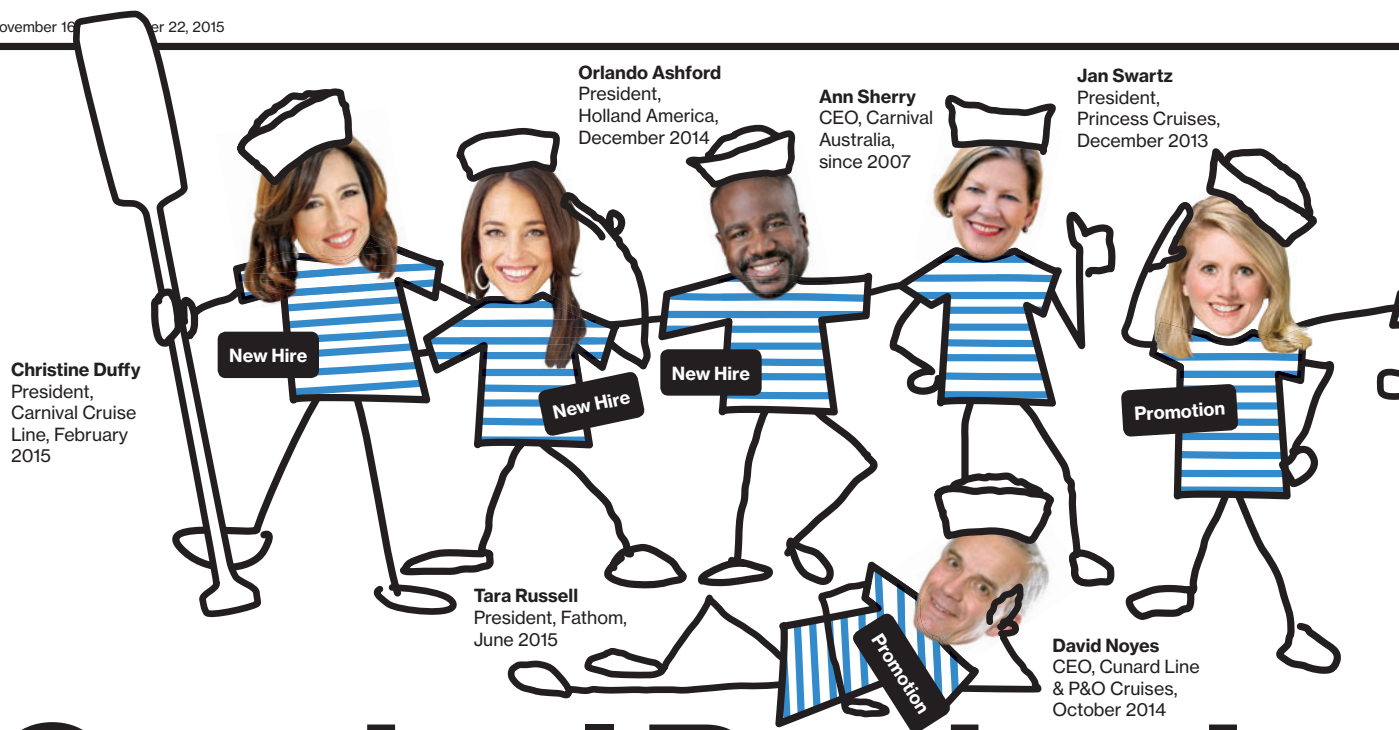


November 16, 2015



## Carnival Rocks the

► The cruise giant is recruiting managers from diverse backgrounds to reignite its growth

► “They will out-engineer, out-solution a homogeneous team 90 percent of the time”

During a meeting with her senior managers in August, Jan Swartz, president of Princess Cruises since late 2013, got an update on the bedding at her 18-ship line. After routine discussions about mattress coils and fabric blends, she raised an unexpected question: “Have we talked a lot about the menopause issue?”

That’s something few men would have brought up at a high-level corporate meeting. But the average Princess guest is 53 years old, Swartz says, and she’d gotten an earful from some of them about the night sweats and hot flashes associated with menopause. So she pushed her staff to find duvets that look plush without trapping too much heat and to design the bedding in layers that could easily be taken on and off. “Some people have these symptoms for years,” she says. “It’s a

major health issue, and there’s not a lot of discussion.”

Such an out-of-the-box approach is just what **Carnival** Chief Executive Officer Arnold Donald had in mind when he appointed Swartz to lead the Princess subsidiary, part of an effort to get new ideas percolating at the world’s largest cruise operator. After some high-profile accidents took a toll on Carnival’s reputation and its stock price, Donald—a board member with no travel industry experience—was given the helm. His mission, after fixing the biggest operational problems: reach customers outside the industry’s typical white, middle-aged or older clientele. In the past two years he’s replaced seven of Carnival’s nine cruise line heads. Four are now women, one is black, and one gay, a big change in a business that was an offshoot of the

European, male-dominated shipping industry. Donald, who is black, says his strategy is to create an environment where differing opinions are heard and taken seriously, or as he puts it, “diversity of thinking.”

“I guarantee if you get a diverse group of people aligned around a common objective with a process to work together, they will out-engineer, out-solution a homogeneous team 90 percent of the time and create things none of them alone would have created,” he says.

Under Donald, Carnival has launched a socially conscious cruise brand, introduced a marketing campaign that tackles people’s misperceptions of sailing head-on, and pushed its 10 cruise lines—which historically ran autonomously—to cooperate on purchasing and safety. So far he’s



**Felix Eichhorn**  
President, AIDA Cruises,  
September 2015

**Richard Meadows**  
President,  
Seabourn, since  
2011. President,  
Cunard-North  
America,  
December 2014

**Neil Palomba**  
President, Costa  
Cruises, February 2015

# Boat

succeeding financially. Carnival's net income rose 15 percent, to \$1.2 billion, on sales of \$15.9 billion in 2014, Donald's first full year on the job. Its share price is up 53 percent since he became CEO in July 2013.

"Mr. Donald has kind of shaken up the place," says Mark Conroy, former president of competitor Regent Seven Seas Cruises and now an industry consultant. "You had people who grew up in the business, and they're always doing the same thing. People from the outside look at things differently."

A mechanical engineer who previously ran Monsanto's Roundup weed killer and Equal sweetener businesses, Donald is comfortable tapping executives from outside the cruise industry. Orlando Ashford, the new president of Carnival's Holland America Line, was running Mercer's compensation consulting business and had never taken a cruise. Donald created Fathom, a smaller line that begins sailing next year, after noticing that a growing number of customers were looking to

get off the boat and do volunteer work such as teaching English or improving the infrastructure in developing countries. To run it, Donald chose Tara Russell, who founded Create Common Good, a nonprofit that trains people to work in the food-service industry. Fathom plans to offer the U.S. cruise industry's first dedicated trip to Cuba since Fidel Castro came to power.

Donald knows executives entering the business without hands-on experience can stumble, so he's surrounded new hires with veterans to provide counsel. Stein Kruse, who used to run Holland America, now supervises four of the lines.

Princess's new managers are bringing back old friends: the cast of *The Love Boat*, the 1970s TV series set on a Princess ship. Chief Marketing Officer Gordon Ho, who joined the line two years ago, says there had been a fear the show was too nostalgic and campy to connect with modern cruisers. But Princess had all six original cast members attend the christening of its newest ship, the *Regal Princess*, last year. The event generated global media buzz—and an immediate uptick in bookings, says Ho. The line has since created a cocktail named after Isaac, the show's bartender, and used Ted Lange, the actor who played him, in promotional events and an online video that got 143,000 Facebook views.

Donald has asked his new managers not to act too radically. "He told me, 'Don't feel pressure to change the world in three months,'" recalls Ashford. But the newcomers understand their charge: "My job," Ashford explains, "is to create some different energy here—and attract some different guests."

Among Donald's early moves was a study of some 45,000 people, cruisers and noncruisers, to get their impressions of Carnival's brands. At Holland America, the message was that the line, which features white-jacketed servers, 111-day cruises, and reproductions of Dutch masters oil paintings, was perceived as being for old folks. Beth Bodensteiner, the unit's senior vice president for revenue management, produced data that showed younger, more-active guests spent

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more while on a cruise. The line is now targeting travelers whom Joe Slattery, senior vice president for global marketing, calls "globe-trotting learners," who spend \$14,000 a year on travel and want to study the places they visit.

To reach such customers, Holland America has launched Blend, an educational program where guests hear a 50-minute lecture on wine and then choose from five varieties to blend their own bottle, which they can order for the rest of the cruise. A Billboard Onboard lounge will feature music trivia and performers. Many of these ideas had been kicking around for years, says Ashford, but employees just "kept them under their desks." Now they'll be featured on the line's new *MS Koningsdam*, which will start sailing in April.

Bill Smith, the cruise vice president at luxury travel agency Virtuoso, liked what he heard when Ashford made a presentation of the planned changes to 100 of his agents in October. "He's an exciting change for a pretty boring Holland America," Smith says. Donald hopes to hear that about all his new managers. —*Christopher Palmeri*

**The bottom line** Carnival CEO Donald has assembled a team of managers from diverse backgrounds. Results have improved in their wake.

## Workplace

### Lunch Is a Tasty Perk at Shenzhen's Factories

► **Year-old Nourish wants workers to eat better, healthier meals**

► **"I'd leave to work for another factory if they have better food"**

For evidence of the changes afoot at China's factories, take a trip to Shenzhen and head to a cafeteria for lunch. On a mid-October day, Yao Weizhong, an assembly-line worker at the **Stanley Black & Decker** plant, is deciding between Hunan-style gingered pork spare ribs and Cantonese-style crispy duck. The options, he says, have improved greatly since catering ►

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