Luxottica dual CEO structure a test of a management textbook no-no - RTRS

28-Oct-2014 21:34

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MILAN, Oct 28 (Reuters) - The recent management overhaul at Luxottica is testing one of the corporate world's textbook no-no's: dual CEOs.

The world's biggest eyewear maker last week announced that veteran Procter & Gamble PG.N manager Adil Mehboob-Khan would be chief executive together with longtime Luxottica manager Massimo Vian. The appointments are expected to be rubber-stamped at a board meeting on Wednesday.

Mehboob-Kahn, who spent 27 years at Procter & Gamble including as head of its salon professional division, is due to oversee distribution, while Vian will supervise operations and products.

The new C-suite structure is an attempt by the maker of Oakley and Ray Ban sunglasses to draw a line under two difficult months during which the company lost two successive chief executives, including 10-year veteran boss Andrea Guerra, who left after disagreements with founder and majority owner Leonardo Del Vecchio.

The departures undermined Luxottica's reputation as one of the rare family-owned European companies that had successfully handed management to independent outsiders.

Luxottica says the dual CEO model better suits the company's 73,000 employees and its vast wholesale and retail distribution network that spans from the United States to China.

Del Vecchio, who rose up from a Milan orphanage to become one of Europe's richest men, assured employees in an internal email that he will not be directly involved in the family business once the new management set-up is in place in January.

Yet another reason for the new two-headed approach, according to current and former Luxottica managers, is that the 79-year-old patriarch is loathe to concentrate power in one independent executive again after his falling out with Guerra.

"There is a clear intent on the part of the majority shareholder to divide power, in addition to responsibilities," said Maurizia Iachino Leto di Priolo of executive search firm key2people.

Two at the helm is a risky proposition for companies, management experts say.

John Morris, a faculty adviser at the UCLA Anderson School of Management, said the danger with splitting the top job is that it can send the wrong signal to the market about company strategy, and that it leads to less accountability at the top.

"The adoption of a co-CEO model is often a symptom of weakness. Having two people at the same level shows that the company is undecided about its leadership and it invites too much confusion," he said.

"Somebody has to be accountable, even if one is doing sales and marketing and the other is doing operations. ... You don't have a boat with two captains," he added.

Morris said the set-up, if used, should only be a temporary arrangement.

The since de-merged DaimlerChrysler, as well as the now renamed Blackberry maker Research In Motion, are examples of companies that ditched dual CEO structures along the way.

One of the reasons the planned $35 billion merger of advertising companies Publicis PUBP.PA and Omnicom Group OMC.N fell apart was because the chief executives of each company couldn't work out how to share the top job of the combined entity.

The dual chiefs model is particularly popular in Italy among family companies, largely because it allows siblings or other family members to share control. According to Guido Corbetta, a family-business expert at Milan's Bocconi University, more than one-third of Italian family-owned businesses with annual revenues of more than 50 million euros have at least two bosses.

Corbetta says that evidence points to companies performing better when there is only one person in charge, though he adds the differences are not huge.

Among the successful examples are brothers Pietro and Michele Buzzi who have been heading Italian cement maker Buzzi UniCem BZU.MI since 2006.

In the rest of Europe, Germany's biggest bank Deutsche Bank DBKGn.DE has been run since May 2012 by two chief executives.

And Swiss luxury group Richemont CFR.VX had two co-CEOs who successfully managed the group during the year that founder Johann Rupert took as sabbatical before returning as chairman in September. In Richemont's case, the joint chiefs had both been with the group a long time and had worked together on several occasions, people who have watched the company closely say.

Well-defined roles and a powerful board of directors to oversee the business are key ingredients, experts say.

"You need a strong board, clear division of powers and good affinity between the two people for the recipe to work," said Alessandro Zattoni, an academic and co-editor in chief of an international review of corporate governance.

Luxottica is due to appoint a new board in the spring. This month the company lost independent board member Roger Abravanel. According to a person close to the board, he quit after Del Vecchio rejected his proposal to revert to a single CEO model.

HIT THE GROUND RUNNING

The new team will need to hit the ground running. In the first half of 2015, Luxottica plans to launch its Internet-connected Google glasses that the Italian company has developed with the U.S. tech giant.

The Google Glass deal was forged almost single-handedly by Guerra, according to people familiar with the matter, and it remains to be seen how the new Luxottica chiefs will now implement it. Also slated for early 2015 is Luxottica's first collection of its Michael Kors-branded glasses.

Longer-term, Luxottica's challenges are focused on sustaining its growth pace. The company enjoys a dominant position in its sector with annual sales of 7.3 billion euros, nearly seven times those of its closest rival Safilo SFLG.MI. Sales more than doubled during Guerra's 10-year tenure.

Having successfully bought companies over the past 15 years, it is now left with fewer potentially attractive targets. Citi analysts recently wrote that Luxottica may try selling smaller and poorly performing shops for prescription glasses in the United States in order to focus more on premium frames and sunglasses, especially in emerging markets.

A "transformational deal" such as the tie-up with French lens manufacturer Essilor ESSI.PA that Luxottica explored but did not pursue also remains a possibility, Citi said.

GLOBAL BENCHMARK

Del Vecchio drew praise as a rare example of a founder who allowed professionals to run his business.

In 2004 he passed over his eldest son Claudio, a successful manager in his own right as the CEO of U.S. clothing brand Brooks Brothers, in order to take on Guerra.

Claudio Del Vecchio, who ran Luxottica's U.S. business for 15 years until 1997, said last week that neither he nor his five siblings had personal ambitious at Luxottica.

For nearly all of Guerra's stewardship, the elder Del Vecchio largely stayed out of business affairs while the company's share price tripled.

In February of this year, Italian newspapers began to speak of Guerra as a possible minister in the new government of Prime Minister Matteo Renzi. Guerra was silent for several days, before officially denying that he would take such a post.

According to former and current executives, the delay angered Del Vecchio, who began to consider a management change.

Shortly afterwards, the patriarch also began getting more involved in the business, showing up more at company headquarters and overseeing an office move into a modern building in central Milan over the summer, these people said.

Luxottica declined to make Del Vecchio available for comment.

When Guerra left in September, Luxottica hired an insider, Enrico Cavatorta, chief financial officer since 1999. But Cavatorta resigned after six weeks on the job because he felt he didn't have the autonomy to run the business as he saw fit, according to people close to the executive. Cavatorta did not answer a request for comment.

The successive departures and fears that Del Vecchio was backtracking on his longtime strategy of leaving the running of his company to professional management hit Luxottica shares but they have since mostly recovered.

Investors also began to fret that Del Vecchio's big family, including six children from three relationships, would have a greater influence on company decisions.

In his letter to employees last week Del Vecchio said his return to a more active role at the company was only temporary and that he would once again take a step back.

He also said his "numerous and complex" family had not had any influence over the recent management changes at Luxottica. He signed the letter "your founder".

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Keywords: LUXOTTICA/

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