

Founder Power: A Key to Success in Tough Times

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Photo By: Courtesy Photo

Tory Burch

While no company is completely unaffected by the macroeconomic conditions, some are faring better than others.

Polo Ralph Lauren Corp., Eileen Fisher, Tory Burch, Juicy Couture, Lululemon, Theory and Urban Outfitters, to name a few, have several things in common: A distinctive point of view, a resonating culture and a visionary founder who's still involved.

“If you look at all the companies out there, what’s the difference between success and failure?” asked Theory co-founder Andrew Rosen, who has also invested in successful founder-run companies including Alice + Olivia and Rag & Bone. “There are a lot of intangibles in our industry, and certain people tend to be able to answer those intangibles. I believe in people who have a point of view, not just want to throw a lot of clothes against a wall and see what sticks. Most successful companies have a strong culture and a strong aesthetic, which is generally a result of a strong leader. It does take someone who is visionary to make it happen.”

Observers agree there are several keys to the power of a successful founder: It starts with their original vision of creating something unique. They understand their customer, as well as what makes the brand distinctive, so they know how to change with their customer, as well as what can be sacrificed versus what cannot. They also create a brand-centered culture, to which both employees and consumers respond. A founder gives the brand authenticity and a guiding purpose.

“A founder around makes the brand feel like a personality rather than a checklist of marketing strategies,” said Suzanne Hader, principal at 400twin Luxury Brand Consulting. “If brands can evolve and change but still stay true to their DNA, like a real person would, they will resonate more with their consumers.”

On the other hand, many companies have faltered when their founders left: Chico’s hit a bump every time the Gralnicks, the founding family, exited; Esprit floundered for many years in the U.S. (although it thrived in Europe and the Far East under its Hong Kong owners) after founders Doug and Susie Tompkins’ marriage dissolved and they were no longer involved in the company (Esprit is currently channeling its past in 40th anniversary marketing); Ellen Tracy’s fortunes dived after Herb Gallen and Linda Allard sold the brand and retired (new owners are trying to reclaim that original spirit); Laundry lost its way without Shelli Segal (Perry Ellis International has rehired Segal’s team after buying the brand from Liz Claiborne Inc. earlier this year), and the list goes on.

But other companies have found a second life sans a founder. “There are a lot of different roads to success,” said Erin Armendinger, managing director of the Jay Baker Retailing Initiative at the Wharton School of the University of Pennsylvania, referencing Mike Jeffries, ceo of Abercrombie & Fitch and Mickey Drexler, chairman and chief executive officer of J. Crew, as non-founders who deeply understand the DNA of their brand.

Creating, and nurturing, a brand’s DNA is the magic of a founder. But a good founder, like a good parent (a metaphor almost every founder interviewed used), raises a brainchild that grows up to be something beyond its roots.

“When there is a charismatic founder, that is how we start to relate to the brand first,” said Marc Gobé, founder of Emotional Branding, a marketing/branding company. “But when the brand starts maturing, the consumer has adopted that brand and integrated it and given it meaning, and the brand can stand for something bigger than the founder. Those businesses become manifestos of an idea.”

Conversely, there are cases when a founder dragged a brand down, not being able or willing to make the leap from a small company to a thriving business.

“Founders of business typically are incredible entrepreneurs and obviously visionaries to get a brand to where it can be sold,” said William Sweedler, chairman and ceo of Windsong Brands LLC and co-chair of Fashionology and Brand Matter, which bought Ellen Tracy earlier this year, about five years after the brand’s founders sold the company to Liz Claiborne Inc. “When you get to the fork in the road of selling, on one side is the founder who is growth challenged, and the other continues to grow the business but decides to take the chips off the table.

“In Herb and Linda, you had people who were fantastic in operating the business, but chose to take the chips off the table,” Sweedler added. “When Ellen Tracy merged into Liz Claiborne, there were synergies and they chose to eliminate costs wherever possible, combining not only the back-end but also front-end capabilities with Dana Buchman. But in doing so, it lost its founders’ DNA and became homogenized, and the top- line revenue reflected that it didn’t work. We’re trying to find that original DNA and reestablish Ellen Tracy as a brand that caters to a sophisticated modern Ellen Tracy woman.”

When companies acquire brands, they generally want to keep the founder on board, but if the founder doesn't agree with the new owners' growth plans, the partnership may not work, as illustrated by Liz Claiborne Inc. and Narciso Rodriguez' recent parting of ways, after the two could not agree on how to commercially grow the brand.

“When we talk to people doing mergers and acquisitions, keeping a founder is a double-edged sword,” said Hader. “There can be conflict if the founder doesn't agree. Communication and everyone involved should have the same goals in mind.”

Hader pointed to Burch as a founder who understands how to grow a business in keeping with the brand's DNA, which makes her company attractive. Burch is said to be in due diligence with several potential investors as the company looks to sell up to a 30 percent stake to raise funds for further expansion.

“The company is such a personal extension of me, and I have no plans of going anywhere,” Burch said. “Companies like ours have a very focused vision and distinct point of view. It's definitive on what I like, as is my design team, and we can move quickly because there is that focus.”

Polo Ralph Lauren represents the pinnacle of the founder concept, becoming a \$4.9 billion global powerhouse after more than 40 years with Ralph Lauren at the helm. “My method is to stay tuned, have a good team of people, to know my identity, to build stores, to have a vision,” Ralph Lauren told WWD last year. “And that keeps growing and the integrity of it keeps working.” The company declined further comment.

Success isn't only about the one person leading the company; the rest of the people hired — particularly on the front-end design and merchandising sides — are also key. When the company is filled with its consumers, changing with them can happen more authentically and naturally, even automatically, observers said.

“You have to have an affinity for what you are doing: I don't want someone who can get in that customer's mind, but someone who is that customer,” Urban Outfitter ceo Glen Senk said at the recent WWD/DNR CEO Summit (see Summit coverage in this issue). “We're a quirky organization. It takes a special person to work at our company, and a lot of people who work at our company wouldn't work elsewhere.”

Eileen Fisher and Burch said they are personally inspired by how their teams wear and individualize their clothes.

“Everyone on our design team has their unique personal style, but they also wear our clothing, and it's an inspiration for me to see how they put it together,” said Burch.

Lululemon founder Chip Wilson goes so far as to question his employees about why they chose to wear the activewear in particular ways and if that reflects a trend they should incorporate into the merchandising.

Having passionate consumers working in the stores and interfacing directly with the customers is also important to success.

“We hire our guests,” said Delaney Schweitzer, Lululemon's “head of original intent.” “Right from the beginning days, we hired right from the [store] floors, people already wearing Lululemon who were athletic and in line with our core values.”

In charge of training and culture at Lululemon, Schweitzer's title reflects the Vancouver-based company's focus on having its culture reflect founder Chip Wilson's intent in starting Lululemon, where the motto is "creating components for people to live longer, healthier, more fun lives." The company's 30-hour employee training incorporates teachings from the books Wilson has put in the company's lending library that he wished he'd read sooner in life, plus teaches goal-setting (every employee in the Vancouver headquarters, including Wilson, publicly posts their career, personal and health goals). The company's Web site includes a section on "Chip's musings" and recently launched a "goal tending" site to invite customers to participate in the same goal-setting process.

"Our training started from how Chip lived his life," Schweitzer said. "So much of our training revolves around personal success. Our intention for them is to have great lives, but the result is a successful business."

Eileen Fisher attributes part of the company's success — with sales still showing double-digit increases — to not hiring traditional salespeople in its own retail stores, but rather writers and artists who are the brand's core customer.

"We hire people who love the clothes, so it feels more like fun to work in the stores, rather than like a job," Fisher said. "They're like clothing therapists, and we have the added benefit of having our own retail stores to have the direct line to what our customer is saying and asking for."

Eileen Fisher headquarters, where the brand ethos manifests itself in group yoga classes and communication workshops, also is filled with people wearing the clothes and reflecting the brand's holistic values. In trying to peg Fisher's success, retailers point to the fact that the brand deeply understands its customers, which they attribute partially to Fisher's own role in the company.

"It happened so naturally that we hired our customer," Fisher said. "When the company was small, I liked people who liked the clothes because there were so many ways they could contribute. We look for a more holistic kind of person, who loves our clothes and has outside passions and interests. It makes being in this company meaningful to people. There are lots of other things about the culture that are huge in this company — the way we work together and treat each other, our wellness policy, the way we engage and include people."

As the concept of a lifestyle brand permeates the industry, an idea is often clearer, more authentic and more consistent when a founder is there as a constant reminder of why the brand exists in the first place.

"Very often with a founder, people did things because it's their passion," said Senk, who has worked with Urban Outfitters founder Dick Hayne for more than a decade. "Dick has had a profound impact on our company. The things I respond to the best are created by people who have a deep connection to those things — it's not about the money or a marketing plan, it's about love and passion. The industry would be better off if we remembered that."