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Myer and Flanagan (A): High-Stake Recruitment at the Top

In the late spring of 2014, the Australian department store Myer was going through a major reshuffle of its senior management team. More than 20 senior managers had left the company over the previous two years, and the exodus of some key members of the executive team was continuing. The turnover was thought to have accelerated after CEO Bernie Brookes decided in February 2014 to remain in his position, cancelling his previous plans to hand over the reins of the company. As a result, several of Myer's senior executives with the potential to be the next CEO were finding it increasingly difficult to identify promotion opportunities. At the same time, challenging conditions in the retail sector meant that several opportunities were arising for experienced executives in the industry.[1]

Following the departure of several senior managers from Myer, many roles needed to be filled. Adam Stapleton, who was considered a likely successor to the CEO after his 11 years at Myer, moved to a senior role at Wesfarmers, a highly diversified firm and one of Australia's largest listed companies. Senior executive Graham Dean – the manager of the group's general manager for home and entertainment and the head of the supply chain - also resigned after accepting a position with the homeware retailer Harris Scarfe.

Yet another senior manager, Greg Travers, who had around 30 years of experience in senior roles in the industry, decided to quit his job as head of strategy and business development after spending eight years at Myer and accepted a job in an international mining company. Although his departure was a big blow for Brookes, the CEO had to accept reality and refill the position. In the interim, Travers's role would be covered by internal appointments until a suitable replacement for this experienced manager was found.[2] After soliciting the help of the executive search firm Quest Personnel and conducting several rounds of intensive interviews, Myer finally decided to hire Andrew Flanagan, a U.S. executive whose stated previous experience included working as vice president for the Asia-Pacific region at the Spanish retail giant Inditex and as chief operations manager at the British grocery chain Tesco's Chinese arm. However, on the day Flanagan started his new position, Brookes received a call from the Inditex Australia managing director denying Inditex had employed Flanagan.

This case was prepared by Professor B. Sebastian Reiche and Eren Akkan, PhD student, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. May 2015.

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Company Background

Myer is a mid-range to upscale Australian department store chain that aims to provide its customers with products in 11 core categories - womenswear; menswear; youth products; childrenswear; intimate apparel (lingerie); beauty, fragrance and cosmetics; homeware; electrical goods; toys; footwear, handbags and accessories; and general merchandise. As of 2014, the company had about 13,000 employees and 67 retail stores across Australia, as well as complementary e-commerce, digital and mobile platforms. In 2013, Myer acquired the remaining shares of the Australian designer label Sass & Bide, after previously holding a 65% stake.[3]

The company was named after its founders, the Myer brothers, who opened the first store in Bendigo, Victoria in 1900. They quickly gained traction locally and started opening department stores in other Australian towns, even throughout the economic depression of the 1920s. The period between 1960 and 1985 saw Myer branching out into new areas such as fashion retailing, travel, fast-food outlets, finance, and film production. In 1985, Myer merged with Coles, one of two leading Australian supermarket chains. At the time, the merger was considered the largest deal in Australian corporate history. Under the Coles name, Myer introduced strategies to attract customers through the use of exclusive brands, loyalty programs and marketing campaigns designed for a new generation of Australian customers. Myer eventually sold Coles to Wesfarmers in 2007. Myer floated on the Australian Securities Exchange (ASX) in 2009.[4]

Myer's strategy is based on ensuring that the company is well placed to respond to the competitive and increasingly global retail environment and meet changing customer preferences. The company defined a strategic five-point plan that consists of the following strategic priorities:

- Improving customer service through initiatives such as training and sales skills programs, rewards and recognition, and improving staff availability;
- Enhancing the merchandise offer in the company's vertically integrated portfolio by acquiring new brands in addition to well-known national and international brands and Myer Exclusive brands;
- Strengthening the customer loyalty offer in addition to the already existing four loyalty programs;
- Building a leading omni-channel offer by investing in digital commerce and making use of the company's already strong inventory management;
- Optimizing the store network by maximizing returns per square meter while creating an inspiring shopping environment for customers in the retail shops.

Myer's total sales revenue in 2014 was A$3.145 billion (A$1 = €0.71) and the amount has remained fairly stable over the past four years. However, the past four years also saw a steady decrease in net profits after tax, falling from A$168.7 million to A$98.5 million. On a comparable store sales basis, sales increased by 1.2% in 2014. The drop in profits in 2014 is accounted for by investments in the store network, the omni-channel offer and the Myer Exclusive brand. Myer also

continued to face strong competition from both international and online retailers, and the depreciation of the Australian dollar affected its margins.

While Brookes had earlier announced his intention to stand down when his contract ended in August 2014, he agreed to be reappointed in February 2014 to advance merger discussions with Myer's rival David Jones, which had cited the leadership uncertainty at both companies as a reason not to proceed with a merger deal.[5]

In April 2014, the South African retailer Woolworths – which is unrelated to the Australian retailer of the same name – surprisingly made a competing bid to take over David Jones for A$2.15 billion, leading David Jones to turn down Myer's earlier merger approach.[6]

Building a New Senior Management Team

Following the recent exodus of senior executives, Myer CEO Bernie Brookes and his colleagues were looking to fill three of their high-level management positions – chief merchandising and marketing officer, chief information and supply chain officer, and head of strategy and business development. The selection, appointment and performance review of the chief financial officer and other senior executives fell under the responsibility of Myer's Board of Directors, on the recommendation of the CEO.[7]

To assist with the recruitment process, Myer hired the recruitment and executive search firm Quest Personnel, which had previously worked with the company. Quest Personnel is a privately owned Australian recruitment company founded in 1987. It specializes in positions ranging from administrative to senior management for permanent, temporary and contractor positions. Among other sectors, Quest Personnel serves retail, banking, finance, government, call centers, oil, gas and mining. The company's focus in recruitment is on the ability of its consultants to match the right candidate to the right job at the client company. It has a long and successful track record of applying the same high level of sourcing and selection techniques to all positions.[8] **Exhibits 1** and **2** provide more details about the executive search market in general and a typical executive search process.

To fill the position of Myer's head of strategy and business development, a placement with an expected annual salary of around A$400,000, Quest Personnel short-listed the U.S. businessman Andrew Flanagan for the candidate pool.[9]

Recruitment of Andrew Flanagan

Originally from Arkansas, Andrew Flanagan (aged 46) holds a Juris Doctor degree from the University of Melbourne and an MBA from Melbourne Business School. According to his CV, Flanagan previously held senior positions in well-known companies, including as vice president for the Asia-Pacific region at the Spanish retail giant Inditex, and chief operations manager at the British grocery chain Tesco's Chinese arm. He had worked in various management positions in the Australasian women's fashion brand Specialty Fashion Group, the executive search group Carmichael Fisher, the national association for two-way trade Australia Arab Chamber of Commerce & Industry, and the healthcare foundation Bendigo Health. He had further worked as a casual lecturer at the Northern Melbourne Institute of TAFE.[10] He was also involved with the