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Federated Relies on Mr. Goel for his Energetic Style

What happens when a 20 something whiz is suddenly the boss

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PLYMOUTH, MINN. -- A week before his 28th birthday, Love Goel is rallying the troops.

Revenues are doubling every 12 weeks. His staff here has exploded to 125 people from 15 in less than a year -- and he is looking to hire 75 more. Already a multimillionaire thanks to stock options, Mr. Goel expects to be running a \$3 billion to \$4 billion business within three years.

"We are building the future," Mr. Goel says. "We are at the beginning of the journey." Later he adds, "I'm the kind of person you bring in to blow the place up. I'm not encumbered by a lot of the traditional baggage."

Brash whiz kids are a familiar sight at Silicon Valley start-ups. But Mr. Goel is a rising star at Federated Department Stores Inc., the \$17 billion retail behemoth, headquartered in Cincinnati. At 27, he is chief operating officer of Federated's e-commerce division, the company's fastest growing unit. He is a decade younger than most of his top managers and has just 10 months' experience in retailing. He has undergraduate degrees in computer science and finance, but no M.B.A. And in a heartland company overseeing the e-commerce efforts of such American icons as Macy's, Mr. Goel is an Indian immigrant who arrived in this country from New Delhi only seven years ago. "I sometimes ask myself, 'How did an old-line company let a guy this young get to the top?' " Mr. Goel says.

Many managers at big companies may soon be asking the same question. As corporate giants such as Federated scramble to cope with the Internet, a power shift is occurring inside firms, creating a new fast track for young highfliers who combine technological savvy with experience in marketing and strategy. Using their jobs in new fields such as e-commerce, these executives are accumulating power and influence far faster than their predecessors -- and worrying older managers who fear the future is passing them by.

At retailer J. Crew, for example, the e-commerce division accounts for just 5% of revenues. But the company's 30-year-old head of e-commerce, Scott Gilbertson,

already sits on J. Crew's six-member operating committee, where he is the youngest by a decade. He meets with company directors every quarter to brief them on his division's progress. "From a pure dollar perspective, I'm in a small business, but the eyes of the board of directors are focused on me," he says.

Here at Federated Direct, the unit responsible for Mr. Goel's e-commerce efforts, his rapid rise has spawned hostility and uncertainty.

New Rules

"There is a lot of career fear that wasn't there before," says Alan Bignall, Federated Direct senior vice president. "The old rules don't count -- this notion that I've been waiting 'X' years, my manager is going to retire and I'm going to get his job."

Mr. Goel's ascent has also thrust him into a position -- overseeing a total of 500 people nationwide -- for which even his bosses concede he isn't fully prepared.

"Love is a somewhat immature manager," says William Lansing, CEO of Federated Direct. "He breaks a lot of glass. There are people who think he's arrogant. But I think he'll lose the rough edges. We tolerate the bad part of it because the good part is very good."

Mr. Lansing, a former top executive at Prodigy and General Electric Co. pauses and reflects a moment. "At 27, I was managing eight people."

'Better Than I Was 10 Months Ago'

Mr. Goel acknowledges his reputation for being impatient and pushy, but says, "I'm better than I was 10 months ago. I'm trying to be more contemplative. ... We have people here who think growth is 3% a year. But we're growing 500% this year. People know how to do things. But they know how to do it in six months. I want them to do it in six days."

Mr. Goel runs his burgeoning operation from a windowless office that is a step above a cubicle. He was thrilled to move from Federated Direct's more traditional corporate headquarters, which includes the Fingerhut catalog company, a few miles away.

"The people over there measure their success by the size of their offices and how close their parking place is to the entrance," he says one morning as he searches for a parking space in an unreserved lot, Indian music pouring from his car CD player.

It's 8:30. Mr. Goel has been up and working from home since 4, but he has learned not to come to work until after 8, so employees don't feel compelled to match his pace.

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He leaves work by 6 p.m., then works at home until 10. On a small conference table in his office sit a pile of books with titles such as "Navigating Change" and "The Innovator's Dilemma." A stack of magazines sprouts yellow bookmarks noting articles to be copied and sent to fellow executives.

Long hours and a punishing work pace are Mr. Goel's hallmarks. He pushed his division to establish a jewelry Web site in just three months after managers told him it would take six months. Now he wants a new interactive customer-service feature to be online in three weeks instead of the three months proposed by lower-level managers. On a message board outside his office on which employees usually write inspirational quotes, a secretary has written, "The word for today is ... scream!"

'If You Don't Move Fast'

Two days ago, when company finance officials said they couldn't free up \$250,000 that is crucial to the project, Mr. Goel berated them. "You're not competing against Spiegel's and Lands' End. You're competing against Amazon and AOL," he recalls saying. "If you don't move fast, we're going to lose." He got the money.

But employees are quitting. A month ago six people left for start-ups that doubled their salaries. Ten days ago, a key manager handed in her resignation after staying at work some nights until 2. "I'm burning my people out," says Mr. Goel. "I can't push people to work 100 hours, because we're not rewarding them the way we need to reward them."

Mr. Goel knows this firsthand. He says he constantly receives offers to leave Federated to join a start-up. "Every day I'm evaluating, 'Can this company contribute to my growth?' " says Mr. Goel. "You used to do that once a year at your performance review or every three years when you were up for promotion. Now I do it every day."

Mr. Goel says he stays with Federated because he believes the company can "transform" retailing by building on brand names such as Macy's, harnessing the enormous database on consumer shopping that its Fingerhut catalog division has amassed over the years, and rapidly purchasing and launching Internet sites that sell flowers, food, outdoor equipment and other products online.

'Still Young Enough'

He has big ambitions. "We are building the largest direct-to-consumer company on the Internet," he says. Still, if he becomes frustrated, "I'm still young enough to join a start-up," Mr. Goel says. "The phone rings all the time."

Mr. Goel arrived in the U.S. in 1992 as a college student, enrolling in the University of Minnesota because it offered him the most scholarship money. A member of a prominent Indian family who was raised in both India and England -- his late father was a high-ranking Indian government education official -- Mr. Goel enjoyed computer programming and hacking and was designing and selling computer games when he was 12. In college, he became active in student government and worked 20 to 30 hours a week for Apple Computer Inc., helping the company with its college sales strategy. As graduation neared, Mr. Goel wrote, seeking a job, to 200 mutual-fund managers and investment bankers. No one wrote back.

"I wasn't from New York, I hadn't gone to one of the top five schools, I wasn't from the right family," he says. "Wall Street wouldn't deal with me."

Mr. Goel joined a consulting firm, doing work for a number of multinationals and other large companies. In February 1998, one of his consulting contacts hired him to help run information services at Fingerhut, at that point an independent company that was the country's second-largest catalog company, specializing in sales to low- and middle-income consumers.

Six days after arriving at Fingerhut, Mr. Goel was tapped to salvage a last-minute project trying to land a big client for Fingerhut's order-processing business. "It was classic case of, 'Let's see if he can do it. If he fails, it's no big deal,'" Mr. Goel says.

Mr. Goel succeeded, mobilizing 50 people and landing what turned out to be a deal worth hundreds of millions of dollars over several years.

The effort also exposed his first flaws as a manager. At a meeting of top Fingerhut executives, Mr. Goel screamed at a female consultant after she delivered a report he thought was poorly prepared. "I went off on her for five minutes," Mr. Goel recalls. "It was rude and cruel." Afterward, an executive took him aside and asked pointedly, "Do you think that was the best way to handle the situation?"

Agent of Change

Still, Mr. Goel quickly developed a reputation for being a "change agent" -- smart, knowledgeable about the Internet, and a good strategist. When Fingerhut

decided to start its e-commerce unit late last year, it named 43-year-old Andrew Johnson, a 21-year veteran of the catalog business, as CEO. He tapped Mr. Goel as his chief operating officer.

"Love helped fill a void for me," says Mr. Johnson. "He could articulate my vision into clear and concise strategy to communicate to the troops. Intellectually he was sure enough of himself to push back at me. And he had unbelievably high energy."

The appointment rocked the staid culture of the company. Some veteran managers complained Mr. Goel was pushing them too hard.

"The white blood cells came out pretty fast to attack this foreign agent," say Mr. Bignall of Federated Direct. "The initial reaction was, 'We don't bring people in at this level. What's he got?' Love doesn't fit the mold of what a Minnesotan is or does. He's single. He's global. When he talked fast, some people found it hard to understand his slight accent."

But under Mr. Johnson and Mr. Goel's leadership, the e-commerce business grew rapidly. Along with other business changes initiated by Mr. Lansing, the Fingerhut CEO, Fingerhut's stock tripled in less than a year. Then Federated swooped in to buy the company this past March for \$1.7 billion, making stock-option rich Mr. Goel a wealthy man. Soon after taking over, Federated put Macys.com under Mr. Johnson and Mr. Goel.

'Even If We Hate Him'

"People realized I'm not going anywhere," says Mr. Goel. "They said, 'They're not going to fire him even if we hate him.' "

To deal with the growing complaints of overwork, however, Mr. Goel and Mr. Johnson have held a series of meetings with employees. Mr. Goel recently prepared a 45-minute presentation for an all-employee meeting this afternoon. It features 26 slides and brims with visionary statements and jargon about the power of the Internet to transform retailing. Two hours before the meeting, Mr. Goel previews it for top managers crammed into his office. They jump all over him.

"I'm getting a headache," says one manager halfway through. "It's too much information."

"Talk the employee's language," says another. "Tell me how I'm going to get home at six o'clock."

"I hear you," Mr. Goel says, nodding. He quickly adjusts the presentation and eliminates slides. Turning to his e-mail, Mr. Goel is aghast to read a plaintive note from the woman he has been pressing to finish the customer-relations

project in just three weeks. She has left early because her eight-month-old son has a 103-degree fever. She promises to log in from home and continue working on the project. Mr. Goel quickly sends her a reply assuring her that taking care of her son "should be your first priority. Let me know what I can do."

More Approachable?

Although hard-driving, Mr. Goel is in many ways more approachable than his boss Mr. Johnson, whom he describes as "more an old-style manager -- my way or the highway." At an employee lunch, Mr. Goel nods sympathetically and takes notes while five employees offer ideas to improve the company. Mr. Johnson, by contrast, tall and angular, fixes them with a piercing stare and interrupts with pointed questions.

"I intimidate people," says Mr. Johnson. "I can't help it. Love is good at absorbing the scuttlebutt. He hears what's going on and says, 'We have to address this.' "

Mr. Goel's interventions aren't always welcome. Once, he walked into the office of Mr. Bignall, who outranks him and oversees technology for all of Federated Direct. Mr. Goel said he had been looking at how much other companies spend on technology and was convinced Mr. Bignall was spending too much.

"It wasn't even his department," says Mr. Bignall, who, exasperated, told Mr. Goel to leave. "Then I thought, 'Am I overspending?' " After looking at the issue himself, he concluded Mr. Goel was correct and reduced spending, saving the company several million dollars.

At a late-afternoon management meeting, another troublesome issue arises involving some technology that may not be available in time to handle the Christmas rush. Mr. Johnson and Mr. Goel exchange knowing glances and Mr. Goel announces that he will oversee the problem, rattling off a series of technical abbreviations with ease. "People know they can't snow me on technology," he says.

By 6 o'clock, Mr. Goel packs up his briefcase and heads home. As he leaves the parking lot, he says he thinks about becoming a venture capitalist one day or even returning to India to enter politics.

"People like me don't have the patience to do this for 20 years," he says.