

Cross-Industry Executive Appointments: Retail's Untapped Talent Source

by Tierney Remick

With retailing news abuzz about retrenching, reinvention and restructuring, it's no surprise that searches for high-level executives attract considerable attention and scrutiny. As part of this sector's transformation, the roles and expectations of Directors, Nominating Committees, CEOs and executive search firms are changing.

Many industries are reevaluating their search procedures for top executives as they contemplate looming retirements, impatient stakeholders and ever increasing competition from traditional and alternative channels of distribution. For retailing companies, the stakes are huge, suggesting that new strategies or dramatic shifts from past practices may be warranted.

The complexities and demands of today's business environment are prompting Boards of Directors, CEOs and Nominating Committees to become less insular in their hiring practices and assessments of executive suite candidates.

Succession plans based on an ingrained system of "heirs apparent," rotating chairs or luring an executive from a direct competitor may no longer be the most prudent approach. A review of recent practices by Korn/Ferry International reveals cross-industry executive appointments are emerging as a very viable option, particularly as companies pursue "Best Practice" strategies.

To that end, there are varied schools of thought on this concept. At one extreme are the naysayers -- those who believe "non-retail" hires are doomed to fail and instead insist on limiting searches to executive talent from within their specialized retail sector. A different mindset is found at the other end of the spectrum. Members of this group are convinced that the complexity of retailing today demands different skill sets, deeper experience and a perspective only an outsider can deliver. Straddling the fence are those who favor a "wait and see" approach.



For increasing numbers of retail businesses, some combination of internal and external hires may be the most appropriate course. For years, retail organizations have sought strong financial leadership from other industries. More recently, the demand for "best in class" marketing, supply chain, information technology and operations talent has proliferated the trend. In addition, the CEO suite has attracted a number of non-retail trained executives in companies as wide ranging as The Gap, Home Depot and Dollar General.

Today's retailers face unprecedented challenges and uncertainty. Enormous pressure exists whether from channel blurring, fickle consumers, increased competition, skeptical shareholders, disengaged employees or economic uncertainties. Expectations differ dramatically from bygone years when retail success depended primarily on the decisions of a "brilliant merchant" or "intuitive leader."

Finding the appropriate leadership in the executive suite is the key to the long term success of a business. As companies rethink strategy and consider new leadership, they are mindful of the reality of today's marketplace: what worked a few years ago could be ineffective or counterproductive now.

Companies that have recruited senior executives from industries other than retail cite several benefits from their experience:

- Looking beyond** the four walls of a company's category and considering a broader background lead to keen insights and refinements to the strategic planning process.
- Openness** to new ideas led certain organizations to make necessary changes to organization structure to remain viable and competitive.
- Executives** with best practices experience in global supply chain management have dramatically impacted efficiency and productivity which has had an immediate impact on the bottom line.
- Deeper insight** and understanding of an increasingly fickle consumer base has sharpened focus on brand, format and product differentiation.
- Executives** with a sophisticated understanding of financial tools and the ability to manage Wall Street's expectations in an increasingly complex and global economy can be invaluable.

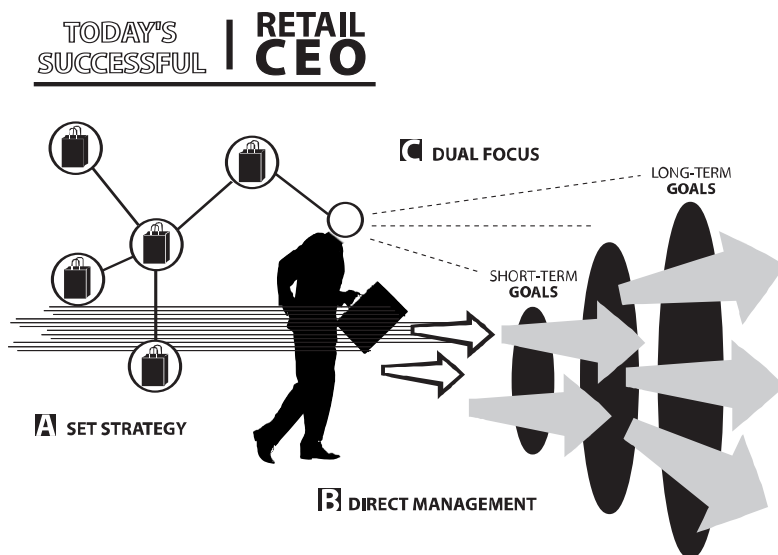


Indeed, retailing companies can benefit from innovative executives particularly in today's fluid environment of global economic forces, consolidation, new technology, early retirements and other factors. This paradigm shift, however, requires that companies be willing to evolve.

Among the more sought-after characteristics in today's retail environment are those that transcend an executive's functional expertise or financial acumen. Boards value leaders that exhibit vision, candor, integrity, and team play. CEOs must be highly credible communicators and trustworthy leaders who can energize employees, build camaraderie and personify the brand.

Companies willing to attract an "outsider" often strive to balance the inevitable uneasiness of change with some assurances of stability. There is a bias towards an affable executive who is equally respected for savvy business-building programs and the ability to maintain and grow positive, productive relationships across an organization.

The ability to balance delegation and decisiveness is another important trait for executives in today's complex retail environment. Also, highly valued are executives with track records for setting strategy, directing talented functional executives and the ability to focus on both short- and long-term goals.



Retailers in virtually every category are realizing the growing importance of "the customer shopping experience." To support this, the advent of the Chief Marketing Officer as a key player in the executive suite has begun to transform many retailers' perspectives about the consumer. A CMO's clear marketing strategy is as important as offering a great product in terms of driving revenues.

In their quest to make reforms, successful CEOs know they can't be too hasty in promising results. Likewise, Boards must temper their desire for quick fixes with the reality that transforming cultures, such as one that is task-focused into one that is more people-oriented, will take time. Recruiting leaders with strong interpersonal skills and abilities in nurturing and rewarding



talent can be pivotal to implementing needed changes.

With retailing facing unprecedented challenges, a new approach to assessing and recruiting leaders is warranted. Given the struggle to balance operational excellence while implementing fundamental changes to remain competitive, the importance of recruiting executives with abilities that transcend traditional competencies is paramount. Access to a greater talent pool makes sound business sense and has the potential to yield powerful results.

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About Korn/Ferry International

Korn/Ferry International (NYSE:KFY), with over 70 offices in 36 countries, is the world's leading provider of executive human capital solutions. Based in Los Angeles, the firm works closely with clients worldwide to deliver customized executive search, management assessment and mid-level search services, including the identification of CEOs, COOs, CFOs, board members and other senior-level executives; the formal evaluation of senior management teams; and the recruitment of middle managers through its Futurestep subsidiary.

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