Henry R. Kravis

Following the example of his parents, he achieved decades of success as an investor & NYC philanthropist.

Chapter 01 – 1:12
Introduction

Announcer: Tulsa native Henry R. Kravis co-founded the global investment firm Kohlberg Kravis Roberts and is the Co-Chairman and Co-Chief Executive Officer. The firm pioneered the development of the management buyout. The Kravis name is embedded in Tulsa, Oklahoma. Philbrook Museum of Art's 75,000 square foot Kravis Wing was named in honor of Henry's father, Raymond F. Kravis, and Gilcrease Museum houses the Kravis Discovery Center. Henry's mother, Bessie Roberts Kravis, was founder of the Tulsa Urban League, a member of the Tulsa Jewish Federation and a promoter of the arts. Raymond F. Kravis, the father of Henry, was an oil and gas consultant and a philanthropist. He was a board member of the St. John Medical Center foundation and was on the executive committee of the Boy Scouts of America. Radio station KRAV FM was founded by Henry's brother George Kravis, who died in February 2018. Drawing on the example of his parents, Henry Kravis is known as a major New York City philanthropist for several cultural and educational institutions.

Listen to Henry Kravis talk about the influence of his parents, how the family came to America, and the start of KKR. Available only on the oral history website *VoicesofOklahoma.com*.

Chapter 02 – 10:09
Kohlberg Kravis Roberts & Co.

John Erling: Today's date is September 6th, 2019. My name is John Erling. Henry, would you state your full name please?

Henry Kravis: Henry R. Kravis.

JE: Your date of birth?

HK: January 6th, 1944.

JE: And that makes your present age?

HK: Seventy-five.

JE: We should say I am visiting you by phone. I am in the studio, this is for Voices of Oklahoma, in Tulsa, Oklahoma, and where are you?

HK: I'm in my office in New York.

JE: Well, we don't have time obviously to cover your entire career in business. We want to talk about you personally and your family. But, your company name?

HK: It's Kohlberg Kravis Roberts, or better known as "KKR."

JE: For our listeners, there's plenty of material, magazines, T.V., movies, books, maybe you have, but you should write a book.

HK: (laughs) Oh, I've been offered that many times and so far I said, "Eh, it's too early in my career to do that."

JE: (laughs) Right.

Let's just describe it briefly. It's a global investment firm, and what is it you manage?

HK: Back in the nineteen-sixties, the late-sixties, Jerry Kohlberg, George Roberts, and I were all partners at Bear Stearns, in New York, part of the partnership there and we loved focusing on what is now called "private equity," and in those days called "boot-strap acquisitions." But Bear Stearns was very much a sales and trading firm with a mentality of short term and we were much more long term oriented in our investments.

What we created back in the late-sixties was a plan to buy companies that have long term patient capital and improve those companies, making them operate more efficiently, hopefully better earnings, and certainly at the same time, growing not only the top-line, but growing employment as well. So, we first started out by buying some public companies, took 'em private. We bought some small private companies and kept them private, that had been family oriented. The idea was to have this patient capital to be able to make these investments and build a business that really could sustain the future and was in the time we sold our shares of any company we would hope that it would be in much better shape than when we bought it.

To give you an example of all of that: early acquisitions we made while we were at Bear Stearns were companies like Boren Clay Products, just outside of Greensboro, North Carolina. We bought a company called the L.B. Foster Company, which was a oil field rental drilling business. They rented rail and piling. Both of those companies had been privately owned. We bought them and then proceeded to make them better than when we found them.

We also bought a group of subsidiaries from Rockwell, and that became a company called Incom International, which is a group of industrial companies, and we bought from the Singer Corporation a group of industrial companies they owned, and that was called Vapor Corporation. So, those were our very early acquisitions before we started KKR.

In 1976, we decided that we would like to just focus on what I'll now call "private equity," because in the days when we started this, we were the only ones that were doing it. There was no one else doing it, and they were called, "boot-strap acquisitions," or "leverage buyouts," "management buyouts," and eventually it became known as "private equity." So, we use the term "private equity" when I'm describing all of this.

We decided to leave Bear Stearns and just focus on the private equity, which is what the three of us wanted to do. We went out to raise a twenty-five-million-dollar fund in 1976. First person we went to see was a man by the name of Henry Hillman, who had put money up to start Kleiner Perkins, the venture capital firm. We had read about him, didn't know him, but we got an appointment with him, and we went down and met with him, and low and behold he said, "You know, I really like what you're doing, and I'll take half of the funds." And we thought, "wow, that's terrific. We're gonna be in business."

Well, not so quick, because one: we didn't know where to raise the other twelve and a half million dollars, and we had been working while we were at Bear Stearns to make acquisitions. We would go to the Prudential Insurance Company, MassMutual, Connecticut General, and a couple of others, and several banks. So, we went to the Prudential and said to them, "Look, this is what we want to do. We're going to do this on our own, not part of Bear Stearns. We'd like you to be an investor in our fund." And they said, "Look, you've made us a lot of money in past deals that we've done with you. We like what we see, and absolutely no problem at all, except...," and the except was they wanted to be the investment committee.

George Roberts and I, you have to understand both of us were thirty-two years old when we started KKR, Jerry was twenty years older in 1976, and so George and I looked at each other and said, "Look, we're not leaving the partnership at Bear Stearns to go work for the Prudential Insurance Company, even though it's a fine firm, but we're entrepreneurs. We want to make our own mistakes and our own success, and we want to decide that and not have an institutional investor decide," and we also knew how difficult at times they could be on deciding whether to invest or not. So, we said, "no."

And, so we had no office. We had left the partnership at Bear Stearns. We had no money. In fact, when we started KKR, I put up ten thousand dollars, which is all the money I really had. George Roberts put up ten thousand, which is all the money he had. And Jerry, being twenty years older, had a little more money, and he put up a hundred. So, we started the firm with a hundred and twenty thousand dollars. Now, to put this all-in perspective, today we have about ten billion dollars of assets at the firm and we have a market cap of about twenty-two and a half billion dollars now that we're a publicly traded company.

But, coming back to the other, when we couldn't raise the funds, George and I said okay, "How much money do you think we need to stay in business, cover our overhead?" And we figured probably five hundred thousand dollars would be the right number in 1976. We had two offices, George would be in San Francisco, and Jerry and I would be in New York. We said, "Well, why don't we go out to eight individuals, or institutions, and say, "We'd like you to give us fifty-thousand dollars a year for five years," which was four hundred thousand. We figured that if we were able to buy a company, we'd get a fee from that company for putting a deal together and that would be our contribution to our overheard.

Actually, we found seven people, and what we offered them for their fifty thousand dollars per year for five years, we'd show them every transaction that we would do. If they decided to come in to any particular investment we were about to make, and it was their choice on a deal-by-deal, we wanted a piece of the profit, if there was one.

George's background, and his father was in the oil and gas business in Houston as a independent oil and gas operator, my father, Raymond Kravis, was a petroleum engineer. In those days, there was something called "a third for a quarter" in the oil business. Which meant that if I went to somebody with money and I had a lease on some property and want to drill a well, I would say, "I'll put up twenty-five percent of the money, and you put up seventy-five percent." And in return for the seventy-five percent, by showing you the deal, we wanted a carried interest in effect. We wanted one-third of the cash flow for our twenty-five percent. That was called "a third for a quarter." It was standard in the oil business and we thought, "well, that's probably good enough where we could actually charge that."

But we had one small problem: we didn't have any twenty-five percent of the money to put into any one deal. So, we thought about it and we said, "Well, how does twenty percent or twenty-five percent of the profits sound?" Once the investors get their money back, we'd split the profits eighty-twenty, or seventy-five-twenty-five. We said, "That's probably good," since there was no precedent at the time as to what the number should be. We wanted to get started. Making sure we could actually raise the money we chose twenty percent.

Now, what I tell people in the hedge fund business or in the private equity world this story, they say to me, "well, why didn't you pick twenty-five percent, cause that would have stuck?" And I say, "Well, that's fine for you to say, but we had no money and no job at the time. We were just trying to get started and George and I were just thirty-two years old." That got us started. Went back to Henry Hillman and said, "This is the way we're going to do it now." And he said, "I want two units of the seven that you're going to raise, because I want to be able to invest more," and we said, "fine."

He came in. My father came in for a unit, fifty-thousand dollars to cover overhead. We had a fellow from Oklahoma City that some bowling alleys and he came in. Then we got a few people out of Chicago and then out of New York. So, that's how we got started, and after about a year, that was 1976, May 1st, and then in '77, we ended up buying three companies.

End of that year, one of our investors, Bill Graham, who was a CEO at Baxter Labs, called me and he said, "Henry, I don't know which deals to go into or not. I've gone into all three, they all look good, but you're going to break me." So, he said, "I suggest you go out and raise a fund." So, we talked about it amongst Jerry, George, and myself, and decided, "Okay, let's go give it a try and see if we can raise twenty-five million." We got lucky and we were able to raise thirty-five million. We got First Chicago and Continental Illinois, two banks in Chicago to come in, and some other institutions came in, and that's how we put that first fund of thirty-five million dollars together.

Chapter 03 – 4:45
Rejection and Risks

John Erling: To young people listening to this, it sounds pretty easy, but there must have been times you made a call and you were told, "no." You were rejected.

Henry Kravis: Well, no question about it. You know, when you're an entrepreneur you have to decide you're going to either get through the wall, or over the wall, but there'll always be a wall there, and you've got to be prepared to accept rejection. Not everybody is going to love what you're doing. Not everybody is going to understand what you're doing. I had friends of my dad that I talked to and they said, "Oh, it's interesting, but you'll never make it. This won't work." So, they never came in and it was disappointing to me, because I knew they had plenty of money, but they didn't want to take it on. They were, I guess, a little sorry after a while.

But we figured out how to get it done. And being an entrepreneur means you've got to be scrappy. You've got to figure out, "Okay, what's my end goal? What's the objective and how're we going to get there?" That's what George and I, being young entrepreneurs were able to do. And you're exactly right that you've got to be able to accept rejection. Don't take it personally. That's okay. No big deal and go on. Which is exactly what we were able to do.

JE: And then, the area of risk. Obviously you took risks and people starting businesses or at any time want to grow a business, risk is a big factor.

HK: Without a doubt. First of all, as I said earlier, no one was doing buyouts. Nobody even knew what we were doing. We'd show up, we had to explain how it would work. In fact, the first public company that we bought, with the filing with the FCC, and they couldn't figure out what we were doing. They said, "Who's buying whom here? We don't understand the structure. We don't understand anything." So, we actually had to get our lawyers to diagram it as to where the money was flowing, who was buying whom, and so forth. The FCC had never seen anything like it. They didn't even know how to do a plan on it at the beginning, but you've got to just say, "Okay, we're so convinced this makes sense and stick with it." So, what happened was yes, you're taking risk.

You're taking risk in a number of different ways. You're taking a risk by, okay, I gave up a very good job at Bear Stearns, as did George. We were a part of the partnership. We had a great future there from what everybody had told us. And yet we said, "Nope, we don't have any money, but we're going to go out on our own and see if we can make a go of it." So, that was risk number one. We didn't know if we could. Nobody had ever done a private equity fund. We were real pioneers of setting terms and setting out how'd you invest.

The second risk that always comes is when we buy a company, we put up a dollar of equity and for every dollar of equity we would put up, we'd borrow as much as thirty dollars of debt. Now, in the early days you could do that. You were buying companies for much less than you paid a day for a company as far as a multiple of earnings. As a result, you were able to put much less equity in, borrow money on a long-term basis, and that's what we did. For example, we bought the Safeway chain of supermarkets and we paid five-point-six billion dollars to buy that company in about 1985. We put up about a hundred and twenty-six million dollars of equity and we borrowed around numbers five million dollars in debt against it.

Now, we ended up making over fifty times our money on the last investments we made, but you know, you can't do that today. Cause, today all you could borrow is about six to seven times of debt to EBITDA, which is earning before depreciation and taxes and amortization. So, if you pay twelve times to buy a company, twelve times EBITDA, and you can only get six times of debt against it, you're going to have to come up with six times equity. That gets you to your twelve times all-in. So, in that case, that would be half equity, and half debt. So, that idea of thirty, forty-to-one, fifty-to-one almost in some cases, that went out the window back in about 2000, something like that.

Today, companies are capitalized on a much more conservative basis. The risk is not as great. And also, today what you have is a capital structure that obviously has less debt, much more equity, but also the covenants in the debt are very loose. You don't have all the covenants that you used to have back in the nineteen-seventies, and the eighties, and even for the nineties for that matter. You got a lot of leeway. You don't have to meet certain working capital or debt to EBITDA, or debt to net worth covenants that we used to have to do. Those are all gone now. Risk plays an important role, yes.

Chapter 04 – 8:52
Barbarians at the Gate

John Erling: The concept then of buys out was your concept? People weren't doing that?

Henry Kravis: That's right. We started it. There was nobody doing it at the time. In fact, for years nobody understood what we were doing. Which was great! I sort of liked that. In fact, I liked it more than I like it now, because now practically every country in the world has private equity. Banks will lend, people have set up private equity firms or there are others outside that are investing in companies. If you had asked me when we started, "You think you'll invest in China?" I'd say, "You've got to be kidding." China is a communist country. "You think you'll invest in Vietnam?" Well, we were at war with Vietnam not so much earlier than when we started KKR. "You think you'll buy a company in Serbia or Ethiopia?" I'd have said, "Absolutely not." Low and behold, we bought companies all over the world.

The idea of private equity has proliferated enormously today. As I say, there's probably not a bank anywhere in the world that doesn't lend against private equity to help somebody buy a company. Now, since the stone-age, people would put up a little bit of equity and borrow as much as they could. You know, they want to start that corner grocery store, or whatever it is. That's how you got going. So, there's nothing new to that, but what was new, was we were able to commercialize it. We were able to make it into a business. We were able to get pension funds, both state pension funds, and corporate pension funds, insurance companies, banks, and others to give us money to go into funds. We would end up with, you know, as I said, our first fund was thirty-five million dollars that we successfully raised. Today, a fund size for us, say in the U.S., might be fourteen billion dollars for the U.S. fund; Asia was close to ten billion dollars, and so forth.

Today it's just a different business. Everybody understands it, and what's interesting about it today particularly is there are a lot of institutions that say, "Look, I need to get returns, because I have a pension fund. I need to get seven or eight percent just to meet my liabilities that I have. To meet the obligations for the pensioners." It's hard to get eight percent today on a consistent basis. So more and more pension funds, and others, are investing in private equity because historically those returns have been significantly better than the stock market has been, than the debt market, than real estate, and infrastructure investing, et cetera. Now, there's higher risk involved. But if you diversify, which everybody does, and they're not putting all their eggs in one basket, in one deal, or with one firm necessarily, they can do very well.

So to give you an example of how have we done. For forty-three years, which we started in 1976, investing really '77, was our first full year of investing. Call it forty-two years. We have a twenty-six percent compounded rate of return before we take out our profit participation and before the fees that come to us where the institutions are paying us. Which nets out to about nineteen percent for the institution. That's been over a long period of time and they look at it and say, "Well, there's no way I can get that kind of return in other asset classes."

And so that's why it's become a very popular asset class. We've been able to raise a lot of money, and now a lot of individuals are also saying they would love to be able to participate in private equity, and it's not that easy to do unless you have enough money because these are private funds, you've got to be able to hold the investments for a long time and so forth, but even having said that, institutions are saying, "You know, I'll take your money, I'll invest it, and we're going to put a lot of money into the private equity arena."

JE: While Wall Street was beginning to know you, they really got to know you in 1988. You engineered the buyouts of RJR Nabisco.

HK: Right.

JE: A book and a film made of the buyout, Barbarians at the Gate.

HK: Right.

JE: Purchase price was over twenty-four billion dollars, highest that had been paid for a commercial enterprise up to that time.

HK: Yep. Actually it turned out all in to debt and everything, about thirty billion dollars is what that turned out to be.

JE: Then in 2007 you surpassed your own record with the forty-five-billion-dollar acquisition of Energy Future Holdings. It was the biggest cooperate take over in history.

HK: That is correct, at the time, that's right.

JE: The *Barbarians at the Gate*, were you comfortable with the film that was made of that, and the book? How did that make you feel as that all became so public?

HK: Well, it's interesting. The book, when they decided to write the book, they talked to us, and actually as I read that book once it was completed by Bryan Burroughs, I learned some things that I didn't know, cause I didn't know, obviously, what the other side was doing all the time. So, it filled in some gaps for me. The book itself, I have to say, was fairly accurate. It was a good book. It was an interesting, I'm not sure I would have used the title, I wasn't crazy about that title. I ended up, we always had to explain, we're really not barbarians, but it's okay, I've been called worse, so, that's okay.

JE: (laughs)

HK: In Germany they called us locusts. So, barbarian and locust, and God knows what else I've been called. It's okay, it's what it is. We got through it and I would always say, "Good part about it," when it was just the newspapers writing about it, I'd say, "Well, thank God they haven't made a book," and of course they then write a book, *Barbarians at the Gate*.

I'd say, "Well, good part about it is they haven't done a movie." Low and behold Ray Stark bought the rights to the book and did a movie.

Now, the movie was not accurate at all. He kept sending me the script and I kept sending it back to him, and I said, "You're way off base. You've got to get this in much better shape." And he rewrote it once and sent it. I sent it back the second time. I said, "You're better, but you still aren't even close." He said, "Look, Henry. I'm going to go with it. It really doesn't matter. It's just entertainment."

So, don't get too excited about the movie, the book, as I say, was fairly accurate, and, back up a second, the first few years when we were buying companies in the eighties. Let's say the first ten or so years of KKR, every article that was written, we walked on water, and that's crazy, you can't do that, it's not going to be, and we didn't walk on water, and that doesn't last forever anyway. So, I'll never forget one day I picked up the New York Times, I was on my way to work, and I look at the front page of the business section, and it says, "Cracked in the House that Debt Built, KKR has a problem."

Well, we had a small company that was called Seaman's Furniture. The company wasn't doing as well as we had hoped. It got caught in a cycle of an economic downturn and as a result of that, we were having some issues with it. But I'll never forget when I read that, my heart just sunk. I thought, oh God, and that was the first bad article that we had. Now, over time you learn that, you know, they're going to write what they're going to write. Forbes had a picture of me one time with my head on a platter. That was all. My name wasn't even mentioned in the magazine. There was no article about me, not anything. So I called Steve Forbes, and I said, "Tell me. Why is it that I'm on the cover like this? I don't appreciate that at all." He said, "Look, Henry, I'm just trying to sell magazines. You're a known business figure." That was it. That was his only explanation.

I've had good articles written, and whenever you have a good article written, you know that there's going to be a bad one coming somewhere. And I've had bad ones written, and you say, "Well, so they've written a bad one. It's another one, so what?" As long as no one ever says that I'm not honest, that I'm not straight forward, I'm not a man of my word, and have the highest integrity, which I do, eh, they're going to write what they write. I'll give you an example of that also. One year, after we bought RJR Nabisco, the Financial Times decided they wanted to make us Men of the Year, George Roberts and I. We weren't quite sure why they were making us Men of the Year other than we bought a big company, but I have a saying, "Don't congratulate us when you buy a company. Any fool can buy a company, just pay enough." But, anyway, they decided that they would write this article and make us Men of the Year. Reporter comes in to see me, he's interviewing me and he finishes, and he said, "My God, you're nothing like I thought you were." I said, "Well, what'd you think I was? You thought I had two heads and horns and all?" And he said, "Yeah, just about." He says, "Cause I didn't know you." And that's the problem.

So, today we do spend time with the press. We get to know them. We invite them in here to meet all our people. When there's not a secret, you know, there's nothing to hide, all of a sudden they say, "Gee, you guys are normal people. You're doing business as you should and you're honest and so forth." So, people are going to write. I don't get too excited about it one way or the other now. As I said, once I got over that one problem, the article about Seaman's Furniture, it really hadn't bothered me that much. I didn't enjoy going through the RJR Nabisco press time, but it's what it was. I guess it goes with the territory.

JE: Yeah.

Chapter 05 – 2:56
Cousin George

John Erling: By the way, we should point out that George Roberts is your cousin and you share the same grandfather, right?

Henry Kravis: That's exactly right. George is my closest friend. He's my first cousin. George and I grew up together. He grew up in Houston. I grew up in Tulsa. We'd spend holidays together. Our families, when we got older, they'd send me down to Houston to be with him or he'd come up to Tulsa to be with me. His father and my mother were brother and sister. That's how we are related. We went to college together. We've been friends since age two. We met then.

It's a unique relationship. George is extremely bright. He's much quieter than I am, not as outgoing. He's thoughtful, et cetera, and he and I have the best relationship imaginable, because if you have a common objective, you don't worry about who gets credit for anything and you're pulling for the other person. If you respect that person and you have a common set of values, and don't worry about who is going to get credit for something, you can go a long way. And George and I had been Co- CEOs of KKR for forty-three years now. I like to tell the story when George was visiting me and I guess I was seven years old, and I had a new bicycle that had arrived for Christmas. He came up after Christmas and I wanted to ride my new bicycle and he wanted to ride my new bike, so I got into a little fight with him and I got chased inside the house by the housekeeper. As she was chasing me in the house, she said, "Go straight," and then she said, "No, no, no, turn right." And I turned right right into the corner of a wall and cracked my head open and had twenty-six stiches and that's the last fight we've ever had.

JE: (laughs)

HK: George and I get along really well. If we disagree on something, and those times comes up, obviously, we talk about it. We air our differences in private, talk about those, and say, "Okay, let's figure out how to work through this." It's a unique relationship. We went to college together. Both of us were at Claremont McKenna College in California. We both majored in economics. George is four months older than I am so it turns out that he was a year ahead of me in college. I started after my freshman year, he started after his junior year, but we would drive across country to come to New York. He worked at Bear Stearns, I worked at Goldman Sachs. We'd ride together in the car. We roomed together when we were in New York, and we learned the business growing up together.

It's been a unique relationship and one that when people say, "Well, you can't ever have co-heads of a company." Well, depends on who the two people are. But I'll tell you in our case, it has worked exceptionally well. There's never been one time that either of us said, "Well, let's forget it. We're not going to continue together." Just hasn't been the case.

JE: Right.

Chapter 06 – 8:35
Immigrant Family

John Erling: Can you tell us about your paternal grandparents? I believe a grandfather immigrated from Russia. Is that true?

Henry Kravis: Yep. On my mother's side, the family came from Latvia, and on my father's side, the family had come from Russia. On my father's side, they then moved to London. My father, Ray, was born in London in 1901. When he was about three or four years old the family moved to Atlantic City in New Jersey. My grandfather, his father, opened a retail store on the boardwalk. In those days, a lot of people from Tulsa and other cities would come to Atlantic City. They'd walk on the boardwalk and a lot of people would go into my grandfather's store.

My dad had gone from Atlantic City to a college at Lehigh University and graduated with a degree in mining engineering. My grandfather, his father, said to one of his customers that would come in all the time during the summers, who had a petroleum engineering firm in Tulsa, said, "You know, my son has graduated as a mining engineer, would you have a job for him?" And he said, "Sure!" So, my grandfather said, "You should go to Tulsa."

My father saved up some money and he went out in his very early twenties. Get's out to Tulsa and it turns out the guy had no job for him. So, there he is out in Tulsa.

He doesn't have enough money to get back to Atlantic City, so he's there. He found another job with a petroleum engineering firm, small one. It turned out that fellow was an alcoholic that ran it, and so my father couldn't wait to get out of that. So, he got out of that and found another petroleum engineering firm and worked for them for a while.

He was able to work for people like Tom Slick, who was a big independent oil and gas operator, and he did some work in the early days with Sunray DX, Forest Oil, and some others. He told his clients, he said, "I'm going to be leaving and starting my own firm." He was thirty-four years old when he started his firm, and they said, "Well, we're going to come with you." And he said, "No, you can't do that because you're really a client of the firm where I work. You're not my client." They said, "Well, the only reason we're there is because of you." So, they went with him and that's how he got started with Raymond F. Kravis & Associates.

He met my mother in Tulsa. My mother's family, as I said, was from Latvia. My mother was actually born in Muncie, Indiana. Her father, George Roberts was his name too, had moved to Muncie and opened a hotel in Muncie called the Roberts Hotel. Her older sister was born in Latvia. Then her father decided to get into the oil business and had moved to Tulsa. My father and my mother met on the steps of the Tulsa Public Library.

At the time my mother of sixteen years old. My dad was six years older I guess. She said, "No, I'm not going to go out with you until I reach a certain age." So, he kept waiting, and the time came, and then they started dating and they got married, and they were married for almost sixty-three years, and had a wonderful marriage, wonderful relationship, and gave me incredible values. They were warm, loving parents.

I was the second child of two, George Kravis, my brother who was five and a half years older. In a way I guess I was lucky, because they smothered him. They had lost their first child in crib death, so then when George was born, they were really concerned to make sure he was okay and they sort of smothered him. I was fortunate because coming five and a half years later, they sort of left me alone. And I somehow had a gene that was given to me which was one of independence. I remember one day, I was about three years old, and I'm sitting on the floor trying to tie my own shoes and my mother looked at me and she, "Well, what are you doing? I'll help ya," and I said, "No, I'm going to do it myself." She said, "But, you don't know how to tie your shoes," and I said, "I'll figure it out." That's the way I've sort of lived my life. I've figured it out.

When I got a job, which I'd go out and I found most of jobs myself once I got through high school and early days of college. I actually started out never worrying what was my path going to be. So, my path was interesting. All I said was, "Just put me in coach. I'll figure it out." If I do a good job, you'll notice me.

I started out in the summers, my first summer job was in Tulsa when I was seventeen and I worked for Sunray DX Oil Company in their mailroom, and picked up mail, delivered mail for their corporate headquarters. I went to school in Tulsa up to the eighth grade and then I went on to Eaglebrook School in Deerfield, Mass. for two years, which only goes to the ninth grade. Then I went from there to Loomis Chaffee School, and I was there tenth, eleventh, and twelfth. Then from there I went out to Claremont McKenna, majored in economics, as I said, I'd drive across country every summer and worked down on Wall Street at Goldman Sachs.

JE: Which elementary school did you go to in Tulsa?

HK: Actually, Lee School for one year, and then I went to Barnard from first grade on. I went to Edison Junior High.

JE: Your mother's name?

HK: Bessie Roberts.

JE: And then your father's name is?

HK: Raymond F. Kravis.

JE: He was a philanthropist and oil and gas consultant, is that true?

HK: He was both. He was a petroleum engineer. He did oil and gas reserve reports for the different investment banks. He did oil and gas reserve reports for companies. The reason I say, "for investment banks," if they were about to do a data offering or an equity offering for a company in the oil business, you need a reserve report to say, "Well, what are you borrowing against here or what are you going to invest in?" So, he'd do the reports. I learned more about my dad once I came to New York and with Goldman Sachs, because my dad never really talked much about what he was doing.

Everybody I met in New York would say, "Your father is the best petroleum engineer in the country, by far." I was very proud to hear that, you know. My dad was so humble, he would never toot his own horn. So, as I got older I didn't talk to him and ask him questions, a lot of which I had learned from other that would tell me what he had done or how he had worked for them.

For example, he told me this story and then it was in a book. He got the Kennedy family, Joe Kennedy family, started in the oil and gas business, President Kennedy's father. One day my dad was in New York and comes back from his meetings to the hotel and there's a message for him to call Ambassador Joe Kennedy. He didn't know him, he thought one of his friends was playing a joke on him so he didn't call back. The next day Joe Kennedy calls again and he gets my dad and he said, "Don't you return your phone calls?" And he's sort of a gruff guy, and my dad said, "Well, I'm sorry Mr. Kennedy. I actually thought it was a joke. I mean, I didn't know you would call me because I don't know." He said, "Well, let me tell you the reason I'm calling. Your name's been given to me as the best oil and gas person in the country, and I've decided that I would like to invest in the oil and gas business. You know, I've been in the Merchandise Mart, I've been in the liquor business, I've had other investments, but I haven't been in the oil and gas business so I want to figure out how to be in the oil and gas business and I want somebody to guide me through it. So, my dad met with him. They became partners in an oil and gas company. They remained friends until Joe Kennedy passed away.

My dad was a friend to President Kennedy. In fact, Ted Kennedy, one of his early jobs was in Tulsa. Joe Kennedy had called my dad and asked him to give Teddy a job because he said, "Somebody in the family has got to know something about the oil industry." So, Teddy came out to Tulsa and didn't stay very long. Thought he learned everything he needed to learn, I guess, in a few weeks, and he left. But, there was a close relationship with the Kennedy family there. My father, one day, get's a call from a friend of his, and he said, "I don't understand your bemuddled thinking," and my dad said, "What are you talking about?" And he said, "Well, have you seen the Wall Street Journal today?" And my dad hadn't read it yet, and he said, "Well, look at it, open it up." So he opens it up and there's a big picture of Jack Kennedy for President and there're fifty professional men and women from around the country for him. So, my dad calls Joe Kennedy and he says, "Joe, what the heck's this about? You know I'm a Republican. I've been a Republican my whole life," he said, "and nobody called me to ask me, 'Was this okay to do?'" Joe Kennedy say, "Very simple, Ray. Anybody that's a friend of mine is a friend of Jack's." And that was the end of the conversation.

JE: (laughs)

Chapter 07 – 9:45
Parental Influence

Henry Kravis: My dad taught me a lot about "treat people as you'd want to be treated." Didn't matter who they were or where they were. I used to see how he'd treat the elevator starter at the First National Bank of Tulsa. I'd see how he'd treat people at the country clubs in the locker room, the caddies on the golf course. It didn't matter who you were, he treated everybody with respect and I learned a great lesson by just watching that, and fortunately picked up most of that. And my dad always wanted to help people in need. That's exactly what I do.

My wife and I give an enormous amount of money away every year. We give it for education. We give it for medical science and research. We give it for the arts. It's just something that has been in my blood for a long, long time. I get as much pleasure out of that as I do from my day-to-day business, quite frankly. You can see where you help somebody, somebody in need, it doesn't matter if it's a young kid who you're helping with their education, putting them through school and you see what can come of that. I'm a big believer that in education, all you want to do is give somebody a chance. If somebody's educated, they can never take that away from you. You can lose your money, you can lose your health, but you'll never lose that education that you have if your diligent about it. If it's in your mind, it's yours. So, I've been a big supporter of various schools.

I give a lot of scholarships away every year. I am currently chairman of a Sponsors for Educational Opportunity, which is an eight-year program in New York and in San Francisco, which takes kids in the ninth grade through college. It's one of the very few programs that's a through college program, an eight-year program. About eighty percent of our kids graduate from college in four years, and ninety-five percent graduate in six years or less. These are all minority kids, come from household incomes of thirty-three thousand dollars or less. I've really enjoyed building that up and helping. It's been around fifty-five years. I took it over when it was fifty years old.

I started a drug and substance abuse program in the middle schools in New York to help kids overcome drug use. My wife and I, at Memorial Sloan Kettering in New York, we gave them, about five years ago, a hundred-million-dollar grant to start a center for molecular oncology, which is state of the art in understanding mutations and which drugs go with which mutations to kill the mutations that cause the cancer.

At Rockefeller University, I built a huge science center with twenty-five new labs. Rockefeller University is one of the foremost research institutions in the country. There are more Nobel Prize winners there than there are at any other university, whether it's Harvard or MIT or Caltech or whatever.

So, those are the kinds of things that I like to do. In the arts, we'd give an enormous amount of money, both to the Metropolitan Museum in New York and to Museum of Modern Art in New York. My wife, Marie-Josee, was president for fifteen years at MOMA. She's also today Chairman of Sloan Kettering Research Institute, which is part of Memorial Sloan Kettering. It's all the research side of that institution.

We do a lot of things together and separately, but both of us believe very strongly in philanthropy and I don't like to use the term, "give back." I didn't take anything from society. I like to give. So, it's not a question of giving back, it's a question for those in need, and helping those institutions become the greatest institution that they possibly can be. So, in my case, I love starting new not for profits, or I like fixing not for profits and making them much better. What I'm not particularly interested in or good at is just being involved with an institution where I can't make a big difference. So, I try to find those institutions where actually I can make a difference and be real value added.

I started something in New York about twenty-two years ago, twenty-three years ago, which was called The Fund for New York City. I started thinking about, "what is missing in New York?" You know, I wanted the public sector and the private sector to work together. When I think about what the private sector has done for cities and how they built a good network, I think of cities like, in those days, Minneapolis was great, Kansas City being another, but New York was certainly not one of those cities. Everybody did their own thing and didn't really work together.

So, I had an idea that I wanted to go out and raise a hundred million dollars. I wanted to go to a hundred people and raise a million dollars each, no more, no less, and help our community by helping businesses in the inner-city. And if we could create jobs and create value in those companies where they could be sustainable, then I thought we would be helping the city dramatically, and that's exactly what we did. The first fifty-three people I called on I raise fifty-two million dollars at a million dollars each. I stopped raising money at that point because I was worried we couldn't put it to work intelligently. I said, "Let's stop. Let's see how we can do." We had never raised any more money, we today have about a hundred and fifty-two million dollars in that fund, and just from making money on some of the investments that we have made to date.

I'm very proud of that and I started a drug and substance abuse program in middle schools in New York to help the worst performing schools. That was great but finally I stopped it because I didn't really want to go out and raise a lot of money for it, but I liked the concept and it worked. Basically it was to replicate what my parents did for me but do that in the inner-city. Because most those kids are lucky if they have one parent. They have two parents, and that one parent, it will be a mother in most cases, and if they're lucky that parent has an eighth-grade education. Getting through middle school, making sure they weren't on drugs was a very important part of what I wanted to do there, and it worked. It was a very successful program.

These are things that I really enjoy doing. I guess I got that gene from my father particularly, but both my mother and father were both very philanthropic, very willing to help people in need. And as I made more money, I said, "I want to make sure that I can help people, and hopefully I can get a lot of pleasure out of doing that," and that's exactly what happened.

John Erling: You draw a lot of values, Oklahoma values, through your parents. Your father was very involved in Tulsa and so was your mother. I have a list here. He was a board member of the St. John Medical Center Foundation, on the executive committee of the Boy Scouts of America, many others, and then a fifty-two-million-dollar performance center named in his honor in West Palm Beach. To show how people really respected him. And so you are in many, many ways a fortunate person, but it all started in Tulsa with your parents.

HK: Without a doubt. People always ask me, "So, how do you think about the values that you have, and how do you think about your way you're driven and all?" And I said, "Well, I can point back to the greatest mentor that I possibly could have ever had and that was my dad." He was very proud of me. I was head strong and of course when you're young and you think you know better than your parents, he and I used to clash, but then when I finally cooled down in a calm moment I'd start to think about it and I'd say, "You know, he's probably right." In hindsight as I've now have children and grandchildren, I look back and I say, "Oh, was he and my mother right."

My mother used to have a saying, and you know I've always remembered it, you know, I said, "Look, you're going to Europe and I'd love to go with you." And when I was much younger she'd say, "You have to earn the right." And I never quite understood what that meant, "earn the right." I said, "You know, I've got reasonably good grades at school. I haven't flunked out," and so on. She says, "No, when you're ready, you'll know when you're ready, and we'll know when you're ready and that's when you can go with us, but as far as we're concerned right now, you haven't earned the right to go to Europe with us."

So, I never went to Europe until I was in business school. I went to Columbia University to the business school at Columbia. It was after my first year there that I was able to scrape enough money together and buy a cheap ticket, a sort of packaged deal to go skiing in Europe and go to Europe, and I was so excited about being there. Today, kids go, my gosh, they go at the drop of a hat. They go all over the world today. I didn't do that, and I couldn't do it, cause couldn't afford it.

My parent gave me terrific values. They gave me the value of self-esteem. They gave me the value of the reward for working hard, paying attention to the goals that you set, and work toward those goals, and then set new goals, and keep pushing those goals out. They gave me incredible value of knowing how to treat other people. Always with the thought of, "treat people like you'd want to be treated." I try to do that always it doesn't matter who you are. I don't like those people that only want to be nice to people that they consider their equal or above them as far as maybe they've got money or something like that. I don't buy that for a minute. I've got good friends, you know, the guys in our lobby here at our office building, our security people. I've got friends that are caddies on the golf course and so forth. I love doing something for these people and just helping them out, because they weren't given some of the same opportunities that I have.

Chapter 08 – 3:45
Create Opportunities

Henry Kravis: When I think about opportunities, a lot of the time you create your own opportunities. When I hear people moaning and groaning, "Well, you know, this didn't go right. It was that person's fault and so forth." It's not somebody else's fault, maybe once or twice, but most of the time it's going to be your own fault. You got to take responsibility for your own actions. You're going to have reactions out of those actions, so you've got to keep everything into perspective. That's how I've just lived my life.

When I can help somebody who maybe hasn't been as fortunate as I have been, I just get a huge smile on my face and my wife's exactly the same. She grew up with wonderful values. She'd Canadian. Her parents, for example, one Christmas found out that there was a family that unfortunately that had an accident in their house. They had a Christmas tree fire, and their Christmas presents were burnt. Her father came home, and she was a young girl at the time, and there was seven in her family, and he came home, and he said to the whole family he said, "Alright, let's put everything we have under the Christmas tree in a box, and we're taking that to the family that's just lost everything." She's said, "I've always remembered that event because he was a hundred percent right." We had things, these people didn't have them, and let's see what we could do to help them out.

So, in that same vein, recently I read an article about a mother who was robbed and the money that was taken from her was the money that she had saved for her daughter's college education. Her daughter had gone through her freshman year of college and it was for the next year. The money had been stolen, and I told my assistant, "Find out the name of these people. Find out where they live and go take them a check made out to the college." I didn't want to give it to them, but I said, "Make it out to the college, and I want to take care of this girl's college education, and I do not want them to know who I am. I just want them to know that I read this article and that I care about this girl's education." So, it's those kind of things that I love doing.

John Erling: You say you had a good beginning, but you took advantage of every opportunity that came along to you. You had that gene, whatever it is, that helped you. So, you had a good beginning, but you were blessed with a good mind, so you put them all together and then you were able to do all the things that you've just described.

HK: I think that's a fair summation. You know, it's funny, when I was young and I had a paper route, which everybody used to have a paper route unfortunately, that's gone out the window now with the iPads and all, but paper routes were a great training for me. And then I remember being in the seventh grade at Edison School in Tulsa and they had a magazine sales event for two weeks, I believe it was, and I always wanted to be the number one seller of the magazine subscriptions. I didn't care whether the kid was in high school or junior high, I was going to beat him, and I did, because I just set my mind to it, and I've always been driven. I don't know why. That's just been my life. I've been driven. I want to succeed. I've been blessed that way.

I look at that, you know, there's something called "grit." There's been a lot of stuff written about "What's the most important thing for one to succeed?" I've concluded that grit is as big a piece of what the cause of success as anything else. There's lots of people that are just smart as can be, smarter than I and others, but they don't know what to do. They jump from one idea to the next idea, or one job to the next job, whatever it is, and it's that grit, that determination, that fortitude, that gets you through what you set out to do. That's how I'm built.

Chapter 09 – 4:07
Good Advice

John Erling: Young people listening to this, and I always ask, what kind of advice do you give to young people in college about to set out? You probably have already outlined that in the last few minutes.

Henry Kravis: I think that's exactly right, that's what I'd say, and I'd say a couple of other things. Number one, you're first job, there is no perfect first job. A lot of kid's I've talk to, they're looking and waiting for that perfect first job. There is no perfect first job. Just get into the work force and start working. You never can tell where that will lead. You might be at a cocktail party, or you might be on an airplane sitting next to somebody and start talking to them and the next thing you know, they offer you a job and that takes you in a direction that you hadn't even thought about doing. So, if you're going to stay at home and hope that perfect job somehow comes, uh, across the transom, it probably is not going to happen. You got to get into the work force, you've got to give it your best, and that's number one.

Number two I'd say to young people, be curious. If I said there's one thing, one trait I'm looking for when I'm hiring young people, I'm looking for people that not only do they have grit, because that's very important,as I've just said, but just that are you curious? I don't think anyone can be a good investor if you're not curious. Because you've got to be able to connect the dots. You've got to be able to look around corners, and that's all extremely important. I think for young people, broaden you mind. Put yourself out of your comfort zone.

Too many people only want to be with people like them. Don't be with people like you. Be with a lot of different people. Hear different points of view. Too many college campuses today, you see it, where somebody comes on a college campus with a different view point than what maybe the faculty has or what some of the students have and the next thing you know they boycott the speech or they block the person from going in to give the speech. That's about the worst thing that could happen.

I went a college to hear other points of view and to learn and to be able to form my own opinions there. So, be open minded and don't just focus on people like you. We know for sure that the natural bias for people is, they look in the mirror and they say, "That's who I want to hire. I want somebody like that person," which is them, themselves. I say, "Go find somebody totally different to hire." Find a diversity of thought, a diversity of gender, and diversity of ethnicity. If you're going to broaden your company, if you're going to broaden yourself, it's very important.

The last thing I'd say: "Go to places that you get out of your comfort zone." If you only want to hear rock n' roll, go to a classical concert, go to an opera. Go to museums and train your eye, cause as you go to museums you'll start to train you eye. Just because a painting say, "Picasso," doesn't mean it's any good. There were good Picassos, there were not good Picassos, and then there were great Picassos. The only way you're going to learn those things is to go out and train your mind and get out of your comfort zone and just learn from that.

Read history. History has a tendency to repeat itself, so read history. Read novels and start imagining. Say, "Wow, I'm living in a fantasy world by reading this wonderful novel." So, those are the things that I would say to any young person that's listening to this.

JE: Well, I want to thank you for this time. I know you're a busy person but many Oklahomans are proud of your story, so to hear you tell the story on Voices of Oklahoma is very much appreciated. So, Henry, I thank you very much for sharing your story with us today.

HK: Well, thank you very much, John. It's been a pleasure talking with you and keep up the good work. There are a lot of interesting and wonderful people from Oklahoma gone on to do a lot of different things and I think your endeavor here of bringing out the voices of Oklahoma is something that we'll all be indebted for, for a long time. So, thank you for that.

JE: Absolutely. Thank you, Henry. I appreciate it very much.

HK: Take care.

Chapter 10 – 0:33
Conclusion

Announcer: This oral history presentation is made possible through the support of our generous foundation funders. We encourage you to join them by making your donation which will allow us to record future stories. Students, teachers, and librarians are using this website for research, and the general public is listening every day to these great Oklahomans share their life experience. Thank you for your support as we preserve Oklahoma's legacy one voice at a time on *VoicesofOklahoma.com*.