

Coltrane has a succession crisis. Who's responsible?

When the CEO Can't Let Go

by Sandi Sonnenfeld

Every morning, Paul Marsh, the 66-year-old chairman, president, and CEO of Coltrane Farm Equipment & Manufacturing, walked the six flights of stairs up to his office. Although the Kansas-based company's headquarters had plenty of elevators, Marsh considered the morning climb to be an instrumental part of

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his stress-management plan. Periodically, he also indulged in the thought that his daily climb was a physical symbol of just how far his career had come—from his first job selling Coltrane products on the road to the top executive post at a corporation that posted \$4 billion in annual sales and employed 22,000 people at four divisions in 12 countries around the globe.

Today the climb was pure stress reduction. Tucked under his arm was the morning paper, and on the front page of the business section was an article about Marsh's management style and impending retirement. "Out of context," he said under his breath as he ascended the third flight. "Each one of the man-

agers who left this company had serious flaws," he thought to himself. "I had to keep a close eye on Reston. We wouldn't have met our goals if I hadn't. And Severinson wouldn't concentrate on his own job. Instead of focusing on Europe and

Asia, he kept trying to get into domestic affairs."

Marsh thought about himself. He sighed. Although he planned to stay on as chairman of the board of directors for at least two years, he knew that the transition would still be difficult. And the date was approaching faster than he thought possible. The board's nominating committee, a four-member group led by Bob Bron-

son, a New York investment banker, had already met four times. Andrews and Hoffman were indeed the two internal candidates. And with the help of a national search firm, the committee had also identified a strong outside contender, Alan Cameron. Why everyone was so enamored of Cameron, though, Marsh couldn't figure out. The man had a blue-chip résumé, and he was charming at the dinner and interview, but what did they really know about him? Bronson, in particular, had become a big Cameron fan awfully fast.

Marsh's thoughts shifted back to the article. Through the rumor mill, he knew that the piece had gotten at least some things right. Most of the Coltrane employees located in North America felt that the job should go to Mark Andrews. Two board members were very supportive of his candidacy, as well. Truth was, though, Marsh didn't think that Andrews was right for the job. He didn't have enough experience as a senior manager. Marsh favored Hoffman, who had the marketing know-how to take the company global—and also knew what he didn't know.

"Good morning, Paul." Linda Pike, Marsh's executive assistant, startled him out of his thoughts as he entered his outer office. She held out a yellow message slip. "Bob Bronson called again."

Marsh sighed.

"Tell him I'll be in touch by the end of the day. Thanks," he said and closed the door to his private office. For the third time in the past two days, he punched up the personnel files of Hoffman and Andrews on his computer. And for the third time in the past two days, Marsh reread the data even though he knew it cold and had for a long time.

On paper, as well as in person, Gary Hoffman's credentials made him a shoo-in for the job, Marsh felt. His résumé was solid. A native New Yorker, Hoffman had attended good schools at every stage and earned his M.B.A. in 1969. Hoffman had worked for many years with a plas-

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tics manufacturer in Europe and had joined Coltrane with the mandate of expanding the company's international sales division.

Married to a woman from Belgium, Hoffman had strong ties to Europe. He was fluent in both German and French; he knew the rules and realities of international trade; and he was comfortable working with and within multicultural environments. Marsh knew that these qualities would prove highly beneficial to Coltrane in the decades to come as the European Union continued to play a major role in the world agricultural export market. At the same time, Marsh considered the poten-

tial downside: Demand for U.S. agricultural machinery both at home and abroad was highly dependent on currency and agricultural policy fluctuations. If the European farmers' economic strength continued, there could be a dramatic increase in demand for American-made agricultural machinery; but a major change in U.S. farm policy or unforeseen difficulties in the GATT discussions could offset these gains.

Marsh had seen Hoffman in action meeting with customers and negotiating contracts. In fact, in Hoffman's

first year on the job, Marsh had spent one week of every other month in Europe and had been tremendously impressed. "If I were younger, I'd be taking the company global myself,"

"If I were younger, I'd be taking the company global myself," thought Marsh.

Marsh had often thought to himself as he worked alongside Hoffman at the Paris office. "The future is here."

What's more, Marsh had noticed that Hoffman seemed to glory in the

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When Coltrane's Marsh Steps Down, Who Steps In?

BY GINNY CONKLIN
Staff Reporter of the Daily Item

TOPEKA, Kansas - The imminent retirement of Paul Marsh, chairman, president, and CEO of Coltrane Farm Equipment & Manufacturing, is causing tension among the company's managers - and some contend that Marsh himself is fueling the fire.

No one can deny that under Marsh's leadership, Coltrane has prospered. Marsh was instrumental in keeping the company on its feet when the bottom fell out on farm prices in the mid-1980s, and Coltrane's stock price has consistently held the leading position in its industry. But Marsh also has a history of conflict with his closest subordinates, which has earned him the label of micromanager. Five senior-level executives have left the company amid controversy during his tenure - among them Dick Reston, Coltrane's former president and COO. Reston, who was appointed by Marsh in 1992, left Coltrane eight months ago and has not been replaced. Pat Severinsson is another recent casualty. Severinsson was named head of international operations in 1990 but was fired just 21 months later. Now, with Marsh's own retirement

only five months away, some insiders maintain that there is no one suitably prepared to step into his job.

Company sources indicate that Gary Hoffman, 55, who joined Coltrane as head of international operations in the wake of Severinsson's departure, has emerged as a leading candidate to replace Marsh. But according to some Topeka-based managers, Hoffman's appointment would not be well received. "We're a home-grown company," said one line manager, who spoke on condition of anonymity. "Hoffman may know sales and business, but he doesn't know this business. He doesn't know what goes into our products, and he wouldn't know a good tractor design if it bit him in the rear end."

The local favorite seems to be Mark Andrews, Coltrane's head of domestic operations. Andrews, 50, has been with the company for 15 years, having started out as a designer. Industry observers say that Andrews is a design and manufacturing visionary - that he should receive most of the credit for the success of Coltrane's three top-selling tractors. Fellow managers have also touted his skill at strengthening the domestic dealer network.

But agribusiness analyst John Somers says the company will need someone with international experience at the helm if it is to continue to prosper. Somers points out that the company has made several preliminary ventures into the Far East, and if it plans further growth, it will need a leader with expertise in global markets.

CEO Marsh, when asked to comment, would say only that the succession process "was being undertaken with the company's best interests in mind." Marsh also said that whoever succeeded him "would continue to build the company into a global organization, while maintaining the important relationships that we've always had with our own home-town core of employees. The people of Topeka made this company what it is today, and no one is going to forget that."

Insiders say that Marsh favors Hoffman over Andrews. But one Coltrane executive, who also chose not to be identified, said that the company should consider outside candidates. "We might do better to look outside," he said. "The internal candidates have not had any experience running an entire company."

organization's achievements as much as his own. Since his appointment, Hoffman had made several sweeping changes in the way the international sales division was structured. He had streamlined processes. He had cut costs. He didn't have

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a big ego. Yet his employees were fiercely loyal and proud of their accomplishments. Given the chance, Marsh was sure that Hoffman could lead the domestic division, as well.

In contrast to Hoffman's urban sophistication and management style was Mark Andrews's folksy demeanor. Andrews liked to get his hands dirty; he seemed to spend almost as much time in the local factories as in his office. Born and raised within 20 miles of Coltrane's home offices, he had attended a nearby university and received a graduate degree in mechanical engineering. Before Coltrane recruited him, Andrews had enjoyed a meteoric rise at Hossett Corporation; while he served as vice president of manufacturing and design, the hose manufacturer had gained market share and shown a steady increase in profits.

Since beginning his duties at Coltrane in 1980, Andrews had spearheaded the research and production of a state-of-the-art consumer lawnmower-tractor. The product had gone on to become an all-time best-seller. He had also been heavily involved in the design and manufacture of two more best-sellers. And he had led the overhaul of Coltrane's factory/supplier relationships. Under his guidance, the company had reduced its cycle time by nearly 150%.

Andrews was also an all-around good man, Marsh reflected. He was a real civic leader and had also been instrumental in developing Coltrane's continuing education program for employees. But he simply didn't have the international experience to lead a global company.

The phone buzzed; it was Linda with the morning agenda. Marsh quickly became absorbed in the business of the day and pushed the thought of retirement, and replacement, to the back of his mind.

At noon, however, the subject came up again. Marsh had a lunch appointment with Sharon Aiken, a retired congresswoman from Kansas and a member of the nominating committee. Aiken's first words addressed the question of his successor.

"The way I see it," Aiken said, "is that Gary's diplomatic style and marketing knowledge combined with Mark's technological know-how make them an unstoppable team. And I think everyone agrees that when Gary first arrived—during the first three months, when he was getting to know the company here at headquarters—the two of them clearly shared a mutual admiration for each other's work and abilities.

"But," she continued, "I feel strongly that neither of them is the right person for the job. Neither is a seasoned general manager." Seeing Marsh's amused glance, she laughed. "It will be hard to fill your shoes, Paul," she said. "Mark's experience may be similar to yours when you took on the job, but the company wasn't nearly as dependent on international sales then.

And Gary—well, I just don't know. But the search firm's top candidate, Alan Cameron, has impeccable qualifications. His résumé is stellar. He has an M.B.A. from a top-notch school. He's already the COO of Morris Construction Equipment, a company that's at least a third larger than Coltrane. He was part of the team that expanded the company's Middle Eastern presence and took the company into the Pacific Rim—as you no doubt recall, he was based in Hong Kong for four years. His experience there alone should show you his worth."

"I don't know," Marsh countered. "I think you know I'm favoring

Gary's appointment. He has the international know-how Coltrane needs. And you know his education is comparable to Alan Cameron's."

"You have to think of what will happen if he becomes the CEO," Aiken said. "I think there's tension between Gary and Mark now that wasn't there before. We've put it there by considering both of them for your job. I've spoken with each of them several times since the nominating committee formed, and, while they're both diplomatic, it's clear that they're sizing each other up. They're looking for flaws—and I'm afraid that's a trend that won't go away if one of them is appointed. In fact, we may lose one of them if the other is appointed. And we don't need more internal upheaval."

"Let's let the matter rest for now," said Marsh, throwing up his hands in a mock gesture of exasperation. "Lord knows I'll be immersed in the issue for the next few weeks anyway." Aiken began to speak, but Marsh interrupted. "You just returned from Thailand, and I haven't heard anything about your trip," he said firmly. Aiken, seeing his frown, began to talk about Bangkok.

After lunch, Marsh returned to work and spent a few hours reviewing operations reports. At 4:00 P.M., he left the office to play golf. He drove to his club and met Stuart Becker, an old friend who happened

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to be Coltrane's primary banker. Stuart had been with the regional branch of one of the country's biggest banks for years and had been on the Coltrane account since the month after Marsh's appointment as CEO. The children of both men had attended the same private school.

Becker, too, wanted to talk about the succession, but he held off for a few hours until the two men were sitting over drinks at the bar.

"I think Andrews is your man," Becker said. "Frankly, I don't like the thought of some outsider running the company. Or Hoffman, for that matter. I think you're forgetting what made this company what it is."

The two reviewed the merits and flaws of Andrews, Hoffman, and Cameron for about 20 minutes before Marsh called a halt. "Stu, you know I'd like to talk with you about this at length, but I've got to get home. Same time next week?"

Driving home, though, Marsh found that he couldn't put his potential replacements out of his mind. Of the ten-member board, he seemed to be the only one who would clearly support Hoffman. The rest of the committee – Sharon Aiken, Bob Bronson, and another New York banker – supported Cameron. What's more, Marsh felt certain that the rest of the board – Coltrane's CFO, the company's retired CEO, another retired Coltrane executive, a college president, and the CEO of an agricultural research company – would

be split between Cameron and Andrews. The company's CFO and one of the two retired executives would back Andrews, Marsh was sure. They had seen Andrews grow up. But the rest would support Cameron. He would charm them. And Bronson had already been doing some behind-the-scenes lobbying, Marsh knew. What could he do to convince them that Hoffman should get the job? Marsh had hand-picked Hoffman, and he was performing well. Why couldn't the board members see that Marsh was the only one who could tell them who could fill his shoes? Did they truly understand the stakes involved?

HBR's cases present common managerial dilemmas and offer concrete solutions from experts. As written, they are hypothetical, and the names used are fictitious. We invite you to write to Case Suggestions, Harvard Business Review, 60 Harvard Way, Boston, MA 02163, and describe the issues you would like to see addressed.

ment when the board must ensure that the company rises above personalities and politics and selects the best people to take it into the future. To do the right job of choosing a new CEO, the board must first develop a strong vision of the company – its structure, strategy, and future direction – and then select an individual who can make that vision a reality.

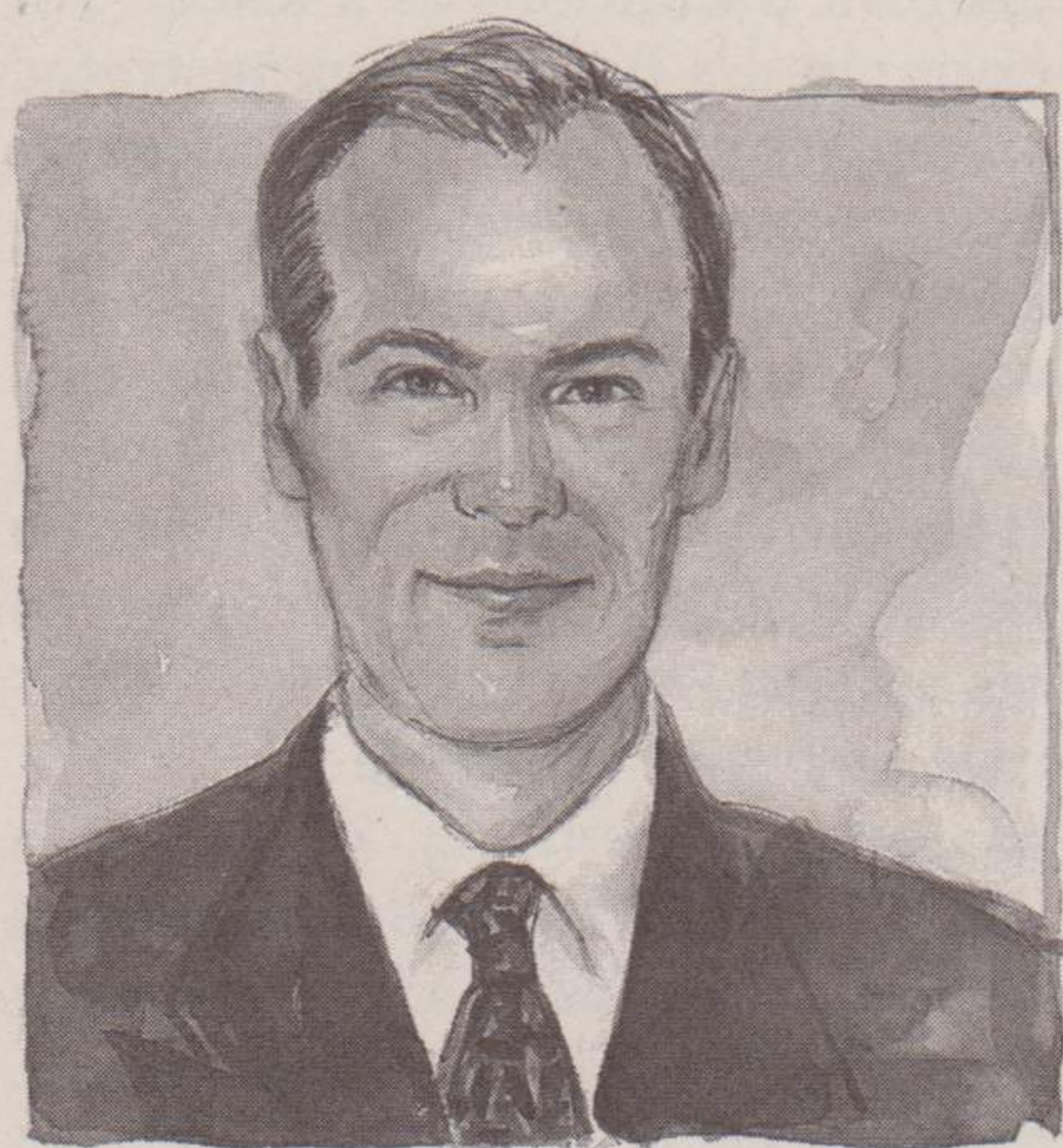
Successful companies and CEOs, like Coltrane and Marsh, often mishandle the succession process. The reason? The board has grown ineffective under a good manager. Lulled by strong leadership, it fails to rise to the demands of succession – the need to confront the CEO's biases and preferences, develop an expert view of the business, and make an informed choice for the future. At troubled companies, in contrast, the board typically has had to assert its role in the face of economic problems and corporate politics. That is why the new CEOs chosen at troubled companies in recent years – such as General Motors, IBM, Kodak, and Ceridian (the former Control Data) – have worked out so well.

Coltrane's board, built under a strong CEO, has a critical problem. It lacks members with outside, unbiased business expertise in relevant industries. It also lacks outside members who understand the job of being a CEO (its only outside CEO member runs a nonprofit). The CEO search committee is comprised of Marsh, two bankers, and a retired congresswoman. The board's outside members may all be highly competent individuals, but they do not have the firsthand experience that would allow them to make important distinctions when looking at a variety of impressive candidates.

As a consequence, Coltrane's CEO search process is displaying a classic set of weaknesses associated with successful CEOs and inexperienced boards. The CEO – the only one with real business expertise – has a favorite candidate. But it may be the wrong one, reflecting his personal biases rather than the company's future needs. The board has developed a crush on an outside candidate who is slick and credentialed but has not

How can Coltrane find the right successor to Marsh?

Five experts examine the CEO succession process.



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Coltrane's succession process is seriously flawed and in danger of producing a bad result. Before the process goes further, Paul Marsh and the board should make changes in the process that they have put in place to choose a new CEO.

Succession is a board responsibility – a governance issue – not a management task. It is a key mo-