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Buyers' Remorse

J.C. Penney's Values Problem

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Following years of decline, J.C. Penney brought in a ringer. Ron Johnson seemed like the perfect fit to fix the flagging retailer. As vice president of merchandising at Target, Johnson brought in lines from high-end designers and elevated the company to the premier destination for cheap chic. At Apple, he brought a sense of aesthetics, customer service, and sexiness to the personal electronics shopping experience with his concepts for the Apple Store and Genius Bar.

Yet, 17 months later, the CEO was out of a job after what Steve Rosa of Business Insider described as "a failure so epic that experts and critics now question whether the 111-year-old retail chain will survive at all."

Johnson's story is familiar. A smart, talented individual hired to repair an ailing company, only to fail and cost the company dearly in the process – just search "fired CEO" and you can find dozens of examples. Although each of these ousted leaders was influenced by a different set of outside circumstances, many of their stories share a common thread: their ability to lead was undermined by a misalignment of values.

side note: **Robert Nardelli**

Former GE executive Robert Nardelli was hired to bolster Home Depot's slipping market share. Immediately after taking the helm, Nardelli set about transforming the company's traditionally free-wheeling culture, enforcing a rigid top-down command structure, holding stores to rigid plans, and culling underperforming store managers from the ranks. Customer service and satisfaction ratings fell to all-time lows, and the company's stock value plummeted as a result.

Personality has three dimensions: **bright-side personality**, **dark-side personality**, and **values**. Bright-side personality describes how people experience us when we are at our best. Dark-side personality describes strengths that, under stress or boredom, become debilitating obstacles to building and maintaining productive relationships. Values are the core beliefs, drivers, and interests that influence our behavior.

Our values shape the kind of culture that we, as leaders, create for our staff and subordinates.

Values are a powerful, inherent part of who you are that shapes the choices you make, impacting careers in four ways:

1. **Drivers** – Values are key motivators that determine what we strive for and hope to attain.

2. **Fit** – Values determine how well we fit with any organizational culture. People are happy and productive in cultures consistent with their values and distressed and unhappy working in cultures defined by values that differ from their own.

3. **Leadership Style and Culture** – Values determine what we find rewarding and what we dislike. Consequently, our values shape the kind of culture that we, as leaders, create for our staff and subordinates.

4. **Unconscious biases** – Unconscious biases occur when we project our values onto others. Unconscious biases affect what type of behavior we reward or punish, who we promote, how we handle conflict, and our ability to form and maintain a cohesive team.

side note: **Jack Griffin**

After Jack Griffin succeeded long-time CEO Ann Moore at Time, Inc., his short tenure was marked by sins against the company's long-standing culture – including reportedly insisting each of the publisher's magazines include a masthead with his name on top, relying on outside consultants rather than internal resources, and calling early-morning meetings – at a company famous for its family-friendly work-life balance. Six months later, he was out the door.

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There are two consensuses surrounding Johnson's failure to transform JCP: he failed to align internal culture before he made sweeping changes in stores and misjudged the values of his customers.

Upon taking charge, Johnson set to work changing the company's model of marking up prices and then offering promotional pricing, deep discounts, and coupons to entice consumers. His new model derived from his work at Target – bring in interesting merchandise, designers and brands, and eliminate deep discounts in favor of reliably low pricing.

Although that model succeeded at Target, which already had a reputation as a resource for cheap chic, it alienated the customer base of bargain hunters J.C. Penney built over the years using its old pricing model.

Carol B. Phillips, marketing instructor at the University of Notre Dame's Mendoza College of Business, captured the feelings of many long-time JCP shoppers when she said Johnson was "clueless about what makes shopping fun for women. It's the thrill of the hunt, not the buying ...women love to shop and deals are what make the game worth playing."

side note: **Unconscious Biases**

Phillips' assertion that all women like bargain shopping, just like Johnson's assumption that JCP's customers would enjoy a simple, reliable shopping experience, is an excellent example of the power of unconscious biases – our unconscious projection of our own values onto others. Phillips is a woman and she shops for the thrill of finding the best deal. Therefore, in her mind, all women shop for the thrill of finding the best deal.

Johnson's other big mistake was failing to change internal culture to match new company values.

A successful culture change takes a great deal of care. To be successful, it has to go through four important steps:

1. Determine what values are most important to the company. At many retailers, the cultural changes Johnson proposed at J.C. Penney wouldn't seem radical. However, it was a departure from J.C. Penney's traditional business culture.

2. Ensure the C-Suite shares most of the company's values. Judging by how quickly the store went back to its old business model, and its old CEO, Johnson didn't have C-suite or board-level buy-in.

3. Help new and incumbent employees assimilate into the culture. By taking the time to introduce employees to the new culture, Johnson could have created a groundswell of employee support.

4. Figure out how to work through employees who may not fit. Zappos goes so far as to offer employees incentives to quit their jobs if it doesn't work out.

Successful leadership hinges on the executive's ability to build and maintain consensus.

People are only willing to follow the lead of individuals whose values align with their own. If an executive's values do not align with those of the larger group, he or she will be unable to attract followers, and will likely fail as a leader.

In Johnson's case, his failure to more closely align his values with those of the company and its customers, and the board's failure to account for that deficit before it hired Johnson in the first place, cost J.C. Penney's stockholders more than 50 percent of the stock's worth.

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