

## Sears Holdings Corporation: Aylwin B. Lewis



**AYLWIN B. LEWIS**  
President & CEO  
Sears Holdings Corporation

### About Sears Holdings Corporation

Sears Holdings Corporation, the publicly traded parent of Kmart and Sears, Roebuck and Co., is the nation's third largest retailer, with approximately \$55 billion in annual revenues and 3,800 full-line and specialty retail stores in the United States and Canada. Headquartered in Hoffman Estates, IL, Sears Holdings Corporation is the leading home appliance retailer as well as a leader in tools, lawn and garden products, home electronics and automotive repair and maintenance.

## Aylwin B. Lewis at a Glance

- 2005 - Chief Executive Officer and President, Sears Holdings Corporation
- 2004 - President and CEO, Kmart Holding Corporation
- Prior to joining Kmart, from 2000 to 2004, Mr. Lewis was president, chief multi-branding and operating officer of YUM! Brands, Inc. He was a 13-year veteran of YUM! Brands, and in the restaurant industry for 26 years, beginning his career as a restaurant general manager.

### Education

- 1990 - MBA, University of Houston
- 1988 - MS Houston Baptist University
- 1976 - BS Business Management and BA English Literature University of Houston

### Memberships

- Board of Directors of The Walt Disney Company
- Former Director of Halliburton Company

#### *Aylwin. B. Lewis: Excels...Shatters Barriers...Rises to the Challenge...Coaches...Motivates...Mentors*

*"You're just an idiot in business today if you're at an executive level and you don't appreciate diversity...you don't appreciate the power of having women around the table and minorities around the table as you discuss business. It is a more complete discussion...it is a richer discussion having all of those points of view represented." - Aylwin. B. Lewis*

## An Innovative Leader

In a recent interview with Retailing Today, an interviewer asked Aylwin B. Lewis what kept him awake at night. Lewis' answer was that he is not a worrier but his main concern was this: "[That] all [of] our great people understand what it is we are trying to do and that [we] provide an environment where they can be very committed to doing [it]."

Described as a gifted orator, a master at details, an in-the-trenches style leader and a brilliant coach, this one of only a handful of African Americans running a Fortune 500 company has come a long way in creating just that environment.

In just a little over a year at the helm of the third largest retailer, the jury is still out, but industry watchers are optimistic that Lewis has what it takes to turn around the fledgling merger of Kmart Corp. and Sears, Roebuck & Co. At the time of the merger in March 2005, both companies were performing poorly and the pundits questioned whether the marriage could pull them out of the doldrums. If current earnings are any indication, the optimism may be well founded. Second-quarter 2006 net income nearly doubled from the same reporting period in 2005.

Even so, Lewis has his hands full.

Founded by Richard Sears as a watch company in 1893, Sears & Roebuck Co. quickly grew to one of the most well-recognized merchandisers of household goods in America. Making its mark initially with its revolutionary mail-order business and later with retail stores, literally [nearly] every household in America continues to rely on Sears for many of its needs, especially appliances and tools.

Likewise Kmart, founded in 1899 by Sebastian S. Kresge, enjoyed tremendous success during its heyday as one of the country's first large discount retailers.

But that was then, this is now. There is much speculation about why the two previous retailing giants lost their competitive edge and the reasons are undoubtedly complex.

Whatever the reasons, Lewis, a 26-year veteran of the restaurant industry, is convinced that the breakthrough will come only if the company re-focuses on its largely female customer base and on Sears Holdings' more than 330,000 diverse employees.

"We have to change culture so that we are relevant for today's customer's needs."

In a BusinessWeek interview shortly after his appointment, Lewis is quoted as telling his leaders: "Make no mistake, we have to change, so you either 'drink the Kool-Aid' or you will have to leave."

How is Lewis going about changing the culture?

Management gurus have long extolled the virtues of "managing by walking around," a core element of Lewis' leadership style. Former colleagues at YUM! Brands, which owns KFC and Pizza Hut, Long John Silver's, Taco Bell Restaurants, where Lewis served as president for four years, say that he spent at least three days a week visiting restaurants and working closely with subordinates to help them meet their objectives. He is credited with such innovative moves as changing the title district manager to "district coach" to reinforce management's role of developing people.

Taking this approach to Sears Holdings, he visited 1,200 of its 3,500 stores since he assumed the top role last year. He spends Thursday through Saturday every week in stores interacting with customers and employees. With half of his visits unannounced, he said he wants to "catch"

employees doing the right thing. "I arrive at work very early, try to get my desk work done so that once the day starts, I am out meeting with people and trying to coach and impact the business through people," Lewis said.

Recognizing that many headquarters' employees had never worked in a store, he requires them to spend one day doing so. Lewis also facilitates a day-long course—"Sowing the Seeds of our Culture—for Sears Holdings' 500 potential leaders to encourage them to "act in a way that is collaborative, that is competitive, and that is constructive."

### **Setting High Standards for Himself and Others**

Admitting that people of color have higher hurdles to jump, he refuses to use this as a crutch or see it as a barrier. "I spoke at a National Black MBA function earlier this year and I told the group that I do not see this [higher standards] as a burden. I think that when you come with your 'A' game everyday, it sets a standard of excellence. To say I show up as a superstar everyday not only gives you a competitive edge, but fosters a positive attitude and sense of self confidence that I know has helped my career immensely."

Lewis acknowledged that the playing field is still not level, but he said that when you know this, you have to make the necessary adjustments. "If you want to compete, you know the conditions and so you go out there and compete." Paying homage to the past generations of African-Americans whom he said paved the way for him, Lewis believes he has an obligation to give his best.

"I fully recognize the sacrifices of those who came before me that enable me to be where I am today. I look at my father's generation and the men and women of tremendous talent who had very limited opportunities to display those talents. I have been blessed. Is it a high performance standard? Yeah, it is, but we owe it to those who fought for us to rise to it."

He added that the environment is much improved from even 20 years ago when the doors to the "C-suite" were closed to people of color and he is grateful that he is living during this time in our history. He believes that it is his duty to perform well in order to keep the doors open and to open even more doors. "It should not be an exception that an African-American or any person of color is running a \$55 billion business," he said.

### **Reaching Back and Down**

Convinced that there is still much work to be done to achieve a meritocracy, Lewis also thinks it is his duty to help others to achieve their fullest potential. He said that he has personally mentored 10 or more people who have gone on to achieve at high levels in their respective careers.

"I have coached and mentored a lot of people including one guy at my previous employer who was running 100 restaurants a day 10 years ago and is now chief operating officer for 5,000." At Sears Holdings, Lewis

said that he continues to actively mentor people at all levels, and tries to be a role model. Driving a performance-based culture, he said that it is important to ensure that there are no artificial barriers that inhibit anyone's progress.

"It is my direct accountability to make sure we have a fair and open environment."

His coaching philosophy involves helping his protégés align with their personal aspirations. "I can't want more for them than they want for themselves," he said. They have to want it and be willing to work hard for it, and what I can do is coach them on how to achieve what they want."

As a mentor, he uses the life lessons he has learned along the way to shape his advice. He related a personally impactful event early in his career when he was being passed over for promotions.

"I was making my numbers and performing really well but I didn't understand why everyone around me was being given opportunities and I was not." Finally, he said someone from another department shed light on the situation. "He told me that it was the Afro hair style I was wearing back then in the late 70's. It was tough digesting and I had to think long and hard about it, but I did cut my hair."

Today, though, he said, he would encourage young people to find opportunities with organizations that match their personalities and lifestyles, where they can bring their "whole selves" to work. "You shouldn't have to work for a company where you are forced to compartmentalize yourself, because it is a very tough job to separate segments of yourself. So I think at the outset it is very important that one finds a compatible environment."

### **Getting Everybody on Board with Diversity**

For Lewis, diversity just makes sense, especially for his business where most of the consumers are women and another large contingency are minority. "You're just an idiot in business today if you're at an executive level and you don't appreciate diversity...you don't appreciate the power of having women around the table and minorities around the table as you discuss business. It is a more complete discussion...it is a richer discussion having all of those points of view represented.

"I think of diversity as a rainbow in all of its beautiful colors. The more diversity you have in an organization, the more complete it is, the better you compete, the better you serve customers, and you get the best people as employees."

Fortunately, all of Lewis' leaders "get it" too and support his focus on ensuring that Sears Holdings' workforce is representative of its customer base. He is pleased with the company's progress in attracting more women and people of color at higher levels and is proud of his executive team because they appreciate the value of diversity. "I am starting to see

more diversity in key [profit and loss] roles and I think those folks are going to have a dramatic impact on the business.”

Just within the past few months, several senior diverse candidates have been hired and, as Lewis and his leaders reviewed the qualifications, he said there was no question about their credentials and their potential. “My leaders are on board. I don’t have to sell diversity to them.”

He contrasted this to his experiences 10 years ago where the discussions were more contentious and he had to raise the issue of diversity and inequitable standards. “I had to be the person sitting at the table saying wait, ‘why are we promoting this person when the diverse candidate has the same qualifications and has been passed over?’”

The company’s senior team of 12 meets every six months to conduct talent reviews and analyze promotions across the organization, a process Lewis said is very effective and with which candidates are evaluated solely on contribution to the business. “We need good talent and good talent comes in many varieties.”

While Lewis is pleased with Sears Holdings’ progress to date, he readily acknowledged that there are some places within the organization that lack diversity. “We still have places that need work. When I sit at those tables without diversity, the discussion is simply incomplete,” he said.

Lewis said there are two aspects of demonstrating leadership in diversity: (1) removing structural barriers and (2) coaching and mentoring people. A leader, has to be attuned to where the barriers might be, relative to policies, procedures and practices or organizational makeup. Once those impediments are removed, leaders are obliged to personally work with individuals on a one-on-one basis. “You have to understand how the organizational mechanisms work and then you have to be a champion for talent [and] find women and minorities who are talented folks and mentor them personally.

### **Being Fair to All**

Lewis knows that he may sometimes be in a precarious position as an African-American leader and, as such, has to be especially careful not to be perceived as showing favoritism. “I want to be fair to everyone and champion for all people, not just a particular group,” he said.

To demonstrate a sense of fairness, he said he has to listen and be accessible. To that end, he organizes forums to encourage diverse groups to provide feedback on their experiences and identify potential barriers to full inclusion.

“When those things [fairness, inclusion] are artificially inhibited, you have to use the force of your position and/or the force of your personality to knock them down,” he said. “I want everyone to think they have a fair chance to compete.”

Notwithstanding his tremendous position of power, Lewis wants people to see him as just a “regular human being.” In order for people to know that he is genuine and wants to do only the right thing on their behalf, he believes he has to be visible and totally transparent. His main reason for spending so much time in the stores, other than to interface with customers, is to relate to his employees. “They won’t know who I am and I won’t know them, unless I am there, one-on-one, experiencing what they experience on a day-to-day basis.”

### **What Others Say About Lewis**

Bob Luse, SVP Human Resources had this to say about Lewis’ diversity leadership: “Aylwin believes that the diversity of our associates is an important factor in providing a true connection between our company and our customer base. Aylwin doesn’t just view diversity as simply a compliance issue or a social responsibility issue. He understands that it is right for all aspects of our business: our customers, our present and future associates and ultimately, our shareholders. Aylwin values diversity because it drives a culture of creativity and effectiveness across Sears Holdings.”

David Cross, DVP Staffing and Diversity, said: “Aylwin emphasizes that everything we do starts and ends with the customer. With our ever-changing customer base, Aylwin leads the organization toward becoming increasingly dynamic and diverse so that Sears Holdings relates to all segments of the population both now and in the future.”

### **In Summary**

Aylwin B. Lewis leads with the precision of a surgeon, the skill of a master craftsman, and the grace of a dancer. Proud of his African-American heritage, he said he is grateful for the extra challenge it carries, embracing it as an opportunity to excel and teach others how to make their diversity an asset rather than a liability.

Lewis’ sense of fairness has put him in good stead throughout his career. The natural reciprocity of the good he has generated has come back to him in abundance.

Lewis summed it up best, “I feel very blessed and I recognize that, while I’ve worked hard in my career, I’ve been helped by a lot of people and I just want to pay that back by the standards with which I live my life and the standards with which I try to do my job. So, the kind of the mindset I embrace each day is one of a tremendous sense of gratefulness.”