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Curtis L. Carlson is one of America's entrepreneurial icons, having launched the Carlson Companies with an innovative idea—trading stamps, or, as the industry is known today, loyalty marketing. His successful Gold Bond Stamp Company became the foundation for a group of service companies operating in more than 140 countries and employing more than 180,000 people. The Carlson Companies posted 1997 revenues of \$20 billion from their family of companies, including the Regent and Radisson Hotels, TGI Fridays, Seven Seas Cruises, and the Carlson Wagonlit Travel Agencies.

Mr. Carlson is strongly committed to maintaining the Carlson Companies as a family enterprise, owned and led by the Carlson family. He credits his father, Charles Carlson, with sharing an immigrant legacy of hard work and entrepreneurial drive that has energized four generations of Carlsons. During the last few years, Mr. Carlson has been criticized for his unwillingness to step aside and pass the leadership responsibility to the next generation. However, in April 1998, the Carlson Companies experienced its first management transition in 60 years, when Marilyn Carlson Nelson was named CEO, and her father assumed the position of chairman.

Marilyn Carlson Nelson, Curtis Carlson's daughter, had been chief operating officer of the Carlson Companies. She is widely recognized for her leadership capabilities and has demonstrated her prowess as a business owner, a director of other companies, and as cochair of the successful Super Bowl XXVI, held in Minneapolis. Ms. Nelson's son, Curtis, serves as CEO

of the Carlson Hospitality Group Worldwide and has been identified as the heir apparent to his mother.

The following interviews with Curtis Carlson and Marilyn Carlson Nelson explore the succession process at the Carlson Companies and bring to light the dynamics that occur when a strong entrepreneur plans for the leadership of his company for the next 100 years. The transgenerational perspective of the two interviews provides a unique opportunity to explore management and ownership issues, as well as gender, entrepreneurial behavior, the role of the family, and family values.

These interviews are designed to help academics, professionals, and service providers understand and appreciate what the succession process means to an entrepreneurial family. Too often—from our “objective” position—we fail to acknowledge the drives, motivations, and dreams that an entrepreneur and his or her family share. The Carlsons teach us eloquently that though we may be family business “experts,” it is the family itself that knows more about what works for their own family system. The method of conducting these interviews also demonstrates the importance of maintaining what Milan family therapists describe as “curiosity,” and a neutral rather than a judging position. Understanding the entrepreneurial family's drives and motivations is an important starting point for successfully serving family business students and clients.

Curtis L. Carlson Interview

RSC: A year ago, we talked about the important changes that you were going to make in the leadership of the Carlson Companies, and you have now successfully transferred the position of CEO to your daughter. But knowing you, my first question is—What do you still want to accomplish at the Carlson Companies?

CARLSON: Well, I really became chairman this spring at our meeting in Las Vegas, but I am still committed to the second start of my Gold Bond concept for electronic loyalty marketing. It's back, and it's going to be big again. Unfortunately, the man I brought out of retirement—one of my top people from before—died unexpectedly, just as things were beginning to unroll. So that's why I am working now. But I am putting a good crew together. Hopefully, by the end of this year it will be pretty well set for this group to carry on.

RSC: So what's next for you?

CARLSON: My plan, after I get the Gold Points Plus Program up and running, is helping the University of Minnesota more. I am ambitious for their entrepreneurial program. I would like to see the whole school, the Carlson Business School, become one of the top five public-university business schools, and I think we can do that in my time. I want the entrepreneur courses to be at the top. I would like to have Minnesota compete against Stanford and all the schools on the East Coast. You better warn your friends at St. Thomas!

RSC: Carlson Companies is a dynamic and entrepreneurial firm with an annual growth rate of about 30%. One of the major challenges for family businesses is maintaining the entrepreneurial culture after the founding entrepreneur steps back. What are some of the things you've done to maintain the risk-taking culture in the Carlson enterprises?

CARLSON: Yes—and that's true! You read about it all the time. I've heard the story all my life,

and it's not that remarkable. The companies lose because they start making compromises, and they keep compromising until the company goes down. The family is still the same family, but they lose track of their values. That could happen to any family business, or us. The values that have made us successful are marketing and motivating sales. You have to realize how important it is to motivate people. I don't think we teach that in universities.

RSC: Thinking about the family dimensions of your business, is there anything you would do differently at the Carlson Companies and in the family, in terms of your decisions or actions?

CARLSON: No, I have been fortunate, and Marilyn is going to be a very good CEO. She probably has another eight years and then we go to her son, Curtis, who seems to be doing very well. I would like to see the Carlson Companies go on as a family dynasty. With a dynasty, however, we are looking at a minimum of 100 years—talking in terms of a century. The three of us, Marilyn, Curtis and myself, can do that, but then it's up to the rest of the family. I hope the family will continue with the dynasty because I see many advantages. We can move fast, and we are not burdened by trying to satisfy outside stockholders. We do exactly what's best for the company, rather than worrying about monthly or quarterly statements.

RSC: Would you ever see public ownership for the Carlson Companies?

CARLSON: Yes, as long as we keep the Carlson Holding Company for the family. We are already doing joint ventures with shared ownership. Our travel business in Europe, for instance, is a partnership with the biggest travel agency in Europe. We each own half, and we have no trouble whatsoever. This is necessary for us to do because we no longer can think of the United States as our major market. We are in more than 130 countries, and we need to service our customers. A partnership allows us to use our clout. That's why today

we are very successful with our travel programs.

RSC: Is that a model you may use in the future for joint-venture activities?

CARLSON: It can be a merger or whatever we want; we are not giving up control at a family level. I think you've got the idea!

RSC: In family business, we often talk about the two CEOs, the chief executive officer, and the chief emotional officer. We have heard a lot about your role at the Carlson Companies, but I would like to explore how you see your wife's role with the family, the business, and in supporting you?

CARLSON: I think it is great if your wife wants to take an interest. My wife was my only supporter because nobody knew what stamps were. When we started, I had to hire a young man to go house to house to explain it and give customers a hundred free stamps. Overnight we could cover six or seven blocks, and that would get a lot of customers in the store, but they were still uncertain. So at the store level, my wife dressed in a uniform—blue and gold—and sat at a card table answering questions as the customers came in. That only lasted about one year, and then the news quickly spread—like it is spreading right now, so we didn't need to do that anymore. Just put up a sign, "We Give and Redeem Gold Bond Stamps," and that was all we needed.

RSC: Your wife was actually your first marketing support and research department? Does she still have a lot of influence when you talk about the family business and what you're doing with it?

CARLSON: No. This is my baby. One of the things that I feel strongly about is that it is wonderful when the wife wants to get in and work too, but I don't expect to have a lot of my family come into this business. I tell them to this day that they are all part of the family, and when I go they will all be treated equally. But treating everyone equally does not automatically mean working in the business. If you do want to work for the company, you

need to get a masters degree, and you have to work four years on the outside to prove during the four years that you are capable of moving up. My grandson, Curtis, worked at other hotels and, after he fulfilled that requirement, was ready to come into the company.

RSC: You have been criticized for hanging on to the CEO position and not naming a successor sooner, either from the family or an outsider. What should academics and consultants know about your succession plans and why have you waited until now—when you're in your 80s—to make a leadership transition?

CARLSON: Number one, the reason that the CEO has to be careful about hanging on to his job is that he loses some darn good people because they stay with him until they can't go any higher. If I would have retired at age 65, we wouldn't have gotten to where we are today. I went for 40 years from 1938 to 1978, and 1978 was our biggest year ever. During those 40 years, we achieved \$1 billion in sales and had grown at a 30% compounded rate. So right through good times or poor times, we found a demand for our services. I say this with all honesty: I would have been out of here, but I contributed every bit of the way to new advances. That 30% we are talking about was under my jurisdiction.

I felt I was personally sacrificing a lot of the things that I would have liked to do. I gave up golfing, and I didn't do much tennis because my bigger objective was to form this family dynasty. There is always a big temptation for a guy to wait until retirement, sell out, divide the money up, and take care of his own family—and let it go at that. But there is talent in the family, and so I would like to be able to see those family members continue. Entrepreneurship has more of a place in our economy today than it has had in a long time. So I think, in my case, it was very justified, because of the progress that was made in those years. Fortunately, my health is good, I learned a lot, and didn't have to retire; but I am ready now, perfectly satisfied because I can't do it as well as my successors will.

RSC: As a founder and CEO of one of the biggest U.S. family businesses, what advice would you give to other family entrepreneurs when they start to think about succession and transferring the business to the next generation?

CARLSON: I am having family meetings now. There are three parts to the family meeting. One is the relationship between everybody. Family meetings are important for relationships. We talk and write it down, describing what we think the family relationships should be like, so it can be agreed [on] and all [will] abide by that.

Second, governance. The family is not there to run the company, and they have to know what governance is. It's not trying to get in and micromanage it—because my name is on there. They can't call the shots; we don't have that. We are sticking with a governance plan, based on a board of governors composed of my descendents. They automatically join this board when they reach the age of 25.

The last thing is the relationship with wealth. They need to manage the money—what I have already given them and what they will be receiving. Because I have money, they are learning about it; they sit on the family boards and learn real estate. It is also important for the family to understand about the family's charitable activities, by serving on community and nonprofit boards.

RSC: You mentioned governance. Two years ago you added three outsiders to your board of directors. What have their roles been in the succession process at the Carlson Companies?

CARLSON: All have been good contributors. They all speak up, they contribute on everything that comes before the board, and they are a great help. There are only three of them, so the family still outnumbers the outsiders. They are all good board members because they are successful people in their own businesses and, right or wrong, they participate. They are strong, too. I think that having them is good for everyone in the company. If my two daughters agree, they'll

have voting privileges. If they do not agree, the outside directors can side with the decision they feel is best for the company going forward.

RSC: Would you have added outsiders to your board earlier if you had known their value?

CARLSON: Good question. I really don't know because I was so close to everything myself. I was in the middle of it, and I had good help. But today I go along with their advice. Marilyn is on the board so that she knows how well it is working. I like all three of the outside directors.

RSC: Obviously, you have strongly influenced your children. What was your father's impact on you?

CARLSON: I never asked my father for a job, which is funny; but it never occurred to me because I got the paper routes and then it was one thing after another that I was doing to make money. I went to college, but I didn't ask my parents. They were just proud that I was going on to the university. My dad only had a third-grade education. I am very proud of that because when he died, quite a few years ago, he left each one of his five children \$75,000. That doesn't sound like a lot today, but that is pretty good for an immigrant with a third-grade education—and he was a salesman his entire career. Shortly before he died, he told me that he wouldn't leave me much money, but that he was leaving me America for my sales territory. Today my sales territory is the world.

RSC: Did he live long enough to share some of your early business success?

CARLSON: Yes he did. He lived to be 85 years old. The immigrant experience is an important part of my values. My dad was born in 1863, and the family left Sweden in 1866. Sweden got the potato blight after Ireland, and two million people left within just a few years—because they served those potatoes for breakfast, lunch, and dinner.

RSC: In your speech when you passed the CEO's job to Marilyn, you talked about immigrants and mentioned a Swedish chest, which symbolizes how immigrants have to leave much behind when they go to a new country. What will Marilyn need to leave behind?

CARLSON: Well you can comprehend how tough that would be. My ancestors sacrificed everything to get enough money to come to America—and then Minnesota—because that was where their friends were, and they knew that somebody would be there to help them. Marilyn is taking her new role very seriously, and she brings ethics, integrity, and an attention for the job. There is an Old Swedish Proverb: Work as hard as you can, earn all you can, give all you can. Simple!

RSC: Thank you for your comments; and I will warn the University of St. Thomas about your plans!

Marilyn Carlson Nelson Interview

RSC: The media often portray your father as an entrepreneur who is unwilling to let go of the company and pass the leadership to the next generation. What is your interpretation of his reluctance to step down as CEO?

NELSON: My father viewed retirement, or stepping back at an earlier age, as another obstacle to be challenged. He faced many different issues, business and personal, as he grew the Carlson Companies. His strength has always been the ability to overcome obstacles, change the boundaries, and create new opportunities. He is committed to the Carlson Companies not only because he saw the opportunity to take the business in new directions but also because he wanted to establish a succession plan to cover the second and third generations. One of his concerns is that even though many family businesses successfully make the transitions to the second generation, they fail at the third generation because the third

generation is removed from the entrepreneur and his or her values. My dad has the opportunity to work with both my son, Curtis, and me and to establish a logical multigenerational succession plan.

This is an advantage because it provides our family and business with continuity. The disadvantage of this has been that in some cases career opportunities for other managers were blocked, resulting in some loss of talent. Another disadvantage involves the idea of risk taking. As my father grew older, he became less willing to take some of the risks that had helped him build and grow the company. Again, the three generations in the business help provide a good blend of risk taking. My father has become more conservative, I am somewhat in the middle, and my son, Curtis, is the most aggressive.

RSC: What are the biggest challenges you face as the daughter of a powerful entrepreneur? One article on the Carlson Companies describes your father's verbal attacks during heated company discussions and, how in one instance he brought you to tears during a meeting.

NELSON: Well that story is not really accurate. But I think it's important to understand the passion we all feel for this company and the sacrifices we've made for the company. When two people care about a company as much as my father and I do, you can passionately disagree, and at times there are very strong emotions. I believe that most executives have experienced situations in which there have been strong disagreements.

Another challenge I faced when I became more active in the senior management of the company, was that I felt I was more ready for the CEO's job than my father did. As we worked together, we grew to understand that we were both right and that it was more important to function as a team.

RSC: Your father was quoted as saying: "Your son, Curtis, is going to be the best of us all." He expects you to run the company for eight to ten years, and then Curtis will take over. How do

you feel about this succession plan?

NELSON: Well in many ways, I wish my father wouldn't say that. It's one of my concerns because it creates such high expectations for Curtis. He is an excellent business executive; perhaps he does live and breathe this business more like my father than anyone else does. I sometimes wonder whether the two of them have some special connections because my son is named after my father. But he always has had a strong interest in business, and he is a very strong entrepreneur. Even as a child, he was very involved in business ventures. Even when he had opportunities to work in more glamorous settings, such as caddying at the country club, he chose to work in the kitchen at one of our restaurants because he wanted to learn the business. He demonstrated so much at a young age, but I think it's sometimes unfair for him to have to carry the burden. I bet, if you asked him, he wouldn't say it's a burden at all. I hope Curtis continues to maintain his interest level and his health, and that it works well for him.

I also hope some of the other family members decide to join us. This corporation is so large, and having family members involved with the company is great. It can be risky for the family because of unforeseen events that would be extremely disrupting to either the family or the business. So even though I know my father would rather avoid sibling or interfamily rivalries, some of the literature says that it is equally risky not to involve the family.

RSC: Just now, you've sounded like both a CEO and a mother. When you describe your son's challenges, I can sense the concern you feel for him—but at the same time for your organization. How will you balance the possibility of such conflicting roles as CEO of the business and mother of the heir apparent?

NELSON: I think, in one sense, the organizational structure will help. Let me give you an example: I have found [that] a large number of our employees are comfortable because there is

already a sense of continuity. In the company dining room, employees note that at one table is my father with customers, I am at another table with customers, and Curtis is at a third table with customers. There is a sense of family and shared values among our three top executives. We also have the kind of love and respect for each other that you can't find in many business environments. But I can see the other situation, should the family not get along. It could also disrupt the entire environment.

RSC: The family you are leading into the 21st century is very different from the one your father created. What new challenges do you anticipate as a result of the growth and maturation of the Carlson family?

NELSON: Another benefit of my father maintaining the senior leadership role has been to give my sister and me a chance to develop a more mature relationship. I don't know if I should say this, but often, when we were younger, there was more competition and less focus on the big picture—that is, what really mattered. I think my sister and I are now much more capable of providing the leadership and stewardship for the Carlson family and our family enterprise.

RSC: What are your expectations for your family's third generation?

NELSON: They have the intellectual capability, the education, and the experience to make the best decisions. It's important that they receive the training and that they understand their roles in stewardship; this matters to me. I think we are going to be a leading company. You cannot really serve your customer well in the 21st century without being a leader.

RSC: We discussed the family challenges. What about the company you are going to lead in the 21st century?

NELSON: How about the company that I am helping to create for the 21st century?

RSC: Excellent—the company you are helping to create *will* be different! What challenges do you see for yourself as the CEO?

NELSON: I think I will have some unique challenges that my father had as well. I think my role is higher risk and more complex than his was. My father's biggest risk was as an entrepreneur because he was alone. But he was only accountable to himself; the numbers were completely his. He could look in the mirror and make a decision. If he was wrong, he did not have to lose a lot of sleep over it. I mean, he may have lost sleep over making the right decision but not over trying to explain it. He just made the decision. The challenge for me as the CEO is to keep the company growing and act as a steward.

I have to be steward of the Carlson Companies to continue to earn the support of the rest of the family and our employees who are the key stakeholders. Because I am not the founder, I must work with the family group to ensure that they receive economic and psychological value from the company that is equal or better than what they can get from other investments. So we must be prepared for challenging years. Even though the past bar charts look uninterrupted, that's the revenue line, but the profit line has gone up and down. I doubt if the family will tolerate more than a couple of years of less-than-market performance. I hope they will tolerate that if they have to.

I find my challenges fascinating: Running a global company with 180,000 people in 140 countries would occupy anybody full time. I am working to strengthen the management processes we haven't had before—learning to work with the board and family, to understand which decisions go to the family and which ones don't; learning how the corporation interfaces with the family and how we balance decision making between the outside directors and the family; and how much tolerance we have for debt. We are just institutional-

izing many of these processes as we move from the first generation of entrepreneurship.

RSC: Your action list sounds like a job description for the CEO of a public company.

NELSON: I don't think that job would be any harder. Everyone assumes that once a company gets to our size, and you move beyond the founding generation, things become simpler. I think it won't, because it's like having, in my case, seven institutional investors. I mean everybody who invests in a public corporation feels differentiated from the investment, that's for sure. We have additional complexity because our investors are people with emotional ties and all the subtle competition, which is a family.

RSC: That's why I teach it. It's the most interesting topic I can find. The news media quoted your father, when he named you CEO, as talking about the Swedish immigrant traditions and the chest that symbolizes the things you have to leave behind on the journey. What are you going to bring along on your journey as the CEO of the Carlson Companies?

NELSON: They always get that wrong. That's *my* story! You have to bring along your integrity. That's the most important thing for people who want to make it. I think a respect for the market economy and a willingness to do what it takes as a corporate and individual citizen to promote and protect a free market, and certainly democracy. As a family, we define wealth preservation as financial and human capital. As a business, we define ourselves as a team organization. I want a revolution in the way we interact with each other as equals. The value in a company is the team. You can lose the money, but if you don't lose the team, you can earn the money the back.

RSC: Thank you for your stimulating ideas.

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