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Best Buy opening up its CEO search

Article by: THOMAS LEE , Star Tribune | Updated: April 20, 2012 - 11:56 PM

The Richfield-based retailer's new commitment to transparency will help it recruit a world-class leader, experts say.



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In this photograph taken by AP Images for Best Buy, Brian Dunn, then Best Buy's CEO, greets Black Friday shoppers in Eden Prairie.

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Best Buy Co. Inc. on Friday named the four board directors who will lead the company's new search for a CEO.

Kathy Higgins Victor, an executive coach, will chair the search committee, which also includes Travelers Cos. executive Lisa Caputo, Ronald James, CEO of the Center for Ethical Business Cultures in [Minneapolis](#), and Kraft executive Sanjay Khosla.

The company also reiterated its plans to post the CEO job opening on its website and disclose the name of the firm leading the search "in keeping with its commitment to run an open and transparent search

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process," Best Buy said Friday in a statement.

The new CEO will replace Brian Dunn, who recently resigned amid a board investigation that he allegedly used Best Buy resources to carry on an inappropriate relationship with a female employee.

In addition to opening up some elements of its CEO search to the public, the company also promised to release the results of its investigation of Dunn, which is being led by a former U.S. attorney and ex-enforcement director for the Securities and Exchange Commission.

"To the extent Best Buy's legal advisers think these changes are necessary, then it absolutely appears as if the company is playing catch-up to America's boardrooms that exemplify the best leadership in corporate governance," said Jacob Frenkel, a former federal prosecutor and SEC official who now leads the white collar crime practice at Shulman Rogers law firm in Maryland.

Best Buy declined to comment for this article.

That Best Buy would hire an outside search firm to conduct a global CEO search reflects a sharp break from its past. Since founder Richard Schulze opened the first Sound of Music store in 1966, only three men have been Best Buy CEOs: Schulze, Brad Anderson and Dunn. Schulze's successors were chosen the same way, sources say -- with Schulze's blessing and little or no competition from inside or outside the company.

When Best Buy announced Dunn's departure on April 10, the company said it was a mutual agreement between the company and Dunn. The company was criticized for not acknowledging the investigation into Dunn's behavior until it received inquiries about it.

Best Buy's transparency in recent days is not only good public relations, but also necessary if the company wants to recruit a world-class CEO, said Patricia Lenkov, founder and CEO of Agility Executive Search in New York.

"Some candidates will be deterred" by Best Buy's problems, Lenkov said. "And all candidates should be cautious and wait to see how things unfold before they sign up."

Best Buy has been beset with financial challenges in recent years. Store sales have slipped since the Great Recession, and the stock price has fallen as competitors have eroded Best Buy's market share.

That Best Buy did not immediately name a permanent CEO after Dunn's exit troubles Lenkov, because it suggests the company either lacked a succession plan or does not boast a deep bench of executive talent.

In any case, Best Buy expects to name a new CEO in six to nine months, a long time for a struggling company not to have a leader, Lenkov said. Normally, it would take a company three to six months to find a CEO, she said.

Board member G. "Mike" Mikan is the interim CEO. Mikan, the only person Best Buy had identified so far as a CEO candidate, has been sending out memo and videos to employees and visiting stores.

Despite Best Buy's woes, the company should have no problem finding CEO talent, said David Nosal, CEO of Nosal Partners, an executive search firm based in San Francisco.

For example, J.C. Penney, a struggling department store chain, was able to recruit Ron Johnson, a former [Target](#) and Apple Inc. executive who helped develop and launch Apple's retail stores, he said.

"Best Buy is one of the most significant brands in retailing," Nosal said. "Any candidate will have a significant opportunity to shape the

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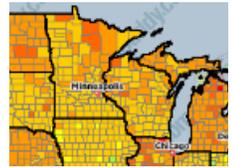
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