AMERICA'S HIPPEST CEO

Rapper and entrepreneur **Jay-Z (a.k.a. Shawn Carter)** brings his own style to the corner office at Def Jam. **BY NADIRA A. HIRA**

The fans are loving it. On a warm Sunday evening in June, one of hip-hop's hottest stars, Kanye West, is spitting rhymes for 50,000 fans at Giants Stadium in East Rutherford, N.J. West is a bona fide superstar: three Grammys for his first album, millions in sales, a *Time* cover in the works. But all of a sudden, the crowd turns away from him. A single figure has run onto the stage, prompting such a deafening roar that West is forced to stop and join the adulation, leading the crowd in a chant of "Hova! Hova!"—shorthand for J-Hova, the latest self-styled nickname of the rapper Jay-Z. Though West is the headliner, it is Jay-Z who steals the show.

The next morning at 9:30 A.M., at the Midtown Manhattan offices of Def Jam Recordings, which distributes Kanye West's music, Jay-Z's weekend appearance is all the buzz. Two dozen staffers, gathered for their weekly meeting in the 28th-floor conference room, gossip about the god-worship. Yet when their boss strides in, fresh from his regular 8 A.M. briefing, he calmly rifles through the



In the spotlight Carter on his way to the *British GQ* Men of the Year Awards in London

PHOTOGRAPHS BY SARAH A. FRIEDMAN



Sharp look Carter meets for the first time with Def Jam's marketing team in London.

agenda—planning, budgets, promotional deals—ignoring the Giants Stadium frenzy. Which is a little odd, given that the boss is a man named Shawn Carter—better known as Jay-Z himself.

Welcome to the year's most intriguing corner-office experiment: Carter took over as president and CEO of Def Jam early this year, making an unexpected move from the recording studio to a corporate C-suite. Jay-Z, 35, is hip-hop's reigning megastar, a crossover icon who's had 13 top-selling albums, sold more than 33 million records worldwide, co-founded an independent record label as well as a clothing company, front-lined the fastest-selling sneaker in Reebok's history—to the tune of $100 million in sales—and even taken an ownership stake in the NBA's New Jersey Nets.

But Jay-Z's story is more than a rags-to-riches tale of a small-time drug dealer who breaks out of one of the worst housing projects in Brooklyn to amass a fortune of some $320 million. In "getting his executive on," as the kids call it these days, he is not only redirecting the hip-hop culture he helped popularize—from hooded-sweatshirt thug-chic to button-down-shirt sophistication—but injecting the music business with a new sensibility. Like fellow hip-hop moguls Russell Simmons and Sean "Diddy" Combs, he is at heart an entrepreneur. Unlike them, he has signed on to go into the belly of a major corporation (Def Jam, which pulled in about $1 billion in revenues last year, is part of Universal Music Group). He is not a traditional CEO—many financial functions are handled by Def Jam's corporate parent, while day-to-day details are delegated to seven division heads who work beneath him—and that is precisely the point. Why waste Jay-Z's time on quotidian affairs when he can bring his hitmaking touch to the label's roster and perhaps become the premier creative force in pop? He gives Def Jam—founded in 1984 by Simmons and Rick Rubin and sold to Universal for $130 million in 1999—unmatched credibility with the artists that will define its future. "You know how people say they want to be 'Like Mike' [in basketball]?" says Semtex, a London-based deejay who is urban promotions/A&R manager for Def Jam in Britain. "In our industry, they want to be like Jay. And not just because he's the best lyricist, but because he's taken control of his career. He inspires artists to reach for that too. If Jay-Z says you have to go back in the studio and write new bars, you've got to write new bars. If Jay-Z says your stage show isn't hot, it's not hot. You can't argue with him; he's sold millions of records."

By "getting his executive on," the 35-year-old superstar is pointing the way for the hip-hop generation.

Jay, as colleagues and friends call him, is suspicious of outsiders and protective of his image. Nonetheless he allowed FORTUNE unique access to his new corporate life over several weeks, as he traveled from New York to Las Vegas to Europe and back, taking business meetings, wooing new talent, juggling the demands of Def Jam with those of his other ventures. He gambled at the blackjack tables (winning $130,000), strutted before the cameras with his impossibly glamorous superstar girlfriend Beyoncé Knowles, walked down the red carpet in London to receive *British GQ*'s International Man of the Year award. Everything he does is both work and play, each party and appearance a promotional opportunity. He exhibits two dueling personas: Jay-Z, the flamboyant performer, and Carter, the wheeler-dealer business impresario. ("Put Jay away, I need to talk to Shawn now," his publicist implored more than once.) As Carter tries to bridge the gap between celebrity and executive, he is struggling for respect. "I'm doing this for other artists and people in this [hip-hop] culture," he said during one



Master and pupil Jay-Z joins Kanye West (right), onstage at Giants Stadium in June.

BRIAN HINELINE—RETNA

discussion, explaining his reasons for going corporate. He also knows performers rarely stay on top long in the youth-driven music market, which is why in 2003 he announced his retirement from making records. As he confided: "There's nothing hot about a 45-year-old rapper."

The soul of a hustler, I really ran the street/A CEO's mind, that marketin' plan was me
— "What More Can I Say," 2003

CARTER IS BEING swallowed by the mob. It's late summer at the Magic apparel show in Las Vegas, and he's decided to take a stroll around the convention floor. On hand to promote Rocawear, the clothing company he co-founded, he also wants to assess the wares of his competitors. But it's easier said than done. Fans and photographers are swarming around, and it is only with the help of bodyguards that he makes his way from booth to booth.

It's the kind of life to which he's become accustomed. In his suite at the MGM Grand, the scene is like an episode of MTV's *Cribs*. Wearing a white tracksuit, aviator sunglasses, and a carpal-tunnel-syndrome-inducing diamond pinkie ring, he's attended by 12 people arrayed around a pool table. After winning in almost consecutive shots, as he gathers the balls, he addresses the group, rack in hand. "You rack on this side?" he asks. It's the perfect rock star question—honest, unironic, hilarious. "He doesn't rack much," one of his entourage says.

That night Carter and crew visit the Palms Casino Hotel, where Russell Simmons is hosting a party for the Phat Farm clothing line. As Carter squeezes his way toward the VIP area, there's a flash of movement—a body flying or lunging, it's hard to tell—and a scuffle breaks out, followed by broken bottles and down-to-the-ground tussling. Apparently, someone didn't want Jay-Z there. Carter's troupe makes a quick exit. "If he's going to be a real businessman," one of Carter's longtime bodyguards says later that evening, "at some point he's going to have to leave this rap stuff behind."

Of course, it's the "rap stuff" that's made Carter a star. Born in Brooklyn's infamous Marcy Projects, he grew up with the usual inner-city scourges, surrounded by guns, drugs, and violence. His parents provided a buffer until his father left when he was 12, and he began drifting into trouble. For six years, until age 22, he dealt crack in Brooklyn. "It was the shortest period of my life," he says now, "but it's the most talked-about."

Music saved him. Twelve crates full of records, his family's homemade entertainment center, taught him to love the art. As a teenager he took up rapping on street corners, filling entire notebooks with lyrics and reading the dictionary to create new rhymes. After almost getting shot turned him away from the drug trade, he and friends Damon Dash and Kareem "Biggs" Burke decided to start a record label, which they named Roc-A-Fella. Their main asset was Carter's alter ego, Jay-Z.

In 1995 Carter and his partners took their first single to Def Jam, which by then was the foremost rap label, having launched stars like LL Cool J, Public Enemy, and the Beastie Boys. The Roc-A-Fella crew brought along a demo tape—and a bag filled with cash. "They came in and said, 'All we want you to do is get our record played,' " recalls Kevin Liles, then Def Jam's head of promotions and now executive vice-president of Warner Music Group. "I said, 'Why don't you sign with us?' And they said, 'No, we have our own company.' " Liles declined their cash, but agreed to promote the song. Jay-Z's first album, *Reasonable Doubt*, released the next year, rose to No. 23 on the *Billboard* 200.

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Liles and his boss, Lyor Cohen, knew they had a hot property on their hands, and in 1997 convinced Roc-A-Fella to sell Def Jam a 50% stake for $1.5 million. It was a windfall for Carter and his partners—and a great deal for Def Jam. Carter released two more albums in the next two years, and by the end of 1998,

with 7.8 million albums sold, he'd attained celebrity status. He went on tour the next year to 52 cities and sold out everywhere. He has since issued ten more albums, hitting the top of the charts 13 times, winning four Grammys. He also ratcheted up his business endeavors: recruiting new talent to the Roc-A-Fella label, launching the Rocawear clothing line with Dash, and, in 2002, inking a deal with Reebok for the first-ever signature sneaker line with a nonathlete. Carter's wealth swelled. Last year he bought a minority stake in the New Jersey Nets, who'd announced plans to move to his hometown of Brooklyn.

Meanwhile Carter was growing up. The kid who'd appeared in his first music videos in street gear—and who got arrested in 1999 for stabbing a rival producer (he pled guilty and received three years probation)—could now be found wearing cuff links and real suits. Carter's lyrics touted his businesses—he rapped about the "S Dots on my feet," referring to Reebok's S.Carter line—and the more records he sold, the more his business empire expanded. And then he retired.

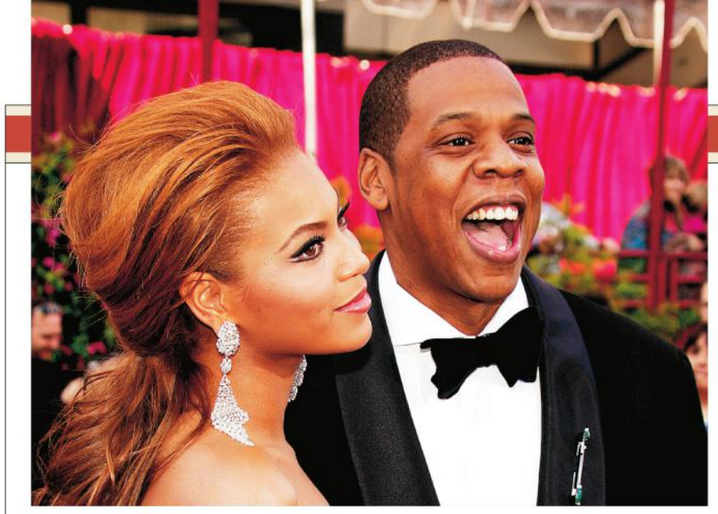
Jay's status appears to be at an all-time high/ Perfect time to say goodbye
— "Encore," 2003

ANTONIO "LA" REID sits in his ivory-carpeted office, hands folded on his gray-suited knee. A vanilla-scented candle burns at one end of his huge mahogany desk, the light playing off the green-tinged frames of his square spectacles and matching pocket square. This is the man who opened the door to the corner office for Carter.

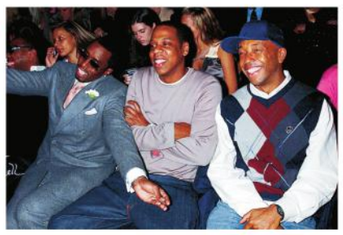
Reid, chairman of Island Def Jam Music Group, which controls Def Jam and is in turn owned by Universal Music Group, came to his post last year, after his predecessor jumped ship to Warner Music Group. Word in the industry was that Jay-Z and other Roc-A-Fella artists would follow. But Reid had other ideas. "Jay being the biggest, most successful, most influential artist on the roster, it became a priority of mine to develop a relationship," Reid says. He offered something different: Def Jam itself. Carter, surprised but enticed, signed on as president and CEO. In 2001, Def Jam had ponied up



Down time Carter reading the newspaper between meetings, in the lounge of London's Lanesborough hotel







Good company With girlfriend Beyoncé; the Nets' Vince Carter; Diddy and Simmons

$20 million for the right to distribute Roc-A-Fella talent. Now Reid rallied another $10 million to buy the half of Roc-A-Fella that Def Jam didn't already own. What's more, Reid gave Carter the rights to the masters of all his recordings. In a matter of days Reid not only wrapped up Jay-Z's future for Def Jam, but insured that a list of promising talent, including Kanye West, would stay at home.

Carter's office is on the same floor as Reid's. Aside from a Japanese MTV video music award (for his collaboration with rock band Linkin Park), it is standard corporate fare. If Carter's new job is an experiment, then this 200-square-foot space is the laboratory. Industry critics have questioned whether Carter has the experience, the temperament, or the talent to run Def Jam's business. "People were worried about all sorts of things," notes one insider, "from whether he'd be able to pick artists—because being an artist doesn't mean you can pick other artists—to whether he'd do any work at all."

Carter admits that, in taking the post, he didn't think much about what it would mean in real terms. "I'd never had a job," he allows. But he's also being coy. As Def Jam's David Miller, director of international marketing, puts it, "There are executive decisions to make, meetings to sit in, HR issues that I'm sure Jay never experienced before. But are you telling me in putting Roc-A-Fella together, Jay never had to deal with HR or admin services or budgets? Of course he has."

Reid points to a single example to explain why he believes in Carter as a music executive: "Kanye West has this amazing song on his album *Late Registration* called 'Hey Mama,'" Reid says. "But he actually recorded it for his first album, *College Dropout,* and Jay told him, 'Hold it. Let's wait till you get bigger and then put the song on your next album.' That was a genius thing. When I asked Jay about it, he said, 'Well, [Kanye] had four or five gems on the album. He didn't need this one.' He surprises me every day."

I'm not a businessman/ I'm a business, man
—"Diamonds from Sierra Leone (Remix)," 2005

CARTER IS RUNNING a meeting in London, and it isn't going well. It's September, and he's in the midst of his first presentation to Def Jam's international marketing team. In theory he's here to get them pumped about Def Jam's future under his leadership. But when he cues up a new track from singer Ne-Yo, a somewhat confused voice says, "That one's doing great in France." Carter is caught by surprise: "You guys heard that already?" It is the same with the next song. Many tracks circulate underground in European clubs before release, and the new boss learns the hard way—the embarrassing way—that his selections have already made the rounds.

But the Jay-Z part of his personality saves the meeting. He plays something they haven't seen: the video for a new single, "No Daddy," by Teairra Marí, an artist he signed. When the thumping beat subsides, Jay the performer steps in. "You can clap, you know," he says, beaming with his arms spread wide. Laughter ripples through the room.

That afternoon Carter meets Teairra at the London studios of MTV's *Total Request Live*. They're premiering her video, and he's there to introduce it. "I care about her as a person," he says as the camera rolls, "so I give her life advice." That kind of attention from a superstar is alluring to artists, and Teairra is just one act that Carter has attracted this way. He's also appeared on remixes for many Def Jam artists—including Kanye West—helping boost sales of their records.

"People were worried," says one longtime industry insider, "whether he'd do any work at all."

Still, Carter can be tentative as a corporate player. He sheepishly describes arriving for a meeting with Nets majority owner Bruce Ratner in a beat-up taxi. He wonders what Ratner must have thought of him that day. But to Ratner, the method of Carter's conveyance left no impression.

CLOCKWISE FROM TOP: CARLO ALLEGRI—GETTY IMAGES; JENNIFER GRAYLOCK—AP; EZRA SHAW—GETTY IMAGES

The CEO gig is just one aspect of Carter's business aspirations. Eventually, he says, "I'll walk away from here."

In demand Carter fields calls in the greenroom at MTV's London studio.

"The intent was, Here's a celeb that'll help the branding of the team," Ratner says. "As it's evolved, he's become one of the key investors, not just in terms of promotion, but for his real business judgment." Carter's business acumen, it turns out, may be more evolved than his confidence in it.

BEING A CEO sometimes isn't enough for Carter. The same day as the London marketing meeting, he was honored as a fashion icon when *British GQ* gave him its International Man of the Year award. He also visited a potential British distribution partner for Rocawear—which is generating some $400 million a year in sales. (Carter recently bought out co-founder Dash for an estimated $25 million.) Carter is also developing his own S. Carter high-end clothing line, and in the spring he introduced a collaboration with Swiss luxury-watch maker Audemars Piguet.

The CEO gig, in fact, is just one aspect of Carter's business aspirations. Faced with the question of where he'll be in ten years, he answers easily. "I guess [Def Jam] will have ten records on the Top 10, and I'll walk away from here," he says. He's got something to prove—that his success is more than diamonds and Escalades, that he's got a brain in his head, that he can grow old gracefully—but he doesn't want to be the next Bill Gates.

Under Carter, Def Jam has debuted four new artists, all of whom will reach gold-record status (500,000 in sales) this year. Kanye West's second album has sold 1.2 million units since its Aug. 30 release. To critics who carp that Carter's stars aren't putting up Jay-Z-type numbers, he is defiant. "I've lived with people's expectations all my life," he says. "They think, 'Okay, you're president, someone should go platinum tomorrow,' even though there are so many people in the music business who haven't broken one act for five years. I can't base my life on that."

What everyone wonders, of course, is whether Jay-Z will return to making records—the surest way to boost Def Jam's sales. At the London meeting, marketers perked up at talk of a greatest-hits album, though Carter shook them off. At a Rocawear party that night, Carter raps along to his own hits. He's unselfconscious, moving his hands to punctuate the beats. In the cordoned-off VIP area, he is surrounded by his entourage, while just outside the rails, partygoers scream his name. It's chaos, but he couldn't be more at home. Maybe he's wrong. Maybe a rapper *can* be 45 and fabulous. F

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Last laugh Carter turns on the charm while waiting to be announced at a Universal Music conference in London.