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The Rise and Fall of Brick and Mortar Retail: The Impact of Emerging Technologies and Executive Choices on Business Failure

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THE RISE AND FALL OF BRICK AND MORTAR RETAIL:

THE IMPACT OF EMERGING TECHNOLOGIES AND EXECUTIVE CHOICES ON BUSINESS FAILURE[1]

by
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Abstract

This paper examines business decline in relation to department stores and recent technological shifts in retail. Our perspective describes how management's failure to properly utilize technology and the resulting decline of international brick and mortar department stores was significantly influenced by emotional posturing disguised as strategic choices. To track the changes in the retail landscape based on new technological business models, we chronicle the shift from department store culture to online e-commerce by exploring a primary case, JCPenney, and the following exemplary cases: Macy's, H&M, Amazon, and Walmart. We also conduct a systematic research synthesis on a small sample of news articles to illicit underlying themes for our discussion. We use the retail industry as an appropriate context to examine the bridge offered by strategic misalignment theory between deterministic and voluntaristic approaches. We also extend the strategic misalignment perspective by adding an emotional posturing explanation that interprets the influence of executives' emotional states on strategic choices and provides guidance for avoiding a cycle of emotional posturing.

Key Words

Deterministic, emotive, failure, obsolescence, technology, voluntaristic

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1. INTRODUCTION

E-commerce competitors threaten the essential role that brick and mortar department stores have in American society; located primarily in malls or large shopping centers, these retail centers have been a rite of passage for American teens and have been an efficient one-stop household shop for American parents. Department stores provide families with essential clothing, tools, and housewares. Once a revered space for consumer social activity, department stores are experiencing a shift in the way consumers interact with their delivery of products and services, causing retailers to reevaluate their strategy. Consumers now place a high value on convenience and instant gratification, resulting in the increased demand for online shopping and the diminished use of in-store options.

In order to avoid organizational failure, retail store executives must determine which choices are the most efficient and profitable, to both increase foot traffic and respond to the demand of online shopping. American retailers need to reach their consumers in innovative ways to maintain their contribution to American job growth and retention. Unable to keep up with technological innovations, the closure of department stores disproportionately impacts low-income customers, employees, and their respective communities. These closures have a ripple effect on the other economic activities that contribute to the financial stability of the department stores and surrounding businesses. While some large department stores that once maintained a large market share lose their market position due to the dependent strategies set by their executives, other major retailers have increased their market position by effectively using technology to create new business models that adapt to customers' changing needs.

An important question concerning technology and its connection to department stores, is whether brick and mortar department stores, such as JCPenney's[2] or Macy's, will be rendered obsolete if executives are unable to respond in a timely fashion to the internal and external forces that impact the performance of their companies.[3] Scholars have examined the resulting failures on department store business models caused by disruptive technology by using strategic management theories, notably voluntarism, determinism and strategic misalignment.[4] The focus on contextual factors and their implications for business failure in extant literature is beneficial when examining choices that executives make to align their resources to meet industry challenges.[5] However, the motive behind some executive choices

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[2] We acknowledge that from the inception of JCPenney there have been various spellings; however, we will use the current spelling of "JCPenney" throughout the paper.

[3] We believe that the brick and mortar retail store remains useful, especially for consumers' immediate and timely needs that cannot be satisfied by online deliveries. Click and collect centers allow customers to pick up items they ordered online directly in the stores. Information hubs and solutions centers provide customers with in-depth solutions to products along with the product. For example, a knowledgeable sales associate can explain how a product works and what accessories are needed to enhance the product. Lastly, reward and personalization centers provide loyal and sometimes high-end customers with personalized services. For example, Nordstrom provides its customers with personal shoppers, invitations to special events, and free alterations. However, our inquisition also calls into question the appropriateness of maintaining such large department stores when there are abundant resources online. Donald Soares, *Re-Inventing Retail Stores as "Smart Stores" to Compete with Amazon+Whole Foods*, Retail & E-Commerce Technology (Feb. 9, 2017), https://www.linkedin.com/pulse/re-inventing-retail-stores-smart-compete-amazoncom-donald-soares.

[4] Lozios Heracleous & Katrin Werres, *On the Road to Disaster: Strategic Misalignments and Corporate Failure*, 49 Long Range Plan., 494-504 (2015).

[5] Kamel Mellahi & Adrian Wilkinson, *Organizational Failure: A Critique of Recent Research and a Proposed Integrative Framework*, 5-6 Int'l J. Mgmt. Rev., 21–41 (2004).

is to save their pride in the face of failure, rather than working to secure the success of the company. In the context of department store failures, strategic alignment theories only partially explain the executives' missteps in their strategies, neglecting to illustrate how the executives' emotionally influenced choices, which we call "emotional posturing," also play a role.

This study asks the following questions:

1) *How can technological changes in the retail industry and the resulting shifts in corporate strategy provide context for creating a bridge between deterministic and voluntaristic approaches?*
2) *How is executive or corporate leadership's failure to properly utilize technology and the resulting decline of international brick and mortar department stores explained by strategic misalignment theory?*
3) *What linkages are there between executive emotional posturing and consumer perceptions of retail companies?*

To track the changes in the retail landscape based on new technological business models, we chronicle the shift from department store culture to online e-commerce using a series of case studies. We also explore the dynamics surrounding a primary case, JCPenney, and the following exemplary cases: Macy's, H&M, Amazon, and Walmart. The United States presents a ripe context that is useful for discussions involving the American economy, business failure, technological disruption, and consumer signaling based on emotional posturing as many of the department stores that have maintained a large share of the retail market were initially incorporated and still maintain their headquarters in the United States ("U.S."). Moreover, these companies have locations overseas, which allow for analysis on whether technology has contributed to the department stores' overall successes.

This paper will begin with a brief discussion on how technology has molded retail department stores over time. Then, we provide an overview of voluntaristic, deterministic, and strategic misalignment theoretical approaches that contribute to the scholarly literature on business failure. Our methodological approach presents multiple case studies using both chronological and comparative framing. We also conduct a systematic research synthesis on a small sample of news articles to set forth underlying themes for the discussion section. The case study section conducts an in-depth historical description of JCPenney and concisely summarizes relevant accomplishments of Macy's, Walmart, H&M, and Amazon. The paper then moves through a detailed discussion using comparative framing on how deterministic, voluntaristic and strategic misalignment theories explain the decline of JCPenney as a result of technological shifts in the retail industry and leadership choices. In response to our first and second research questions, our contribution is to use the retail industry as an appropriate context to examine the bridge offered by strategic misalignment theory between deterministic and voluntaristic approaches. We also extend the strategic misalignment perspective by adding an emotional posturing explanation that interprets the influence of executives' emotional states on strategic choices and provides guidance for avoiding a cycle of emotional posturing. The paper concludes with our assessment of what brick and mortar department store failures caused by emotional posturing signal to consumers. In addition, we propose areas for future research and practical steps for changes to be implemented by department stores based upon examples of successful business management choices by competitors.

2. LITERATURE REVIEW

This research combines the following areas: technological innovation and disruption, and management choices within particular contexts. We examine the mezzo-organizational field by taking a magnifying glass to one entity, JCPenney, while also comparing a few other incumbents within their industry. Additionally, we look at how certain forces from the external environment combine with characteristics of individuals to affect management decisions. Since retailers must carefully consider their innovation choices to see if they will be pioneers of the market or followers,[6] we begin the literature review by discussing technological advancements in the retail industry that have forced adjustments in business models. These changes in the managerial context raise essential questions. For example, what are the prevalent characteristics of the managerial context? Within this context, what are the choices that managers must make, and how does human nature influence these choices? We use the voluntaristic, deterministic, and strategic misalignment theories as a foundation for our later discussion of management choices. To further categorize potential executive choices, we include Astley and Van de Ven's (1983)[7] framework.

2.1 Avoiding Business Failure & Technological Innovation

Managers who take advantage of technological innovations and big data metrics are able to keep up with the evolving retail landscape. There are social media applications that provide access to consumers' preferred products, in addition to convenient modes of retrieving or receiving items. New technology has also influenced the way brands choose to market their products. Long gone are their circulars with the latest styles or products on sale. Instead, there are brand influencers[8] driving consumer brand preferences while reaching millions of people with the click of a mobile application or with the opening of a web browser.

Executives need to figure out how to use technology to stay relevant to their consumers in the retail landscape.[9] For example, experts say that chatbot technology is favored by millennials.[10] Chatbots, virtual assistance, or livechat allow the consumer to type messages directly to the company to address any problems or user issues with the company's product.[11] Another technological innovation that is instrumental in the retail world is cognitive computing technology. Cognitive computing formulates hypotheses in near real

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[6] Eleonora Pantano, *Benefits and Risks Associated with Time Choice of Innovating in Retail Settings,* 44 Int'l J. Retail & Distrib. *Mgmt.* 58–70 (2016).

[7] W. Graham Astley & Andrew H. Van de Ven, *Central Perspectives and Debates in Organization Theory,* 28 Admin. Sci. Q. 245-73 (1983).

[8] "Influencers are often bloggers and vloggers who've gained a notable following and are paid to endorse a product or service." Samantha Drake, *FTC is Cracking Down on Failure to Disclose Influencers' Connections,* Forbes: Entrepreneur (June 29, 2016), https://www.forbes.com/sites/samanthadrake1/2016/06/29/ftc-is-cracking-down-on-failure-to-disclose-influencers-connections/#170b8a271790.

[9] Retail Week, *Retail Technology and Catalysts of Change in an Age of Disruption,* Apr. 4, 2016, https://www.retail-week.com/analysis/retail-technology-in-an-age-of-disruption/7019782.article (last visited Oct 16, 2017).

[10] Chris J. Preimesberger, *Millennials Championing Increased Use of Chatbots in Retail,* Eweek (Nov. 14, 2016), http://www.eweek.com/cloud/millennials-championing-increased-use-of-chatbots-in-retail.

[11] *Id.*

time, and at scale, based on previously learned interactions with consumers and companies.[12] The technology analyzes structured and unstructured data, which can include images and videos. Further, it comprehends in much the same manner as a human being would by using sensory learning, comprehension, and experience.[13]

Artificial Intelligence ("AI") is another tool used by retailers to assess sales information and customer data.[14] It differs from cognitive computing because "cognitive systems are designed to solve problems the way humans solve problems, by thinking, reasoning and remembering."[15] In contrast, AI technology uses high tech machines to learn about customers' preferences and their behaviors.[16] For example, after studying a consumer's preferences and buying habits at a grocery store, a company's AI tool can prompt the register to send the consumer coupons for the same products, or similar products based on the consumer's taste. Insiders find that AI can be used to improve inventory turnover, optimize stock, predict future revenue, and even improve the layout of a store.[17] It is vital that retailers fortify their "backstage technology" allowing for seamless integration of recent technologies to connect the consumer with the retailers' supply chain management.[18]

There are also innovations in retail that seek to combine an omnichannel approach - integrating multiple data sources, products, store types and consumer experiences with the technology mentioned above. For example, Amazon Go, Amazon's new approach to grocery shopping, combines technology with innovation by creating a store where customers can use a mobile application to fill a virtual cart. Additionally, customers can pay without having a cashier scan the items to avoid waiting in line.[19] In order to compete with Amazon, retailers can consider various design options for smart stores, including 1) touch and feel experience centers, 2) click and collect centers, 3) information hubs and solution centers and 4) reward and personalization centers.[20] An example of a touch and feel experience center is the Apple Store because customers can try out new products in the store, before they purchase it either in the store or online.[21]

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[12] Steve Laughlin, *Cognitive Computing: Transforming Retail This Holiday Season -- And Beyond*, Forbes Brand Voice (Nov. 2016), https://www.forbes.com/sites/ibm/2016/11/28/cognitive-computing-transforming-retail-this-holiday-season-and-beyond/#3de9c7bce75e.

[13] *Id.*

[14] Matthew Hudson, *Artificial Intelligence in Retail,* The Balance, https://www.thebalance.com/how-artificial-intelligence-will-change-retail-4143281 (last visited Oct. 16, 2017).

[15] Dean Evans, *Cognitive Computing vs Artificial Intelligence: What's the Difference?, iQ UK*, https://iq.intel.co.uk/cognitive-computing-vs-artificial-intelligence/ (last visited Oct 16, 2017).

[16] Hudson, *supra* n14.

[17] Hudson, *supra* n14.

[18] Retail Week, *Retail Surgery: How Back End Tech Can Improve* Experience (Apr. 7, 2017), https://www.retail-week.com/analysis/retail-surgery/retail-surgery-how-back-end-tech-can-improve-experience/7019874.article.

[19] Kif Leswing, *Amazon is buying Whole Foods - Here's Amazon's Vision for the Grocery Store of the Future Business Insider*, Business Insider (June 16, 2017), http://www.businessinsider.com/amazon-go-grocery-store-future-photos-video-2017-6.

[20] Soares, *supra* n3.

[21] *Id.*

2.2 Business Failure & Principles of Human Nature

Explanations of firm failure have relied heavily on the insight gained when using the deterministic or voluntaristic principles of human nature.[22] Firm failure occurs when there is a discontinuance of the business, or in other words, "...a deterioration in an organization's adaptation to its micro-niche and the associated reduction of resources within the organization."[23] Cessation of business operations occurs due to management's inability to maintain it.[24] Also, a business is considered a failure when it cannot overcome its liabilities.[25] The strategy used to position business resources as leverage for its liabilities is often set by its management, and thus, management's strategy provides a causal link to firm failure. The deterministic and voluntaristic approaches illuminate external and internal realities that guide the way business managers set strategy.

Looking first at exogenous conditions, the deterministic approach provides that firm performance is compelled by external factors of which managers have no control.[26] For example, technological innovation in the retail industry has led to new e-commerce entities, such as Amazon, capturing unprecedented portions of the market share. Brick and mortar retailers, like JCPenney, that normally hold a dominant portion of the market share, experienced declines in their performance rates because of the new complexities presented by Amazon and other similar entities.

The external firm environment is examined by the fields of Industrial Organization ("IO")[27] and Organizational Ecology ("OE")[28], also referred to as Population Ecology, and focuses on the causes of business performance within a particular industry.[29] IO is derived from the field of economics and focuses on how structural changes occurring between a company and its external market affect competition.[30] These changes are caused by four dominant elements in the industry: 1) technology, 2) regulation, 3) economics and 4) demographics.[31] To capture the dynamic interaction between the external field and the individual organization, IO studies began to establish various schools of thought with roots in sociology that include systems theory,[32] structural functionalism,[33] and contingency theory.[34]

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[22] Heracleous & Werres, *supra* n4 at 494-501.

[23] *Id.*

[24] Mellahi & Wilkinson, *supra* n5 at 21-23.

[25] R. S. Mahajan, & V. Sharma, *Corporate Board Size, Composition and Corporate Failures in Retailing Industry, 22 J. Mgmt Stud.*, 400-417 (1985).

[26] Mellahi & Wilkinson, *supra* n5 at 22.

[27] See, e.g., Michael E. Porter, *The Contributions of Industrial Organization to Strategic Management,* 6 Acad. Mgmt. Rev. 609-20 (1981).

[28] See, e.g., Terry L. Amburgey and Hayagreeva Rao, *Organizational Ecology: Past, Present and Future Directions,* 39 Acad. Mgmt. 1265-86 (1996).

[29] Heracleous & Werres, *supra* n4.

[30] Ronald H. Coase, *Industrial Organization: A Proposal for Research,* in 3 In Economic Research: Retrospect and Prospect: Policy Issues and Research Opportunities in Industrial Org., 59-73 (Victor R. Suchs ed.,1972).

[31] Mellahi & Wilkinson, *supra* n5 at 23; William Richard Scott, *Organizations: Rational, Natural, and Open Systems,* 17, 199 (1981).

[32] Kenneth E. Boulding, *General Systems Theory—The Skeleton of Science,* 2 Mgmt. Sci. 127–139; 197-208 (1956); Fremont E. Kast & James E. Rosenzweig. *General Systems Theory: Applications for Organization and Mgmt,* 15 Acad. Mgmt. J. 447-465 (1972).

[33] Anthony Giddens, *Central Problems in Social Theory: Action, Structure, and Contradiction in Social Analysis* 241. (1979).

While holding many differences, these schools of thought can be grouped under the system-structural view since they focus on how the roles and structures of an organization responds to environmental changes.[35] Well-developed studies in IO have made great impact in the strategic management field,[36] as well as the manufacturing,[37] services,[38] construction,[39] transportation,[40] and utilities industries.[41]

Taking an interdisciplinary approach, OE is grounded in economics and sociology, and is primarily concerned with how societal pressures influence the rates of firm creation, demise, and change within the field of focal organizations.[42] OE was derived from human ecology theories.[43] As a fundamental aspect of OE, the natural selection theory developed by Hannan and Freeman[44] posits that long-term social evolution can determine the success or failure of an entity.[45] The natural selection view is under-girded by the population ecology, industrial economics,[46] and economic history[47] schools of thought. To evaluate changes that lead to success or failure over time, OE utilizes four factors across the community, population and organization levels: 1) population density, 2) industry life cycle, 3) organization age, and 4) organization size.[48] Well-developed studies in the organizational theory field[49] that involve automobile manufacturers,[50] breweries,[51] newspaper publishing,[52] and hospitality industry[53] have utilized the OE perspective.[54]

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[34] Lex Donaldson, *Strategy and Structural Adjustment to Regain Fit and Performance: In Defence Of Contingency Theory*, 24 J. Mgmt. Stud. 1–24 (1987).

[35] Astley & Van de Ven, *supra* n7 at 248-249.

[36] Michael E. Porter, *The Contributions of Industrial Organization to Strategic Management*, 6 Acad. Mgmt. Rev. 609-20 (1981).

[37] Jean Tirole, *Theory of Industrial Organization* (1988); Timothy Sturgeon, *Modular Production Networks: A New American Model of Industrial Organization*, 11 Indus. & Corp. Change 451–496 (2002).

[38] Kathleen R. Conner, *A Historical Comparison of Resource-Based Theory and Five Schools of Thought Within Industrial Organization Economics: Do We Have a New Theory of the Firm?*, 17 J. Mgmt. 121–154 (1991).

[39] Kerry A. London & Russell Kenley, *An Industrial Organization Economic Supply Chain Approach for the Construction Industry: A Review*, 19 Constr. Mgmt. & Econ. 777–788 (2001).

[40] Paolo Mariti & Robert H. Smiley, *Co-Operative Agreements and the Organization of Industry*, 31 J. Indus. Econ. 437-51 (1983).

[41] See e.g., Alfred Kahn, *The Economics of Regulation: Principles and Institutions* (1988).

[42] Jitendra Vir Singh & Charles J. Lumsden, 16 *Theory and Research in Organizational Ecology*, Ann. Rev. Soc., 161-195 (1990).

[43] Mellahi & Wilkinson, *supra* n5 citing Amos Hawley, *Human Ecology: A Theory of Community Structure* (1950).

[44] Michael T. Hannan & John Freeman, *The Population Ecology of Organizations*, 82 Am. J. Soc. 929–964 (1977).

[45] Mellahi & Wilkinson, *supra* n5 at 24.

[46] Donald Hay & Derek Morris, *Industrial Economics and Organization: Theory and Evidence* (1991).

[47] Oded Galor & Moav Omer, *Natural Selection and the Origin of Economic Growth*, 117 Q. J. Econ. 1133-1191 (2002).

[48] Mellahi & Wilkinson, *supra* n5 at 24; Heracleous & Werres, *supra* n4 at 494-504.

[49] Douglas R. Wholey & Jack W. Brittain, *Organizational Ecology: Findings and Implications*, 11 Acad. Mgmt. Rev. 513-33 (1986).

[50] Michael T. Hannan et al., *Organizational Mortality in European and American Automobile Industries Part I: Revisiting the Effects of Age and Size*, 14 Eur. Soc. Rev. 279–302 (1998).

[51] Glenn R. Carroll & Anand Swaminathan, *Why the Microbrewery Movement? Organizational Dynamics of Resource Partitioning in the U.S. Brewing Industry*, 106 Am. J. Soc. 715-62 (2000). This article uses the

Theories explaining chaos, uncertainty, and organizational niches as applied to organizational change at the population level are grounded in deterministic principles. Presenting an overview of chaos theory, Thietart and Forgues' (1995) work purports that innovation can be a source of deterministic chaos, which pushes the organization toward instability.[55] Anderson and Tushman (2001) assert that a firm's performance and survival are threatened by the Schumpeterian creative destruction of technology.[56] Researching the influence of organizational niches on survival rates, Baum and Singh (1994) find that differentiation in organizational niches can indicate oncoming 'mutual interdependencies' that lead organizations in the focal population to work together.[57]

Foundations in both the IO and OE literatures are useful for explaining organizational reactions to competitive forces and societal pressures in the external environment. However, the organizational level of OE enables a connection to the voluntaristic approach, which relies on internal factors of an organization to analyze business failure, specifically the beliefs and perceptions of a business' manager that influence their strategic choices.[58] Overall, the deterministic approach fails to take into account the internal issues by focusing solely on external factors.[59] Consequently, research takes into account the most extreme external effects rather than examining why some companies in the same industry fail while others succeed.[60] As a result, theoretical and empirical work using solely the deterministic approach is unable to fully capture the dynamic reasons that contribute to organization failure.[61]

Holding endogenous conditions as most significant, the voluntaristic approach provides that firm performance is compelled by the strategic choices of managers, which are shaped by their perceptions of the external environment.[62] For example, a change in

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resource-partitioning model of organizational ecology to show that two contradictory trends in breweries are interrelated.

[52] Glenn R. Carroll & Jacques Delacroix, *Organizational Mortality in the Newspaper Industries of Argentina and Ireland: An Ecological Approach,* 27 Admin. Sci. Q. 169-198 (1982). The article demonstrates through event-history methods that newspapers suffer from a high-level of business failures in their early years, especially for those newspapers started in conditions of political turmoil.

[53] Joel A. C. Baum & Stephen J. Mezias, *Localized Competition and Organizational Failure in the Manhattan Hotel Industry, 1898-1990,* 37 Admin. Sci. Q. 580 (1992). This study examines the impact of localized competition on rates of failure in the Manhattan hotel industry from 1898 to 1990. This approach builds on density-based models of interorganizational competition by including variation at the organizational level directly in both the model and measures of competition.

[54] Mellahi & Wilkinson, *supra* n5 at 24.

[55] Raymond-Alain Thietart & Bernard Forgues, *Chaos Theory and Organization,* 6 Org. Sci. 19–31 (1995).

[56] Philip Anderson & Michael L. Tushman, *Organizational Environments and Industry Exit: The Effects of Uncertainty, Munificence and Complexity,* 10 Indus. & Corp. Change, 675–711 (2001).

[57] Joel AC Baum & Jitendra V. Singh, *Organizational Niches and the Dynamics of Organizational Mortality* 100 Am. J. Soc. 346-380 (1994).

[58] Joseph Amankwah-Amoah, *An Integrative Process Model of Organisational Failure,* 69 J. Bus. Res., 3388–3397 (2016); Mellahi & Wilkinson, *supra* n5 at 27-28.

[59] Mellahi & Wilkinson, *supra* n5 at 27.

[60] *Id.*

[61] *Id.*

[62] Mellahi & Wilkinson, *supra* n5 at 27-28., 31. Five psychodynamic factors are said to be potential contributors to organizational failure: denial, rationalization, idealization, fantasy and symbolization. *Id.* at 30-31; see also Andrew D. Brown & Ken Starkey, *Organizational Identity and Learning a Psychodynamic Perspective,* 25 Acad. Mgmt., 102-20 (2000).

executive leadership and the resulting change in business strategy often leads to decline in performance, as JCPenney experienced when Ron Johnson became CEO. Even when confronted with the declining performance of the company and need for a change in strategy, Johnson justified the company's need to adhere to the strategy until it was successful.

The internal firm environment is examined by the fields of Organizational Psychology ("OP") and Organizational Studies ("OS"), which focus on the actor and "emphasize internal factors including strategy, resources and capabilities, leadership, managerial cognition, managerial decision-making and organizational inertia, as fundamental to success or failure."[63] OP is derived from industrial psychology and centers on "those elements of social psychology and sociology that [deal] specifically with group and organizational phenomena."[64] A major theoretical view connected to OP literature is the strategic choice view. A combination of action theory,[65] contemporary decision theory,[66] and strategic management[67] schools of thought, the strategic choice view centers on the choice of organizational decision makers to choose whether to be influenced by the environment or to let their decisions shape the environment.[68]

In evaluation of the reasons for firm failure, OP literature identifies various factors, of which we highlight the following four: 1) misperceptions of organizational members, 2) impulsive and risky decisions by organizations, 3) narcissistic leaders with myopic views, and 4) path dependent decision making.[69] Well-developed studies in the human resources management field,[70] that examine theories on intrinsic motivation,[71] testing and assessment,[72] and turnover,[73] have utilized the OP perspective.

OS is used as a catchall for various fields of study on organizations.[74] Inertia is one particular concept that is a derivative of population ecology, but categorized under OS. Inertia arises "when the speed of environmental change is higher than the changes made in core features of an organization, as reflected in strategies, structures or behavioral capabilities." Instances of organizational inertia can also arise when change in the

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[63] Heracleous & Werres, *supra* n4 at 494.

[64] Edgar H. Schein, *Culture: The Missing Concept in Organization Studies*, Admin. Sci. Q. 229 (1996).

[65] *Id. See* Klaus Weber & Mary Ann Glynn, *Making Sense with Institutions: Context, Thought and Action in Karl Weick's Theory*, 27 Org. Stud., 1639-60 (2006); *see also* Elke Weik, *Introducing the Creativity of Action Into Institutionalist Theory*, 15 Mgmt. 563-81 (2012); *see also* Astley & Van de Ven, *supra* n7 at 248-249.

[66] Jack W. Duncan, *Methodological Orientations and Management Theory: An Analysis of Academic Opinion*, 70 Acad. Mgmt. J., 337-48 (1970).

[67] Mellahi & Wilkinson, *supra* n5 at 27.

[68] Danny Miller & Peter H. Friesen, *Archetypes of Strategy Formulation*, 24 Mgmt. Sci. 921-33 (1978).

[69] Mellahi & Wilkinson; *supra* n5 at 28; Heracleous & Werres, *supra* n4 at 494.

[70] Wayne F. Cascio, *Whither Industrial and Organizational Psychology in a Changing World of Work?*, 50 Am. Psychologist 928–939 (1995).

[71] Christopher P. Cerasoli, Jessica M. Nicklin & Michael T. Ford, *Intrinsic motivation and Extrinsic Incentives Jointly Predict Performance: A 40-Year Meta-Analysis.*, 140 Psychological Bull. 980–1008 (2014), http://psycnet.apa.org/doiLanding?doi=10.1037%2Fa0035661.

[72] *See* American Psychological Association, 1 *APA Handbook of Testing and Assessment in Psychology, Test Theory and Testing and Assessment in Industrial and Organizational Psychology* (Kurt F. Geisinger, Bruce A. Bracken, Janet F. Carlson, Jo-Ida C. Hansen, Nathan R. Kuncel, Steven P. Reise, and Michael C. Rodriguez, eds., 2013).

[73] Mark A Huselid, *The Impact Of Human Resource Management Practices On Turnover, Productivity, And Corporate Financial Performance*, 38 Acad. Mgmt. J. 635–672 (1995).

[74] Schein, *supra* n64 .

organizational environment is the result of collective action. The collective action view[75] groups together the human ecology,[76] political economy,[77] and pluralism[78] schools of thought to explore the actions of partisan groups joining to change the collective environment through conflict and negotiation.[79] Four notable organizational factors that contribute to failure according to the OS field are: 1) executive tenure, 2) executive homogeneity, 3) executive successions, and 4) past performance.[80] Well-developed studies in OS cover various aspects of social theory,[81] including culture and organizational learning,[82] and social climates and aggressive behavior.[83] Foundations in both literatures are useful for their strength in qualitative research studies explaining firm failure. While both fields are missing major overarching theories, they have developed middle level theories highlighted below.[84]

There are a few theories associated with voluntaristic principles, such as group think theory, upper echelon theory, curse of success theory and threat rigidity effect theory.[85] Group think, a term coined by Janis,[86] describes a phenomenon by which decision makers in small groups make sub-optimal decisions.[87] Upper echelon theory posits that the characteristics of an organization's key decision makers influence strategy and subsequent organizational performance.[88] Researchers have found that heterogeneous management teams tend to be more effective than homogeneous ones, particularly in uncertain business environments.[89] The curse of success theory is supported by literature, which demonstrates that successful companies tend to be vulnerable to business failure.[90] The principal idea behind this theory is that successful entities develop "cautious conservatism" when confronting competitive pressure instead of taking risks and becoming more creative. As a result, another entity in the same industry takes over.[91] Lastly, threat rigidity effect theory advances the notion that entities behave in a rigid manner when confronting "threatening"

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[75] Elinor Ostrom, *The Oxford Handbook of Comparative Politics* (Carles Boix and Susan C. Stokes, eds., 2009). In *The Oxford Handbook of Comparative Politics*. Ostrom examines collective action from the role of the individual whose actions knit together a collective group to find resolution on social issues. This view is useful for understanding the manager's role in collective action among organizations.

[76] See Carel B. Germain and Martin Bloom, *Human Behavior in the Social Environment: An Ecological View* (2d ed. 1999).

[77] See, e.g., Phillip Keefer, *Organizing for Prosperity: Collective Action, Political Parties, and the Political Economy of Development*, The Oxford Handbook of Politics Development (Carol Lancaster and Nicolas van de Walle, eds., 2015).

[78] Kevin Morrell & Mark Learmonth, *Against Evidence-Based Management for Management Learning*, 14 Acad. Mgmt. Learning & Educ. 520-33 (2015).

[79] Astley & Van de Ven, *supra* n7 at 250-251.

[80] Mellahi & Wilkinson, *supra* n5 at 32.

[81] Edgar Schein, *The Missing Concept in Organization Studies,* 41 Admin. Sci. Q. 229-40 (1996)

[82] Scott D.N. Cook & Dvora Yanow, *Culture and Organizational Learning*, 2 J. Mgmt. Inquiry 373-90 (1993).

[83] Kurt Lewin, Ronald Lippitt, & Ralph White, *Patterns of Aggressive Behavior in Experimentally Created 'Social Climates*, 10 J. Soc. Psychol. 271-299 (1939).

[84] *Id.* at 33.

[85] Mellahi and Wilkinson, *supra* n5 at 27-31.

[86] I.L. Janis, *Victims of Groupthink*, Boston:Houghton-Mifflin (1972).

[87] *Id.* at 28.

[88] *Id.*

[89] *Id.* at 29 (quotation marks omitted).

[90] *Id.* at 30.

[91] *Id.*

situations and attempt to maintain the status quo.[92] There are a few shortcomings inherent in the voluntaristic approach. First, there aren't any overarching theories and thus the OS/OP perspective is subject to extreme theoretical fragmentation.[93] Next, it is limited by the context that it analyzes because it only examines the internal perspective of the entity it examines.[94] Lastly, most of the studies performed under this approach concentrate on internal factors and failures in the United States and do not extend to entities abroad.[95]

2.3 Integration with Organization and Management Theory

In making decisions on how to approach the explanation of management theory, scholars decide the following two things: 1) whether the study focuses on macro or micro organizational levels (or some 'mezzo' mixture) and 2) whether the story of the focal population or individual person/entity is influenced by deterministic or voluntaristic principles of human nature.[96] In Astley and Van de Ven's (1983) work,[97] these principles about how human nature either drives or responds to its organizational context were logically mapped onto the organizational field being studied. Astley and Van de Ven posited that studies at a macro level are better explained by deterministic principles using the natural selection view and voluntaristic principles using the collective action view. Meanwhile, studies at a micro level are better explained by deterministic principles using the system-structural view and voluntaristic principles using the strategic choice view.[98]

Figure A presents a visual representation of how the major fields, schools of thought and literature streams are organized for the sake of establishing clear boundaries for our case comparisons. The dark 'macro' circle represents the larger retail industry, of which we chose four representative firms. The white 'micro' circle, found within the larger macro industry but also standing on its own, represents one retail company – in this case, JCPenney. Although the macro level field of study can offer a condensed overview of a vast industry from which to gain insight, the micro level allows the expert with a magnifying glass to take time in thoroughly assessing the dynamics at work across various units in a specific organization. The micro level also allows for a retrospective look at characteristics and choices of the individuals running the organization. A mezzo study combines the best of both worlds because it has the benefits of both the macro and micro level comparisons. Borrowing circumspectly from Astley and Van de Ven's "metatheoretical scheme for classifying the major schools of thought,"[99] we use a mezzo mixture to conduct a comprehensive explanation of JCPenney's decline in comparison to other incumbent companies in its competitive landscape.[100]

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[92] *Id.*

[93] Mellahi & Wilkinson, *supra* n5 at 31.

[94] *Id.*

[95] *Id.*

[96] *See* Astley and Van de Ven, *supra* n7 at 246-248.

[97] W. Graham Astley and Andrew H. Van de Ven's "Central Perspectives and Debates in Organization Theory" is a seminal article on business failure that was written in 1983. It aptly describes the theoretical underpinnings of organizational analysis based upon deterministic and voluntaristic assumptions of human nature. While we explore more recent articles regarding the subject, it is apparent that Astley and Van de Ven's article provides the necessary backdrop for our discussion.

[98] *Id.*

[99] Astley and Van de Ven, *supra* n7 at 246.

[100] *Id.*

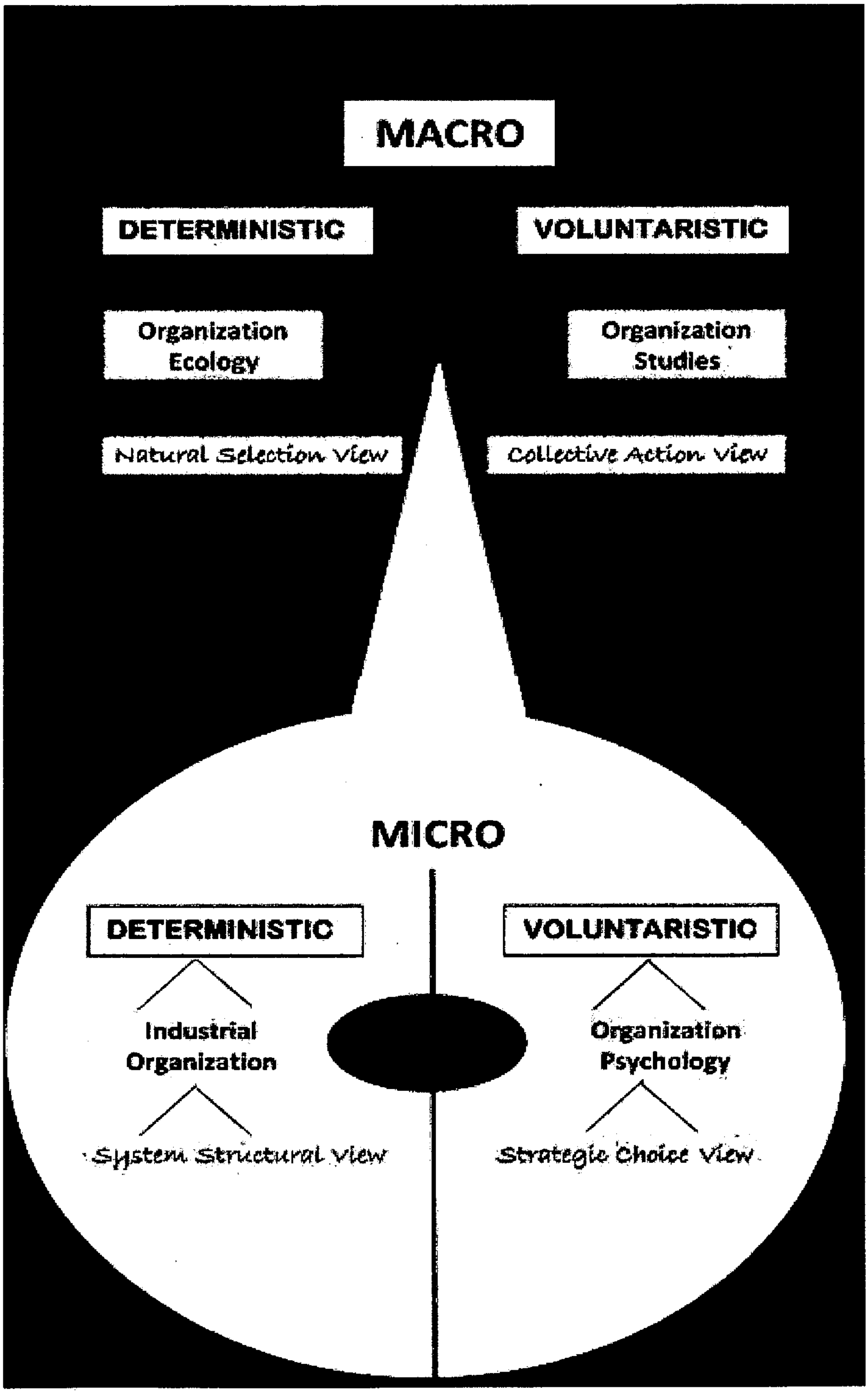

Figure A. Views of organization & management theories

Much of our attention in this work is given to the analysis of JCPenney. At the micro-level, the system-structural view is guided by deterministic principles. This creates a structure-filled managerial context with exogenous factors that determine and constrain the actions of the organization, while also pushing it to adapt to environmental changes.[101] Astute executives in a large entity must envision their organizational journey as they would a game of chess – memorizing preplanned responses to respond to the setup of the gameboard – or rather the constantly changing organizational environment. However, under the deterministic lens, even the most astute executive cannot plan for every external change. Instead, the organization's complex system and structural functions are shifted by its environmental 'hand of God,' and the organization must either adapt successfully or fail over time.

In contrast, the strategic choice view is oriented under voluntaristic principles. The strategic choice view allows for a dream-filled managerial context with endogenous factors driving the goals and decision making of the organization's leadership.[102] Purpose-driven executives of a large entity will look out from the window of their office and see a bright horizon full of possibilities, only attainable under their unique leadership. To capture and capitalize on these possibilities, the executive must imbue their grand vision for the organization into the people that are working to bring their vision to life. The executive's ideals of success and decision-making will shape the way the organization constructs its environment.

2.4 Business Failure & Strategic Misalignment

Both the voluntaristic and the deterministic approaches in isolation fail to fully explain business failures. Thus, a hybrid approach that incorporates context, human nature in the form of managerial choices, and organizational resources, is better suited to do so. Creating a bridge (represented in Figure B by the solid, curved arrows), Heracleous and Werres describe organizational failure in the context of a resource-based theory called strategic misalignment.[103] "Strategic alignment is the consistency and synergy among the external environment, the strategy, core competencies, and organizational elements such as culture, organization design, processes and people,"[104] whereas strategic misalignment is inconsistency among these elements.[105] Heracleous and Werres identify a six factor, interrelated strategic misalignment model, to explain corporate failure. Heracleous and Werres add leadership, including the board of directors, as a driving force that integrates the ESCO model's four factors of environment,[106] strategy,[107] competencies,[108] and

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[101] Astley & Van de Ven, *supra* n7 at 246-48.

[102] *Id.* at 248-49.

[103] Heracleous & Werres, *supra* n4 at 492.

[104] *Id.* at 491.

[105] *Id.*

[106] The firm's environment and how the firm's strategy aligns to counter challenges that it may confront is vital to the alignment analysis. Changes in the environment sometimes result from technological developments, creative innovations, new governmental regulations, and even the entrance of new global firms in the same industry. *Heracleous & Werres, supra* n4 at 501-502.

[107] The firm's strategy and the correct positioning of the firm's strategy with the industry environment is important because management must correctly balance immediate and long-term decisions on a continuous basis. *Id.* at 501-502.

[108] Core competencies must be aligned with strategy and organization to avoid organizational failure. *Id.*

organization,[109] and leads to either a sustainable competitive advantage or crisis in a firm.[110] The ESCO model posits that a company's strategy must be aligned with its competitive environment.[111] As antecedents, leadership and the board of directors can cause misalignments that can lead to failure. Their ineffective strategic decision-making and execution has negative impacts on firm performance, initiating crisis and decline. Rather than occurring in a linear fashion, the factors are interrelated and can be used to explain key misalignments that befall corporations experiencing corporate failure, entering into or filing for bankruptcy.[112]

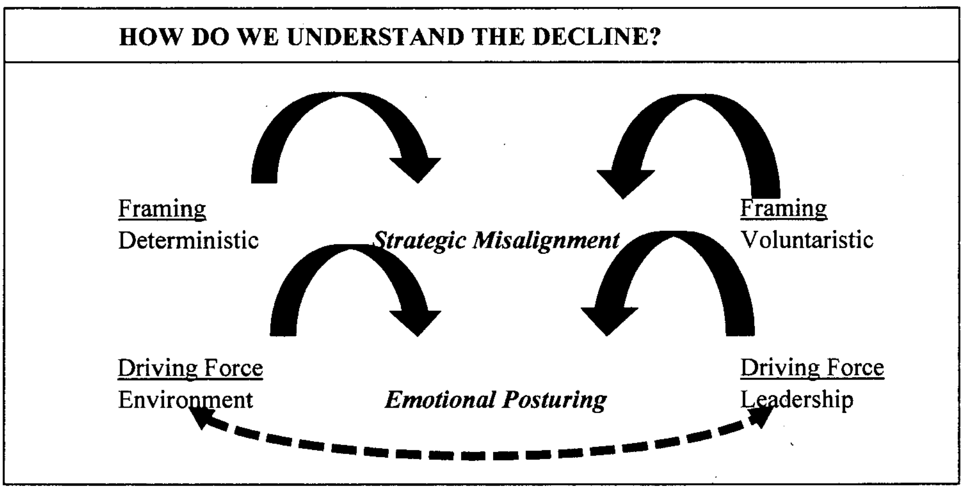

Figure B. Bridge between deterministic and voluntaristic approach to failure

Under the deterministic stream, the model frames a company's performance to be significantly impacted by environmental change and industry conditions as a driving force. On the other hand, under the voluntaristic perspective, the framing highlights internal elements connected to the leadership's organizational ability, such as soundness of strategic decisions, quality of leadership, and corporate governance.[113] By asserting that the significant elements of a firm might not have aligned well with its contextual dynamics, this model can serve as a diagnostic tool for senior managers, strategic planners, or anyone with the ability to assess the entity's misalignment after a crisis or failure.[114] Since the strategic misalignment theory enables both a deterministic and voluntaristic framing of organizational decline, the theory is the connecting piece that allows for two-way interaction between leadership approaches and environmental dynamics. This interaction is reflected in Figure B by the dashed line. When leadership is the driving force, the focal question is about the executive's plan to push environmental change. Yet, when the environment is the driving force, the focal

[109] Organization includes the organizational structure, processes, and strategy implementations concerning firm culture, division of tasks, centralization, coordination, and formalization. *See id.*

[110] *Id.* at 501.

[111] *Id.* at 492.

[112] *Id.* at 495.

[113] *Id.* at 501.

[114] *Id.* at 502.

question is about the executive's response to environmental change. Either route can lead to the executive having a prideful moment and digging their heels into their strategy, which we call emotional posturing and would be the bridge result. However, emotional posturing as a result of either deterministic or voluntaristic forces does not capture instances where the CEO comes into a company leading with their pride and causing a repeated cycle of failures.

The strategic misalignment theory covers various outcomes resulting from a mismatch between the firm's driving forces and its contextual dynamics, generally including organizational inertia and ineffective leadership strategies. However, strategic misalignment theory's leadership factors are not nuanced enough to capture instances of emotional posturing where leaders need to start their strategy by considering the environment or other deterministic forces more. Our line of questioning and systematic synthesis pursues a more nuanced explanation that explores the interplay between technological shifts in the environment and CEO emotional posturing.

3. METHODOLOGY - MULTIPLE CASE STUDIES

3.1 Research Purpose

This paper seeks to address the questions of how emotional posturing influences retail management's failure to properly utilize technology and how the resulting decline in firm performance affects consumer perceptions. As transformation from brick and mortar transactions to increasing prevalence of online shopping has taken hold of Western society, the retail industry provides a rich context to analyze our questions. This also gives us an opportunity to assess business failure and potential revival in the stores primarily focused on brick and mortar retail.

3.2 Research Settings & Organizational Field - Retail Department Stores

Retail department stores have begun to decline as a staple of American economic and social life in the last fifteen years. They are the result of technological innovations that can be traced to the Industrial Revolution throughout the 21st Century.[115] In the era of mercantilism, consumers received goods either directly from a mercer or from a craftsman in their workshop.[116] By the 18th Century, merchant-retailers became popular in London and Paris.[117] They had small shops, understood their clients' needs, and had precise knowledge of their individual inventory.[118] The Industrial Revolution sparked the beginning of technological innovation impacting the retail industry and providing the impetus for consumerism.[119] Specifically, manufacturing capabilities grew to allow mass production of goods in larger quantities.[120] Innovations such as the telephone and transportation systems like railroads helped distant economic actors transact business. In addition to technological

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[115] Stefan Niemeier, Marco Catena & Andrea Zocchi, *Reshaping Retail: Why Technology is Transforming the Industry and How to Win in the New Consumer Driven World,* 15 (2013).

[116] *Id.*

[117] *Id.* at 15-21.

[118] *Id.*

[119] *Id.*

[120] *Id.* at 14.

changes, social changes also occurred, allowing for a consumer class to emerge among the working population.[121]

3.2.1 The role of retail department stores in the American economy. The rise of retail department stores began in the 19th century because textile retailers enlarged their shops to involve various categories of clothing.[122] The United States pioneered technology to assess and control inventory, created hiring practices for department store clerks, introduced the use of credit for consumers, and developed promotional advertising techniques for their stores.[123] In 1988, Walmart changed the retail landscape by opening supercenters that sold food as well as clothing, creating an environment of competition among retail department stores and supercenters.[124] Spanish retailer Zara has also become a source of competition to retail department stores as a vertical retail-manufacturer, distributing the goods it makes directly in its retail stores.[125]

3.2.2 The evolution of technology and retail. Technology has significantly changed the face of operations and transactions in the retail industry. As aforementioned, several technological advances helped retailers to store products, anticipate the need for new inventory, and provide the economic means for their customers to shop. The digital era represents the latest technological, social, and economic departure from the previous century.[126] It provides retailers with the ability to measure consumer habits.[127] The growth in inexpensive computer products provides retailers with the benefit of instant analysis, a greater capacity to store information, and the ability to provide consumers with important information extremely rapidly.[128] For example, in Tokyo, the N building has a facade with quick response codes that can be scanned from a smartphone, which directs the consumer to the retailer's website and provides other important information.[129] Unlike the innovations in the mercantile and industrial ages, the digital era provides consumers with price transparency, convenience, and numerous options; therefore, business entities must utilize technology and their business strategies in a manner that is conducive to their overall business model to serve as a justification for the prices of their products.[130]

Inherent in the business model of a retail department store is its physical presence and the range of products it possesses. Department stores such as Macy's or JCPenney's provide clothing, furniture, tools, housewares, bedding, shoes, perfume, makeup, and sometimes even a salon or professional photography studio. Most department stores can be found as a standalone store or an anchor store in a mall setting.[131] The digital era along with changing social norms is hastening the demise of brick and mortar department stores and the mall in general. Consumers can now find exactly what they want and order it online.

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[121] *Id.* at 22.
[122] *Id.* at 15-21.
[123] *Id.*
[124] *Id.*
[125] *Id.*
[126] *Id.*
[127] *Id.*
[128] *Id.*
[129] *Id.*
[130] *Id.*
[131] Brad Tuttle, *It's Not Just Macy's: Department Stores Are in a Death Spiral*, Money (Jan. 5, 2017) http://time.com/money/4623760/department-stores-struggle-macys-kohls-sears-amazon/.

Resultantly, Amazon's revenues have grown at a rate of 35% annually.[132] The e-commerce giant's economic value is more than the combined value of Target, Walgreens, and Kroger.[133] Changing social norms, such as consumers preferring convenience and immediate gratification, desire to be in open air markets, wanting to support local businesses, and associating global companies with labor law, or environmental violations attributed to globalization, have changed consumer spending and contributed to the decline of department stores. Moreover, businesses that utilize mobile application technology such as Uber, Craig's List, Etsy, and eBay have influenced a culture of consumer to consumer sales and services. In 2011, U.S. e-commerce accounted for $194 billion, with 10% representing consumer to consumer sales.[134] In this digital era, McKinsey iConsumer retail survey has identified the only six reasons why a consumer would choose to enter a brick and mortar retailer: 1) experiencing brands or products, 2) convenience, 3) entertainment or social interaction, 4) finding a solution, 5) buying more cheaply, and 6) instant gratification.[135]

3.3 Research Design: Combining Methodologies

We use two methods to understand the two types of changes occurring – the change in organizational performance based on emotional posturing and the change in consumer perceptions. We employ the multiple case studies method and the evidence-based method of systematic research synthesis[136] to describe and explore the true boundaries of competition and societal pressures on emotional posturing by executives, captured across various news sources.

3.3.1 Multiple case studies method - case selection. To ensure that the developed case studies are sound, we must show that the research design also has external validity through replication logic and that the theories created from the case studies can be generalized to a wider population.[137] Since we are presenting multiple case studies, our approach is to first find several organizations that not only fit the parsimonious theories on which we base our analysis of business performance, but also to choose one organization out of that sample that is in the process of fighting against failure towards revival. Four major criteria guided our selection of relevant organizations:

1) An organizational field that has experienced technological transformation in its operations and customer transactions;

2) Large organizations within the chosen field that were initially headquartered in the United States and have been in existence for over 20 years;[138]

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[132] Niemeier, Catena, & Zocchi, *supra* n117 at 15-21.

[133] *Id.* at 15-22.

[134] *Id.*

[135] *Id.* at 117.

[136] Denise M. Rousseau, Joshua Manning & David Denyer, 2 *Evidence in Management and Organizational Science: Assembling The Field's Full Weight of Scientific Knowledge Through Syntheses.* 1 Acad. Mgmt. Annals 475-515 (2008).

[137] Robert K. Yin, *Case Study Research: Design and Methods* 37 (Sage Publications 3d ed., 2003).

[138] We chose organizations that have been in existence for 20 years to ensure that these organizations had enough time to establish path dependence within their organizational processes before technological transformation occurred.

3) Relevant indications in popular media of historic success followed by severe decline after the onset of a technological phenomenon; and,

4) Ongoing efforts to revive the industry position of the company.

We used the 2017 Top 100 Retailers list developed by the National Retail Federation as a pool for our case selection.[139] Our first pass on the search for an appropriate sample of the ten largest retailers reaching out to mass markets yielded Albertsons, Amazon, Costco, CVS, Kroger, Lowe's, Target, The Home Depot, Walgreens Boots Alliance, and Wal-Mart as viable organizations for the analysis.[140] Since the multiple case studies approach requires broad variation in the sample to capture substantive differences,[141] we selected organizations that also showed great variation in their location of headquarters, amount of retail sales, and number of retail stores.

RANK	COMPANY	HEADQUARTERS	RETAIL SALES (000)	RETAIL STORES
1	Walmart	Bentonville, Ark.	$362,815,000	5,284
7	Amazon.com	Seattle, Washington	$77,024,000	3
17	Macy's	Cincinnati, Ohio	$25,700,000	825
37	JCPenney	Plano, Texas	$12,471,000	1006
94	H&M	New York	$4,113,000	468

Table #1. Rankings from 2017 Top 100 Retailers: STORES Magazine, National Retail Federation[142]

This process enabled us to choose five companies, listed in Table #1, that represent different regions in the United States and which maintain varying degrees of market share for the retail industry. Additionally, upon measuring the organizations against the four major criteria aforementioned, JCPenney's history and organizational events since 2010 presented as the best fit for our primary analysis. For comparison purposes, the other four companies are exemplars for the following two retail categories:[143] 1) Macy's and H&M representing fashion goods; 2) Walmart and Amazon representing mass merchandisers.

3.3.2 Systematic research synthesis method - research instruments. As a complementary method to case studies, systematic research synthesis is useful for creating evidenced-based explanations of changes and processes, which can be tracked within secondary textual sources.[144] This method extends from qualitative approaches to analyzing primary sources, such as interviews, focus groups, and participant/field observations. We use

[139] National Retail Federation Magazine, *Top 100 Retailers: The Nation's Retail Power Players 2017*, National Retail Federation Magazine, https://stores.org/stores-top-retailers-2017/.

[140] *Id.*

[141] Yin, *supra* n136 at 46-53.

[142] Stores Contributor, *Top 100 Retailers: The Nation's Retail Power Players 2017*, National Retail Federation Magazine (June 26, 2017), https://stores.org/2017/06/26/top-100-retailers/.

[143] We find these two categories to be important to the analysis because JCPenney, as a department store, is primarily known for selling fashion goods, but also sells other products similar to mass merchandizers.

[144] Rousseau, Manning & Denyer, *supra* n138.

grey literature[145] in the form of text from news outlets to assess how changes in company performance based on emotional posturing have influenced changes in consumer perceptions. Secondary data, such as text from news outlets, qualifies as a significant and credible source. Systematic research synthesis deconstructs each document into constructs that are used to highlight the processes at work.[146]

RANKING	NEWS WEBSITE	VISITORS*
1	Yahoo! Finance	75,000,000
2	Forbes	65,000,000
3	MSN MoneyCentral	60,000,000
4	CNN Money	58,000,000
5	WSJ	42,000,000
6	Google Finance	40,000,000
7	Bloomberg	28,000,000
8	CNBC	27,000,000
9	Fool	26,000,000
10	Business Insider	23,500,000

Table #2. Top 10 News Websites[147]
***Estimated unique monthly visitors, as of July 2017**

To further establish construct validity we collected our data from multiple news sources, while also establishing a chain of evidence between the sources.[148] News sources were chosen based on credibility and popularity of particular business news websites (as shown in Table #2) and include the top ten news websites.[149] The chain of evidence, presented in Table #3, was used to connect concepts that emerged from the theoretical sampling of the smaller case studies for Macy's, H&M, Walmart, and Amazon.

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[145] Richard J. Adams, Palie Smart, & Anne Sigismund Huff, *Shades of Grey: Guidelines for Working with the Grey Literature in Systematic Reviews for Management and Organizational Studies* 19 Int'l J. Mgmt. Rev. 432-54 (2017). "Len Levin, librarian at Massachusetts University Medical School, defines grey literature as "anything that has not been published in a traditional format or, in library parlance, lacks bibliographic control, meaning it can be hard to look up. This includes things such as conference proceedings, conference posters, dissertations and theses, government/institutional reports and raw data...luckily, much of it is now online... 'Institutional Repositories'...Government agencies – federal, state, provincial, etc. - ... [B]logs, Tweets or Facebook postings...can also be a great place to locate valuable information not found elsewhere." *Id.* at 434 (citing Len L. Levin, *Literature Search Strategy Week: Len Levin on Understanding and Finding Grey Literature*, Univ. of Mass. Medical School, Library Pub. and Presentations (2014); http://escholarship.umassmed.edu/cgi/viewcontent.cgi?article=1175&context=lib_articles).

[146] Rousseau, Manning & Denyer, *supra* n138 at 475-515.

[147] ebizMBA Guide, *Top 15 Most Popular Business Websites* (July 2017), http://www.ebizmba.com/articles/business-websites (last visited Nov 18, 2017).

[148] Yin, *supra* n139 at 33-36.

[149] In a 2015 survey, news or special interest websites received a 5.5 rating of trust (on a scale of 1 - 10, with 1 = the most trusted) from consumers who indicated their preferences for marketing mediums they trust the most. Preferences for other mediums: Facebook was the most trusted and blogs were the least trusted. Acquity Group, *Consumer Perceptions of Branded Content: Trusted Channels and Leading Influencers Marketing Charts*, Marketing Charts (July 16, 2015), http://www.marketingcharts.com/demographics-and-audiences/youth-and-gen-x-57003.

3.4 Data Collection & Theoretical Sampling

We also used two slightly different approaches to collecting data for the primary case study versus the exemplar cases.

3.4.1 Primary case study - JCPenney. The bulk of our data specifically focused on JCPenney's history and organizational events related to its industry decline and response to technological change within the industry (see Table #1). Since our goal was to recount the company's background in detail, we conducted a broad search of the internet to include as many credible reports as possible. To measure the decline of the department store based on technological obsolescence, we focused on events that signaled closure of store units, loss of profit or market share, changes in leadership, and changes in strategy. Thus, we searched the internet for JCPenney and the following related terms (included, but not limited to): history, leadership, technology, failure, strategy, profit, loss, and sales. At this point, we used a theoretical sampling of the retrieved articles for those that would corroborate different parts of JCPenney's story. Table #3 connects the relevant articles to the initial measures used to categorize JCPenney's decline.

Measure of Change	***Relevant Articles***[150] ***(Author & Year Published)***
Historical information	Pressley (1986), Miriam (2001), Halkias (2007) Fox (2011), Lizz Dun Video (2013), Jones (2013), Gandelman (2014), Wahba (2014), Henage (2016), LaMonica (2016), Wahba (2016), Bomey (2017), Farley (2017), Halkias (2017), JCPenney (2017), Kline (2017),Tuttle (2017), Reese & Trout (n.d.)
Closure of store units	Pressley (1986), The Associated Press (2012), Gandelman (2014), Kline (2017), Tuttle (2017)
Loss of profit or market share	Henage (2014), LaMonica (2016), Isidore (2017)
Change in leadership	Halkias (2007), Tuttle (2013)
Changes in strategy	Pressley (1986), Bloomberg News (1998), Murray & Nelson (1999), Miriam (2001), Business Wire (2003), Moody (2003), Gilpin (2004), JCPenney (2005), Biache and Ostale (2006), Halkias (2007, The Associated Press (2012), HuffPost (2013), Dunn (2013), Gandelman (2014), Henage (2016), LaMonica (2016), Wahba (2016), Bomey (2017), Halkias (2017), JCPenney (2017), Kline (2017), Reese & Trout (n.d.)

Table #3: Theoretical Sampling of Retrieved Articles for JCPenney Case Study

[150] The articles listed in this chart are cited *infra* in the subsequent discussion.

3.4.2 Systematic research synthesis constructs - Macy's, H&M, Walmart, and Amazon. The systematic research synthesis that we conducted was designed around the comparison of JCPenney to the most relevant exemplar - Macy's, the other department store and fashion goods case. Rather than a broad search of the internet, we targeted the most highly ranked news outlets to increase the legitimacy of the constructs that arose out of analyzed documents (see Table #2). For each of the chosen 10 news outlets, we pulled two articles using the same search terms we used for the JCPenney case study: history, leadership, technology, failure, strategy, profit, loss, and sales.

Measure of Change	Description	Percentage of Total References
Consumer Perceptions & Expectations	Indications of consumers' perceptions, expectations and reactions to news about the department stores	**13.4%**
Department store comparison to other department stores	Instances of comparison across companies	**16.4%**
Department Store Strategy	Discussions on global expansion and delays	**19.4%**
Economic Environment	General references to the economic environment that the department stores (or other comparative retailers) are operating in at a given time.	**38.8%**
Technological Influence	Technological applications to department store strategy	**7.4%**

Table #4. Most Prevalent Constructs from Systematic Research Synthesis

According to Adams, Smart and Sigismund Huff (2017), "[a]nalysis and synthesis is the breaking down of individual studies into constituent parts followed by reassembly, during which novel connections between the parts are made."[151] Table #4 identifies the most prevalent five constructs that arose during the systematic research synthesis. The deconstruction of the articles that led to these constructs also help to add more dynamism to the measures of change used to craft the JCPenney case study.

3.5 Summary of Data Analysis

3.5.1 Presentation of primary and exemplar case studies. Once the articles corroborated the operational measures we established, we proceeded to write the case report

[151] Adams, Smart & Sigismund, *supra* n147 at 442 (citing David Denyer and David Tranfield, *Producing a Systematic Review* (2009); *see* The Sage Handbook of Organizational Research Methods (David A. Buchanan & Alan Bryman eds., (2009).

to explain JCPenney's prior success and substantiate the causality between the onset of e-commerce and JCPenney's decline. Using both chronological and comparative structures[152] enables us to view the internal and external influences on the case with a bird's-eye-view. The benefit of analyzing from this view is that we can assess the actual organizational structure and environmental setting, but also hone-in on the relevant meaning behind the actions of organizational players. The meaning the researcher identifies depends on the angle at which they 'fly over' the organization and the context they land on to get a closer look at the organization's natural setting.

The chronological framing provides facts that are listed as a time sequence: the order of which they occurred. The facts present events that influenced the organization towards specific turning points, either by themselves or in the aggregate. These turning points act as obvious causal indicators for the impending success or failure of the organization. Whereas the use of comparative framing allows us to integrate sometimes rival theoretical explanations, increasing internal validity. By reframing the facts using different conceptual models, we can use pattern-matching[153] to test the fit of these models with JCPenney's plight as the primary case study.[154]

The exemplar cases are concise summaries of the technological, regulatory, economic, and demographic aspects of the companies' histories. In particular, the exemplar cases on Macy's, H&M, Walmart, and Amazon highlight instances of profit or market share loss, and/or changes in leadership or strategy. They are used during the discussion section to compare the relevant events in JCPenney's history that relate to voluntaristic, deterministic, or strategic misalignment principles.

3.5.2 Systematic research synthesis coding and analysis. One primary observation that resulted from the systematic research synthesis was that consumer perceptions and technological influence received lower amounts of coverage when compared to mentions of strategy and the general economic environment of department stores. Some of the major processes of the phenomenon identified from the initial coding are:

> 1) Consumer perceptions - undergirded by consumer expectations and their reaction (or lack thereof) to department store strategy to expand overseas;
>
> 2) Department store comparisons - undermined confidence in focal companies, based on the foreign expansion strategy or wide range of economic pricing strategy;
>
> 3) Department store strategy - consumer confidence boosted based on international expansion location and type of store;

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[152] Yin, *supra* n139 at 153-54.

[153] "According to Campbell [1975], the search for an explanation is a kind of pattern-matching process[,]" in which one constantly compares the facts of the case against the patterns expressed by conceptual frameworks and then makes a final conclusion about which framework fits best. Robert K. Yin, *The Case Study Crisis: Some Answers*, 26 Admin. Sci. Q. 58-65 (1981) (citing Donald T. Campbell, *Degrees of Freedom and the Case Study*, 8 Comp. Pol. Stud. 178-193 (1975)).

[154] Yin, *supra* n139 at 116-119.

4) Economic environment - predictions rested on finances of focal stores and responses to economic decline; and,

5) Technological influence - centered on struggles to keep up with competitors with larger market share in e-commerce.

Based on the mechanisms and processes used within each article, initial findings reflect that consumer perceptions demand more coverage in media reports as they play a key role in ensuring that the department stores recapture their market share. Additionally, the major themes are prominently focused on deterministic factors, such as technology, the economy and consumers. This highlights the need to incorporate and distinguish text on how leadership's emotional factors can influence their decision making. We address this in Section 5 by examining and distinguishing the emotive approach, promulgated by Khelil (2016).[155]

4. CASE STUDIES: BRICK AND MORTAR RISE AND FALL

4.1 JCPenney's Chronological History

James Cash Penney was born on a farm in Hamilton Missouri in 1875 and began working for a local retailer shortly after graduating high school.[156] He opened his first retail store called the Golden Rule with partners Thomas Callahan and Guy Johnson in Kemmerer, Wyoming in 1902.[157] By 1913, the partnership dissolved and Penney officially incorporated his company as JCPenney Company, Inc. ("JCPenney" or "the Company") and moved the headquarters to New York City.[158] The company possessed approximately 34 stores with sales at around 2 million dollars.[159] The retailer established in-house brands early on, such as its 1914 line of Fedora hats called Marathon Hats.[160] Early on Mr. Penney gave his managers great authority to decide their stores' inventory because he believed local managers were best positioned to decide, given their knowledge of the customer base.[161] Around 1929, JCPenney became a public entity on the New York Stock Exchange.[162] The Great Depression had a profound effect on Mr. Penney and he nearly had a nervous breakdown; thankfully, Earl Sams, JCPenney's President at the time, helped maintained the morale at the company.[163] He gave motivational speeches, distributed positive newsletters to the company's associates, and

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[155] Nabil Khelil, *The Many Faces of Entrepreneurial Failure: Insights from an Empirical Taxonomy*, 31 Journal of Business Venturing 72-94 (2016).

[156] Alice Anna Reese & Carlynn Trout, *J.C. Penney (1875-1971)*, The State Historical Society of Missouri: Historic Missourians, http://shsmo.org/historicmissourians/name/p/penney/.

[157] *Id.*

[158] *Id.*

[159] *Id.*

[160] Phil Wahba, *10 Classic J.C. Penney House Brands from 1914 to Now*, Fortune (Dec. 22, 2014) http://fortune.com/2014/12/22/jcpenney-private-brands/.

[161] David Delbert Kruger, *Earl Corder Sams & the Rise of J. C. Penney*, 35 Kansas History: A Journal of the Central Plains 172 (2012).

[162] *Id.*

[163] Kruger, *supra* n162 at 181.

expanded into new markets around the United States.[164] By 1941, the company grew to have 1,600 stores in 48 states.[165] JCPenney helped pioneer national advertising in magazines, it entered into the mail-order business through the purchase of General Merchandise Company, and the company's acquisition of Thrift Drug Company also expanded it into the drugstore sector.[166] James Cash Penney died in 1971 with sales for the retailer reaching $5 billion and demonstrating a profit from the catalog business.[167] Two years later, JCPenney had 2,053 stores, which is the highest number of stores it has had since inception. From the 1960s through 1979, JCPenney experienced a period of growth and expansion, especially due to the company's involvement in catalog advertising.[168]

From 1980 through 1999, the company had various ups and downs.[169] In 1982, there was a reorganization to transform JCPenney from a mass merchant[170] into a national department store. The next year JCPenney sold its hardwood store and automotive centers but held onto to its catalog business and ventured into a crude online service called Viewtron Videotex.[171] In 1984, JCPenney purchased the First National Bank of Harrington, Delaware and renamed it J.C. Penney National Bank.[172] The Company began its credit card operations by accepting American Express, Visa, MasterCard, and JCPenney credit cards, and the bank issued its own Visa and MasterCards.[173] In 1986, it shut down its retail operations in key locations in Florida and only maintained some of the stores as catalog centers.[174] The headquarters was relocated to Plano, Texas in 1988.[175] Around 1990, JCPenney launched the Original Arizona Jean Company, a private brand of clothing to be sold in its store.[176]

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164 *Id.*

165 *Id.*

166 *Id.*

167 *See* Reese & Trout, *supra* n158;*see also* Reference for Business http://www.referenceforbusiness.com/history2/32/J-C-Penney-Company-Inc.html (last visited Nov. 23, 2017).

168 *Id.*

169 *Id.*

170 A mass merchant "sells affordably priced products that appeal to a wide variety of consumers. Mass market retailers are not necessarily known for selling durable, high-quality merchandise or for having exceptional customer service, but they do meet consumers' wants and needs, at reasonable prices." Investopedia, *Mass Market Retailer*, https://www.investopedia.com/terms/m/mass-market-retailer.asp (last visited Nov. 19, 2017). On the other hand, a department store is typically a large retail establishment with several different departments that offer a variety of merchandise, such as clothing for men, women, and children; jewelry and accessories like handbags, and scarves; shoes; makeup; and sometimes small appliances for the home, electronics, and furniture. Sharon Penn, *Difference Between a Department Store & a Chain Store*, http://smallbusiness.chron.com/difference-between-department-store-chain-store-24127.html (last visited Nov. 9, 2017).

171 Daniel Jones, *4 Things You Didn't Know About J.C. Penney*, The Motley Fool (Oct. 26, 2013), https://www.fool.com/investing/general/2013/10/26/4-things-you-didnt-know-about-jc-penney.aspx..

172 *Id.*

173 *Id.*

174 Patsy V. Pressley, *Bare shelves greet shoppers at J.C. Penney in Deland*, Orlando Sentinel, (Jan. 28, 1986), http://articles.orlandosentinel.com/1986-01-28/news/0190340007_1_downtown-deland-catalog-center-penney-store.

175 *Id.*

176 Wahba, *supra* n161.

JCPenney expanded internationally in 1995, opening a store in Chile, Santiago[177] and opening various stores[178] in several regions of Mexico.[179] Management's initial strategy was to open at least five stores in Chile, but it only opened two.[180] JCPenney attempted to implement their U.S model, which entailed supplying American styled clothing to its customers at low prices.[181] Unfortunately, there were some missteps in the company's approach. It failed to take into account that Chilean customers often used store credit to buy clothing, it did not offer competitive prices and it did not use local suppliers.[182] That same year, JCPenney opened several stores in Mexico using the same business model that it used in Chile.[183] The Company also began operations in Brazil in 1998.[184] It purchased control of a Brazilian retail chain called Lojas Renner SA.[185] Unlike the stores in Mexico and Chile, JCPenney adapted to Brazilian business culture.[186] In 1997, JCPenney acquired Eckerd Corporation and its 1,750 drugstores for $3.3 billion.[187] Two years later, JCPenney sold their credit card operations to GE Capital for $4 billion.[188]

From 2000 to 2010[189], JCPenney continued to experience growth and success, but showed signs of impending decline. The international expansion it made in Chile and Mexico experienced years of unprofitability. This resulted in the company selling its assets to its Chilean competitor, Almacenes Paris in 1999,[190] and selling its Mexico stores to Grupo Sanborns S.A. de C.V. of Mexico City in 2003.[191] The management strategies of two chief executives, Allen Qusetrom and Vanessa Castagana, helped turnaround some of the failures that JCPenney was experiencing in the previous decade and positioned them to be an industry

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[177] Constanza C. Bianchi & Enrique Ostale, 59 *Lessons Learned From Unsuccessful Internationalization Attempts: Examples of Multinational and Retailers in Chile,* Journal of Business Research, 140-147 (2006).

[178] The stores were opened in Monterrey, Leon, Mexico City, Chihuahua, Cancun, and Merida. *See* John Moody, *Company News;J.C. Penney Is Selling Its Stores in Mexico*, N.Y. Times (Oct. 30, 2003), http://www.nytimes.com/2003/10/30/business/company-news-jc-penney-is-selling-its-stores-in-mexico.html.

[179] Business Wire, *JCPenney Sells Mexico Department Store-Operation* (Oct. 29, 2003), http://www.businesswire.com/news/home/20031029005833/en/JCPenney-Sells-Mexico-Department-Store-Operation.

[180] Bianchi & Ostale, *supra*, n177 at 140-144.

[181] *Id.*

[182] *Id.*

[183] Moody, *supra*, n178; Business Wire, *supra*, n180.

[184] Bloomberg News, *Company News, J.C. Penney to Acquire 21-Store Brazilian Retail Chain* The New York Times (Dec. 9, 1998), http://www.nytimes.com/1998/12/09/business/company-news-j-c-penney-to-acquire-21-store-brazilian-retail-chain.html.

[185] *Id.;* JCPenney Company News http://ir.jcpenney.com/phoenix.zhtml?c=70528&p=irol-newsArticle&ID=726677&highlight=*)* (last visited Nov. 22, 2017).

[186] Jordan, Miriam, *J.C. Penney Tastes Success By Maintaining Local Flavo*r, Wall Street Journal (April 5, 2001) at A15, https://www.wsj.com/articles/SB986421420784106500.

[187] *Id.*

[188] Matt Murray & Emily Nelson, *GE Capital Will Pay Nearly $4 Billion For J.C. Penney's Credit-Card Business,* Wall Street Journal (Oct. 19,1999), https://www.wsj.com/articles/SB940254584258671967.

[189] We focus on the 2000-2010 time period of JCPenney's history because it presents a representative sample of internal and external factors to consider, including rapid technological innovation, changing cultural trends regarding the mall and consumerism, drastic changes in business strategy and leadership, and the 2008 recession, all of which serves to create a solid baseline for comparison to more recent events.

[190] Bianchi & Ostale, *supra*, n181 at 140-144.

[191] Moody, *supra*, n178; Business Wire, *supra* n180.

leader once again.[192] For example, in 2004, the company sold Eckard drug store for reportedly $4.5 billion.[193] The next year it held a public stock offering in Brazil and sold all shares of the company to generate an estimated net proceeds of $260 million. Thereafter, JCPenney discontinued operations in Brazil.[194] The company implemented a "store within a store" as a new marketing strategy and opened Sephora cosmetics in 2007.[195] The same year, JCPenney updated its website and launched JCPenneyBrands.com.[196]

At the end of 2007, the company terminated its Chief Operating Officer who had less than six months at her post.[197] Catherine West, who was originally a banker without any retail experience, proved to be a costly experiment for the company, as her termination resulted in a ten million dollar severance.[198] Although, there was no reason cited by JCPenney concerning the termination, business insiders indicated that hiring Ms. West reflected poor decision making because switching industries can be tricky and normally unsuccessful.[199] Fortunately, Ms. West's tenure did not damage the profitability of the company because the 2006 sales were almost $20 billion and the Wall Street's 2007 earnings per share prediction for the company exceeded the 2006 $20 billion sales figure.[200] The company also announced a partnership with Ralph Lauren Corporation to entice customers to purchase a luxury private in-house label.[201] Devastatingly, the economic collapse of 2008 resulted in an 80% loss of the company's value.[202] Another blow to the retailer occurred in 2009 when the online site was hacked, although the retailer insisted that customers' information was not divulged.[203]

4.2 The Decline of JCPenney in the Retail Industry (2011-2017)

In 2011, JCPenney decided to end the company's catalog business, closing and selling its catalog outlet stores.[204] Some controversy was presented in February 2011 when The New York Times alleged use of link schemes connected to Google's search engine to optimize JCPenney's website ranking in search results.[205] Although, JCPenney denied the

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[192] Maria Halkias, *A Brief Tenure and a Big Payout-Bank Exec's Failure at Penney's viewed as Costly but Laudable Experiment*, Dallas Morning News, Feb. 5, 2007, at 1A.

[193] J.C. Penney Sells Eckerd, http://www.pharmacytimes.com/publications/issue/2004/2004-05/2004-05-7853 (last visited Nov. 20, 2017); Kenneth Gilpin, *J. C. Penney Sells Eckerd Chain for $4.5 Billion* N.Y. Times (Apr. 5, 2004) http://www.nytimes.com/2004/04/05/business/j-c-penney-sells-eckerd-chain-for-45-billion.html.

[194] J.C. Penney, *JCPenney Closes on the Sale of Shares of Lojas Renner S.A.*,Company News (July 5, 2005) http://ir.jcpenney.com/phoenix.zhtml?c=70528&p=irol-newsArticle&ID=726677&highlight=.

[195] *Id.*

[196] *Id.*

[197] *Id.*

[198] *Id.*

[199] *Id.*

[200] *Id.*

[201] *Id.*

[202] Alan Farley, *J.C. Penney at the Edge of the Abyss (JCP, AMZN)*, Investopedia (May 9, 2017, 11:05 am), http://www.investopedia.com/news/jc-penney-edge-abyss-jcp-amzn/.

[203] *Id.*

[204] *Id.*

[205] Vanessa Fox, *New York Times Exposes J.C. Penney Link Scheme That Causes Plummeting Rankings in Google*, Search Engine Land (Feb. 12, 2011, 6:29 pm), https://searchengineland.com/new-york-times-exposes-j-c-penney-link-scheme-that-causes-plummeting-rankings-in-google-64529.

allegations, Google took immediate action to destroy the algorithms that caused the links.[206] In the fall of 2011, Ron Johnson was appointed as the new Chief Executive Officer ("CEO") of JCPenney.[207] He was seen as someone who would "shake up" and reinvigorate JCPenney because of his success in leading Apple retail stores during a high growth period.[208] That same year, cotton crops did poorly and had a negative impact on the retail sector, including JCPenney.[209] JCPenney also severed relations with Saatchi & Saatchi, an advertising agency of which it had a five-year relationship.[210]

In 2012, under the leadership of Johnson, the company stopped issuing coupons and deep discounts to its consumers which resulted in the loss of long-time customers.[211] In a two-day meeting in New York at the beginning of 2012, Johnson assured analysts and reporters that his strategic changes would revitalize operations, increase profitability,[212] transform the store experience and return value to shareholders.[213] Every 25 days, Johnson held video conferences for the company's employees to listen to the changes being implemented.[214] Nonetheless, employee morale remained low and there was even evidence that a significant amount of employees in the Plano headquarters watched enough YouTube videos to comprise 30% of the headquarters bandwidth.[215] In April 2012, 600 employees were laid off at JCPenney's headquarters in alignment with Johnson's plan to change the company's corporate structure.[216] On May 16, 2012, sales were shy of the company's expectations by $250 million and the stock dropped 19.7%.[217] By July 2012, the company announced that it would cut around 350 workers from its headquarters in finance, technology, product development and sourcing. Reports from the Wall Street Journal indicated that at least 1,600 people had been laid off or terminated from the company's headquarters.[218] More importantly, Johnson forced out every corporate level executive that was a part of the

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[206] *Id.*

[207] Tuttle, *supra* n133.

[208] *Id.*

[209] Charlie Minato, *The JC Penney Disaster Timeline: How Ex-Apple Guru Ron Johnson Is Destroying The Company*, Business Insider (June 16, 2012, 11:15 am), http://www.businessinsider.com/the-jcpenney-disaster-timeline-how-ex-apple-guru-ron-johnson-is-destroying-the-company-2012-6?op=1.

[210] *Id.*

[211] Phil Wahba, *Ex-CEO Ron Johnson says J.C. Penney should have stuck with his plan,* Fortune (May 16, 2016) http://fortune.com/2016/05/16/ron-johnson-penney/ (last visited Nov. 19, 2017).

[212] There is evidence that Macy's took some of JCPenney's market share when these changes were implemented. *See* Ashley Lutz & Kim Bhasin, *Macy's is Steadily Eating Up Market Share From JC Penney*, The Business Insider (May 10, 2012, 9:40am), http://www.businessinsider.com/macys-is-taking-market-share-from-jc-penney-2012-5.

[213] Maria Halkias, *J.C. Penney employees win $4.5m settlement for 401K losses in the Ron Johnson Era*, The Dallas Morning News (Jan. 5, 2017), https://www.dallasnews.com/business/retail/2017/01/05/texas-judge-approves-45-million-settlement-jc-penney-ranks-401klosses-ron-johnson-era.

[214] *Id.*

[215] HuffPost, *JC Penney Exec Admits Its Employees Harbored Enormous YouTube Addiction*, Huffpost Business, (Feb. 25, 2013, 11:56 am), https://www.huffingtonpost.com/2013/02/25/jc-penney-employees-youtube_n_2759028.html.

[216] Maria Halkias, *J.C. Penney lays off 600 at Legacy headquarters in Plano*, The Dallas Morning News (Apr. 2012, 11:50 am), https://www.dallasnews.com/business/business/2012/04/05/jc-penney-layoffs-expected-at; Charlie Minato, *supra* n210.

[217] Minato, *supra* n210.

[218] *Id.*; The Associated Press, *Business Briefs: J.C Penney Announces More Layoffs at Plano Headquarters*, Fort Worth Star-Telegram, July 11, 2012, at Page B.

JCPenney regime before he was in charge and thousands of middle managers.[219] Mr. Johnson also ended the commission program the company gave to certain associates (such as those working in the salon and jewelry departments) and some commission associates were laid off.[220] He also implemented a pricing model that eliminated frequent sales, then rounded the price to the nearest dollar, eliminating the common pricing theme of an item being $19.99 instead of $20.00. [221]

In 2013, JCPenney fired Johnson and former CEO Myron Ullman returned to stabilize the company.[222] Johnson's tenure as CEO was brief and the "fall out" from his strategies caused the company to lose $6 billion in sales, falling from $17 billion to $11 billion.[223] The company laid-off 19,000 employees and fired 2,200 employees during Johnson's tenure. Ron Johnson's new business plan was perceived as a failure in the business community.[224] Citigroup and Oppenheimer downgraded the department store's share and cut the company price target.[225] However, Johnson insisted that the company should have stayed with his business strategy to fix the company's e-commerce, improve supply chain management and perfect the store according to its original values.[226]

In early May of 2014, the company announced that it was closing 33 underperforming stores and laying off around 2,000 employees.[227] Mr. Ullman told the press that these actions were necessary to sustain profitable growth of almost $65 million.[228] In an effort to return to profitability, the company reinstated commission pay for its associates who sold home furnishings and jewelry.[229]

The former Home Depot executive Marvin Ellison was hired as president and became CEO in 2015 to implement a three-year turnaround plan.[230] Critics of JCPenney cite several reasons why JCPenney continued to decline. First, JCPenney's physical locations suffered from decreased foot traffic and less sales because they were primarily located in

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[219] Kim Bhasin, *Ron Johnson Has Now Forced Out Every Top-Level Executive From JCPenney's Previous Regime*, Business Insider (Apr. 11, 2012, 11:45 am), http://www.businessinsider.com/jcpenneys-cfo-is-leaving-2012-4; Minato, *supra* n210.

[220] Kim Bhasin, *Here's How the Big 'No More Commission' Announcement At JCPenney Went Down*, Business Insider (May 9, 2012, 4:26 pm), http://www.businessinsider.com/heres-how-the-big-no-more-commission-announcement-at-jcpenney-went-down-2012-5.

[221] Gus Lubin, *JCP May Have Overestimated The Intelligence of the American Consumer*, Business Insider (Mar. 28, 2012, 8:34 am), http://www.businessinsider.com/jc-penney-overestimating-customer-intelligence-2012-3.

[222] Halkias, *supra* n193.

[223] Wahba, *supra* n212.

[224] *JC Penney's Crisis & Impact for Investors* (CNBC Broadcast with Liz Dunn, Macquarie Capital, and CNBC's Herb Greenberg April 9, 2013, 2:08); https://www.cnbc.com/video/2013/04/09/jc-penneys-crisis-impact-for-investors.html.

[225] Reuters Staff, *Citi, Oppenheimer Cut Ratings on J.C. Penney Stock*, (Mar. 6, 2013), https://www.reuters.com/article/jcpenney-ratings/citi-oppenheimer-cut-ratings-on-j-c-penney-stock-idUSL1N0BYB4X20130306.

[226] Wahba, *supra* n212.

[227] Joe Gandelman, *J.C. Penney in Big Trouble? Closing 33 Stores and Laying Off 2000 Employees*, Moderate Voice, (Jan. 17, 2014), http://themoderatevoice.com/jc-penney-in-big-trouble-closing-33-stores-and-laying-off-2000-employees/ (last visited July 30, 2017).

[228] *Id.*

[229] Gandelman, *supra* n228.

[230] Halkias, *supra* n214; Wahba, *supra* n212.

shopping malls, which became less popular with consumers.[231] Second, rebranding from a discount retailer to a high end retailer did not appeal to their customers.[232] Another critical issue was the amount of money JCPenney spent on selling, general, and administrative ("SG&A") expenses.[233] In 2014, Macy's spent 25% of revenue on SG&A.[234] Macy's higher budget on SG&A is reasonable because their established reputation for high-end products requires a higher allowance for such expenses; in contrast, JCPenney spent at least 27% of revenue on SG&A without possessing a reputation for high-end products with their customers.[235] This reveals a critical defect with JCPenney's marketing strategy because customers continued to shop at the store for the low prices, and not because they wanted high quality products. In other words, JCPenney did not need to spend that much money on their SG&A because no matter how much money spent, the retailer continued to attract customers looking for lower priced products. By the end of 2015, JCPenney had long term indebtedness of $5,322 million.[236]

The year 2016 was a rocky year for the retailer and some Wall Street analysts predicted that the company was headed for bankruptcy.[237] JCPenney attempted to turn things around by fortifying its online investments to compete with Amazon, promoting its private labels, and hastening the return of appliance sales.[238] When CEO Ellison was asked about these changes, he stated that the decision to return to appliance sales was premised upon research of jcp.com internet searches and the opportunity of attracting Sears customers in areas where the stores were closing.[239] JCPenney also ended a 14 year relationship with the Oscars as the exclusive retail sponsor as ratings for the event had been steadily declining.[240] Starting in 2015 through 2016, customers brought various lawsuits against JCPenney, as well as Bloomingdale's, Kohl's, Macy's and Sears for use of fake pricing strategies.[241] In particular, Los Angeles city attorneys filed a law suit against Sears, Kohl's and JCPenney around December 2016, and alleged that these stores violated California law by failing to advertise prices where the original price was clearly shown in the ad, or to advertise a former price unless it was the going price as of three months prior.[242]

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[231] Chad Henage, *3 reasons Sears and J.C. Penney Will Continue Failing: Until These Companies Come Back to Reality Investors Should Probably Stay Away*, The Motley Fool (April 1, 2014, 6:30 pm), https://www.fool.com/investing/general/2014/04/01/3-reasons-sears-and-j-c-penney-will-continue-to-fa.aspx.

[232] *Id.*

[233] *Id.*

[234] *Id.*

[235] Henage, *supra* n224.

[236] Marketline, *JCPenney SWOT Analysis*, 6 (2016).

[237] Paul LaMonica, *JCPenney is Back from the Dead*, CNN Money (Feb. 29, 2016, 3:58 pm), http://money.cnn.com/2016/02/29/investing/jcpenney-penny-sales-comeback/index.html.

[238] Phil Wahba, *Why Is Kohl's Replacing J.C. Penney as the Oscars' Retail Sponsor*, Fortune, (Feb. 8, 2016) http://fortune.com/2016/02/08/kohls-jc-penney-oscars/.

[239] LaMonica, *supra* n229.

[240] *Id.*; Wahba, *supra* n230.

[241] Ben Popken, *JCPenney, Sears, Macy's and kohl's Sued For 'Fake' Sale Pricing*, NBC News, (Dec. 9, 2016, 3:23 pm), https://www.nbcnews.com/business/consumer/jcpenney-sears-macy-s-kohl-s-sued-fake-sale-pricing-n694101. Fake pricing strategy, also known as price anchoring, involves inflating the original price of an item so that when a discount is advertised, the consumer believes they are saving more than is actually true. Brad Tuttle, *More Retailers Accused of Misleading Customers With Fake Price Schemes*, Money, (January 7, 2016), http://time.com/money/4171081/macys-jc-penney-lawsuit-original-prices/.

[242] Popken, *supra* n233.

In 2017, JCPenney is doing what it can to stave off business failure. In the beginning of 2017, it reached a deal with Dreien Opportunity Partners LLC to sell its home office building for a gross sale of $353 million before closing and transaction costs and lease back around 65% of the building.[243] The company's CEO Marvin Ellison indicated that :

> [t]his transaction also represents a significant financial milestone for the company, as proceeds from the sale gives us the opportunity to reduce outstanding debt and make improvements to our workspace, creating a modern and efficient environment that fosters productivity and seamless collaboration.[244]

Speculators in the investor community pointed to this transaction as a strategic move to pay down debt but doubted that it would create significant turnaround as the company lost $67 million in the third quarter.[245] The CEO pointed out that the third quarter earnings reflect a 42% improvement in the company's stock over the previous year.[246]

Another issue signaling business failure is the filing of a lawsuit by employees alleging Employment Retirement Income Security Act violations. The complaint alleged that the company's retirement account losses were due to false and misleading statements and/or omissions regarding JCPenney's financial condition and prospects during November 1, 2011 through September 27, 2013, causing the stock to trade at artificially inflated prices.[247] A federal judge in Texas preliminarily approved a $4.5 million dollar settlement between the company and a class of employees whose participants and beneficiaries of the company's 401(K) plan from November 2011 to May 2016 included the company's stock.[248]

Since May 2017, the investor community has been watching JCPenney's stock closely, and has predicted that the company will become bankrupt or implement a fire sale.[249] In response, JCPenney communicated that it would close 138 stores nationwide and buyout employees as a part of its overall business strategy.[250] Surprisingly, it postponed the closures because customers have flocked to these designated stores thereby increasing sales. [251] The end of 2017 has been especially rough for JCPenney, similar to other brick and mortar retailers.[252] The company has lost $242 million in the first six months of the fiscal year. [253]

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[243] J.C. Penney, *J. C. Penney Announces Sale of Home Office Campus for $353M*, Nasdaq Global Newswire, (Jan 3, 2017, 16:15), https://globenewswire.com/news-release/2017/01/03/902995/0/en/JCPENNEY-ANNOUNCES-SALE-OF-HOME-OFFICE-CAMPUS-FOR-353M.html.

[244] Daniel Kline, *Why J.C. Penney Just Sold its Headquarters*, Investopedia, (Jan. 4, 2017) https://www.investopedia.com/stock-analysis/010417/why-jc-penney-just-sold-its-headquarters-jcp.aspx.

[245] Daniel Kline, *Why J.C. Penney is Putting Off its Store Closures*, Investopedia, (Jan. 4, 2017) https://www.investopedia.com/-/why-jc-penney-putting-its-store-closures/.

[246] *Id.*

[247] Maria Halkias, *supra* n214.

[248] *Id.*

[249] Farley, *supra* n195.

[250] Nathan Bomey, *J.C. Penney to Close Up to 140 Stores, Offer* Buyouts, USA Today, (Feb. 24, 2017, 5:03 pm), https://www.usatoday.com/story/money/2017/02/24/jc-penney-store-closures/98344540/; Kline, *supra* n237.

[251] Kline, *supra* n237.

[252] Chris Isidore, *JCPenney Warns Losses are* Growing, CNN Money (October 27, 2017), http://money.cnn.com/2017/10/27/news/companies/jcpenney-losses/index.html.

[253] *Id.*

To ease the blow, Marvin Ellison has decided to liquidate inventory that has low sales and close 127 stores, which is an equivalent of more than 10% of its brick and mortar locations.[254] JCPenney made a one-million-dollar profit last year after five consecutive years, which constitutes a $3.5 billion-dollar loss.[255]

January – December 2011
▪ JCPenney ends catalog business and closes/sells catalog outlet stores. ▪ Myron Ullman retires as CEO and Ron Johnson is appointed as the new CEO of JCPenney. ▪ JCPenney severs five year relationship with Saatchi & Saatchi advertisement company. ▪ JCPenney is linked to a search engine optimization scandal involving Google.
January – December 2012
▪ CEO Johnson unveils his "store within a store" plan. ▪ JCPenney discovers employees in its Plano headquarters are YouTube addicts. ▪ JCPenney stops issuing coupons and deep discounts to consumers. ▪ JCPenney reports $55 million first-quarter loss. ▪ JCPenney raises $248 million by selling its stake in Simon Property (mall owner). ▪ JCPenney lays off 600 employees at Plano headquarters in alignment with Johnson's plan to change the company's corporate structure. ▪ JCPenney announces that it would cut around 350 workers from headquarters and lays off at least 1,600 employees. ▪ Macy's sues JCPenney for interfering with a deal to sell Martha Stewart's product line. ▪ JCPenney reports a $123 million third-quarter loss. ▪ JCPenney sales were shy of the company's expectations by $250 million and the stock dropped 19.7% ▪ Johnson reportedly forced out corporate level executives and middle managers.
January – December 2013
▪ JCPenney reports a $552 million fourth-quarter loss. ▪ Vornado Realty Trust (second largest shareholder) sells half its stake in JCPenney. ▪ JCPenney fires Ron Johnson and former CEO Myron Ullman returns to the company. ▪ JCPenney loses $6 billion in sales. ▪ JCPenney lays off 19,000 employees and fires 2,200 employees. ▪ Citigroup and Oppenheimer downgrade JCPenney stock prices and cut JCPenney price target.
January – December 2014

[254] *Id.*
[255] *Id.*

▪ JCPenney announces that it was closing 33 underperforming stores and laying off around 2,000 employees. ▪ JCPenney reinstates commission pay system for its associates that sell home furnishings and jewelry. ▪ JCPenney spends 27% revenue on SG&A.
January – December 2015
▪ Marvin Ellison, former Home Depot executive, is hired as President and made CEO. ▪ JCPenney is sued for fake pricing in California. ▪ JCPenney had long term indebtedness of $5,322 million.
January – December 2016
▪ JCPenney ends a 14-year relationship with the Oscars as the exclusive retail sponsor. ▪ JCPenney's performance declines; in response, it pushes forward with a competitive strategy to fortify its online investments, promote its private labels, and hasten the return of appliance sales. ▪ JCPenney shows a one-million dollar profit after, five consecutive years of losses.
January – December 2017
▪ JC Penney loses $242 million in the first six months of the fiscal year. ▪ Employees file ERISA lawsuit against JCPenney for false and misleading statements leading to retirement account losses and receive settlement for $4.5 million. ▪ JCPenney reaches a deal with Dreien Opportunity Partners LLC to sell its home office building for a gross sale of $353 million. ▪ JCPenney's CEO Ellison reports its third quarter earnings reflect a 42 % improvement in the Company's stock. ▪ JCPenney announces that it was closing 138 stores nationwide, which is subsequently postponed. ▪ JCPenney lost $242 million in the first six months of the fiscal year. ▪ CEO Ellison decides to liquidate inventory with low sales.

Table #5: Major events of JCPenney's decline (2011-2017)

The chronological framing of JCPenney's recent history takes one on a rollercoaster ride of specific turning points. Represented through noteworthy events highlighted in Table #5, these events are causal indicators for JCPenney's impending success or failure. Contrasted against the next four exemplar case studies, we will use these indicators later in our comparative framing to integrate deterministic and voluntaristic perspectives across both macro and micro levels.

4.2 Macy's

Macy's department store was founded by Rowland Hussey Macy in New York City in 1858.[256] The company operates 829 retail stores in the United States and several stores abroad.[257] The two flagship stores in New York City and San Francisco have experienced an overall decline in sales partly due to the decreased tourism in those cities.[258] The company reported revenues for the fiscal year ending January 2017 of $25,778 million dollars.[259] For several years, Macy's has been on the decline, which can be traced to consumer spending on online websites such as Amazon.[260] When Macy's CEO Terry Lundgren was asked around January 2017 about falling stock prices, he responded that "tourist spending is falling in the double digits..." and thus "...a slowdown in some 'center core categories[]'" has occurred[261] Macy's plan to reverse course and revitalize the company includes expanding further into the international arena, such as opening stores in United Arab Emirates and in China.[262] Macy's is evaluating real-estate proposals for joint ventures or similar arrangements to help raise cash.[263] Last August 2016, Macy's has closed around 100 stores and hired former eBay executive Hal Lawton to reignite failing sales.[264] The company is also expanding its customer insights and data analytics to include inventory replenishment and pricing capabilities. [265] Critics of Macy's have faulted the deep discounts, heavy inventory and its position in the market, as it is not quite middle tier like J.C. Penney's, or a full discount store like TJ Maxx, as the reasons why Macy's is not as successful as it could be.[266]

4.3 Walmart

Walmart was founded by Sam Walton in 1962.[267] It is the largest private employer in the World.[268] Walmart's business model operates on efficiency and provides the customer

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[256] *Id.*

[257] Marketline, *Macy's SWOT Analysis* 4 (2017).

[258] *Id.*; Krystina Gustafason, *Macy's Excuse Doesn't Explain Everything*, CNBC (Jan. 7, 2016), https://www.cnbc.com/2016/01/07/macys-excuse-doesnt-explain-everything.html.

[259] *Id.*

[260] *Id.*

[261] Elaine Low, *Retailers Lick Wounds, As JCPenney Results Cap Week From Hell*, Investor's Business Daily (May 13, 2016), https://www.investors.com/news/retailers-ending-week-aflame-as-jcpenney-results-cap-week-from-hell/.

[262] *Id.*

[263] *Id.*

[264] Angelica LaVito, *Macy's Snags eBay Exec, Cuts 100 jobs Amid Management Shake-Up*, CNBC, (Aug. 22, 2017, 8:00am), https://www.cnbc.com/2017/08/21/macys-snags-ebay-exec-cuts-100-jobs-amid-management-shake-up.html.

[265] *Id.*

[266] Phil Wahba, *Everything Must Go*, Fortune.com Magazine, 95-100 (Mar. 1, 2017) http://fortune.com/2017/02/21/department-stores-future-macys-sears/.

[267] Clara Lu, *Walmart's Successful Supply Chain Management*, Trade Gecko (May 7, 2014) https://www.tradegecko.com/blog/incredibly-successful-supply-chain-management-walmart.

[268] *Id.*

with low prices on its goods.[269] The business model includes a large number of sales, a wide customer base, and low overhead.[270] Walmart capitalizes on its large purchase power to drive down supplier prices.[271] The current CEO Doug McMillan continues in the tradition of Sam Walton by continuing to integrate traditional family values and integrating his personal leadership style.[272] The four principles that he believes are instrumental to Walmart's success are:

> 1) Go "Walmart-size" on e-commerce: Build one of the world's biggest private clouds, compete with Amazon on its own turf; 2) think omnichannel and make it easy for customers to buy anywhere, anyhow—and get their purchases anywhere, anyhow; 3) rev your metabolism to startup mode: Experiment, experiment, experiment; invade Silicon Valley for fresh talent; and 4) bring back Mr. Sam: Well, his spirit, anyway. Give local managers more autonomy to make stores sparkle—and hold them accountable.[273]

Walmart has successfully entered into foreign markets as well, such as Argentina, Brazil, the United Kingdom and Japan. Walmart is Mexico's largest employer and it has several manufacturers of goods in China.[274] Walmart sells all types of consumer goods and products at very low prices. It was one of the first stores to create a computerized inventory system called the Vendor Managed Inventory ("VMI").[275] It also deals directly with manufacturers thereby creating a more efficient supply chain management system.[276] Walmart has embraced the technological retail evolution. The store's e-commerce system comprises of Walmart.com and Jet.com and is run by Jet.com founder Marc Lore.[277] Online customers can pick up merchandise at a nearby Walmart and receive an extra discount as an incentive.[278]

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[269] Rachel Hyde, *How Walmart Model Wins With Everyday Low Prices*, Investopedia (Oct. 14, 2017), https://www.investopedia.com/articles/personal-finance/011815/how-walmart-model-wins-everyday-low-prices.asp.

[270] *Id.*

[271] Tommy D, *Walmart Success on an Unimaginable Scale,* Harvard Business School: The TOM Challenge (Dec. 4, 2015), https://rctom.hbs.org/assignment/the-tom-challenge-tom-winners-and-losers-assignment/ (last visited Oct. 17, 2017).

[272] *Id.*

[273] Brian O' Keefe, *The Man Who is Reinventing Walmart,* Fortune (June 4, 2015), http://fortune.com/2015/06/04/walmart-ceo-doug-mcmillon/

[274] Jaeah Lee, Timeline: How Walmart Conquered the World, Mother Jones (Mar./Apr 2012).

[275] Hyde, *supra* n259.

[276] *Id.*

[277] Walter Loeb, *How Walmart Challenges Its E-Commerce Sites For Greater Success,* Forbes (June 6, 2017, 7:10 am), https://www.forbes.com/sites/walterloeb/2017/06/06/how-walmart-challenges-its-e-commerce-sites-for-greater-success/#209b10124fa2.

[278] *Id.*

4.4 H&M

Hennes & Mauritz, or H&M as it is better-known, is the second largest retailer in the world, with 3,900 stores.[279] It was started in Sweden by Erling Persson in 1947 and is now located in over 43 countries.[280] The current CEO of the Swedish company is Persson's grandson Karl-Johan Persson.[281] It caters to a younger and trendy demographic and sells primarily clothing and some accessories.[282] Karl-Johan has a long term approach to growing H&M and has been focusing the company's efforts on promoting sustainability.[283] "To increase transparency, the company also decided to expand its public supplier list to include second-tier companies, which provide its 'most important mills' with fabrics and yarns, responsible for about 35 percent of H&M products."[284] H&M's future business model is to continue to expand in more markets internationally, create specialty stores such as all women's clothing stores, or children's clothing stores, and partner with famous designers for higher cost brand name clothing.[285]

4.5 Amazon

In 1994, Jeff Bezos launched Amazon as an online book retailer in a garage with an initial investment from his parents.[286] It went public in 1997 and by 1998 Amazon expanded its services beyond book sales.[287] Amazon sells over $100 billion dollars' worth of products annually in every category imaginable.[288] However, Mr. Bezos's leadership style has been criticized. For example, it has been reported that the utmost "[s]ecrecy is required when working at Amazon. Even non-executive employees sign a lengthy confidentiality agreement to protect the 'Amazon Way.'"[289] The workplace culture is described as intense.[290]

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279 Anna Ringstrom and Helena Soderpalm, *H&M Says Will Struggle to Hit Annual Sales Target* Reuters (June 29, 2017, 2:19 am), https://www.reuters.com/article/us-h-m-results/hm-says-will-struggle-to-hit-annual-sales-target-idUSKBN19K0KX.

280 Hayley Peterson, *5 Charts That Show H&M's Explosive Growth*, Business Insider (Sept. 10, 2014, 4:53 pm), http://www.businessinsider.com/charts-showing-hms-explosive-growth-2014-9.

281 *Id.*

282 Ringstrom & Soderpalm, *supra* n250.

283 Richard Milne, *Karl-Johan Persson, Chief Executive, Hennes & Mauritz*, The Financial Times (May 19, 2013), https://www.ft.com/content/d0c93d1a-be6b-11e2-bb35-00144feab7de.

284 Paulina Szmydke and Lorelei Marfil, *Hennes & Mauritz AB Continues on its Path to Maximum Sustainability*, Women's Wear Daily (April 9, 2015), http://wwd.com/fashion-news/ready-to-wear/hm-sustainability-annual-report-10109517/.

285 Rolf Eriksen and Paola Hjelt, *H&M: Success in The USA*, Fortune Magazine (Sept. 20, 2004), http://archive.fortune.com/magazines/fortune/fortune_archive/2004/09/20/381174/index.htm.

286 Fundable, *Amazon Start-Up* Story, http://www.fundable.com/learn/start-up-stories/amazon (last visited Nov. 19, 2017).

287 *Id.*

288 BI Intelligence, *Amazon is Investing More into International Operations*, Business Insider-Retail (Jul. 25, 2016, 12:16 pm) http://www.businessinsider.com/amazon-is-investing-more-into-international-operations-2016-7.

289 Jodi Kantor and David Streitfield, *Inside Amazon: Wrestling Big Ideas in a Bruising Workplace*, New York Times (Aug. 5, 2015), at A1, https://www.nytimes.com/2015/08/16/technology/inside-amazon-wrestling-big-ideas-in-a-bruising-workplace.html.

290 *Id.*

Amazonians are reportedly told to "disagree and commit" to destroying "colleagues' ideas, with feedback that can be blunt to the point of painful, before lining up behind a decision."[291] Business insiders attribute Amazon's business success to Amazon's technological innovations along with its 1) broad product assortment, 2) consumer care, 3) competitive pricing, and 4) its skipping of the usual start up iterations of high-cost technology and its investment in data centers.[292] The data also drives the decision-making process at Amazon, often times holding the lowest level employees accountable for missteps.[293] Former and current employees have described an environment where, 'I am not sure' or 'I will get back to you' is unacceptable to the Amazon Way.[294] Amazon has successfully entered into the international market, with retail e-commerce sales in countries such as India and Italy.[295] Revenue generated from Amazon's global online sales grew to 31%, which generated about $20 billion, in Quarter One of 2016.[296] Amazon has even begun to experiment with brick and mortar book stores to further resonate with customers.[297] The specific purpose or profitability of the stores has not yet been announced by Amazon.[298]

5. DISCUSSION

Our discussion uses comparative storytelling to analyze the external and internal environment that led to JCPenney's decline against different theoretical perspectives. Separating our field of cases into macro level and then micro level, we discuss how four deterministic or voluntaristic approaches can be applied to the retail context.

It is also important to point out how managerial decision making can be attributed to business failure. In some scenarios, a new leader might inherit the "sins of their predecessor" and meet the same fate as the previous manager for virtually the same reasons.[299] In fact, new leaders are more likely to fail unless they engage in the process of "'preferential detachment' to distance themselves"[300] from the failed predecessor. Some of these instances are highlighted in Table #6. Throughout our analysis we present events that show some form of an emotive response and try to match them to the alignment target the store should have met. For example, where JCPenney's CEOs had to respond to the sins of their predecessors and how this may have influenced CEO turnover or how H&M's long-term strategy influenced customer perception and affected its ability to retain customers.

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[291] *Id.*

[292] Donald Soares, *Four Ways Amazon is Beating Retailers,* MarkLogic, http://www.marklogic.com/blog/amazon-beating-retailers/ (last visited Nov. 19, 2017).

[293] *Id.*

[294] Kantor & Streitfield, *supra* n278.

[295] BI Intelligence, *Amazon is Investing More into International Operations*, Business Insider-Retail (Jul. 25, 2016, 12:16 pm) http://www.businessinsider.com/amazon-is-investing-more-into-international-operations-2016-7.

[296] *Id.*

[297] The Associated Press, *5 Reasons Why Amazon is Experimenting with Physical Stores: Exactly What it's Learning is the Big Question*, Fortune, (April 28, 2017), http://fortune.com/2017/04/28/5-reasons-amazon-physical-stores/.

[298] *Id.*

[299] Amankwah-Amoah, *supra* n58 at 3392.

[300] Jospeh Amankwah-Amoah, *Old Habits Die Hard: A Tale of Two Failed Companies and An Unwanted Inheritance,* 67 J. Bus. Res. 1894-1903 (2014).

STORE	CEO	EVENT	EMOTIVE RESPONSE	ALIGNMENT TARGET
JCPenney	Ron Johnson	Rebranding strategy to increase profitability	Johnson insisted that the company should have stayed with his business strategy to fix the company's e-commerce, improve supply chain management, and perfect the store according to its original values.	JCPenney's rebranding effort was an attempt to reach a new customer base while keeping its old customer base. It was also an attempt to respond to competition from other department stores.
Macy's	Terry Lundgren	Strategy to combat falling stock prices and slowdown of sales	"Tourist spending is falling in the double digits... a slowdown in some 'center core categories.'" The company is also expanding its customer insights and data analytics to include inventory replenishment and pricing capabilities.	Macy's approach responds to the external realities not necessarily caused by its actions.
Walmart	Doug McMillion	Plan to compete with Amazon	"1) Go "Walmart-size" on e-commerce: Build one of the world's biggest private clouds, compete with Amazon on its own turf; 2) think omnichannel and make it easy for customers to buy anywhere, anyhow—and get their purchases anywhere, anyhow; 3) rev your metabolism to startup mode: Experiment, experiment, experiment; invade Silicon Valley for fresh talent; and 4) bring back Mr. Sam: Well, his spirit, anyway. Give local managers more autonomy to make stores sparkle—and hold them accountable."	Walmart's plan to provide an efficient and better customer experience directly responds to the external environmental competition from Amazon and the technological innovation of e-commerce.

H&M	Karl-Johan Persson	Long term business strategy	Long-term approach to growing H&M, including focusing the company's efforts on promoting sustainability.	H&M's business strategy contemplates internal changes in order to retain and grow its customer base based upon its perception by consumers.
Amazon	Jeff Bezos	Corporate culture	The workplace culture is described as intense. Former and current employees have described an environment where, 'I am not sure' or 'I will get back to you' is unacceptable.	Amazon's corporate culture contemplates internal dynamics to producing efficiency for the consumer while responding to external environmental factors such as technological innovation and competition.

Table #6. Examples of Emotive Responses to Environmental Changes and Alignment Targets

5.1 Macro Level View: Natural Selection vs. Collective Action Framing

The story we tell at a macro level focuses on deterministic organizations and voluntaristic leaders in the industry. A natural selection framing paints a picture of established organizations with a long history of success; while other organizations in the industry die off based on random, natural, or economic occurrences in industry niches. The industry structure here is set by economic measures or new technology. A natural selection framing looks for instances of selection, variation and retention, using the following assessment factors: 1) population and community levels examining population density and industry life cycle, and 2) organization level examining organization age and size. A collective action framing offers a snapshot of partisan groups of organizations being driven by leaders with political clout to change the industry environment. The lobbying that these groups conduct may be seen through processes of conflict and negotiation. Here, we look for instances of collective action used to control, expand or liberate individuals. Executive tenure, homogeneity, successions and past performance are indications of how the leadership is performing in the face of inert tensions.

5.1.1 Natural Selection View (Deterministic Approach). Under an Organizational Ecology view there are four factors to consider. First, the population, in terms of the organizational consumer, has more means to access retail products and more ways to travel, so the closest mall with a JCPenney store is no longer always the first option. The second factor concerns industry life cycle. In this case, the retail industry is experiencing a paradigm shift where convenience is just as important, if not more, than the physical location of the retail entity. The age of JCPenney is also a factor as it has been around for over 100 years and this seems to be a factor in slow response to modern changes in the industry. Lastly, size contributes significantly because managing over 1,000 stores requires precision and can be difficult when there are multiple external considerations.

These factors can also be examined to compare the impending success or failure of the other four companies. First, H&M's size is a liability if it is not managed correctly or it can be very beneficial if their international omnichannel consumer approach works. In contrast, as an e-commerce retailer, Amazon has the potential to reach millions around the world, although its size may prove to be a negative factor if its leaders are not efficient with its vast resources. As far as the geographic location is concerned, Walmart stores tend to be centrally located and therefore are instrumental to many communities. On the other hand, as a department store, Macy's must carefully consider where it chooses to locate its stores in addition to considering the size of the store relative to its real estate obligations.

5.1.2 Collective Action View (Voluntaristic Approach). Under Organizational Studies theory, JCPenney's decline indicates larger economic losses across the retail industry. The existence of tension within industry that led to customer losses is found in the example where customers levied lawsuits against several industry giants, including JCPenney's and Macy's for fake pricing schemes. In this instance, the collective actions of individual consumers in the retail industry led to changes towards more reasonable and consumer appropriate options for the way the leaders of the retail companies chose pricing strategies across the industry.

5.2 Micro Level View: System Structural vs. Strategic Choice Framing

The micro level frames stories about a deterministic organization and its voluntaristic leaders. The systems-structural framing hones-in on organizational responses to the technological shifts in its environment, as well as changes caused by regulation, economic factors, and demographic aspects of the market. A researcher looks for instances of restructuring of the organization's subunits or processes to account for resources needs that fluctuate based on the aforementioned changes. Here, leadership actions will indicate constrained or adaptive choices. The organization is assessed for its competitive performance in the market. The strategic choice view finds leadership on a fence, with the ability to choose between a responsive stance to environmental changes or a proactive stance to influence how the environment changes. In most cases, leadership will prefer a proactive stance that seeks to implement their vision of the organization's environment. All these leaders need for ensuring a successful strategy is to determine how to manage the relationships under their authority. The organization's actions are thus imbued with the leadership's social views and meaning. Here, we assess organizational performance based on its social psychology, indicated by the leadership's misperceptions, impulsive decisions, and myopic views.

5.2.1 System Structural View (Deterministic Approach). Under the related Industrial Organization approach, JCPenney was never in control since the external factors affecting the success and growth of JCPenney were really what determined, and constrained, the actions of its management. JCPenney was once a leader in the retail industry but because of the latest technological innovations that led to the success of e-commerce websites like Amazon, it has lost much ground. Further, cultural changes in American society about malls and buying from large department stores, whose products may have been made by employees in other countries with lenient labor laws, shaped an unsuccessful environment for the company. Being so path dependent in its brick and mortar model with face to face customer service, the management team's preplanned responses (i.e., strategic plans for the forthcoming fiscal quarters) for such a rapidly changing organizational environment were ill-equipped to handle every external environmental change. What we see instead, from 2011 and onward, is the shifting of the structural functions and units of JCPenney to try to adapt to the evolving environment, which over time contributed to the company's decline. These structural shifts resulted in the company minimizing the scope of its services by selling portions of the business and laying off large percentages of its staff. Another instance where the roles were hierarchically rearranged to fit the organizational functions is when JCPenney COO, Catherine West, was fired and the executive officer roles were reorganized to subsume the COO responsibilities, adapting to the abrupt change.

Under the Industrial Organization perspective, we will focus on Walmart and Macy's, as the comparable larger brick and mortar retail stores. Here, cross-case analysis must center on the technological disruption that e-commerce has caused the retailers. Walmart has been able to champion the message it gives to its customers by providing everyday low prices. Macy's, on the other hand, had difficulty maintaining its customer base. Walmart's success is ensured by its ability to compete with the changes occurring in the retail environment because it can make inventory demands of its suppliers that are favorable to the company due to the large volume of supplies it orders.

5.2.2 Strategic Choice View (Voluntaristic Approach). Applying cross-case analysis around Organizational Psychology theories, Walmart and H&M have a familial history and are run based upon principles imbued in the company from the original founders. Currently, they are maintained by family members who are still employed by these companies. Amazon's CEO Jeff Bezos runs the company in a way that creates a very stressful social psychology amongst employees, which is distinct from other places and at times former employees have described the "Amazon Way" as being very intense. Macy's hired e-Bay executive Hal Lawton in order to get Macy's out of the slump it has endured the last few years. Similar to JCPenney's move to bring in new CEO Marvin Ellison, Macy's hopes that new leadership will outweigh the negatives in the retail environment.

The strategic choice view within the voluntaristic stream relies on internal issues and creates a space where the leadership's dreams can either drive the organization towards success or failure. There are many examples of this in the case of JCPenney that signal its decline due to a 'dream-filled' managerial context that somehow missed the reality of the company's resources, path dependence, and customer inclinations. Being so path dependent in its brick and mortar model with face to face customer service, the management team's preplanned responses (i.e., strategic plans for the forthcoming fiscal quarters) for such a rapidly changing organizational environment were ill-equipped to handle every external environmental change.

A specific instance of how the leadership's misperceptions led to further declines in performance occurred during 2011-2013. One person has been the subject of JCPenney's ultimate fall from its successful position in the retail industry: Ron Johnson. Specifically, his strategic plan to rebrand and change JCPenney resulted in a loss of its loyal customer base. His decision to remove discounts and coupons from JCPenney revealed that he did not understand the value propositions that made the company profitable. Instead, Johnson saw a bright horizon full of the possibilities, which he was able to attain while at Apple. Even though he employed various tools (like video conferencing) to imbue his grand vision into the people working under him, Johnson's strategies to rebrand the company and his leadership style ultimately proved disastrous.

5.3 Integrated Bridges: Strategic Misalignments vs. Emotive Framing

The strategic misalignment story opens on a process driven by leadership that creates a mismatch in chosen strategies, environmental and organizational aspects and other resources. This mismatch sends the organization on a downward spiral, which is difficult to slow the momentum of declining performance, sustained over a lengthy time period. Using the strategic misalignment story as a foundation, the emotive framing pulls out nuanced psychological factors that guide the leadership's behavior. In particular, our version of the emotive framing focuses on emotional posturing by leadership that reflects a cycle where there are different types of emotional posturing, which we explain further below.

5.3.1 The First Bridge – Strategic Misalignment View. In line with prior research, the resource-based theory of strategic misalignment creates a bridge between the deterministic principles and voluntaristic perspectives to best describe the noticeable decline, as seen in Table #6, occurring at JCPenney through the four-pronged ESCO approach. The retail environment is experiencing a shift in how it reaches its consumers, which can be by mobile applications, computer, iPad, or in person. Technology is in the process of potentially rendering brick and mortar department stores obsolete. Not only do many customers now primarily shop online, but ecommerce retailers have adjusted their business models to allow returns and product exchanges with relative ease. Technology has also made it possible for direct consumer to consumer transactions, resulting in significant shifts in retail market share towards more niche markets.

The second prong involves JCPenney's strategy in the retail industry. Although it is clear that JCPenney has Amazon as a new competitor in the retail space, the company's attempt to completely change its identity alienated a loyal customer base, indicating poor strategy. The company's attempt to be a discount retailer like TJ Maxx or a high-end retailer like Macy's lost it the core customer base that garnered its success for over a hundred years. The third prong, core competencies, consists of the firm's resources and capabilities which includes the more social aspects such as human resources. JCPenney has tried to utilize core competencies to raise the company back to the success it attained before Ron Johnson's departure. Selling its headquarters in Texas, closing underperforming stores, and laying off employees were all strategies put into play by purpose-driven leaders who had grand visions for the company. Unfortunately, these actions may prove insufficient to ward off a bankruptcy or fire sale.

Last, organization, also pulling in the social aspects, involves the structure and processes of the entity, as well as the culture, division of tasks, and centralization. In this case, it appears that JCPenney's firm culture was significantly altered by the appointment of a new CEO whose intentions were to improve profitability. Rather than understanding JCPenney's culture and innovate, Ron Johnson chose to take actions that led to misalignment of the company's strategy with retail environment and core competencies possessed by JCPenney. Further, it appears that the coordination of resources and how they have been used at JCPenney are not aligned with the current retail environment. Yet, JCPenney has made substantial efforts to correct itself. The closing of underperforming stores was a good way to align its core competencies and business strategy.

5.3.2 Expanding the Nexus with Emotional Posturing. Leonardi and Barley[301] sought to find a nexus between the deterministic (cited as being more material) and voluntaristic (cited as more social) approaches, and addressed the criticisms of favoring either principle alone. A great context to view such criticisms is where technological change is the catalyst for organizational change. When technology is the catalyst for organizational change, it is easy to adopt a materialistic view with deterministic principles.[302] Here, the dichotomy between the material and social lens presents another avenue from which to analyze JCPenney's case. However, scholars also purport that researchers should avoid "the tendency to tilt"[303] in favor of either perspective.

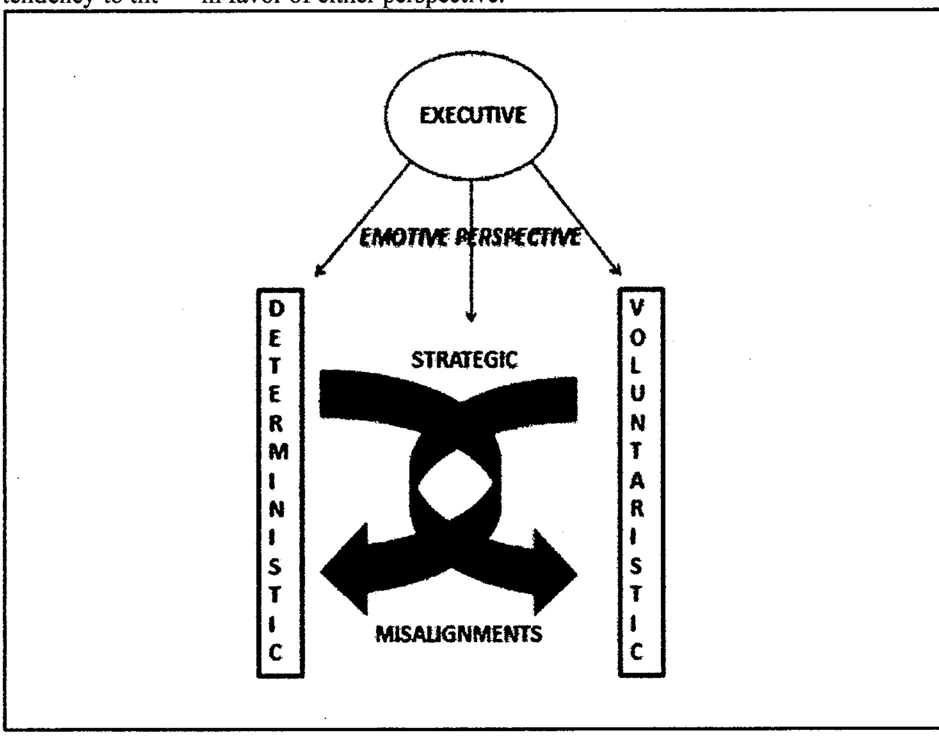

Figure C: D-V-SM-E Framework

Analyzing this case with a strategic alignment lens caused us to think deeper about how the emotional state of the leaders plays a role when they are setting organizational strategies based on their vision and perception of their industry's environment. Thus, while strategic alignment creates a bridge between deterministic principles, the bridge is still missing some meaningful treads. Khelil's (2016) framework adds the emotive approach alongside deterministic and voluntaristic approaches in explaining entrepreneurial failure.[304]

The emotive approach that Khelil (2016) incorporates for explanations of business "failure assigns a crucial role to the entrepreneur's motivation, commitment and aspiration to

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[301] Paul M. Leonardi & Stephen R. Barley, *Materiality and Change: Challenges to Building Better Theory about Technology and Organization,* 18 Info. & Org., 159-176 (2008).

[302] *Id.*

[303] *Id.*

[304] *Id.*

explain why some entrepreneurs choose to give up performing firms despite the availability of resources and others choose to persist with underperforming firms despite the lack of resources."[305] Khelil creates various entrepreneurial profiles that explore the way business owners manage various stages of their business based on their motivation.[306] For example, whether they are disappointed or confused influences the life span of the business and the ventures way to exit and/or fail. Our addition of emotional posturing to the strategic misalignment model is different from Khelil's version of the emotive approach because we focus on larger corporations instead of start-ups and small businesses and CEO pride as the type of psychological factor we examine.

Building on this, we propose a framework called the D-V-SM-E Framework (Figure C) to integrate the emotive approach into a decision-making process that uses strategic misalignments to connect voluntaristic and deterministic principles. However, this model includes and understanding that the emotional state of the leadership, specifically the entrepreneur in the exemplar context, can create a self-fulfilling prophecy. Therefore, leadership's negative emotions, pride, or a disappointment can also contribute to failure based on the emotional lens through which they perceive their options in decision-making. In JCPenney's case, Johnson failed to see the misalignment created by his strategy. Even after he was fired, and after JCPenney had incurred so many losses, he stood by his conviction that the company should have continued with his plan in order to build technological success.

As a cycle, the emotive approach can start with pride in the leadership when they enter a company, which resembles the voluntaristic strategic choice view. Then, after experiencing performance decline from a failed strategy, the leader will show emotional posturing by refusing to make a change in strategy, but will instead restructure the sub-units of the firm to still meet their vision, as in the deterministic systems structural view. Here, the organization's response to the competitive environment is constrained. Another form of emotional posturing after a subsequent failure may also be disappointment. In terms of strategy, the leadership will express their disappointment by placing blame on others outside of their actions, such as customers for not being able to select the more evolutionary service or product, which reflects the natural selection view.

6. IMPLICATIONS & CONCLUSION

Our evaluation of JCPenney based upon the deterministic, voluntaristic, strategic misalignment and emotive approaches, reveals, scholarly implications for the management field and practical implications for large retail stores working to remain competitive in light of technological changes in their environments. The main scholarly implication, and where our contribution lies, is that adding an emotive approach to the deterministic, voluntaristic and strategic misalignment frameworks that already exist for explaining business failure, will shed more light on the deterministic and voluntaristic reasons behind executive strategy and actions that lead to organizational demise. While insightful, a limitation of the study is the targeted nature of the data collection on a majority of written news articles that feature certain keywords within the specified time frame. Opening up the data collection to other types of evidentiary sources will undoubtedly present more variation and insight for the comparative

[305] Khelil, *supra* n156.
[306] *Id.*

perspectives used in our approach; particularly, the emotive approach, which was added later in the study to further explain the constructs that were arising in the case report.

There are several practical implications for JCPenney given the position the Company has held in the American retail environment and in the American economy when compared to Walmart, Macy's, H&M and Amazon. First, the external factors influencing JCPenney require the Company to develop macro and micro strategies to address the major environmental causes for the loss in its market share. JCPenney must develop a robust online presence that includes an omnichannel customer approach and model the innovative use of technology similar to the ecommerce giant, Amazon. Second, JCPenney should develop strategies specifically addressing the geographical regions where the stores are located, especially in areas where middle to low income customers live. The attraction to shopping online is the convenience, but ultimately the customer must find what she wants. Last, the fact that JCPenney has entered into the home goods market to target millennials, is a good sign of aligning strategies in a competitive retail environment. Similar to H&M, JCPenney should further develop and target specific customers instead of using the old brand model of the all-encompassing department stores.

Although, it is difficult to balance what works and what does not work when the retail paradigm is shifting, JCPenney should be cognizant of competitors' approaches to retail but should find what works for the JCPenney brand, employees and customers. We suggest that JCPenney test out new innovations or strategies on a store or two before it dives into new business strategies that might alienate its loyal customer base.[307] Finally, to best understand current trends, it is important to have a generational expert that is knowledgeable about the base that you want to attract. JCPenney can find the "secret sauce" to better understand and expand its customer base by targeting focus groups and finding generational brand ambassadors in local regions.

This study has also made it clear that to remain viable JCPenney should consider re-entering the international retail arena like Amazon, H&M, Macy's and Walmart. JCPenney has experienced failure and success in foreign markets and learned that the process requires research of the foreign consumers' habits, knowledge of the credit structure, and potential partnership with local suppliers and competitors. Most importantly, JCPenney learned that it cannot simply implement an American business model in a foreign market and expect the business to be profitable. JCPenney should research and enter into a foreign retail market that benefits from their lower prices and varied inventory, but should assess whether building a brick and mortar store would be profitable. Amazon has an online presence internationally; whereas H&M, Macy's and Walmart have brick and mortar stores in international markets. Establishing a presence internationally diversifies JCPenney's portfolio and allows the Company to continue to innovate.

In order to avoid, emotional posturing, we believe that JCPenney needs management that can collaborate and promote the Company's ideals and values. The management structure should be more collaborative to ensure that there is never an occasion for a single "star" to make or break the company. JCPenney executive management need to be cognizant of what external and internal factors impact their Company and they should understand how

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[307] In June 2012, Morgan Stanley issued a report indicating that JCPenney's rebranding effort was driving out the Company's core customer base, even resulting it some customers protests. Jim Edwards, *BRUTAL: JC Penney Rebranding Is Driving Its Core Customers AWAY From The Store* (June 15, 2012), http://www.businessinsider.com/macys-is-taking-market-share-from-jc-penney-2012-5.

these factors cause emotional posturing. JCPenney's new CEO has exhibited signs against emotional posturing by visiting the stores and observing first-hand what works and what does not work for the Company's business strategy. Executives should not only learn about the facts and figures related to their companies, but they should also understand the nuts and bolts of what makes their businesses successful. JCPenney experienced successes early on because it was a pioneer of a new retail archetype, the department store. It offered low prices, in-house fashion labels, and items for the entire household from toys to appliances. It is our belief that a greater understanding of the new technological tools available will help JCPenney avoid the cycle of emotional posturing. JCPenney's business strategy should align with current technological innovations from a deterministic and voluntaristic perspective.

JCPenney's business model must evolve and align with the technological trends and tools that consumers currently use. We caution JCPenney to not lose its identity and rebrand to the point that it is no longer recognizable. JCPenney must provide what it has always provided, great and affordable products, and must learn how to capitalize on those elements that e-commerce retailers do not have in order to maintain and profit from its brick and mortar department stores.