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The Perils and Pitfalls of Leading Change:
A Young Manager's Turnaround Journey

Daniel Oliveira felt like he was on top of the world and was having a great night at the 2006 Clothes & Accessories' Annual Retreat party celebrating store manager promotions. The air crackled with excitement: twenty new store managers had been promoted that day, company sales were soaring, and future prospects were bright.

Just one year ago, Oliveira had been in his final year of business school in São Paulo, looking for the perfect job after graduation. His top choice was a position in an extremely selective management-training program at leading fashion retail company Clothes & Accessories. After a grueling selection process, he was awarded one of twenty positions out of 10,000 applicants.

As part of the highly respected training program, Oliveira was assigned to a city in the northeast of Brazil called Recife. The Recife store was one of Clothes & Accessories' largest stores in terms of both size and revenue, with more than 350 employees, a healthy culture, and an effective manager. Over the next year, Oliveira gained experience in all aspects of the business: he unloaded trucks, served as a cashier, led small departments, and acted as a store supervisor. He even assumed a temporary store manager role when the full-time manager took a month-long vacation. By working through each role and working side-by-side with the employees, he had earned both the respect and the friendship of employees of all ranks in the store.

Because of his successful performance as a trainee, Oliveira was promoted to full-time store manager and given a new assignment: leading and managing the turnaround of a store that had been experiencing declining performance. He was excited and honored to be given such a challenge.

At the Annual Retreat just before starting his new job, Oliveira grabbed a *caipirinha*[1] from one of the open bars and decided to meet his future manager, Francisco Prado. Oliveira found Prado after a quick scan of the room and walked over to introduce himself and express gratitude for being given such a wonderful opportunity. Quick-witted and very direct, Prado did not care for small talk. Without wasting any words, Prado advised Oliveira to speak with one of the former store managers he had led some years ago, Douglas Fischer.

[1] *Caipirinha* is a famous Brazilian drink.

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Like Oliveira, Fischer had been a very young store manager with a gregarious personality and a thirst for challenge. After a long conversation about different topics, Oliveira asked him for his best piece of advice. Fischer responded without hesitation: "The first and most important thing you have to do is to get to know your people. Get closer to your team before you try to change anything. Don't fall into the same trap I got caught in!"

Oliveira reflected on Fischer's words for a while, remembering his recent successes with the employees at the Recife store during his training assignments. That store had done very well during the month he had managed it, so he was confident in his abilities to manage people, especially at a smaller store.

Clothes & Accessories and the Fashion Industry in Brazil

A European company that launched its Brazilian operations in the 1970s, Clothes & Accessories was the national leader in the fashion retail industry, holding a considerable lead over the competition. Its strong brand and economies of scale had driven the growth of the Brazilian fashion industry during the 1990s. Overall revenues, number of stores, and same-store sales were soaring. It was a golden age for the company.

The last two decades had been fantastic for the fashion retail industry in Brazil. The stable economy and increasing access to credit after mid-1990s economic reforms had helped the Brazilian middle class grow in both size and buying power. The poorest classes, which previously had spent all of their income on basic needs, were now able to move up to the middle class, increasing their consumption of discretionary products and services. The apparel and fashion industry benefited greatly from this change in consumption patterns.

Significant economic growth and an evolution of the middle class seemed especially evident in Vitória, a mid-sized city in the southeastern state of Espírito Santo (**Exhibit 1**). The growing utilization of all city ports and the large investments from major corporations, such as Vale do Rio Doce and Petrobras, had increased the population's buying power and demand for consumer products and services.

The Honeymoon Phase

Initial Excitement

Oliveira had been assigned to manage the Clothes & Accessories store located in the heart of downtown Vitória. The store was the company's ninth location in Brazil, built in 1983, and staffed with more than a hundred employees. Since the late 1990s, the store's performance had been steadily declining, and it had dramatically worsened in the last five years. Clothes & Accessories' leadership expected Oliveira to not only stop the declining performance, but also to increase performance to the levels of other stores with better locations.

To Oliveira, only twenty-two years old at the time, this looked like a career-making dream and the path to success within the company. Oliveira's confidence in his abilities was based on his excellent performance evaluations during his training. In addition, Prado was known for being

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a great mentor and catalyst of personal development. Prado was also on the fast track for future top-management responsibilities.

Oliveira was excited about moving to Vitória. Passionate about extreme sports, he arrived a few days before his start date to explore the city and found perfect weather, amazing beaches, and natural places to explore. Vitória offered amazing opportunities for parachuting, scuba diving, and rock climbing.

Pandora's Box

The morning Oliveira arrived at his new workplace, he was welcomed by one of his future direct reports, Roberta Santos. She showed him to his new office and informed him that the outgoing manager, Sara Carvalho, was late due to a flight delay. Not knowing where to start, Oliveira decided to wait for Carvalho.

Carvalho arrived an hour later, apologized for her delay, and then outlined the two-day transition plan. She had prepared a transition "package" that included several reports and documents, including ready deliverables for short-term deadlines. The transition schedule started with the "micro-market presentation": walking around the area outside the store. In the middle of the walk she said, "As you can see, downtown Vitória is in decline: several governmental institutions and offices have moved away; the transit population has been reduced; the market is against us—and the company is not recognizing that. We are always being compared to the growth of stores that are not facing the same external problems."

During the walk Oliveira saw vacant buildings that seemed to support what Carvalho was saying. He decided to focus on factors inside the store before worrying about the issues outside the store.

After their walk, they discussed the store's human resources. With the organization chart (**Exhibit 2**) and the supervisors' performance appraisals in hand, Carvalho started describing the two supervisors. "Roberta Santos is the store apparel supervisor. She has ten years of experience, all of it here at this store. She knows everything there is to know about operating this store. She is really good at managing her team, and everyone loves her. I usually don't stress over her team at all because she always handles it. She is also a very nice person.

"Maria Almeida is the store financial services supervisor. She has eighteen years of experience at Clothes & Accessories, spread across several different stores. She is very knowledgeable and committed to the company. She will always be there for you when you need her. She is a bit old to seek career advancement and can be rather tough to deal with at times, but I think you should use her experiences and her tough personality to keep the team on track!

"I also consider the two department leaders to be crucial assets to the store. Mariana Rodrigues, from the ladies department, and Laura Lima, from the service department, are very experienced; both have more than ten years at Clothes & Accessories. They are key people for store operations. Mariana is a very nice, friendly person, and Laura is very aggressive but efficient."

During these first couple days, Oliveira watched vigilantly for operational improvement opportunities that he could leverage as he worked to turn the store's performance around. The

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store was not crowded at all, but the few people he saw inside the store were always standing in either fitting room or cashier lines. He noted that the store showcase was not clean and was badly merchandised, and the indoor mannequins were always dressed without any accessories. Clearly there was room for operational improvements. Oliveira was even more bothered to see that none of the employees were smiling, so he concluded that there was an enormous opportunity to improve the working environment.

The Downward Spiral

Initiating Change

After the two fast-paced transition days, Oliveira was finally ready for his role. On the way to the store, he remembered the conversation he had had with Fischer, especially his advice on "getting to know your people first." He understood the importance of having a connection with his employees and spent the first week meeting with each person individually, inquiring about basic information such as their name, experience, and role at the store.

After several weeks, he had met all of his employees and knew everyone's name by heart. He knew it was time for the next steps and decided to move on: *I know everyone and they know me, so I can start changing things, right?*

He then set up a meeting for Monday morning with his store management team—Santos, Almeida, Rodrigues, and Lima —to talk about his vision and strategies for changing the store to improve performance.

Oliveira spent the entire weekend preparing for the meeting. His proposal included the implementation of an "urgency code" to both cashier and fitting room staff (i.e., everyone should stop their work and help these departments whenever a customer line had more than three people) and an immediate reallocation of personnel to increase the visual merchandising team in order to improve the showcase and mannequins' presentation (including the use of accessories). He also intended to change some department operations from the current system of planning and designating functions by people to hourly-based activities planning.

He had well-reasoned arguments about what changes were needed and how to implement them, but his enthusiasm was met with bored stares, a sort of resignation to his plans. The meeting was tough for Oliveira, but he felt reassured that everyone would go along with the changes, even if they did not yet share his enthusiasm. To keep everyone on track, Oliveira decided to establish a weekly meeting with his management team, even though it would mean changing some individual schedules.

A Vicious Cycle

Oliveira was confident that his proposed changes would generate better results, so he decided to personally check on the departments to see the implementation progress. As he visited each department, he was surprised to find that none of the changes had been made. He thought that it might be because the management team was too busy with other things to guide the changes. To

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help out, he took it upon himself to work with each department's employees to guarantee that changes were implemented. After a few days, he was feeling very productive and figured that working alongside the employees during implementation was a good way to relate with them, as he had during his year of training.

A week after his first check-up, he went back to each department and found that the new policies had stopped being implemented. When he asked each department leader or supervisor what had happened, the reply was always the same: "Oh, sorry—I will do it right now!"

Feeling that successful implementation depended on his personal attention, he decided he would have to be everywhere at once. Oliveira started to work sixty to seventy hours a week.

Once a month, Oliveira flew to Belo Horizonte, the capital of a neighboring state, to meet with Francisco Prado and the other store managers in Prado's region (**Exhibit 3**). In those meetings, the ten store managers discussed the main challenges and best practices across the entire organization. The manager with the best results in each key performance indicator (KPI) shared how he or she had achieved the store's success. Oliveira did not speak up because of his store's continuing poor performance, but the lessons from the other managers were a source of new ideas for change in his store.

When Oliveira returned from his trip, he found that almost every improvement in his store had been reversed. He felt that he had too many ideas and too few arms to ensure that they were properly, and permanently, implemented. He was discouraged by the consistency with which the staff would revert back to old procedures as soon as his back was turned. People seemed to be on board with his proposed changes during the meetings, but then did not follow through.

He tried to discover the source of the problems by talking with the supervisors. They claimed they did not know why improvements were failing and made excuses. He seemed to be stuck in a vicious cycle: New ideas were discussed, implemented with Oliveira's close supervision, and later scrapped while he was supervising an implementation in another department. Was this a consequence of the store's location, as Carvalho had complained during the transition?

Changes were slow to happen, if at all, and the staff seemed disinterested. The steady decline in the store's performance continued, and even worsened. He decided to address the issue directly with his people.

A Reality Check

After another unsuccessful Monday meeting, he invited Rodrigues, the operational leader of the ladies department, to have coffee at a popular downtown cafe. He worked up the courage to ask her why she thought his ideas were struggling to gain traction.

After a long pause, she took a deep breath and replied: "I'll be honest with you. The people in this store do not respect you. In fact, I have never seen a manager so thoroughly rejected. I believe that this is the main reason for the troubles."

At a loss for words, Oliveira thanked her for her candid comments. Filled with disappointment and self-doubt, he went home to reflect. He recognized that he had a problem on his hands, but did not see an easy solution.

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His much-needed vacation was only a week away, and instead of trying to solve the entire motivation problem before he left, he slowed down and tried to refocus and ensure that some sort of progress was made during his month-long absence.

Judgment Day

After his first vacation as store manager, Oliveira returned to Vitória feeling relaxed and ready to work. He had plenty of new ideas for driving employee involvement.

Just as he placed his luggage on the bed, his phone started to ring. It was Prado: "*Tudo bom*, Daniel? I just called to say that I will be at your office tomorrow morning. We need to talk."

The next morning, Oliveira had barely had a chance to turn on his computer before Prado appeared.

"Daniel," he began, "one week ago I received a call from one of your store supervisors asking me to come to your store, saying it was a matter of utmost importance. When I got here, the supervisor and two other team leaders quit to go to our competitor. When I asked why, they were direct and clear: 'Because we don't believe in our manager. How can a young guy with no experience at all say that what I was doing for the last ten years was wrong?'"

Oliveira listened in stunned silence, afraid that he was about to be fired.

Surprisingly, his boss continued: "Now that you have made a mistake, go fix it. I trust that you can handle it without any support or resources from the other stores. As difficult as it may be, enjoy this recovery. Every executive will have to pass through a restructuring sooner or later. Try to learn from it, and give me a call whenever you need advice."

Without another word, Prado left the room. Oliveira looked out the window at the partially cloudy day and wondered what to do now.

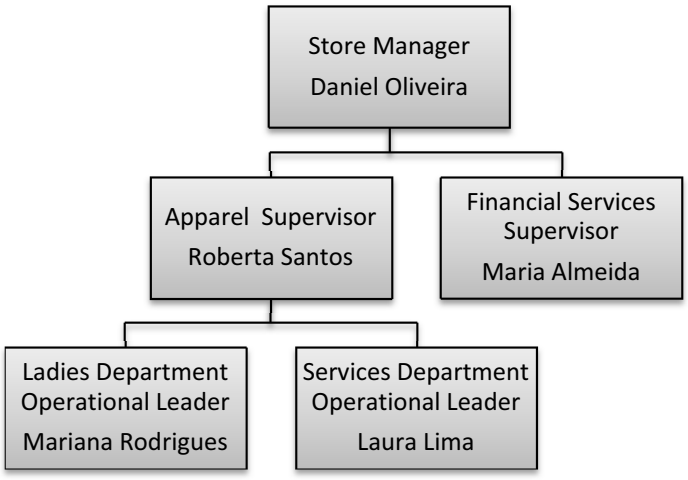
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Exhibit 1: Map of Brazil



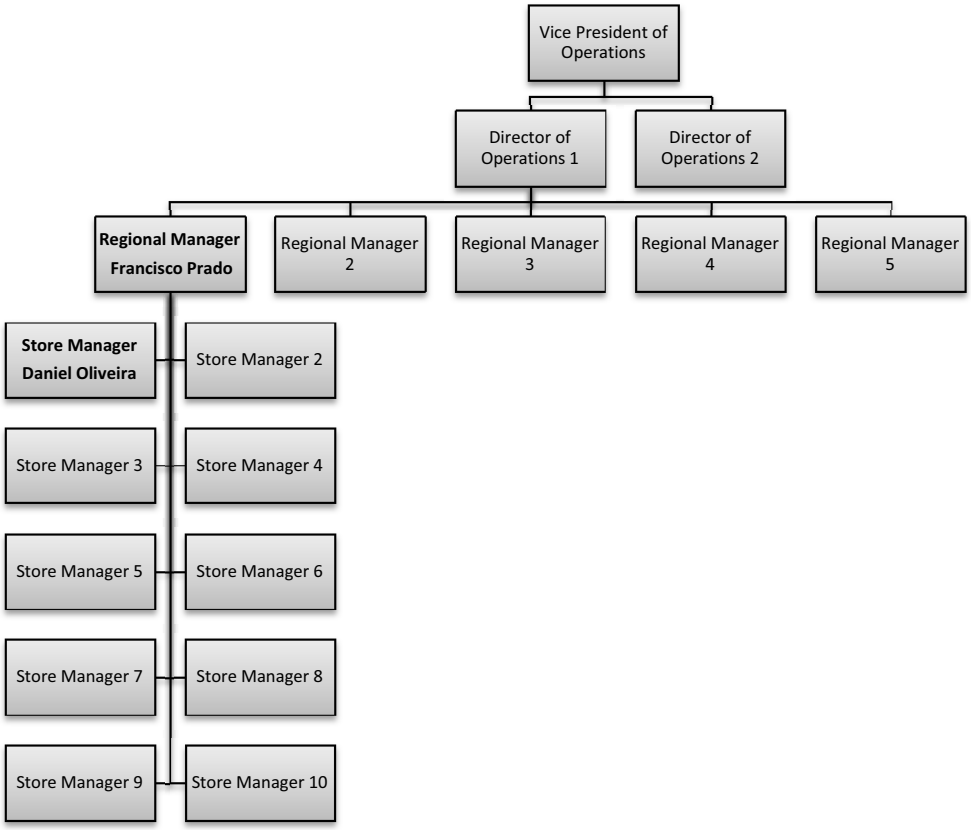
Source: http://www.infoplease.com/atlas.

Exhibit 2: Store Basic Organization Chart



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Exhibit 3: Clothes & Accessories' Operations Department Organization Chart



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