

The Loews Miami Beach Hotel opened with much fanfare on December 24, 1998. It's expected to generate a billion dollars in economic activity within 10 years, attracting conventions and trade shows to the city and revitalizing a formerly depressed neighborhood in the process. In fact, in April 2001, less than two and a half years after the hotel's opening, the City of Miami Beach issued a press release proudly noting that the hotel had already become profitable—far faster than projected—and that, as a result, the city's Redevelopment Agency had already earned extra rental revenues of $3.3 million.

Furthermore, the Loews project had helped to trigger a domino effect for the entire neighborhood. As the release noted, "Over $700 million in private and institutional investment in 2,950 hotel rooms has transformed Collins Avenue into one of the most prestigious hotel corridors in the world." It's a great example of how partnerships can benefit the bottom line, not just for one business but for an entire community.

And the hotel is much more than simply a financial success. In return for the city's willingness to make us their partner in revitalizing the neighborhood, Loews Hotels has also gone the extra mile in operating as a real partner to the community and all its people.

Our idea of partnership includes programs and activities both big and small. For example, we pitched in to refurbish the boardwalk and launched a continuing program of giving to Miami Beach charities, all part of a company-wide program we call the Good Neighbor Policy. (I'll explain this policy in more detail in Chapter 6.) Perhaps most important, we helped launch a major local initiative to provide hospitality jobs for Miami-area welfare recipients, a program that ultimately helped transform hundreds into tax-paying citizens.

First, a bit of background: The opening of the Loews Miami Beach Hotel took place about two years after President Bill Clinton signed the historic Personal Responsibility and Work Opportunity Reconciliation Act—often called, in shorthand, the *welfare reform law.* It was a much-needed initiative to overhaul a welfare system that had become costly, unwieldy, and ineffective. But many Americans were understandably worried about how families who depended on welfare would be affected. In Florida's Dade County alone, up to 28,000 people were scheduled to lose their welfare eligibility. That could translate into thousands of kids without a place to live or food to eat—as well as a host of worsened social problems, from crime to drugs.

Nearly everyone in America was rooting for the success of the welfare reform law. But there was no way the government could create jobs for so many people in need. Only business could do that. What was needed was a private/public partnership—one of the most ambitious and important partnerships in our nation's history.

In response to the challenge, five companies—Burger King, Monsanto, Sprint, United Airlines, and UPS—formed an organization called the Welfare to Work Partnership. Headed by Eli Segal, a close associate of President Clinton, the Partnership was a nonprofit organization charged with working with business and government agencies at all levels to help welfare-dependent individuals become independent.

When the Partnership was founded, I'd read about it in the *New York Times,* and I'd noticed that no companies from travel and tourism were included. That bothered me for several reasons. First, travel and tourism (including restaurants) probably employs more entry-level workers than any other industry in America. Second, by the mid-1990s, our business was booming, and we were desperate for reliable employees. So the time was perfect for us to become involved in the new welfare reform movement. I called Eli Segal right away, and Loews Hotels became one of the earliest companies to sign on to the program.

By the time Loews Miami Beach Hotel was nearing completion, Welfare to Work had already created jobs for thousands of welfare recipients around the country. We wanted to bring Dade County into the process. So we sent our vice president of human resources, Alan Momeyer, to Florida to see what we could do to organize the hospitality community around this effort.

Alan began making phone calls to our fellow hoteliers in the area. He met with the leaders of the Miami Beach and Dade County Hotel Associations, Mayor Alex Penelas, the leaders of a community organization called WAGES (Work and Gain Economic Self-Sufficiency), as well as executives from Lockheed and America Works, two so-called *third-party providers*—for-profit firms that specialize in helping welfare recipients become job-ready applicants. These companies help people clear out the clutter from their lives, solving problems concerning transportation, clothing, and child care, and arranging many other details that you and I take for granted but that can overwhelm a person who is trying to break the cycle of welfare dependence.

By the time Loews Miami Beach was ready to open its doors, we'd pulled together a consortium of 45 hotels in the Miami area that had made a commitment to hire welfare recipients. All in all, we estimated that hotels in Miami Beach could provide 800 jobs for welfare recipients—in many cases, the first jobs these folks had ever had. The largest single group would work for Loews—about 45 of the 800 employees we hired for our opening day would come from the local welfare rolls.

According to the latest figures (fall, 2003), 25 of those 45 are still working for us, some of them having received two or three promotions. Statistically, we've found that our welfare-to-work employees actually have a better track record than our average entry-level employees—better rates of attendance, retention, loyalty, and so on. It is an experiment that has proven to be a success, both for our business and for the workers involved. And Loews Hotels has continued to partner with welfare-to-work organizations in locations around the country.

THE MIAMI STORY IS A CLASSIC ILLUSTRATION OF THE POWER OF Partnerships, on several levels.

First of all, Loews Miami Beach Hotel would not exist at all if not for the partnership between private and public sectors that made its development and construction possible. When an area has become economically depressed over a period of decades, the obstacles to new growth are often enormous. Frequently, businesses will scrutinize the opportunities for expansion in the area but shy away, preferring lower risk investments elsewhere. The only solution may be for government to kick-start development by creating one-time incentives to attract private money—a form of pump-priming that often stimulates a steady flow of cash without further intervention.

It's important to distinguish this kind of public/private partnership from what's sometimes called "corporate welfare"—handouts to big business that produce no new growth or benefits to the community. If you can't turn a profit without taxpayer handouts, you ought to get into another line of business. An effective public/private partnership pays for itself within a reasonable time and then begins generating economic benefits for all partners, including the taxpayers.

That the Miami Beach partnership was properly conceived and managed is indicated by the fact that our hotel quickly made it into the black; that government coffers have grown as a result, thanks to increased revenues from the city's resort tax, convention development tax, utility tax, and other sources; and that other businesses soon followed us into the Collins Avenue area, from restaurants and souvenir shops to clothing stores and movie theatres—and even other hotels—all generating still more jobs and tax revenues.

Welfare to work is another aspect of the partnership story in Miami Beach, and another example of how *everyone* benefits from a true partnership. The business community favors welfare reform for many obvious reasons: It increases the tax rolls, transforms people from dependents into potential consumers, strengthens communities, and reduces the tax burden on businesses. As a result, business leaders have long been lobbying for welfare reform.

But real welfare reform isn't a job for government alone. Instead, a coalition of leaders from government, social agencies, and business must work together to help solve the problems that welfare recipients face in making the transition to independence. That's the genius of the Welfare to Work Partnership: Rather than simply gripe about the problem, the business leaders who support the Partnership are choosing to make a difference through action, helping thousands of people make the difficult transition from the dependence of a welfare check to the independence of a paycheck.

At Loews Hotels, we're as profit-driven as anybody is. But as the Miami story illustrates, we do things a little differently. We've found that when we manage in accordance with the Power of Partnerships, everybody wins. Loews Hotels' reputation as a caring corporate citizen means that political leaders and community activists welcome Loews Hotels into their neighborhoods, that local organizations and businesses like to choose Loews Hotels for their own gatherings because they think of us as "their" hotel, and that the best employees—the most caring, committed, and creative people in our industry—rank Loews high on the list of companies they want to work for. The ultimate impact on our bottom line is hugely favorable.

If you're a leader in a business or any other organization, I hope what you've read so far has captured your interest in the Power of Partnerships. But it's only fair to warn you that leading and managing according to this philosophy isn't always easy. In fact, a real commitment to the partnership principle may land you in some unexpected adventures—as you'll discover in the next chapter.

Portrait in Partnership

Rodney Carroll

Rodney Carroll, current president and CEO of the Welfare to Work Partnership, has a personal story that's as remarkable in its own way as the story of the organization he heads. Growing up in low-income housing in North Philadelphia, Rodney and his siblings were forced onto welfare after Rodney's alcoholic and abusive mother was declared unfit to raise her children. Though lured by the local gangs to join their life of drug dealing and crime, Rodney clung instead to his wise and loving grandmother and his desire to somehow find a better way of life.

A part-time job as a truck loader for United Parcel Service (UPS) changed Rodney's life forever. For the first time, Rodney had the opportunity to be recognized and rewarded for his hard work and accomplishments. He rose to a management position at UPS. Then, putting his own job on the line, Rodney created a program to employ welfare recipients at UPS, a plan that would become a model for other firms around the country. His intimate personal knowledge of what it takes to make the transition from welfare to work, along with his enormous skills as an organizer, communicator, and leader, made Rodney a natural choice when the national Welfare to Work Partnership sought its president.

When we spoke to Rodney in spring 2004, we asked him to update us about the current direction and status of the Partnership.

"Today the Partnership and its fifty-odd employees are supported primarily through federal funds," Rodney explained. "That's something new. Originally our main source of income was donations from companies. But after 9/11, many companies were facing huge financial challenges and had to cut back on philanthropy. So one of my challenges has been to reshape our strategy so as to move the Partnership toward economic self-sufficiency. To do this, we're working to develop a competitive federal contract

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strategy, partnering with both government agencies and with private companies in search of reliable workers.

"For example, we're currently running a demonstration project for the Department of Labor which involves working with businesses to hire, retain, and advance—18- to 25-year-old youths—who are either at risk or previously incarcerated. In the first eight months, our business clients hired about 300 young people.

"The process has several steps. We start by going to employers and learning about their business needs, including their workforce needs. Then we partner with service providers—churches, social service agencies, and so on—to identify project participants and get them job-ready. In some cases, the main factor is attitude—we have to provide tough love to help these young people understand the kind of commitment to work that they need to make. In other cases, we leverage community resources to help with housing, child care, and other practical problems. The average hourly wage for the entry-level jobs that we link the participants to is about $10.50, which is almost twice the minimum wage. And 81 percent of the jobs have growth potential.

"Over the next two years, our goal is to continue to work as a business-driven intermediary and help move 800 youths in Washington, DC, Miami, and Chicago into jobs. We're currently applying for further contracts with the federal government and also with the Ford Motor Company, which would expand our efforts into 12 cities as well as beyond the youth population."

We asked about the difficulty of finding jobs for ex-offenders—particularly in today's security-conscious era. "It's tough," Rodney acknowledged, "since most people don't realize that about three-quarters of ex-offenders were arrested for nonviolent offenses—crimes like passing a bad check. So hiring persons with criminal records is really not very risky. In Washington, DC, having an ex-offender background makes it hard to find a job because of security rules imposed on government jobs and even on jobs with private companies that have government contracts.

"On the other hand, in the post-9/11 era, the security industry is booming, which helps produce some jobs for our participants. We've helped a handsome young guy whose ultimate goal is to be a fashion model. We just got him a security job at Ralph Lauren. He hopes to bump into Ralph Lauren one day and audition for him!"

We asked Rodney to talk about the challenges of partnering with the government. Is it hard to secure funding for employment-related programs in an era of tight budgets and government deficits? "Actually, there's so much money being misspent by government that there would be more than enough to train and employ the underemployed—if only the money was channeled to projects like ours. Ours is the only demand-side project of its type in the country that is actually focused on getting people jobs. Most offer counseling and job preparation programs, but no actual employment—they get people all dressed up, but they still have no date!"

Rodney Carroll has little patience for programs that fail to deliver meaningful change. "My business background makes me results-oriented. And I think all nonprofit organizations are finding they have to evolve in the same way, toward being self-supporting and being paid only for delivering measurable outcomes. Historically, the nonprofit world has been living on welfare—relying on handouts for survival. Now that's changing, which is a good thing."

The gradual shift of the Welfare to Work Partnership to contract work reflects an important truth about partnerships in general: As economic and social conditions change and the needs of partners evolve, partnership organizations must be prepared to evolve as well. Today, Rodney's organization receives relatively few corporate contributions. "We're not really soliciting corporate funds any longer. We eventually hope to support our efforts

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by providing businesses with qualified employees on a fee-for-service basis. We've already had some arrangements of that kind—an $80,000 contract with Home Depot, for example."

It's clear that Rodney's job at the Welfare to Work Partnership is both challenging and rewarding. But we wondered whether he misses the competitive energy of the for-profit arena. "I really don't," he told us. "Back in 2000, after I got a little nice publicity for appearing at a town hall meeting about welfare reform with President Clinton, I got lots of attractive offers, including an offer for what used to be my dream job at UPS. There are 400,000 talented people at UPS, and each of them would have loved this rare shot at a top executive slot. But I turned it down. The more I thought about it, the more I realized that I'd found my true niche here at the Partnership.

"I'm doing what I was destined to do. And that's a fantastic feeling."