

WHAT MAKES A GREAT LEADER?

**HERE'S TO THE CRAZY ONES,
THE MISFITS, THE REBELS, THE TROUBLEMAKERS,
THE ROUND PEGS IN THE SQUARE HOLES...
THE ONES WHO SEE THINGS DIFFERENTLY.**

**THEY'RE NOT FOND OF RULES...
YOU CAN QUOTE THEM, DISAGREE WITH THEM,
GLORIFY OR VILIFY THEM,
BUT THE ONLY THING YOU CAN'T DO IS IGNORE THEM
BECAUSE THEY CHANGE THINGS...**

**THEY PUSH THE HUMAN RACE FORWARD,
AND WHILE SOME MAY SEE THEM AS THE CRAZY ONES,
WE SEE GENIUS,
BECAUSE THE ONES WHO ARE CRAZY ENOUGH TO
THINK THAT THEY CAN CHANGE THE WORLD,
ARE THE ONES WHO DO.**

Steve Jobs | APPLE

The World Retail Hall of Fame spans some 150 years and charts the evolution from the founding fathers of grand emporiums and expansionist grocery purveyors to fast-moving fashion specialists and entrepreneurial innovators carving out completely new categories. In contrast, it also takes in a modern day era where financial scrutiny has become so forensic that a new breed of business-agnostic chief executives is taking over from those that rose from the shop floor.

The perennial questions remain. Are great leaders born or created? In a world of unprecedented technological change has the need for a new management style emerged, or has it underpinned the need for stability and long-term-thinking? And if the consumer really is now in charge, then how do retailers adapt to the reversal in relationship?

Amazon founder and chief executive Jeff Bezos believes that too much emphasis is placed upon what is changing, not enough on predictable and long term fundamentals. He says: "I very frequently get the question: 'What's going to change in the next 10 years?' I almost never get the question: 'What's not going to change in the next 10 years?'"



Mike Ullmann stepped in to turn around US department store perennial JC Penney not once but twice, reinvigorating the company on both occasions and leaving to a standing ovation from his executives.

That second question is actually the more important of the two, because you can build a business strategy around the things that are stable in time. In our retail business, we know that customers want low prices, and I know that's going to be true 10 years from now. They want fast delivery; they want vast selection. It's impossible to imagine a future 10 years from now where a customer comes up and says, 'Jeff I love Amazon; I just wish the prices were a little higher,' [or] 'I love Amazon; I just wish you'd deliver a little more slowly.' Impossible. When you have something that you know is true, even over the long term, you can afford to put a lot of energy into it."

A truism of succeeding in increasingly competitive and global marketplaces, where consumers have access not only to a vast array of products but also to price transparency, is that differentiation has become more important. Like many things attributed to the rise of the internet, such issues have been a long term challenge for retailers.

Mike Ullman III, best known for his turnaround strategy for US department store chain JC Penney, recalls: "If you look back 15-20 years, virtually every regional mall had the



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Jack Ma | ALIBABA

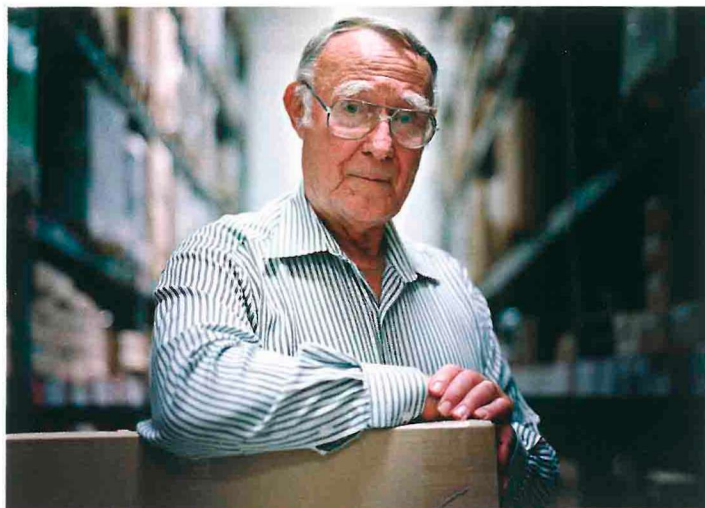
**"
The thing
about inventing
is you have to be
both stubborn
and flexible.
The hard part
is figuring out
when to be
which."**

Jeff Bezos | AMAZON

same four department store anchors, and virtually every department store anchor wanted the same four large vendors. This created a sea of sameness in department stores and served as fertile ground for specialty stores to thrive by focusing on one brand and one lifestyle. However, since that time, there's been a proliferation of specialty store concepts which is limiting their ability to differentiate from one another.

"At the same time, there's been a consolidation of the department store companies and those of us that had the opportunity to offer the customer something unique and differentiated have been able to earn more frequent visits, higher average purchases, and a customer base that has an appetite for more aspirational merchandise."

It is a view echoed by Ikea CEO Anders Dahlvig, who stresses the originality of the proposition and, although he offers up several reasons for the Swedish furniture chain's global appeal, settles on this as the clincher. "When the first Ikea store opened in the 1950s differentiation was at the heart of it and I would say that it is still the same," he says. "And in each market we enter I would say that is the



ANDRES DAHLVIG ON INGVAR KAMPRAD



Ingvar Kamprad is a great leader and visionary. He is, here and now, interested in the detail of the construction of a chair or the position of a sales bin in the store, close to the reality of the people he meets. But the next minute he can develop his thoughts and perspective on how and where Ikea will develop in the coming 20 years.

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In spite of his success he preaches a humble, thrifty, down to earth, hardworking and generous lifestyle. He has a deep interest and knowledge of the business and enormous intuition and common sense that guides his decisions. His warmth and humour combined with determination and demands on others, inspires loyalty, affection and motivation among colleagues and co-workers.

He has been a great inspiration and I have learnt so much from him over the almost 30 years we have known each other, including the power of setting big, challenging goals; the power of strong values to guide and lead the business; the importance of being accessible and close to people at all levels in the organisation; that you must be interested in and know the detail of the business to understand how to develop it.

He sees that you must live as you preach to inspire loyalty and motivation in others; that listening to customers and the co-workers on the sales floor is the best source of input and knowledge, not the board rooms or consultant reports, and that success can easily lead to contentment that leads to complacency.

Therefore in good times you must be even more focused on the fact that the journey never ends and that we can always do better!

WOMEN AND THE WORLD RETAIL HALL OF FAME

Reflective of the times, women currently make up a comparatively small proportion of the World Retail Hall of Fame and the inductees all went into business post-War, many not only reflecting but leading the wider change in female empowerment in society.

As such, their reach in the retail industry has been far wider than their specific businesses. UK-based designers Laura Ashley and Barbara Hulancki share little in common, yet both were propelled by a desire to influence the worlds of design and female fashion and by an uncanny knack of being in the right place at the right time. Ashley got her break when the type of headscarves she was producing from her kitchen table featured in the hit 1953 movie *Roman Holiday* and in doing so created a global fashion craze. Hulancki and her husband spotted a dilapidated store, restored it and sold out their merchandise on the day they opened up boutique Biba. Speaking recently from her Miami home, where she carved out a successful career as an interior designer after the demise of the Biba retail chain, she recalls: "People will come up to me in the street and tell me about the pieces in their attic. And I'll know how many buttons it has, that much detail. I know every single one of the garments."

Miuccia Prada is another to have had a huge influence on her category, luxury, in part helping to invent not only the global appeal of luxury but also its wider accessibility through the growth of accessories. Born into the family's fashion business, her artistic and Communist background was hardly the most obviously fertile ground for her succession and she was a reluctant recruit, yet looking back she insists: "You cannot do something just for the money. You have to do things you believe in and eventually you will make money."

But perhaps the most influential of our inductees is Body Shop founder Anita Roddick, who established her business to earn the family money while her husband set off on a six



“The business of business should not just be about money, it should be about responsibility. It should be about public good, not private greed.”

Anita Roddick | FOUNDER |
BODY SHOP

month trip to South America. Roddick was able to combine fresh store designs and contemporary lifestyle products with a deeply ethical business stance and she was an outspoken advocate on animal welfare and women's rights.

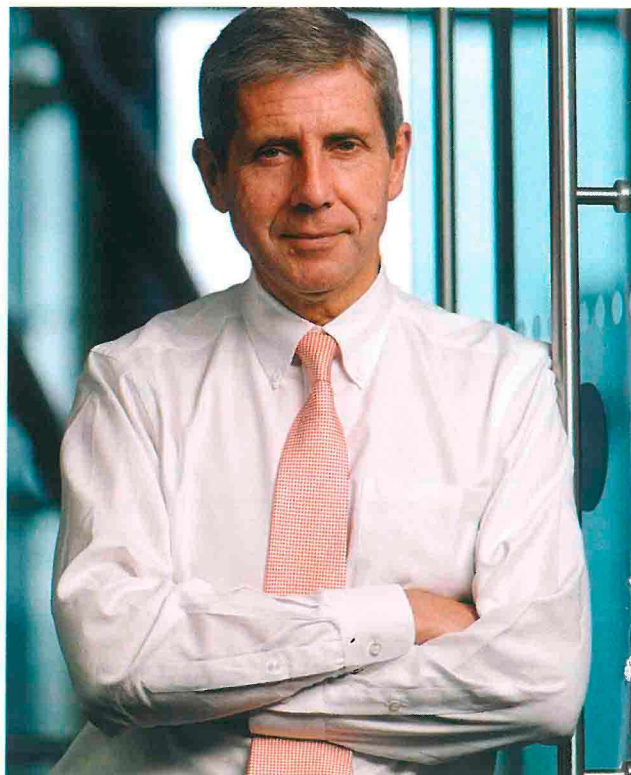
Of management she said: "Potential entrepreneurs are outsiders. They are people who imagine things as they might be, not as they are, and have the drive to change the world around them. Those are skills that business schools do not teach. It is true that there is a fine line between entrepreneurship and insanity. Crazy people see and feel things that others don't. But you have to believe that everything is possible. If you believe it, those around you will believe it too."

common factor, we bring something completely new to the consumers and that is why we have succeeded. In my opinion there is no point coming into a market with something that is similar to what is already there. And preferably you want to create something that is very difficult to copy. That, I believe, is still the secret of our success."

Career retailer Stuart Rose, best known for his tenure at Marks & Spencer where he was charged with steadying the ship after the company had lost its direction under successive managements, also advocates the need to be one step ahead of the consumer.

"If you wait for customers to tell you that you need to do something, you're too late," he says. "Good business leaders should be half a step ahead of what customers want, that is they don't actually quite know they want it. That's what innovation's about. With Plan A [Marks & Spencer's world leading sustainability programme], we didn't wait for the consumers to tell us."

However, while stripping down to the fundamentals of what makes a retail business work reveals predominantly universal truths, management style has undoubtedly had to alter from the autocratic approach of the original retailing founders to reflect the more collaborative management approach of the current age and the recognition that shop



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Stuart Rose | MARKS & SPENCER

THE SWEET SMELL OF SUCCESS

Jo Malone | FOUNDER
JO MALONE AND JO LOVES



Jo Malone created the eponymous Jo Malone London, which became a global phenomenon and was eventually acquired by Estee Lauder.

After a break from running her own business, Jo returned to launch the hugely successful Jo Loves.

"When I left Jo Malone, I never intended to set up another business, but I had a passion to create fragrances. What was right for the business was not necessarily right for me. I sat down and asked myself some tough questions and decided that with passion, resilience and creativity I could do it again.

It has been very different. Retail has never been so tough and had I known how challenging the first two years were going to be, I might not have done it! When we set up Jo Malone me and my husband were young kids and we jumped at opportunities. Succeeding was not a surprise but the speed of success was. I would liken doing it again to looking through the other end of a telescope. First time round you are looking outward and no-one really notices what you are doing. Second time round the telescope is pointed at you and your tiniest mistakes and successes are very visible.

It's still hard work but second time all the doors open for you. But I didn't want to repeat what I'd done, yet the business carries forward the spirit of the person. I did feel a strong understanding of who I am, was really careful with my team building and I also knew not to accept the first offer that came along. Also, I think I'm more demanding than 20 years ago but not frightened of mistakes, they are often an important part of success.

To me an entrepreneur and founder is vital to the business, they are the heartbeat of their company. Personally I feel that business, however large, must be about more than making money. That's what gives the brand power and longevity.

My business has been influenced and helped by some great retail leaders. Rose Marie Bravo took a day out in New York to counsel us on our strategy when we went to the US and everything she said was correct. Stella McCartney, Anna Hindmarch and Isabel Ettegui [wife of Joseph founder] are among those who have been very influential and I would say they all also live their private lives the same way they run their businesses. They are good people."

"CREATIVITY IS SO IMPORTANT AND WHEN I LOOK AT THE RETAIL GREATS, I LOOK AT PEOPLE LIKE COCO CHANEL, WHO MADE SOMETHING UNBELIEVABLE, OR MIUCCIA PRADA, WHO CHANGED THE WHOLE LANDSCAPE WITH THE PRODUCT AND THE LIFESTYLE."

Jo Malone | JO LOVES

floor workers must feel motivated and empowered.

Kip Tindell, chairman of the National Retail Federation in the US and co-founder and chairman of The Container Store, is one of the World Retail Hall of Fame's most recent inductees. He says of the current retail situation: "It has never been easier to raise the average value of the ticket, never been harder to raise traffic. As an industry we need to do less bottom feeding of who we hire, we need to invest in their training and paying a liveable wage and from that we should be able to leverage improved sales and better productivity."

He reflects: "Too many businesses today are based on driving prices lower by screwing over somebody: pounding suppliers or squeezing employees. We're the opposite. We put employees first, radically... If you take care of them, they will take care of your customer better than

anybody else."

Fast Retailing's Tadashi Yanai reflects that it is also incumbent on the management team to take the lead. "Delegating everything to subordinates, and having the top managers just stay in the back office and focus on administrative work—there are no good business managers [who are] like that," he says. "We don't have to take Steve Jobs as an example. Any good business manager will want to pay attention to his shop, his products, his marketing. The full commitment of a top manager is essential.

"Unless they look at the details of day-to-day operations, I don't think you can call them real managers. People often say that the details are everything—that everything shows up in details. So unless top managers are fully committed to paying attention to the details, I don't think you can call such people good business managers."

CUSTOMER SERVICES IN THE DNA

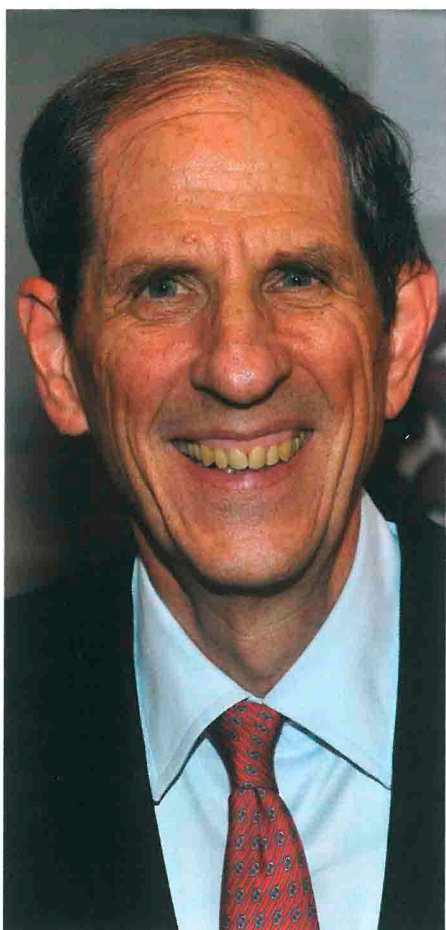
"To me, trust is the single most important thing in retail. As retailers most of us sell products which can be found anywhere, whether that's a mass volume product or Chanel. So instead it's about how we move from a transaction to a relationship, that's always been the big challenge for our industry.

If you think in that way, then the sales associate is a leader, because they are the ones who can build the relationship with the customer, so they are not just selling them something but looking after their interests. In my time at Bloomingdale's we really made the change when we made customer satisfaction part of every manager's and director's performance review. When we were able to point out to, say, the buying team, that an out-of-stock in a suburban mall might be the reason for dissatisfaction it started to become clearer to them

that it was everyone's responsibility. That customer services was not someone else's job.

I'm not sure leadership has changed that much, however I do feel there is less focus on the product, on differentiation and also on taking risk. Of course the financials are imperative but we all read the same articles saying that stores look the same. We want products and environments that make the customer go 'wow'. Just look at something like KidZania. How do we create the same immersive experience in stores?

I learned so much from the people I worked with, I'm also a voracious reader of management strategies and I'd pick out from those the teachings of John Gardner, Peter Drucker and Nelson Mandela. It's important to have a high level of empathy for people and for that I'd point to my parents."



TO ME,
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RETAIL

Mike Gould |
FORMER CEO |
BLOOMINGDALE'S

"IT IS A GREAT
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TO CONTINUE IMPROVING
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A GLOBALISED TRADE."

Isidoro Álvarez | EL CORTE INGLÉS,
UPON HIS INDUCTION TO THE HALL OF FAME

Much retail activity is now focused on technology, with Daniel Bernard, former boss of Carrefour and now chairman of Kingfisher, describing omni-channel as the next great revolution after the car, "the revolutionary element of my start in the retail business", he recalls.

And Arcadia boss Philip Green, reflecting on the fact that he has one store in California, serving 40 million people, while it takes 2,500 stores to serve 60 million British consumers, describes this as an "imbalance" and something he would need to address. "If you were starting now you would open a small number of flagship stores and create a strong internet business to fulfil the offer," he says.

At the same time Green says that global online sales would probably prompt store openings in some new countries, illustrating the complex relationship between online and offline.

Fast Retailing's Tadashi Yanai holds the same view and highlights two key challenges facing any global brand today: globalisation and digitalisation. "I believe whoever manages to adapt to these two things will become the winner, this is the biggest challenge," he says.

So is the art of retailing changing? The World Retail Congress has welcomed two of fashion's longest standing and 'instinctive' merchants to its stage on several occasions, with Mickey Drexler and Philip Green sharing the stage in Paris to discuss the changing retail business. Drexler was dubbed the 'Merchant Prince' when he was steering Gap and has enjoyed a second coming at J Crew.

"I think the key to success is vision that adjusts on the way, but doesn't at all falter. It's about not compromising and following your gut to a certain degree, based on knowledge, instinct, etc. And not listening to the naysayers. You develop strength through adversity. You have to keep moving towards your goal through huge obstacles. It's not easy. Especially a business like this where there are so many moving parts. You have to build a good team and know who's good and not good and you have to keep raising the bar on your life. For me it's always, 'I have to get up and do a little better today and go to work to learn.'"



THE COMMON TOUCH

Myer founder Sidney Myer was one of the first great retail philanthropists. Once his business had grown, he offered on easy terms 73,000 'staff partnership' shares of £1 each. He also began distributing shares (more than 200,000, all told) among his executives and managers, according to his estimation of their merit. Increasingly, Myer looked upon his staff as a community; by 1926 they numbered over 2,000. Weary managers received paid vacations, a sick fund was instituted, holiday homes were established, and an elaborate free hospital provided in the store. Social activities included annual staff balls and picnics, football and cricket matches, a Christian Fellowship and choral society concerts in aid of charity.

IDENTIFY INTERNATIONAL TRENDS BEFORE LOCALISING OFFERINGS, TO MAXIMISE THE FULL POTENTIAL OF THEIR BUSINESSES AND EFFECTIVELY COMPETE AND THRIVE



THE NEW SKILL SETS NEEDED TO LEAD IN RETAIL

Radical transformations are reshaping the retail sector and, as a premier leadership advisory firm, Heidrick & Struggles has conducted more than 1,100 leadership appointments within the retail industry in the last five years. This has given us a sharper understanding of the qualities required by current and future leaders in this sector.

BE AGILE AND INTUITIVE

Retail leaders will have to be increasingly agile, and possess the capacity to read the tone of the market, to spot trends and stay relevant from a product and consumer perspective. Most importantly, they will demonstrate a willingness to continue to learn and adapt. Although these traits can be enhanced, they cannot be replaced by technological advances; it is therefore critical that leaders have the optimal right- and left-brain balance to create and execute their ideas.

CUSTOMER CENTRICITY

The best retail leaders recognise that consumers want to access brands at their convenience. Successful retail leaders will make business decisions using a consumer-centric lens, and embed a customer-centric culture across the entire organisation. Of particular interest are executives from companies and industries where cross-channel maturity is especially developed.

OMNI-CHANNEL AND TECH-SAVVY LEADERS

Already highly prized, is the ability of retail leaders to remove organisational silos; most significantly physical stores and e-commerce operations. A highly sophisticated approach to supply chain management will also be required so, for example, 'fast fashion' needs to transform into 'even faster fashion' and more complex delivery options for the customer. Greater supply chain expertise will also allow the maximum advantage from the Internet of Things.

ENGAGE AND CONNECT EMOTIONALLY

In an increasingly competitive world, retailers will place an additional premium on executives who can communicate simply and effectively with both customers and employees. Visionary leaders deliver a compelling and inspiring vision. They leverage the power of an inclusive culture and provides clarity for every employee to understand the part they play. These leaders recognise that talent has never been so important to the success of a retail enterprise and therefore create a strong employee proposition to attract and retain millennial team members.

DEVELOP INTRAPRENEURS

Because of the uncertainty and pace of change in most retailing environments, it is increasingly useful for retail leaders to think of their business units as a series of tech start-ups. However, the right leadership is required to ensure the speed and nimbleness of the bubbles of entrepreneurial activity are disruptive in a positive sense.

INTERNATIONAL MINDSET

Retail leaders who are poised for future success demonstrate even greater levels of cultural sensitivity and a global mindset. They can identify international trends before localising their offerings, to maximise the full potential of their businesses and effectively compete and thrive in today's global marketplace.

Exceptional retail leaders will draw strength from a truly diverse team. They know that each talented individual brings a unique perspective to the challenges ahead.

Forward-looking retailers are positioning themselves for success by identifying the handful of must-have leadership capabilities that will help them master the new environment.

HEIDRICK & STRUGGLES