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Building a Better CEO

When Grooming Rising Stars, Companies Ask Coaches To Say the 'Un-Sayable'

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MINNETONKA, Minn.—Wade R. Fenn, a rising star at **Best Buy** Co., wants to be CEO of the consumer-electronics retailer. Top management also views him as a strong candidate to run the company one day.

But his superiors believe that before he can lead well, this self-styled corporate revolutionary must learn to follow. So once a month, the 41-year-old executive vice president of marketing spends a few hours with an industrial psychologist.

Wade R. Fenn

During a recent session at a hotel here, the topic is a disagreement with his boss, 50-year-old President Brad Anderson. Mr. Fenn tells his **executive coach, Christina D. Williams**, that he wanted Mr. Anderson to put an e-commerce manager on a new team overseeing Best Buy's stores while senior management explores other ways to expand. But Mr. Anderson didn't take his advice.

Once, such a rebuff would have prompted Mr. Fenn to conduct a campaign of rebellion and discontent behind the scenes. But this time, Mr. Fenn tells Dr. Williams, he did something different: He promised his boss his full support. "I was exhibiting followership," Mr. Fenn adds. **Dr. Williams, a consultant with RHR International** Co., nods approvingly. A conciliatory approach "gets some discussion on the table," she replies, "It wasn't happening a while back."

Best Buy, **Dow Chemical** Co., **Colgate-Palmolive** Inc. and other big companies are starting to put more time and money into the job of grooming future CEOs. They are mapping out extensive leadership-training programs, mentoring by senior management and long-term executive coaching—measures that in the past were used mainly to fix problems after they occurred.

The leap from operational head to chief executive "is not incremental. It's quantum," says **Thomas Saporito, senior vice president at RHR International.** The Wood Dale, Ill., consulting firm has been working with at least 40 executives from companies including Best Buy for periods of at least two years.

CEO succession plans have been failing right and left lately. In just the past few months, seconds-in-command at **Mattel** Inc., **Coca-Cola** Co., **Toys 'R' Us** Inc. and **Humana** Inc. all fell from grace after relatively brief stints as chief executives. Each one had enjoyed a string of successes before taking command—and then exited under fire.

Best Buy, the nation's No. 1 consumer-electronics retailer, is trying to avoid such a situation before it arises. Since 1997, the Eden Prairie company has spent nearly $10 million on executive coaches for all 67 corporate officers—from vice presidents on up through Richard M. Schulze, the 59-year-old chairman, CEO and founder.

Best Buy says there isn't any time frame for its succession plans: It may be years before Mr. Schulze relinquishes the CEO post, and when he does, Mr. Anderson is in line for the job ahead of Mr. Fenn. But unlike companies where a founder runs the show and resists succession planning, Best Buy is preparing early for its first transfer of power and for others to come.

Senior executives realized they weren't speaking frankly to younger colleagues about shortcomings in personality and management style, often because they lacked the time and the guts. Doling out such criticism "has been very hard for us," explains Mr. Anderson, a 27-year Best Buy veteran and its president since 1991. Yet it must be done. "You want the second generation to supersede the first," he says. Coaches "say the unsayable to us."

A young-looking man whose dark hair curls over his collar, Mr. Fenn hasn't been officially designated a future CEO of Best Buy. But his career is getting extra attention from superiors. And his progress, coinciding with Best Buy's attempts to move fast from being an old-fashioned store chain to a New

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Economy "bricks-and-clicks" retailer, has been stormy at times.

Mr. Fenn joined Best Buy as a salesman after college and earned a reputation as a forceful maverick as he climbed the ranks. He hoped to be a big-company CEO by age 40. But soon after he took the top marketing job, in August 1995, profits began to sag amid a drought of new electronic gadgets and heavy discounting on PCs.

Mr. Anderson suggests Mr. Fenn waited too long to drop promotional tactics that hurt profits. Mr. Fenn blames the delay on his having to deal with autocratic lieutenants. "I had everybody wanting to lead and that made it difficult to play the game," Mr. Fenn says, adding, "I was the poster boy for some of that behavior."

He revamped the marketing team, but also continued to push far-fetched ideas, dominate debates and rush to conclusions. He says this Lone Ranger approach sometimes bred mistrust and stifled cross-pollination of ideas among his eight senior vice presidents.

Last fall, Mr. Anderson sent Mr. Fenn to a five-day "Top Talent" workshop RHR held for potential CEOs and COOs from around the country. There, Mr. Fenn says, he learned to admire Tonto, because he always pulled the Lone Ranger out of danger. Mr. Fenn says he also learned that successful teams are made up of competent, collegial risk takers who pursue input from the quietest members.

When he returned to the office after the workshop, Mr. Fenn recalls, "I told my team I sucked as a follower. . . . I said, 'We have a problem here because this is something I am bad at.'" The surprise confession "opened up a dialogue about what the team needed to do to build a higher level of affection," he says. Among other changes, the team now holds three of four weekly meetings each month without Mr. Fenn.

"The role I needed to play as a follower was something I had never seen taught anywhere," Mr. Fenn says. "Leaders of revolutions are often people who don't follow others." Mr. Fenn says he also tried to be a better follower while leading a special team that in December forged a big strategic alliance with Microsoft Corp. The software giant agreed to invest $200 million in Best Buy as part of the distribution and promotional accord.

"I gave a lot of people a starring role," Mr. Fenn recalls. "And I didn't take a strong opinion until the very end." His bosses were impressed by his power-sharing. "He exhibited great leadership because he was able to show great followership toward people he had authority over," Mr. Anderson says. The Microsoft accord "was a much better product because one person wasn't driving it."

But problems persist, as Mr. Fenn reassigns people to new roles on his marketing team. During their recent coaching session, Dr. Williams requested an update about his team's "trust equation." "One of the things we had to do in the last 60 days is to reposition a lot of mindsets," Mr. Fenn says, striking the starched tablecloth hard with the edge of his palm. "Some of those are going well—and some of those are struggling."

He continues to struggle with balancing the needs of "innovators" with those of "refiners," which is how he refers to the retailer's old guard. To catch up to rivals selling electronics online, Mr. Fenn says, Best Buy must do something revolutionary—for instance, forge record-industry partnerships and offer customers ways to download music using home PCs. "That's not the [traditional] role of a retailer," says Mr. Fenn, an amateur electronic violinist.

But as he takes on a bigger management role at the company, Mr. Fenn worries whether two of his deputies will take up his less-hierarchical style of leadership. "How do we make sure the elements in progress don't lose traction?" he asks Dr. Williams. Just let things gel, she suggests.