

How are the Top Apparel Companies Succeeding in These Times? Leading with Their Culture

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The author, a veteran retail industry consultant, says the success stories of the recession share a critical underpinning: a cohesive, clear, company culture that is driven from the top. Learn how to take stock of your current company culture and get it where you want it to be.

The last 20-odd months have been a brutal time in the apparel business—in almost every business for that matter. Despite a few positive economic signs, business operators are still dealing with a tough economy.

As painful as it may be to relive it, there are some incredibly valuable lessons to be drawn from the organizations that have succeeded during the recession. So let's quickly set the stage. As we all know, the economy triggered a consolidation and many brand-name apparel merchants struggled to stay in business as customers clamped down on spending. Those businesses that survived were forced to scale back growth plans and aggressively cut costs so margins could be defended. Many retailers survived in large part due to heavy discounting and promotions, but that was short-term trench warfare, and not a sustainable business model.

Now that consumers appear to be spending a little, the challenge for our industry is to return to healthy top-line sales. What will help that effort is the fact that retailers have cleared out those piles of excess merchandise from the recession, and now they're getting smarter about managing inventory levels. With some discipline, that should lead the industry towards more normal pricing as we grow out of the recession and away from a vicious cycle of discounting.

There have been some bright spots. In particular those companies that benefited from the change in consumer-spending habits and attitudes about credit. The value players were able to sell to newly cost-conscious consumers and grab significant market share from their more up-market rivals.

The teen market was especially robust, and we've continued to see that companies that produce innovative products for this demographic will continue to hear their cash registers ringing in new sales. The biggest success stories of the recession, however, all shared a critical underpinning: a cohesive, clear, company culture that was driven from the top.

These business victories weren't just flukes either, and they took place across a wide range of categories and demographics. Amidst the tough economy several highly-recognizable brand name apparel merchants—that not too long ago struggled mightily—have experienced a resurgence. One company in particular built its business 30 years ago by focusing on a single iconic apparel product. In the 1990's the company attempted to fuel growth by diversifying, and began offering a range of both related and seemingly unrelated products in an effort to become all things to all people. Customers walked into stores, found themselves confused and unable to find what they came for, and walked right out again. Today, this company's stock price has more than doubled over the last 15 months because it rightly went back to its heritage—back to delivering iconic, focused yet fresh products that customers wanted all along. For the company, understanding its culture was critical to this success. To leverage their history and re-captivate their buying audience, the company needed to accurately define its corporate culture, and understand how that culture reflected (or didn't) its customers' needs.

If you're in business today you need to be asking this question: Do you know what your culture is? Because if you don't know, you're at a disadvantage. As Tony Hsieh, CEO of Zappos is fond of putting it: "Culture is everything" and "if you get the culture right most of the other stuff—like great customer service, or building a great long-term brand, or passionate employees and customers—will happen naturally on its own." What drives Zappos' culture is an obsession with superior customer service, and there isn't a customer or employee that doesn't know it.

If you think your organization lacks a clearly defined culture, you're not alone. The good news is that data-driven assessment is now available that can help companies determine their current culture and their desired culture. Importantly, assessment can identify gaps between how the leadership team perceives culture and its actual state—indeed, a cultural disconnect between leadership and the rest of the company is a key sign that the business is out of sync, and it's in that confusion that companies flail in the marketplace. Cultural assessment provides leadership with the ability to identify weaknesses and drive the company's most positive strategic cultural attributes.

The idea of culture as a performance driver dominated the panel that Russell Reynolds Associates hosted at the National Retail Federation's 2010 Big Show. As moderator, one of my panel guests was Mindy Grossman, the CEO of HSNi. The \$3 billion dollar retailer went public in 2008 in the midst of the economic crisis, and its share value dropped to as low as \$1.40. Nonetheless, Grossman cited her unflinching belief that culture would be integral to the company's success in surviving, and actually thriving in the down economy. She redoubled HSN's commitment to a top-flight service-oriented culture and enhanced its already strong internal communications so that nobody would be in the dark about the company's strategy going forward. There were town hall meetings, internal webcasts, and everybody in the corporate suite was accessible. It inspired an incredible team effort and today the stock sits near \$30.

This brings me to my final thought about the near future in our industry. If culture doesn't cascade from the top by motivated and communicative leaders like Grossman and Hsieh, then the business will eventually suffer. Leaders have to believe in it if they expect anybody else in the company to do so. If executive leadership has a different culture than front-line management and employees,

then they're going to have problems in any economic environment.

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