Kilts's many options

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CEO who sold Gillette will go where the challenge is great

By Naomi Aoki, Globe Staff | February 2, 2005

What will the $153 million man do next?

James M. Kilts, the first outsider to take the helm of Gillette Co., cemented his reputation as one of the corporate world's top turnaround artists with the $57 billion sale of the Boston shaving giant to Procter & Gamble Co.

The 56-year-old executive will stay on board for a year to oversee the merger of the companies into the world's biggest consumer-products conglomerate, but few executive recruiters think he'll remain beyond that. And though he'll leave with a fortune, he's not likely to rest on his laurels.

''He is going to be the most sought-after free agent in corporate America,'' said Peter Crist, chairman of Crist Associates, an executive recruiter in Hinsdale, Ill.

The most logical moves would be for him to run P&G rivals like Colgate-Palmolive Co. and Unilever, but those firms are likely to be out of bounds because Kilts signed a three-year noncompete agreement that kicks in when he leaves P&G.

But executive recruiters and money managers expect that Kilts will want a big brand and a big challenge. That means companies from Delta Air Lines to drug maker Merck & Co. could be in the running because they're top players in troubled industries. Companies that executive recruiters identified as possibilities for Kilts declined to comment, or did not return a call on whether he could be their next leader.

Though Kilts declined to comment, one thing seems fairly certain. Whatever he does next, it won't be about the money. As of Friday, when P&G said it would buy Gillette, Kilts stood to gain about $153 million, including $117 million in gains on his Gillette stock options and stock rights, a one-time $12.6 million ''change-of-control'' payment, and nearly $24 million in P&G options and restricted stock.

Not everyone is happy about Kilts selling Gillette. Secretary of State William F. Galvin began an inquiry into the proposed acquisition this week, sending the company a letter requesting documents detailing the compensation packages of Gillette's top officers, directors, and investors, and any layoff plans.

''This deal has significant effect on the regional economy and Massachusetts stock holders, so we feel the obligation to examine the details of the transaction and the considerable compensation given to officers in the company,'' Galvin said.

Investors argue that Kilts earned his money. He reshaped and reenergized the slumbering consumer products giant, streamlining operations, expanding products, and restoring Gillette's reputation as an innovator and industry leader. Under his tenure, the company's stock has risen 50 percent.

''He created about $20 billion in shareholder value,'' said Shawn Kravetz, president of Boston money management firm Esplanade Capital. ''The notion that he gets less than 1 percent of that doesn't seem crazy to me.''

Kilts is known in the corporate world as a straightforward, no-nonsense manager who delivers on his promises. Before coming to Gillette in 2001, he rescued Nabisco Holdings Corp. -- a revival that also ended with the company's sale. He held several positions with Philip Morris Cos. , including president of Kraft Foods USA.

Kilts could return to his roots in the food industry, heading up companies like Sara Lee Corp. or Kraft that could use some help. Some money managers said if Coca-Cola Co.'s current management can't improve results, Kilts could again become a leading candidate for the post, even though he turned down the job once.

With his knack for rescuing ailing companies, Kilts could focus his search on industries rife with firms in need of turnarounds. That category includes Kmart Holding Corp., which agreed in November to buy Sears, Roebuck & Co. to become the nation's third-largest retailer to more effectively compete against rivals like Wal-Mart Stores Inc. May Department Stores Co., the St. Louis owner of Filene's, is also shopping for a chief executive after a bad holiday season. Kilts, a board member, is leading the search committee.

Kilts sits on the board of another struggling company, Delta, though he may have concerns.

''He would go to a place where there is potential to succeed,'' said Dave Hardie, managing director at Herbert Mines Associates, a New York recruitment firm. ''I don't know if there is that potential in the airline industry.''

And though large pharmaceutical companies don't tend to hire chief executives from outside the healthcare industries, Merck has two points in its favor: timing and location.

The company is searching for a successor to it current chief executive, Raymond V. Gilmartin, who is expected to retire by March 2006. And its headquarters are in Whitehouse Station, N.J. -- a much shorter commute from Kilts's home in Rye, N.Y. In his four years at Gillette, he stayed in a corporate apartment in Boston, returning to Rye on the weekends.

The Walt Disney Co. also could be a strong contender because the company has great raw material but needs new direction.

''Disney is a company with a glorious past but an uncertain future,'' said money manager Kravetz. ''But that commute might be untenable.''

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