



**PUBLISHED: MARCH 2017**

“Precise qualities that differentiate the exceptional from the merely good” — **Laszlo Bock, Head of People Operations, Google**

“Practical advice on how high-potential leaders can help their businesses thrive in the digital age”—**Dominic Barton, Managing Partner, McKinsey & Co.**

## **CHAPTER 4: Be A Master of Big Ideas And Execution [Pages 81-87]**

### **A Hipo’s Vision and Execution at Fingerhut**

Love Goel is today the billionaire Founder & CEO of GVG Capital, which invests in companies that are undergoing digital transformation. Having built a dozen big e-commerce companies and sometimes referred to as the father of multi-channel retailing, Goel has been featured in the Wall Street Journal, Fortune and Barron’s. Most recently, he partnered with the board and management team of B2W Digital in Brazil to lead its turnaround, building it into Latin America’s largest e-commerce company and generating billions for its shareholders.

Back in the 1990s, Goel was a hipo, a smart but untested twenty-something IT guy with an insatiable drive “to learn and do everything.” When he got recruited by Fingerhut, a 50 year old catalog retailer based in Minnesota, it proved to be the perfect environment for him to pursue big ideas and get them executed. Until it wasn’t, and he had to move on.

In his early twenties, Goel worked at Apple, Cargill, Prudential, Sears, and Deloitte, where he was working when Alan Bignall, the CIO of Fingerhut, recruited him as head of technology strategy and architecture. Goel says, Alan saw something in me that he thought could be useful, and he was persuasive about the opportunity, saying there’s this new thing called e-commerce, and Fingerhut has the best direct marketing platform in the country.”

Fingerhut’s expertise in selling directly to consumers was legendary. It attracted a steady stream of praise and of visitors eager to learn. It also had a huge IT budget--8% of its \$2 billion in sales compared with the average 2% in retail. The company had in fact overspent to expand its call center, fulfilment center, and IT departments, and wanted Goel to rein in costs or monetize the capacity it had not yet grown into.

Goel immediately got to work trimming IT costs, and the senior team took notice of his energy and expertise. In his first few months on the job, they summoned him to a meeting and made a request. They had heard that USSB [now DirecTV] was looking for bids to supply back office services; it would sell merchandise on its TV station and wanted another company to handle the work of getting the products to the consumer. Although Fingerhut had never provided that kind of a service before, they wondered if it might be a way to use some of its excess capacity, and wanted Goel to look into it.

The clock was ticking on the proposal deadline, so Goel quickly gathered a team of in-house experts and after a four hour session, reported back that the contract might be worth as much as \$100 million. The top leaders were intrigued and asked Goel and his team to explore the issue a little more. Immediately.

“We started making phone calls, crunching numbers, and doing all kinds of research and analysis,” Goel says. “By midnight, we understood what the project would entail, and it was bigger than any of us thought, about a billion dollars over five years.”

Goel found the idea of landing a billion dollar contract more enticing than intimidating. “I knew it was ambitious,” Goel continued. “And there were 24 companies bidding on this, including major ones like EDS and Accenture, who did this kind of thing all the time. But the more we analyzed it, the more convinced I was that we could do it better than anybody else.”

It was after midnight when Goel called the COO of the company. “Sorry to wake you up this late,” he began, “but this is a billion dollar contract, and it’s due in three days, and everyone and their brother is bidding on it.”

The COO replied, “Okay, I’m going to call a special meeting of the board and the management committee tomorrow morning. I’d like your team to come in and present what you think we should do.”

Goel came to the meeting exuding confidence, but others were skeptical. They reminded him that his team had no experience doing this, maybe they should find a smaller project to bid on. “Everything they said was rational,” Goel explains. “But working overnight, we had come up with a thesis. Delivering on this proposal would be difficult, but we had amazing capabilities. At the core, we had the richest and deepest customer database in America with 3,000 datapoints on 32 million consumers, and 1,500 datapoints on 100 million households. This enabled us to have the best call center in the country with the highest cross/up sell rates, the best and largest direct-to-consumer delivery capability, the best customer analytics and direct marketing capability, and expertise in managing inventory for this type of channel, which no one else had.”

Goel's high energy and certainty were compelling, and so was the fact that he had already started to deliver the hoped for cost reduction in IT. The senior team gave him a green light to submit the bid, and Fingerhut won it. Now the company needed the infrastructure to support the work, and the senior team gave Goel that responsibility too. In less than two years, this business became the world's largest e-fulfillment business helping Walmart launch its e-commerce business and Levi's sell its first pair of jeans online.

### **Bigger Than Amazon**

Still within months of Goel joining the company, the head of marketing reached out to him, saying, "We've got this small \$5 million e-commerce business and I'm not satisfied. How big do you think it can be?" Goel did an off-site with the e-commerce team and discovered they had "every single issue you can imagine." But there were lots of talented people, and Fingerhut had great assets—everything they needed to build a large e-commerce business. "I knew it could be bigger," Goel said. "I just didn't know how big."

He was put in charge, and off went the team to do a moonshot exercise, where he asked everyone to forget their pre-conceptions. Given everything we know about the external world and our internal assets, think about how big a business we could build if everything worked out perfectly.

This was shortly after Jeff Bezos had registered Amazon as the name of his business and had just recently moved out of the cramped basement where they had been fulfilling orders. Many people saw e-commerce as a novelty or fad.

Goel saw no reason why Fingerhut shouldn't have the biggest e-commerce business in the world. "We had a collection of some of the smartest people in direct marketing," Goel says. "People talk about algorithms today, but we had some of the original algorithm makers. They had figured out targeting, cross-selling, upselling, all this better than anybody."

“What I had was the vision,” he explains. “I saw the potential in doing all this, and I had an obsessive desire to get things done.”

He also understood what it would take from a capital perspective and asked for \$10 million to grow the business at least ten times bigger in twelve months. When they got to 10x far faster than expected, he stepped back to rethink the whole thing.

“Suddenly I could see what we could build,” Goel said. “It crystallized in my mind that we needed a technology platform, which is something that didn’t exist anywhere in the world at the time, because nobody had built an e-commerce company at scale.”

The CEO entrusted him to work with people outside Fingerhut to help him achieve the vision. He made a pitch to Dave Duffield and Larry Ellison, creators of PeopleSoft and Oracle respectively, the two largest enterprise software companies, suggesting they build the software Fingerhut needed. Fingerhut had built great proprietary systems over 50 years for processing consumer orders by phone, mail or fax, which had made it the largest and most profitable catalog retailer in America. Goel offered to share the intellectual property from those systems and back end processes in exchange for the platform Fingerhut needed, which the software makers could later sell to other companies. The companies went to work, giving Fingerhut a digital platform ahead of everybody else, and saving it more than \$60 million in capital expenditures.

By 1999, Fingerhut and its network of companies had the largest e-commerce business in the world. Bigger than Amazon.

From there, the vision kept getting bigger and bigger, as Goel and his team saw practically unlimited potential to create e-commerce web sites for all sorts of categories--the world’s first site to sell custom jewelry, first flower site, first daily deals site, first credit based site selling products on installments, and sites for consumers of different income levels.

“We realized we could execute these better than any other company and scale up fast,” Goel says. “The pace was frenetic, because the opportunities were so endless.”

The team learned to sort through the many ideas that bombarded them, and then created a venture capital arm to invest in ones they couldn’t start themselves and that leveraged Fingerhut’s assets. Goel helped build this venture capital arm too, integrating almost two dozen digital businesses.

### **The Failure of Vision**

Every hipo has to face the fact that a clear vision, well thought out plan, and even a track record of executing well may not be enough to win the support you need. In 1999, Federated Department Stores [now rebranded as Macy’s] bought Fingerhut, making it one of eight entities in its portfolio, along with Bloomingdale’s and Macy’s. New people controlled the resources, using different governing mechanisms.

Every month the top four people from Federated paid a visit, and the senior executive team from Fingerhut made a presentation, which was usually delivered by Goel. In August, the budgeting cycle began, and Goel requested \$150 million in capital expenditures, which was less than the \$168 million in free cash flow generated by the Fingerhut and its network of digital businesses. “We’re building the world’s largest internet business,” he explained. “The internet is going to be huge. Amazon, AOL, Netscape, Yahoo—they’re all spending like a drunken sailor.”

Federated’s top brass would not agree to more than \$50 million.

In September, Goel and his colleagues gave it another shot. Still there was disagreement.

As the October review approached, Fingerhut CEO Will Lansing said he wanted to make the presentation on his own, though of course he welcomed inputs. He spent an

inordinate amount of time preparing, and the day of the meeting, made a deeply emotional presentation about what Fingerhut had accomplished and where they wanted to take the company. “He poured his heart out for a full hour,” Goel recalls, “and afterward, the room was silent. The Federated executives are savvy people. They knew the tension was high.”

“Then the Federated CFO, who had failed to grasp the situation, jumped in. Instead of saying thank you for the heartfelt presentation, or let’s see how we can make this happen, she asked a stupid question about a particular number in one of the financial statements. And I knew right then we weren’t going anywhere.”

No one on the Federated team interrupted the CFO, and needless to say the \$150 million did not get approved. Within three months, Goel was gone; within six, most of the top ten officers of Fingerhut had left. A year later, Fingerhut and its network of e-commerce businesses were bankrupt and sold.

“Even twenty years later you can probably hear the pain in my voice,” Goel says. “It was difficult to explain what we were seeing, and it was just too difficult for them to see it. I am still haunted by the possibility of what we could have built.”