

### Issue: Carlson: Succession Planning in a Pinch

The hospitality and travel company hadn't anticipated going outside the family when Chairman Marilyn Carlson Nelson stepped down as CEO, so there were no Plan B candidates

Family-run businesses usually have the benefit of a clearly defined succession plan: When Mom or Dad retires, their child assumes the top job after being groomed for it for years. But what happens when the next-in-line clearly isn't right for the role?

That was the dilemma faced in 2006 by the Carlson Companies, the Minnetonka (Minn.)-based operator of T.G.I. Friday's restaurants and Radisson hotels that had been run by the Carlson family since its beginnings as the Gold Bond Stamp Co. in the 1930s. In 2006, third-generation Chief Executive Marilyn Carlson Nelson was embroiled in a dispute with her son and heir apparent, Curtis. According to Nelson, Curtis was "imminently qualified to be a contributor but for a variety of reasons shouldn't be entrusted with the final, ultimate role as CEO." She removed him from his role as chief operating officer—effectively ending his hopes for the top post.

Nelson decided her successor would be someone outside of her family. But without any internal competition for the CEO spot in progress—after all, everyone had assumed the job was locked up—there was a dearth of obvious candidates. So with the support of Carlson's board, Nelson hired an external firm to lead the search process, which would consider candidates both inside and outside the company.

#### GLOBAL MENTALITY NEEDED

The first step was to write a job description that established what qualities and qualifications would be most important in a successor. That meant meeting separately with Carlson family

members and with sitting executives to get balanced input on what competencies were most needed in the company's next chief executive. A consensus opinion emerged: Carlson needed someone with a global mentality, someone who was comfortable working in a wide variety of industries. That posed a challenge for most internal candidates, says Nelson. "We had wonderful candidates but they tended to be from each of the silos, whether it's the restaurant business, the hotel business," or other areas of operation for Carlson, such as travel and marketing. "When we interviewed them, we realized that they would need a broader exposure," she adds.

External candidates had a different disadvantage: They had no experience dealing with Nelson or other family members, who would continue to exercise some amount of control over the private company.

#### BRINGING FRESH EYES

After a set period, the Carlson board reached agreement on one candidate who represented a happy balance. Hubert Joly, who had run the company's Carlson Wagonlit Travel unit since 2004, also had several high-profile executive roles under his belt: at consultant McKinsey, new media specialist Vivendi Universal (VIV.PA), and at Electronic Data Systems, now a Hewlett-Packard (HPQ) subsidiary. "He had exposure to all of our brands because he sat in on our corporate executive meetings, but he was enough removed that he brought fresh eyes, and he brought breadth of experience," says Nelson. In addition, Joly was a French citizen, which the search team felt would help the company's efforts to position itself on the global stage.

Since he assumed his new role in March, Joly has exceeded expectations, according to Nelson. "I'm grateful we went through such a professional process in terms of job description, in terms of a lot of executive thinking around the competencies [needed] for the future [growth of the company]," she says. "The world that I came into as CEO 10 years ago is very different than the world that he's coming into 10 years later."

#### BusinessWeek guest commenter Dora Vell

*"What can we learn from this?"*

1. **Have a robust succession plan.** With candidates, that the board meets on a regular basis.
2. **Have a culture of meritocracy** so that a fair tournament can be established for the top job.
3. **Establish succession criteria ahead of time,** not when you have a crisis. The criteria, owned by the board, would evolve with the company strategy.
4. **Establish timeframe for selection and global search.** Marilyn Carlson is to be applauded for these rare two initiatives.
5. **Ensure the independence of the search committee:** One that represents the interests of shareholders."

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