The search is on: seven questions to ask when recruiting leaders for E-Commerce 3.0

Think of it as E-Commerce 3.0. If the first stage of e-commerce was most memorably signaled when Amazon.com opened for business just 16 years ago and the second stage was the subsequent proliferation of all manner of web stores, today another fundamental shift is under way that is transforming the business landscape. In this paper, Margot McShane and the e-commerce team at Russell Reynolds Associates examine the converging trends that are creating a strong demand for experienced e-commerce retailers, and outline seven critical questions that CEOs, boards and human capital leaders need to address as they begin their search for an e-commerce head. Many of the areas for discussion here are also relevant for organizations in other sectors that need to re-examine or develop their digital content and distribution channels. Future discussions will examine specific issues around e-commerce leadership in financial services, technology, healthcare, government and not-for-profit.

A major shift, indeed, is under way in the world of e-commerce. Perhaps the biggest indicator is that large brand name multi-channel retailers with relatively small e-commerce businesses (and in many cases consumer product organizations that are selling direct for the first time) are re-engineering their original strategies and are starting to place a much bigger emphasis on their dot-coms. Until now, many retailers simply de-emphasized their e-commerce channels—which is no surprise in an industry where the brick-and-mortar store experience historically has been the single most important facet of the business. These companies now are looking to benefit from the web's relatively higher growth rate in sales, its potential for higher margins and the realization that multi-channel

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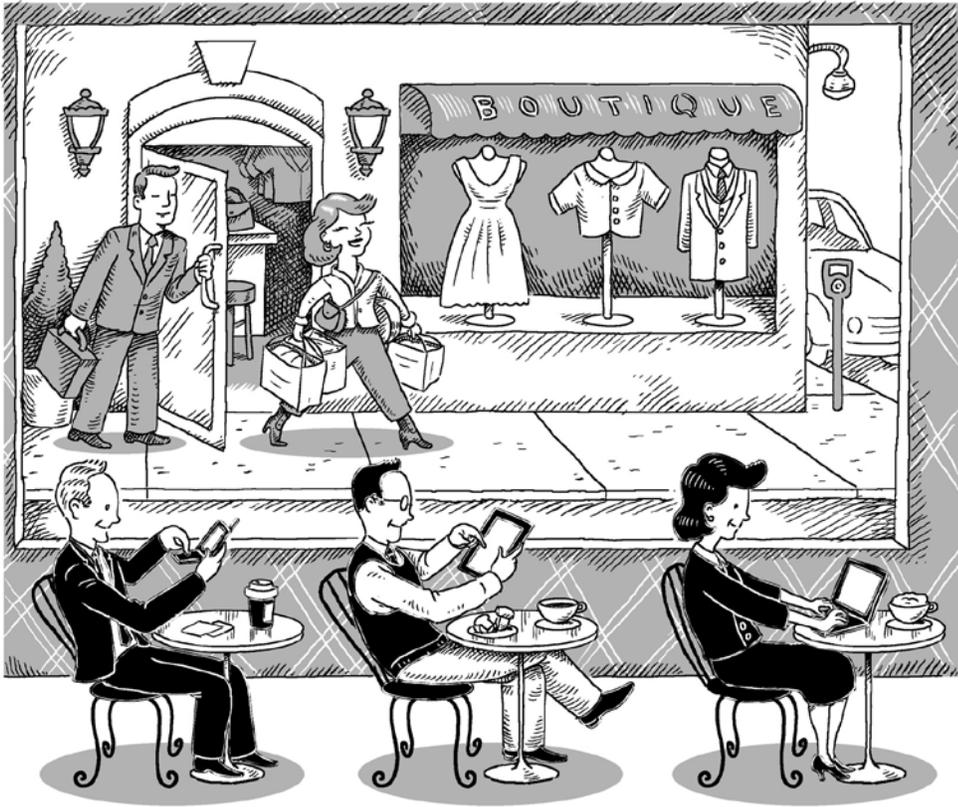
customers—those who visit the store and shop online—are more valuable than single-channel buyers. In fact, many successful multi-channel retailers are using their web sites to drive an enormous volume of store sales.

There is yet another subset of retailers that avoided e-commerce altogether, many of whom are rethinking their strategy and are considering launching e-commerce platforms. Many of these companies had web sites, some of them excellent, but they often were brand enhancing or informational—not transactional. *The New York Times* recently picked up on this trend, noting that the luxury fashion business—including brands such as Jimmy Choo and Hugo Boss— is embracing direct e-commerce for the first time.

As business shifts into E-Commerce 3.0, corporate leaders and hiring executives at consumer retailers as well as organizations in financial services, technology, healthcare, government and even not-for-profit are seeking guidance on the kind of talent they need to lead their e-commerce businesses. Regardless of the size of the business, the essential questions retail leaders need to ask themselves before undertaking a search are strikingly similar.

No. 1: Should the head of e-commerce report directly to the c-suite?

There is no one correct answer, but before beginning the search, it is important to consider how reporting lines will impact the qualified candidates' perception of both the role and the organization's commitment to the e-commerce initiative. Two likely expectations

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of candidates will be that P&L responsibility for e-commerce will come with the job and that the position will report directly to the CEO or president. Without these two conditions in place, it's possible that some high-caliber candidates may opt out of the process. This isn't about ego on their part; having the e-commerce leader report directly into the same level of command as the head of retail and merchandising sends a clear message that the development of e-commerce is a company priority and that the candidate will be the business owner. This type of reporting ensures that the e-commerce leader will be directly involved in executive conversations and planning sessions that drive the direction of the company. It also indicates that e-commerce is a priority for the CEO and the board

and broadcasts a message throughout the organization that the leadership team is embracing the channel. This is not to say this model is right for all organizations, but companies should give serious consideration to organizational structure in order to attract the right level of experienced leader. Another way to reassure candidates about the company's commitment is to establish an on-call board member who can provide reassurance and answer questions about the e-commerce strategy during the final recruitment stages.

No. 2: What are the company's e-commerce goals?

In order to identify and recruit the right talent, clients should be ready to articulate their key goals around e-commerce and determine how they align with the larger business goals. For example, how big is the e-commerce business expected to get? What are the multi-channel strategies (e.g., order online,

return in stores; development of comprehensive CRM strategies to maximize customer loyalty and value)? What is the time frame for getting there? How much of an investment will it take to reach these goals? These strategy points are vital because the candidate who can build a business from scratch typically is very different from one able to triple an existing $50 million enterprise. An alternative candidate would be required to scale a $300 million business into a $1 billion enterprise. Building from scratch versus optimizing an existing business, or building large-scale, competitive capabilities requires very distinct skills and demands different talent.

Identifying these long-term objectives and strategies is one of the most important challenges for a company embarking on a talent search. For example, it's becoming increasingly common for a company to consciously hire someone who is "too big" for its existing business with the knowledge that it is hiring a leader capable of handling its future size.

No. 3: Does the business' compensation model support or undermine its goals?

In an ideal world, a compensation model should be developed before an e-commerce search begins. From a basic planning standpoint, that is obvious. However, there is another, more critical reason. Compensation

models that focus almost exclusively on increasing online sales can cause internal strife at the company. Since an online sale may come at the expense of a store sale, retail-side leaders may feel threatened by

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e-commerce initiatives in a battle over the customer. According to the 2009 State of Retailing Online report from Shop.org, companies have adjusted their management and incentive structures to better align the online division with the rest of the company and vice versa. One important area to address will be assigning credit for in-store revenue generated online. Successful compensation models also may emphasize shared credit for revenue performance and multi-channel sales, as well as companywide strategies around buyer loyalty and customer satisfaction. Not only will a successful compensation model avoid debilitating, money-losing rivalries, but it will incentivize cooperation across business lines. When recruiting e-commerce talent, the candidate will inquire about how his or her bonus will be measured.

No. 4: Will the e-commerce leader command a dedicated team?

Establishing who is officially on the e-commerce team (with a solid line to the general manager) versus who will be part of a shared-services team supporting e-commerce will impact the type of talent companies recruit. If the expectation is that the e-commerce leader will own responsibility for the P&L—but will need to rely on other key functional business heads or other shared resources to do so—it may adversely impact a candidate's perceived ability to meet the established goals.

One of the most important issues to address early on is the risk related to IT resources and accountability. Everyone involved must understand the structure and reporting model of the IT function before the search for an e-commerce leader begins. Particularly in situations where the IT unit reports into multiple heads and the e-commerce leader will not have direct or dedicated IT support, some candidates may be concerned that IT

will be unable to completely focus on and execute the e-commerce strategy.

In addition, a clear understanding of the structure—be it shared services, a standalone unit or a hybrid—will help focus the search for the right type of leader, placing emphasis either on exceptional relationship-building skills that will be required with a shared model or on strong strategic and operational skills that will be required with a dedicated team (more on this in No. 6). It has proved helpful for an organization to discuss its team model in advance of implementing a search, as this enables a company to clearly identify the required competencies and experience and set expectations with top candidates.

No. 5: Where will the e-commerce team work—headquarters or dot-com talent centers?

For many CEOs, the answer to this question may seem obvious. Most organizations believe it is imperative that the e-commerce organization reside at headquarters in order to build rapport and partnerships with cross-functional colleagues. This will help support an integrated business culture that will legitimize e-commerce within the rest of the organization and ensure that it stays close to the center of the business.

However, some retailers, including one well-known big-box brand, have built e-commerce teams

in locations away from the company headquarters, reasoning that it would be easier to attract top talent to an alternate city. For example, the San Francisco area, because of its wealth of relevant talent, has become a popular spot for locating these separate e-commerce units. One catalyst for locating the team away from headquarters might be when a medium-sized e-commerce organization is growing to the next level, and will require more sophisticated e-commerce expertise and leadership—leadership that may not be easily attracted to

the headquarter's location. Some retailers have concluded that for an e-commerce organization to thrive, it needs to sit elsewhere to get out of the shadow of the stores—truly making it a separate division—and that, again, means locating it near e-commerce talent centers.

Locating the e-commerce team offsite does pose risks unless the retailer and candidate understand what is required to make it work. Given the need for the e-commerce function to be fully integrated within

a multi-channel retailer—from a business, cultural and interpersonal standpoint—strong communication and a structured schedule with in-person meetings are critical to success, especially at the beginning.

No. 6: What are the most essential skills and competencies to look for in candidates?

Web experience and a proven track record of scaling an e-commerce business, of course, constitute the foundation of any viable candidate.

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However, outstanding e-commerce general managers will possess several specific competencies and leadership traits:

They must be strategic in mindset. An ideal e-commerce candidate envisions long-term market potential and business opportunities, generates strategies for addressing future market scenarios, and positions the business to capitalize on them using innovative and analytical thinking. Strategic executives will be adept at employing

research and customer data and drawing upon best practices to drive the business. The strategic leader also seeks out opportunities that are game-changing for the business.

They must have operational expertise. Strategic thinking is indispensable, but an e-commerce leader also must have an excellent track record of driving results. The ideal candidate cannot only project the vision and mission of the organization but needs to know how to turn it into viable plans. Personality traits that serve this role well are pragmatism and adaptability, and the candidate will possess the ability to focus and execute in a competitive and fast-paced environment. In addition, successful leaders in this field will make useful and sensible recommendations outside their area of expertise to their colleagues. The ideal candidate is one who accepts responsibility for results and expects the rest of the e-commerce team to follow suit. Successful operational leaders can balance the drive for business urgency with the ability to motivate, attract and retain strong talent that will form the backbone of a successful team.

They must be skilled at influencing colleagues and building relationships.
This trait is critical for success in e-commerce, a unit that often requires strong partnerships with merchandising, marketing, technology and retail operations. Without effective and strong coalitions, e-commerce will not thrive. We've found that the most successful people in this realm possess both personal confidence and a willingness to listen to other ideas. They are tenacious but also have high emotional intelligence, traits that allow them to push the business forward while building consensus along the way.

So while many organizations believe that success almost always originates from strong strategic thinking and operating skills, it is often true that the difference between a moderately successful and a very

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successful e-commerce organization is the high degree of integration of the online team—a feat driven by a persuasive e-commerce leader who is particularly skilled at influencing and building relationships.

No. 7: What are the most common pitfalls when recruiting e-commerce leaders?

The new hire isn't a good cultural fit. One of the most important competencies in an e-commerce leader is the ability to be a change agent but also mesh culturally within the organization. What will make a successful e-commerce leader is the ability to deftly navigate the existing culture while simultaneously executing the e-commerce strategy.

Under- or over-hiring. If an organization is going to go through the considerable effort of conducting a comprehensive search, it stands to reason that retaining the successful hire would be extremely desirable. This is why right-sizing the candidate for the opportunity is critically important. As laid out in No. 2, it's important for organizations to thoroughly evaluate their needs so that they pick the right candidate.

No two e-commerce businesses are the same—success at one dot-com doesn't necessarily translate to another. Generally speaking, evidence of past success does predict future success, but it's important to know more than the broad strokes of a candidate's experience. In order to make sure a candidate's past will translate well to a new business, context is essential. For example, how

big was the e-commerce business at the previous company upon arrival? Inquire about revenue and order volume because large revenue dollars can mask operational inefficiencies. This will help determine if the candidate has the required experience for a complex logistical environment.

In summary

Every business situation is unique, but these issues tend to remain constant as companies undertake a thorough search for new e-commerce leadership and talent. It's important for CEOs and key hiring managers to address these issues before embarking on

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Other questions to ask include: What were the market trends at the time? And what were the goals of that business? The overall object is to determine how analogous the candidate's past role was in relation to what the future position requires, and the answers to these questions will help make sure the candidate is a good business fit. It is easy to fall in love with a candidate based on title or the brand name of his or her employer, but drilling deeper benefits everyone in the end.

a search. The answers to these questions will streamline the search process and help define the type of leader required for the role, ensuring that the organization ends up with a robust pool of top-flight candidates.

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