

# Twenty Years Later, The Chickens Come Home to Roost

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## *The Need for a New Talent Pipeline*



*The purpose of this article is to address a fundamental change that has occurred in the retail industry over the past twenty years. We will discuss how the retail and related wholesale manufacturing industries previously acquired and developed executive talent, why and how this has changed, and what is necessary to take place in order to address future talent needs in the industry.*

## **The Death of Department Store Training Programs**

The entire dynamic of initial talent acquisition and development has permanently changed in our industry. Simply stated, department store training programs historically were the pipeline that provided much, if not the majority, of executive talent for the broader retail industry, including discount, specialty, big-box and category dominant formats, as well as for the related wholesale side of the business. The numbers of remaining programs are a shadow of what they once were and there will never again be enough department store training programs to supply the management needs of the broader retail and related wholesale industry.

Ten years ago, in 1995, an article appeared in Bloomberg Business News, called “Where Will Retailing’s Top Talent Come From?” My quotes are as follows: *“Department store training programs have historically provided the talent pool from which most retail executives are drawn. Industry consolidations, downsizing and acquisitions have cut the number of department store companies and thus the number of training programs”... “Ten years ago (in 1985), seven department store holding companies had 87 separate department stores, each with its own college recruiting system and executive training program. Now there are two dominant department store holding companies with 15 department store divisions”... “These numbers will not come close to filling the*

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*needs of non-department store retailers, whose numbers have risen significantly in the past ten years. The specialty stores will tell you they are training, but they really aren't. There are no other retail formats that have stepped in to fill this void"...*

The following year, 1996, the New York Times ran an article called "Sorry, We're All Out Of Great Merchants", which discussed the same issue: *"In my mind, this is a huge issue in our industry that none of us are addressing. There is not a pipeline to develop talent anymore, and when companies go looking for a chief merchant, there is no one there to replace them."*

Think about it. In the 60's, 70's, 80's and even the 90's, many, if not most of the executives running retail

businesses, in all its' various formats, started in the department store sector. Even those who "came of age" in the 90's, began their careers in training programs when they started in the industry 10-20 years prior.

Some quick math – let's say on average, each of those 87 department stores mentioned from 1985 brought in about 40 trainees per year. That's about 3,500 bright new faces coming



into the industry, all with thoughts of becoming senior executives. Let's say that half wash out over the first five years. That's still 1,750. Of those, let's say 20% make it to a GMM level –

350. Of those, let's say 20% make it to President level –that's 70 people. You can argue the percentages any number of ways, but basically, we're saying that

2% of the trainees hired make it to Principal level.

Fast-forward ten years to 1995 for the new math. Fifteen department store divisions, they're all a lot bigger, but they're all leaner, so on average each brings in 60 trainees. That's 900 bright new faces. Using the same formula as above, 2% means this group should yield 18 Principal level executives versus the 70 from ten years prior.

Ten years later, it's 2005 and most of those fifteen stores are gone. As of this writing in March 2005, Federated announced plans to buy May Department Stores. No matter how you do the math, there are no longer department store training programs to supply the industry.

You can argue that with a lot fewer department stores, the need for the number of executives is less. However, the number of retail companies has actually grown in the past two decades as department stores lost share to every other format, from specialty, to discount to

big-box category killers. There are hundreds, perhaps thousands, of significantly sized retail, catalog and Internet businesses in the US today. The issue is that many of these other retail formats have not stepped up to the plate with their own internship, college recruiting and training programs. While some have, and they are seeing positive results, it has not been widespread enough, which is one of the reasons companies are so often forced to seek talent from outside their own four walls. Some businesses have also developed programs for specific functional areas such as storeline, supply chain or finance and that's a positive. But these programs have not replaced the department stores programs that provided the broader general management experience, which groomed talent to run entire businesses.

## **Why They Worked Well**

Getting selected into a department store training program used to be a big deal (and those few still running programs would

argue it still is). Many companies had well developed programs with top-flight schools and were highly sought after by students. Once selected, trainees could expect a formal program, which included classroom instruction taught by the senior executives in the business, as well as rotational assignments. These companies were willing to move young executives from one experience to another in order to prepare them for broad general management responsibilities.

Most programs were set up to bring talent into the merchandising function. Early career paths could go from merchandising to stores, and also into other areas of the business. Along the way, some would find their career paths within specific corporate functions or in stores. Many would eventually move back into merchandising, as this was (and still is) the function from which much of the senior and principal level talent is drawn. Within merchandising,

department stores were very willing to move people among various product categories. This served to further broaden skills and also to further differentiate top talent, as the "stars" built a track record of success from various categories.

Another factor was the importance of mentoring. From a culture standpoint, the senior executives in these companies knew they were expected to provide mentoring to trainees and that they would be rewarded through promotion for their skills in developing talent. Most seasoned executives in department stores took enormous pride in their mentorship and development of talent within their respective areas of responsibility.

## **What To Do Now**

The above may sound like the wistful ramblings of a bygone era, and to some extent, they are. But don't get me wrong. There are still mentors in our business, there are still companies hiring directly from college campuses and there are



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still a few training programs left. It's just not to the extent it once was. The industry's main "Pipeline for Talent" – department store training programs - is pretty much gone. There will be no industry-wide effort to address this issue. Companies are understandably focused on their own issues, not on how to supply the industry with talent.

Therefore, it has become each company's responsibility to develop their own internal executive talent. Many companies will say that they are indeed developing their own talent, but few are really formalizing their own "Pipeline for Talent" through internship, college recruiting and training programs. Don't do it for the industry. Do it for your own company. Tailor it to fit your needs and your budget. Modify it as you go and as your needs grow or shrink.

There will always be a need and good reason to augment hiring and filling positions with external talent. That's what I do

for a living. But at the risk of shooting myself in the foot as CEO of an executive search firm, we very much need companies to commit to recruiting from college campuses and training their own talent for future leadership positions.

## Here's What To Do:

First, when going out to recruit, go to the best schools to fit your needs.

Second, select the very best students who fit into your culture and don't let anything stop you from recruiting those students.

Third, pay competitively or better to attract the best.

Fourth, structure your programs so you can promise significant responsibility and exposure to various aspects of

the business early on. Most students join companies as much and more for the ability to have significant responsibility as for the financials.

Fifth, live up to your commitments and give your internally developed talent the opportunity as they earn it. This

will also greatly enhance your reputation and ability to recruit future talent as you point to success stories.

Sixth, make sure your senior management understands that

they are expected to be mentors and to develop talent as a core part of their responsibilities. If you are the CEO, show your commitment and leadership by mentoring one or more of your trainees.

Sounds good—Mom and Apple Pie stuff. But many give me



reasons why they just can't do this. I often hear something similar to, "Kirk, that's a nice idea, but we don't have the (choose one or more) time, money, infrastructure, ability, or proper entry level positions to do so."

Let me address each:

*Time.* As a general rule and a general criticism, I find that we all tend to spend more time on what we view as the urgent, rather than the important. Every CEO says derivations of "people are our most important asset" but these are empty words if companies don't set up processes, programs and a culture to make these words a reality.

*Money.* The monetary commitment for internship and training programs is doable for most companies. You don't have to make your program big, but the payback potential is absolutely enormous. Most existing HR departments can set up the recruiting program,

internship program and training program. Your senior management can and should help to recruit, train and develop. You should be able to forecast open positions across functional areas, so you can bring trainees in to fill actual budgeted positions. In other words, your resources are already in your company, it's a matter of deploying some of their time for this purpose. Your one real cost increase may be from implementing an internship program (x number of students at x pay for 6 to 8 weeks), but if you set it up right, they are performing real work and you are "test-driving" your future management before making a full-time employment commitment.

On the financial return side, it's impossible to accurately quantify, but logic should dictate that the savings from turnover, unfilled open positions, search and/or agency fees, risk of failure from outside hires, acclimation time, etc. etc., would far outweigh the cost of your recruitment, internship

and training program. Also, your program can be modified up or down by season as business needs and projections dictate.

*Infrastructure and Ability.* It doesn't take a lot. As mentioned above, use your existing team, both in HR and in management. An important upside to involving management in college recruiting and training is that it helps to embed a culture wherein the development of talent is viewed as a real management responsibility. Obviously, the CEO needs to believe this and communicate it clearly to the organization.

*Entry-level Positions.* As I called around for comment on this article, I was surprised that a number of companies felt they didn't have "the right level of position" to put trainees into. The logic seems to be that if they have a 35-50K position; it needs to be filled with someone who has specific experience in the particular function. I disagree. Frankly, companies that think this

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way are often hesitant to promote from within and tend to select people more on the basis of specific knowledge and experience, rather than on characteristics appropriate for success on a broader basis. Smart companies hire based more on overall qualities, attributes and characteristics that fit the company and culture, rather than specific knowledge factors as the lead criteria.

I believe that factors such as intellectual capacity, passion, and the personality characteristics that fit the culture of an organization, should take precedence over specific knowledge of a function. You can teach a smart person the mechanics and specific knowledge needed in finance, merchandising, supply chain, planning or whatever. Especially at an entry level. It is more

difficult to “teach” intellect, passion or personality characteristics that match the culture of your company.

## Some Examples

Fortunately, all is not lost. There are a number of significant companies who have taken control of their own entry level hiring and talent development

destiny. The remaining department stores still run terrific programs and many of the country’s other large retailers have formal management recruitment

and training programs. I have included four examples below—two from specialty retail and two wholesalers with extensive retail operations:

*Gap, Inc.* – Gap stepped up to the plate over a decade ago in

developing a college recruitment and training program. Today, they are one of the leaders in the industry and their programs have reached new levels of sophistication, from school evaluation to trainee selection to program design. Importantly, the commitment to the program starts at the top and this is well understood in the organization. They have a number of programs. The “Retail Management Program” includes rotational assignments in merchandising, planning and production and is intended to prepare candidates for broad merchandise management responsibility. There are also recruiting and training programs for specific functional areas, such as planning and allocation, information technology, etc. In addition, they have an active program to bring in selected storeline management to the home office upon college graduation. The company recruits from a significant number of schools for their various programs and reports real success over the



past decade, as measured by the number of successful senior executive who started in the training programs.

*Polo Ralph Lauren* – While Polo has historically had variations of recruiting and training programs, they have recently re-vamped their approach and are bringing a new level of professionalism to their efforts. Polo is focusing on a select group of schools to recruit top students for a rotational management program and have involved their most senior management extensively in the selection process. It is anticipated that the candidates will go through a variety of assignments in different functional areas, with the objective to prepare them for general management responsibility. In addition, the company is developing a program with FIT for the design function of the business. Again, these programs are strongly supported by the top management of the company.

*American Eagle Outfitters* – AEO has two programs in the home office—one in merchandising and one in planning and allocation. They recruit from a number of top Midwest-based schools. The New York Design Studio has a separate program for designers and recruits from top schools in the U.S. and Europe. The programs were started in 2000 and the company reports significant success in promoting and retaining talent. They also cite commitment at the top as one of the keys to the success of the program.

*Liz Claiborne* – Liz geared up their programs several years ago and they are really seeing results. They have a well developed internship program and are hiring a significant number of undergrads, as well as a select number of MBA's into full time positions. They are recruiting from some of the best schools in the country. The Chairman has made it known the

priority he places on the program. New hires are given significant responsibility early on. The company is getting the results it seeks. The program works.

***These companies are seeing results. Based on the steps described above, they see decreased turnover, better management, increased morale, and ultimately positive business results. I hope your company considers the cost/benefit of these ideas versus doing nothing. If so, you will see positive results for your business and we will see renewal in our industry.***

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