Scouting for Talent: What's the Right Stuff?

By David Moin and Vicki M. Young

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Tom DiDonato, Mindy Grossman, Len Schlesinger, Pauline Brown and John Howard. Les Berglass and Gina Turner (seated).

FOR RETAILERS AND SEARCH FIRMS seeking new leaders, there's a growing dilemma.

The talent pool is shrinking, top management is aging and generationally challenged, and the skills required to run retail chains have been redefined due to the increasingly competitive and multichannel character of the industry.

Yet in an hour-long forum last week on "The New Talent Proposition," organized by the Berglass + Associates search firm, seven executives with different professional experiences that all touch retailing in one way or another offered their impressions of "the right stuff" for leading retailers into the future.

According to the experts, it's no longer enough to be a great merchant or a strong operator, or even both. You have to be consumer-centric, a visionary brand builder who drives creativity and creates a culture, and have the ability to manage and recruit those who can do those things.

"Today's leader is not exclusively merchant prince nor operational wizard," said Les Berglass, chairman and chief executive of Berglass + Associates. "It's someone who can manage across multiple functions, some of which may not have existed five years ago. The true leader attracts, inspires and retains a talented team that can engage the consumer with both innovative products and a seamless retail experience — be it brick-and-mortar or e-commerce.

"There is always so little talent," said Berglass, though he did cite a few individuals who do have the right stuff — Ron Johnson, Apple's senior vice president of retail operations; Chanel's global chief executive Maureen Chiquet, and Mindy Grossman, HSN's ceo, who participated in the Berglass forum.

Berglass contended retail companies must be open to seeking talent from industries traditionally not tapped. So where does he look? Sometimes, it's the soft drink industry, he said. "It's become totally trend-driven."

"It's important to be a great merchant, but the brand element is huge — creating that point of differentiation," said Mindy Grossman, chief executive officer of HSN. "I have never been a core retailer — I have never operated a store. I am a brand person." Her main message: once there is an understanding of the brand and brand positioning, that starting point will define your strategy and the things you need to do going forward.

"If your product is not relevant, then it is just stuff," Grossman said. "It's important to have great merchandise, but if you don't have a brand the customer will not come back….Creativity, relevance and a clear point of differentiation — the hardest thing to do is to bring clarity to customers and to keep them at the center of everything you do," she said. "The real focus on CRM [customer relationship management] keeping your best customers — hasn't inherently been a core competency."

Grossman also said what counts in a leader is diversity of background, that companies need to take more risks when selecting management, and developing leadership should entail shifting people's assignments to broaden their experience and create a more exciting workplace. Grossman noted HSN has both functional and cultural criteria as guidelines for hiring. Some of those qualities include optimism, flexibility and ability to rebound from failure.

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"It starts with creativity," said Tom DiDonato, executive vice president of human resources at American Eagle Outfitters, giving his take on leadership. "Without it, you are not in the game…. Creative people need to be inspired. That's why they stay at companies. You've got to develop your people. Culture is essential. It's a competitive advantage. Cultures can change very, very quickly."

"Most retailers are generationally challenged," added John Howard, ceo of Irving Place Capital. "They typically started at a department store training program, such as Macy's or Saks, and then maybe worked at a specialty retailer. Now they are expected to be brand managers. The perfect person doesn't exist — someone who can manage all skill sets."

For him, a good leader is "someone with a merchant's touch, who can manage CRM, marketing and branding….You have to have someone who can manage and can be intellectually flexible and open enough."

"The secret is to find people who think young," said Len Schlesinger, president of Babson College, and formerly of Limited Brands. "You don't have to act young or be young, you have to think young."

Schlesinger also suggested a good leader is one who takes action and can deal with the problems that plague the industry. With "rapidly diminishing" consumer spending, "it's a Darwinian struggle for retailers," he said. And it's an industry, Schlesinger believes, predisposed to plenty of talk and not enough action, and to overemphasizing product to the point of losing the focus on consumers.

"It's all coming home to roost at once," Schlesinger said.

Similarly, Gina Turner, vice president, talent and human capital services, Sears Holdings Corp., said the key is "building a lasting consumer relationship" and knowing how and what consumers consume.

For Pauline Brown, managing director of The Carlyle Group, the rules at her firm are quite clear on who gets hired and who leaves. "We interview on skills, hire on fit, promote on performance and fire on character," she said.

She also said many times companies can "shop in your own closet" when looking to fill certain positions. Brown explained that an individual in one position may have talents that are better suited elsewhere in an organization. "Brilliant ideas start with the consumer. Now the consumer is financially constrained and has too much stuff. Their needs have diminished. Retailers need a clear sense of proposition," she said. "They need to offer a selling solution."

KarpReilly Drops Charlotte Russe Board Bid

By Alexandra Steigrad

KARPREILLY LLC'S QUEST FOR REPRESENTATION ON THE board of Charlotte Russe Holding Inc. ended quietly Thursday, and in advance of the annual meeting.

Earlier rejected in its bid to acquire the company, KarpReilly, citing critical reports from two proxy advisory firms, withdrew its slate of nominees to the retailer's board.

The San Diego-based women's retailer also reported a net loss of 4 cents a diluted share during its second quarter. Excluding impairment charges and costs related to the now-ended proxy battle, it turned a profit of 4 cents a share, 6 cents above analysts' consensus estimates of a 2 cent loss.

KarpReilly, which had sought to put three individuals on the board, withdrew its proposal after reports issued by RiskMetrics Group, formerly ISS, and Glass Lewis & Co. recommended stockholders support all seven of Charlotte Russe's incumbent nominees.

In November, Russe rejected KarpReilly and shareholder H.I.G. Capital Partners LLC's buyout offer of $9 to $9.50 a share, or $188 million to $199 million. Since then, with a new management team and a turnaround plan in place, the retailer had been urging its shareholders to stick by its side. But some investors were critical of the spurning of the bid, and Russe opted to put itself up for sale last month.

KarpReilly owns 8.9 percent of Charlotte Russe, according to the most recent filings with the Securities and Exchange Commission.

Quarterly revenue grew 3.3 percent to $191.2 million, from $185.1 million, as comparable-store sales fell 8.6 percent.

In the first half, the net loss came to $3.7 million, or 18 cents a share, versus net income of $18.2 million, or 73 cents, a year ago. Sales were up 2 percent to $431.9 million from $423.3 million.

In the third quarter, Russe said it expects comps to be down low-single digits and earnings, exclusive of charges from the proxy contest, to be between 17 and 27 cents, in line with analysts' estimates of earnings per share of 19 cents.

Charlotte Russe's annual meeting is scheduled for April 28.

Russe said it incurred $1.5 million in charges related to the proxy contest, in addition to unrelated costs totaling $1.6 million, giving the company an $820,000 net loss, or 4 cents a diluted share. Stripping out charges, the retailer said it had EPS of 4 cents. Last year, Russe had a profit of $4.2 million, or 17 cents.