In Focus: Leadership

BUSINESS

Why Retail Turnarounds Need to Get Management Mojo Right

● Mike Edwards of eBags and Tim Boerkoel of The Brownestone Group explain.

BY WWD STAFF

Mike Edwards and Tim Boerkoel.

When it comes to taking the reins of a company – whether it's to guide it through a bankruptcy and restructuring, or to execute an exit strategy – Mike Edwards brings a lot of luggage to the table.

And it's the good kind of luggage, of course. With nearly three decades of executive leadership experience under his belt, Edwards, who currently serves as president and chief executive officer of eBags, takes a measured, strategic approach during his first 90 days at the helm of a new company. And while the process may not always be easy, the results have given Edwards a positive reputation in the industry as a turnaround specialist.

Edwards' résumé includes leadership roles at Staples, Borders, Lucy Activewear and Jo-Ann Stores. At the latter, he was part of the turnaround team that took the craft and sewing retailer from near bankruptcy to a profitable brand with $2 billion in sales. Edwards got his start in the retail business at May Department Store Co. and at Target Corp. He most recently devised and oversaw the acquisition of eBags (founded in 1998) by Samsonite International earlier this year.

Here, Edwards takes a deep dive into various aspects of executive management with Tim Boerkoel, founding partner of executive search and advisory firm The Brownestone Group. The two have partnered on multiple projects, Edwards having been both a candidate and a client of Boerkoel's over the years.

Tim Boerkoel: Mike, you have close to 30 years of experience across the market – at department stores, specialty stores and big box retailers. You've also been on the wholesale side. And now, you're in pure play e-tailing. Through all these experiences, what do you typically look for in the first 60 to 90 days at a company?

Mike Edwards: My process doesn't really change from company to company. It usually takes the first 90 days to develop a strategic plan with a large team involved. This allows you to gain the benefit of their knowledge, how they're thinking about the business, and what the priorities are. Next is to conduct a very detailed financial analysis in terms of where the company is and where we want it to go – and what is expected.

In a situation like eBags, our end game was an exit strategy, so I had to build a plan around what would yield the highest valuation in a potential sale. We also had to make sure the structure was aligned correctly to achieve those future goals. It is really important to have complete alignment with your board and key investors at the start of the process. This creates the right foundation for the ceo to become successful.

T.B.: That seems like a good formula. And in this case, because of the business model, you were able to get into new products in a faster way and immediately start impacting the business.

M.E.: Well, that's one of the strategic drivers, so I mapped what I learned at Staples and what we learned from Amazon. In this marketplace, product selection is a core tenet of winning, and we were underpenetrated in our core categories compared to Amazon and others.

At Staples, I can say that the merchants were more retail trained than online trained. So, their view on what they should carry was somewhat traditional - meaning "I am the category manager and I am responsible for editing and selecting products for the customer." But in the digital world it doesn't really work that way since we're data driven.

You'll succeed as long as you're dominating your category and making those choices available to the customer, which is what Amazon has always done. They pick a category and they own it - every piece of it.

T.B.: This model – and considering what Amazon is doing – seems to be a formula that's worked well for you. And you were also added new categories of business that didn't exist before.

M.E.: Yes – at eBags we looked at products just outside the core that the customer would likely buy – in the context of our category and brand. And that is where we slowly expanded categories. We've increased our sales by 40 percent. But now we're probably evaluating and cutting back again. I think the idea is to throw a lot out there and see what works, see what fits and then eliminate the unproductive products.

T.B.: This is a direct, ship-to-consumer model which is different than other businesses you've led before. It's a model that's been a key advantage at Amazon and other emerging companies – and now one that you've perfected at eBags, correct?

M.E.: Well, eBags was founded as a drop-shipper, meaning we carried some inventory but not a lot. And we always had cash. Everyone else that carried inventory – in the early days of e-commerce – quickly went out of business when there was a bump in the market. They just didn't know what to do because they had no avenue for additional liquidity. It is the main reason the company only raised $30 million in its 18-year history.

> **It seems like there are many corporations that are struggling with what their digital realm should be, right? Some are more advanced than others, and the bigger the traditional retailer, the worse they are at digital.**
>
> Mike Edwards

T.B.: Throughout your career you've been able to leverage left-brain and right-brain thinking – in operations, merchandising, finance. But you're also adept at identifying and embracing the right technology. From that perspective, what's your view of the current market?

M.E.: It seems like there are many corporations that are struggling with what their digital realm should be, right? Some are more advanced than others, and the bigger the traditional retailer, the worse they are at digital.

For many, it's just not in their DNA and it never gets made a priority. So, what you see is Wal-Mart buying up all these sort of dysfunctional brands, and trying to piece together a digital strategy to compete against Amazon. But you can't compete with Amazon because Amazon is already better at what they do.

There has to be some differentiating buzz. Unfortunately, many ceos don't have digital priorities. Most companies would say, "Wow, you've got to spend so much money to be online...we've got to bring down our prices...we're not making the money that we used to. Why are we pouring money into this?" The retail network always had the majority of the sales and profit contribution to the company. Many retail ceos did not take a single point of view with the customer nor understand that a strong digital strategy helps offline retail significantly. We have seen chains like Barnes and Nobel be in

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complete denial of the online shifts as well as the Amazon effect on their comp store performance.

It doesn't make sense based on a retail network of good operating profits, but everyone sort of forgot that now it's actually about how you stay engaged and connected with your customer. You don't really know what they're going to buy in the same manner you used to. And now with this whole "global first" mentality, or Google mentality, it's not for everyone in the industry.

T.B.: Thinking about your management and leadership style, how do you differentiate it? And is it something that you gleaned from 30 years in the business and/or from the six or seven companies you've been at? What actually helped to shape your leadership style?

M.E.: I don't know if it was just one thing. I think bottom line for me has been a lot of experiences. For example, selling a company for the first time is different than the second time around. The second time you know exactly what attorneys you want, what advisors you want and how the process is going to work. You can take a much more commanding approach to the acquisition process – it's just a function of doing it. If I went through bankruptcy again, I'd know exactly what to do and I would be immediately equipped and active throughout the entire process. I like to think of my leadership style as a journey and always work on staying relevant in the industry. The fact of the matter is you have to be able to manage change and stay focused on the things that matter most to the enterprise.

T.B.: Regarding the 90-day period you mentioned previously, you also have to build a leadership team to support that, right? What's involved, what do you look out for and what are some of the qualities that you seek while building that team?

M.E.: I try to understand what everyone's respective background is and whether or not it's going to add value to the strategy. I look for people's engagement or willingness to change and learn and be committed to and passionate about the company. I like to blend experience and create a diverse team that understands teamwork and embraces innovation. I am always looking for the rising stars that will be the impact players for the company and creating opportunities for them to flourish.

I also look for early resisters, and I fire them very quickly. Historically, I haven't fired people as fast as I needed to, but I didn't waste any time this time [at eBags]. I think I let go three people within 40 days, and I think it created the right mojo that was needed to get the company going. Otherwise, I would have been fighting resistance for too long and I didn't have that kind of time. The culture is formed by both who gets promoted and who get fired. I do a complete organizational survey in my first thirty days to get a plus on the business.

Now though, with the recent acquisition, we are excited about the future of eBags and are primed to seize new opportunities in what everyone knows is a challenging but exciting time in the market. It should be noted that after the sale the ceo role shifts radically with new ownership. It is critical that the ceo stay on and help the company transform to the new expectations. The long-term success or failure will be direct results of the leadership teams ability to manage change and create the new company for the future.

Illustration by Jewelyn Butron

BUSINESS

CEOs That Are Liked the Most

- Owler uses a favorability algorithm to determine the results.

BY ARTHUR ZACZKIEWICZ

In community-based business insights platform provider Owler's inaugural chief executive officer "likeability study," Costco's Craig Jelinek took the top spot in the U.S. public company rankings.

Owler developed a "favorability algorithm" to determine the results. Jelinek garnered a 94.9 out of 100 score in the top 50 public company rankings, and was followed in second place by Arne M. Sorenson of Marriott with a score of 93.9. Richard D. Fairbank, ceo of Capital One, came in third with a score of 93.8.

Sorted by industry and including private companies, the ceo of home goods company Wooden Street, Lokendra Ranawat, took the top spot in retail and e-commerce with a score of 98.5. Shaw Industries' Vance D. Bell took the number-two spot with a score of 96.6. Jelinek's score placed him third on this list. Peter Agnefjall of Ikea came in fourth, and was followed by Kevin Mansell of Kohl's Corp.

Jim Fowler, founder and ceo of Owler, said this is the first year "we've released an official ranking of the country's most likable ceo's. The results are based on a survey given to members of the Owler community. This includes employees and other stakeholders, competitors and the general public."

Owler noted that the ranking can serve as a tool for people to garner insights about companies. Fowler said that with hiring season peaking, "the latest class to enter the workforce is doing their homework. This includes searching for dirt on company executives. Our ranking provides Millennial job-seekers the insights they need to help carve out a career path."

Ceo's who garnered lower scores included: Doug McMillon of Wal-Mart Stores Inc. with a score of 42.8; Marissa Mayer of Yahoo with a score of 32.8, and Oscar Munoz of United Airlines with a score of 21.5. Regarding Munoz, his score was compiled after the passenger incident in April.

The methodology involved using Owler's proprietary algorithm on its more than one million active users. "The favorability algorithm evaluates the weighting of a ceo's review based on the specifics of the person who rated the ceo. Inputs from employees, followers, competitors and other stakeholders are weighted differently in the model, and the algorithm ensures that multiple inputs cannot be submitted by the same individual," the company said.

Fowler said being named the "most beloved ceo in the country is no easy achievement for any industry leader. This requires ceo's to have a strong vision for the future with the leadership skills needed to move their organization towards reaching these goals."

BUSINESS

Study Reveals Insights Into Retail Workers' Job Satisfaction

- Technology plays a key role in how employees feel about their jobs.

BY TRACEY GREENSTEIN

Salesfloor's latest Retail Associate Technology Study reveals store employees who not only feel unequipped in regard to job-related technology, but also believe they're not reaching their full potential.

Salesfloor surveyed 254 North American retail associates across a number of product categories, compensation models and store sizes. Respondents answered questions about their jobs and the impact of technology on job satisfaction and functions, happiness at work and how they see store associate roles evolving in the future.

The study revealed that one in four associates said they lack strategic digital tools and technology to excel at their jobs as they face competition against online shopping's ever-evolving landscape. As a result, only half of sales associates feel they are reaching their maximum potential and 72 percent said they are more likely to stay with a retailer if they're equipped with the right technology and sales tools.

For retailers that have adopted new technologies for associates, 90 percent said they are primed to perform well, which creates a link between technology and productivity, according to the report.

IRCE exhibition hall, 2015.

Oscar Sachs, a cofounder and chief executive officer of Salesfloor, said that "many retailers have been slow to leverage new technology for associates and our study shows that when associates are equipped with the proper technology they are happier, have a bigger impact on sales and stay with the company."

"As retailers face one of the toughest times in decades, it is important that they invest in their people and equip them with technology to serve the all-channel customer as part of their return to growth strategy," Sachs added.

Also of note was that associates employing digital tools in-store feel seven times more confident competing with mammoth online retailers the likes of Amazon and eBay, compared to associates who lack access to digital technology. And, two out of three associates surveyed said access to digital tools is a "must-have" when considering a position with a future retailer.

"Reports on the demise of the retail industry are largely based on the increasing success of online retailers, but we found that for associates who are using technology, online competition isn't nearly as big of a concern," said Sachs. "When associates have the technology needed to expand their relationships with customers and drive sales, they are able to bridge the gap between stores and online which levels the playing field with online competitors."

Ben Rodier, the chief client officer and cofounder of Salesfloor, said that "our retailers who have equipped their associates with proper tools are a testament to our study findings. Their associates feel more empowered, happier and confident, which has ultimately led to higher associate retention, recruitment rates and increased sales."

Salesfloor's clients include Saks Fifth Avenue, Kiehl's and Lord & Taylor.