

ENRIQUE (RICK) HERNANDEZ, JR.

for shepherding Nordstrom's through a change in management from one generation to the next

# Family Guy

WHEN RICK HERNANDEZ JOINED NORDSTROM'S BOARD SIX MEMBERS OF THE FAMILY WERE SHARING THE TITLE OF PRESIDENT.





**S**itting CEO. Corporate director. Presidential appointee. Community leader. Any one of these titles can be used to describe Enrique “Rick” Hernandez, Jr. But “family man” is the designation that first comes to mind when you sit down to talk to this 49-year-old father of five – in an office filled with family photos.

Over the years Hernandez’s family focus has been a major factor in his business success. Today Hernandez is the president and CEO of Inter-Con Security Systems, a family-run, Pasadena, Ca.-based company that supplies guards, intricate monitoring and alarm systems to U.S. and foreign embassies around the world.

Inter-Con was founded by Hernandez’s father, Enrique “Hank” Hernandez, a first-generation Mexican-American who started the business from his kitchen table in 1973 after he had retired from the Los Angeles Police Department. Rick Hernandez took over the reins when his father retired, and his younger brother, Roland, serves as second in command. Today, at 30,000 employees worldwide, Inter-Con remains a family-run business—a structure that Hernandez acknowledges presents its own set of challenges. “One must be respectful of the family while at the same time being respectful of the business roles,” Hernandez explains.

It is Hernandez’s experience running a family business that has enabled him to play a vital role in turning around another family-run business, the Nordstrom department store chain.

Like Inter-Con, Nordstrom had a modest beginning. A Swedish immigrant founded the company as a women’s shoe store in Seattle in 1901 with \$13,000 he earned from the Klondike Gold Rush. By the 1990s, Nordstrom had become a major publicly traded department store chain. Nonetheless, up until that time, the company had managed to hang on to its family-run business culture. Top-notch customer service was always at the core of

that culture. Practices such as a no-questions-asked return policy and sending thank-you notes to customers distinguished Nordstrom from its competition.

The chain’s troubles began to snowball in the 1990s when the third generation of the family retired and turned over the reins of the company to outsiders. With the change in management came a shift in the company’s focus. Pleasing shareholders began to take precedence over pleasing customers.

“We went from a company highly focused on the customer first to trying to place the shareholder as number one,” says the company’s current president, Blake Nordstrom. For instance, the company, in an effort to attract a younger, hipper clientele, launched a “Reinvent

solved and four of the former co-presidents were placed in charge of different divisions. One of the former co-presidents, Blake Nordstrom, took the lead as the sole president of the company. (Also dissolved was the office of CEO; now the company’s top executive takes on the designation of president.) In addition, Bruce Nordstrom, Blake Nordstrom’s father, had come out of retirement to serve as chairman of the board.

Having gained both the family’s trust and the board’s confidence, Hernandez lent his full support to the company’s new leadership. This contribution was vital because Blake Nordstrom, while an expert retailer at the store level, had little exposure to running a business from the top down. Capital structure and invest-

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**BLAKE NORDSTROM • PRESIDENT OF NORDSTROM**

Yourself” campaign. Modern, trendier clothes were hung on the racks and sound systems that pumped in hip-hop music replaced the live piano music that for years had serenaded Nordstrom shoppers. Feeling betrayed, the retailer’s loyal clientele took their business elsewhere. Amid slumping sales, the company’s stock began to sink.

When Hernandez joined the board in 1997, an outsider was at the helm for the first time in history. Longtime Nordstrom employee John Whitacre had worked his way up the ranks and was the company’s acting chief executive. But the Nordstrom clan was still very much involved in the business. No fewer than six members of the family’s fourth generation were sharing the title of president and reporting to Whitacre. And as the slumping returns clearly showed, the many cooks were spoiling the profits.

Hernandez and his fellow board members set out to streamline the company’s reporting structure. In 2000 the overcrowded president’s office was dis-

ment policy, dealing with Wall Street and a board of directors, and getting financing were new challenges for him.

“What Rick brought was a fresh perspective from his own associations, [his] company and other boards he sits on,” says Blake Nordstrom. “That was really helpful to me.” The two chat about twice a week, says Nordstrom. “I don’t pull punches with Blake, and he doesn’t pull punches with me,” adds Hernandez. “We are equally committed to the success of the organization.”

Nordstrom board member Jeanne Jackson characterizes Hernandez as the glue between the board and new management. “Rick has excellent mediation skills,” says Jackson. “He is really good at taking the concerns of the independent directors and communicating them to management in a way that results in management not only understanding the issues, but understanding their gravity and the need for results.”

The board has undergone a transition of its own. “It wasn’t so much a people



**BORN:** Nov. 2, 1955,  
Los Angeles

**EDUCATION:** B.A.  
cum laude in govern-  
ment and economics,  
Harvard University,  
1977; law degree,  
Harvard, 1980

**CAREER HIGH-  
LIGHTS:** Chairman  
and CEO Inter-Con  
Security Systems;  
presidential appointee

to National Infrastructure Advisory Council; president of the Los Angeles Police Commission; partner and co-founder Interspan Communications; litigation attorney Brobeck, Phleger and Harrison

**HOME TOWNS:** Pasadena, two miles from Inter-Con; a house in Colorado in the mountains; a place on Lake Arrowhead

**FAMILY:** Married Megan in 1984; five children

**MOST MEMORABLE SUMMER JOB:** Working in the warehouse of Carnation Ice Cream Company after freshman year of college; "it was 20 degrees below freezing, but it paid well."

**BEST VACATION IN THE PAST FIVE YEARS:** An inland passageway cruise with his entire family for his parents' 50th wedding anniversary, his brother and sister's family went as well.

**FAVORITE COMPOSER:** Dave Matthews

**SOMETHING MOST PEOPLE WOULD BE SURPRISED TO KNOW ABOUT ME:**

Was on lightweight crew team at Harvard

**WON'T LEAVE HOME WITHOUT:** His BlackBerry

**CURRENT BOARDS:** McDonald's, Tribune Company, Nordstrom, Wells Fargo



transition," explains Hernandez. "It was a transition of the role of the board vis-à-vis management; I think there was less involvement by the board with the actual management decisions and strategic direction of the company than certainly there is today," he says. In addition, two thirds of the board is now independent whereas in the past interested members either outnumbered or were on par with non-interested members. With its new leadership and more assertive board of directors, Nordstrom is back on top. The company began 2005 with a two-for-one stock split—a sign of ongoing confidence in the retail chain, which year-to-date has seen its stock rise more than 33%.

Hernandez brings a similar commitment to his three other directorships, at Wells Fargo, McDonald's and The Tribune Company. "He's very bright!" says Andy McKenna, his fellow director on the McDonald's board. "And he's well-organized, has terrific instincts and a great deal of integrity."

Hernandez has lent his experience in international business to the fast-food giant. Already doing business in more than a hundred countries, the company last year was given the go-ahead by the Chinese government to begin franchising there. Before the 2008 Beijing Olympics, the company plans to open no fewer than a thousand restaurants in China. "McDonald's is truly

a global company, and having built up Inter-Con internationally, I understand its global efforts and strategies," says Hernandez. On top of that, Hernandez brings to the table an understanding of the sensitivities and perspectives of the Latino culture. This is an important contribution considering the company has recently gotten into the Mexican food business with its new Mexican food chain, Chipotle Mexican Grille.

Hernandez's Latino perspective also comes in handy on The Tribune Company's board, which he joined in 2001. In fact, it was the main factor in his decision to accept the directorship. The Tribune Company runs The Los Angeles Times and KTLA-TV in Los Angeles. "I wanted to be a part of the Tribune because I wanted to be a voice for a community that they are so significant to," says Hernandez. He may have gotten more than he bargained for. Last year the company disclosed that it had overstated circulation for two of its publications, Newsday and Hoy. Several former Tribune Company employees have already been arrested in connection with the ongoing investigation and several advertisers are suing the company for fraud in connection with the matter. Hernandez, a graduate of Harvard Law, has been forced to put his legal expertise to work in sorting through the issues.

To each of his directorships Hernandez brings something unique and important to the table. But he sees his directorships as a two-way street. From them he gets as much as he gives. "I wanted to be involved in businesses that would be learning experiences for me," he says, "that would teach me things that I could bring back to my own company."

How does he do it all? "For one thing," he says, "the businesses I'm involved with have fantastic management teams. For another thing, I am a very organized person, and the third thing is I probably have less developed recreational skills than most people—my personal enjoyments are to be with my family. If I'm not involved with business or the nonprofits, I really want to be around my kids." ○