

# BOARDS & GOVERNANCE

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## TOPICS COVERED

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**How has your decades of invaluable experience with Royal Caribbean Cruises helped you in your current role as CEO and Chairman of the Board?**

**RF** It's challenging to summarize 28 years in a few sentences but I will say that this is a very complex industry and we deal with a lot of people, in a lot of different places. That experience has been particularly meaningful to me in terms of how you deal with the challenges of interacting with a large organization, along with the complexities of different people with unique skill sets and interests.

I think I have the best job in the world. We have people who are passionate about what they do. If there was one characteristic that stands out at Royal Caribbean, it would be everyone's passion. I get to work with innovative and committed people which makes it fun.

**During your time with the company, what are some of the key shifts that you have seen in the industry?**

**RF** In almost three decades, the industry has gone through quite a significant transformation. When I first became involved the industry was seen as a niche player. It appealed to a limited demographic and it was sold as a unique product with a narrower target market. Over time, the industry has exploded and become more available to the middle class. The average age of guests has declined significantly, the growth of family and multi-generational travel has increased dramatically and international travel has blossomed. The big change is that we have gone from a relatively narrow-focused, relatively small industry into something that touches almost everyone as a vacation option and impacts the economy.

## LEADING THE WAY

In Conversation with Richard D. Fain

Interview by Les Prendergast

When it comes to being passionate about what you do, Richard D. Fain is among the highest ranks. After nearly three decades with Royal Caribbean Cruises, Ltd. ("Royal Caribbean Cruises"), one of the 2016 World's Most Ethical Companies®, Richard brings his valuable experience to the table. In this interview, we discuss the evolution of the cruise industry, the corporate culture at Royal Caribbean Cruises, the role of metrics and the dynamics of his dual role as both CEO and Chairman of the Board.

**Can you tell us how you have adapted to these shifts?**

**RF** The task is dramatically more challenging but also more rewarding. We have to appeal to different categories of people. For instance, we are catering more to families and that requires another level of expertise to appeal to both parents and children. The ships themselves have also changed and we provide food, entertainment, etc., that our guests can appreciate and enjoy.

We also focus on accommodating those with unique needs such as disabilities and dietary restrictions. For instance, we have developed menus that are dairy-free, lactose-free, and gluten-free as part of our effort to meet the dynamic needs of our guests.

**From your perspective, what are some of the challenges you encounter as both CEO and Chairman of the Board and conversely what are the key advantages?**

**RF** On one hand, having the two roles actually makes the job more challenging because you truly do have to perform two tasks. It would be easier if I could see my role simply as running the business with the understanding that someone else was acting as chair of the board and orchestrating that relationship.

Having said that, it's been advantageous because as CEO, I am involved in many activities which provide me with meaningful information that ultimately makes the interaction at the board level significantly more effective. About five years ago we added a lead director to take on many of the responsibilities that would normally be held by a non-executive chair and it's worked quite well. What I find is that as Chair and CEO, you don't always have someone you can talk to and the lead director role provides the kind of depth that you sometimes need. On balance, in our company, we are blessed to have an involved and very qualified board which has made us more effective.

I will add that one size doesn't fit all. I would strongly argue that a proper structure and process can help and vice versa. Real success depends on a reasonable structure and people working together in the appropriate way. As such, either structure can work well. In our context, the combined role works well.

**As board chair, can you offer some insight regarding the relationship that exists between the board and the compliance and ethics department?**

**RF** The board needs to make it clear what it values. We have been fortunate that our board has consistently and uniformly

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made it clear that good ethics, proper respect for people and appropriate dealing must come first. There is no ambiguity, whether it's a budget or policy discussion, there has never been a time in 28 years in which the board hasn't said, "If you can't do it the right way, then don't do it."

One of the manifestations of that is the relationship with our compliance department. I am a firm believer in "What gets measured, gets better." When an organization pays attention to what the board and senior management focus on and when the board and audit committee spend time looking at the statistics and the relevant issues, everyone knows that they are spending that time doing so. That accomplishes two things: firstly, they are focusing on whatever the issue is and making the decisions to push us in the right direction and secondly, and perhaps more importantly, the committee and the board are looking at the actual results of what we are doing. There is a self-discipline that follows and a cultural development that permeates throughout the organization and that's more powerful than any decision the board or I can make.

**How would you describe the corporate culture that exists at Royal Caribbean Cruises, including the tone at the top?**

**RF** I am very proud of the fact that the people here really seem to care about doing the right thing. When we have auditors, consultants or attorneys looking into matters, one of the key pieces of feedback I receive is just how passionate the employees are about, "doing things the right way." While we could set up systems until we are blue in the face, it's the everyday decisions that our 55,000 employees make that need to subscribe to a higher standard. It isn't necessarily the decisions that the board or top management make; it's the decisions each person makes in performing their jobs that counts. We try to follow the expression, "Would you be proud to tell your mother what your decision was?" That seems to be a key driver for so many of our people.

**What recommendations do you have for companies that are looking to develop and improve their corporate culture?**

**RF** Every company needs to decide what fits their enterprise. What we have found is that you really have to actually talk about it, have the discussions, use examples and demonstrate it every day. It's not a matter of creating a policy and sending emotional letters from senior executives; it is something that must be in the minds of their peers.

This does go back to "What gets measured, gets better." We find that the more we quantify these things and the more tools we provide serves two purposes. We can actually measure it to see how we are doing and ensure it fits into our mantra of continuously improving but it also serves as a constant reminder that this is important and that's why we keep measuring it.

The compliance department deserves so much credit. They have been methodical in training, communicating and measuring which has worked well for us.

**Assuming there is only one job that you could apply for at this stage of your career, where would you apply and why?**

**RF** Of all the jobs in the world, there is only one that I could imagine myself fulfilling and enjoying as much as the one I have and that is the job of CEO and Board Chair at Royal Caribbean Cruises. I cannot even think of anything else.

### Expert Biography

**Richard D. Fain** serves as Chairman and Chief Executive Officer of Royal Caribbean Cruises Ltd. (NYSE: RCL). Fain became the cruise line company's Chairman and CEO in 1988, and has guided its growth to its current place on the S&P 500, as well as its listing by the Ethisphere Institute as a 2016 World's Most Ethical Company®. Fain is the Chair of the University of Miami Board of Trustees, and serves on the board of the Posse Foundation and the executive committee of the World Travel and Tourism Council.