



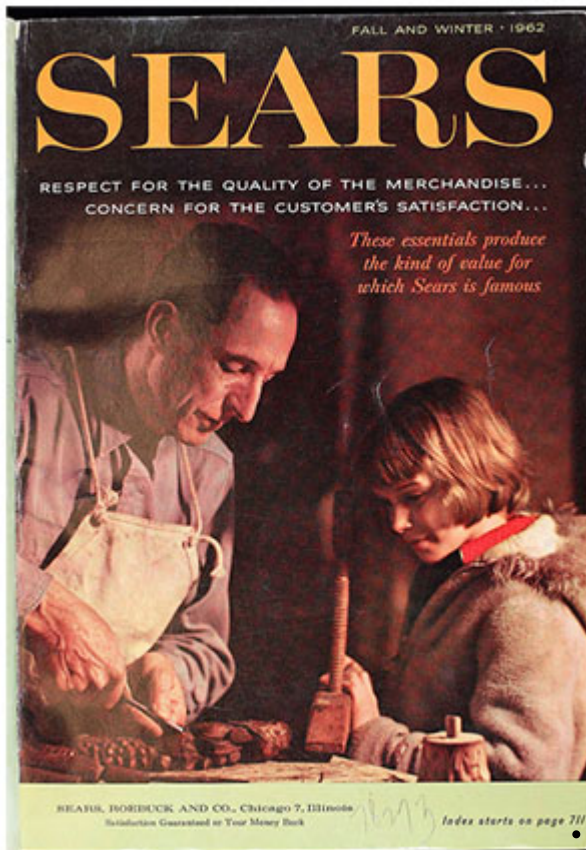
DECEMBER 6, 2018



Chapter 11 for an American Icon: What Sears Shows Us About Failed Leadership

On October 15 — a few months after the 125th birthday of what was once the world's largest retailer — Sears Holdings sought Chapter 11 protection from a \$134 million debt payment and announced it would close 142 stores.

Thirty years ago, Sears was a retail and mail order giant. For many of its 125 years, the company dominated the retail industry, bringing quality products at affordable prices to much of America. Customer loyalty to Sears was legendary. Workshops were filled with



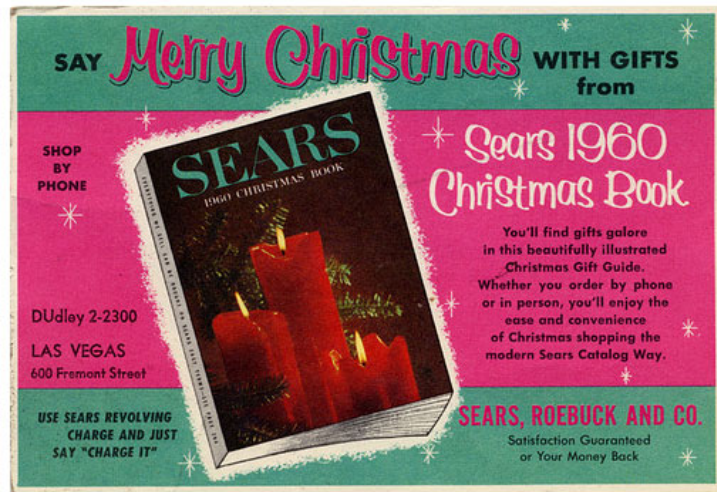
Craftsman tools, homes were equipped with Kenmore appliances and decorated with Sears furnishings, while Sears clothing filled closets and cars ran on DieHard batteries. The Christmas shopping season wasn't complete without the Sears "Wish Book." Sears was dependable, with reliable products you could trust and a warranty that placed customer service above everything else. So, what happened?

[In a recent article for Total Retail](#), global leadership and customer service expert Shaun Belding observed that, "There is, of course, never just one thing that leads to the downfall of a company. **It's almost always a progressive and insidious erosion created by poor leadership and short-sighted decisions.**" In the case of Sears, the company lost sight of what made it successful. Sears, after all, had been an innovator for much of its history. To put the Sears loss in context, here are some milestones:

"Founded shortly after the Civil War, the original Sears, Roebuck & Company built

a catalog business that sold Americans the latest dresses, toys, build-it-yourself houses and even tombstones. The company was, in many ways, an early version of Amazon." (NYTimes, 10/16/18)

- In 1896, Sears benefited from a United States Postal Service program called Rural Free Delivery, which extended mail routes into rural areas. (NYTimes 10/15/18)
- As more Americans began living in cities, Sears opened retail stores, the first in 1925 in Chicago.
- “Later, its vast spread of brick-and-mortar stores positioned it in prime retail locations across the country. For years, it was the largest retailer in the United States, operating out of the tallest building in the world. At various points, it sold products like fishing tackle, tombstones, barber chairs, wigs and even a ‘Stradivarius model violin’ for \$6.10.” (NYT 10/15/18)
- Sears benefited from being a pioneer chain in a landscape of largely independent department stores. Along with JCPenney, it became a standard shopping mall anchor. Together, the two chains, along with Montgomery Ward, captured 43 percent of all department store sales by 1975 ... (Then) Skyrocketing inflation meant low-price retailers, such as Target, Kmart and Walmart ... lured new customers. The market became bifurcated, as prosperous upper-middle class shoppers turned to more luxurious traditional department stores, while bargain-seekers found lower prices at the discounters than at Sears. (Smithsonian 7/25/17)
- Sears was a major player in financial services in the 1980s, with Allstate Insurance and Dean Witter in the brand portfolio that included Kenmore and Craftsman. But by 1989, Sears was a shade of its former self. “It slashed prices on most of its inventory and in time shut its catalog operation, closed hundreds of stores and laid off tens of thousands of employees. Stores began carrying more outside brands and accepting nonstore credit cards to entice customers.” NYTimes 10/15/18



Somewhere along the way, Sears stopped innovating. After nearly a century of adapting to changing retail environments and tastes, the company lost its ability to compete.

[Mark Cohen, Adjunct Professor at Columbia University and former Sears insider](#), describes Sears as a case study in management failure with lessons for business leaders. According to Cohen, every organization, regardless of industry, “lives and dies based on its leadership.” He singles out leaders who failed to effectively steer Sears onto a more sustainable course, and blames this on their inability to lead effectively:

- “It is always all about people.”
- “You can’t cost-cut your way to success.”
- “Your reputation is only as good as your customer’s last interaction with you.”

As Mark Cohen aptly states, **“If you’ve got appropriate leadership skills, then almost anything is possible. If you don’t, you’ve got nowhere to go.”**

Could the Sears story have had a different ending? We think so. The company had an enviable reputation, a stable set of trusted brands, and a commanding market presence. What they didn’t have, in hindsight, was management that recognized opportunities and adjusted market strategies to fit the changing retail environment. Instead of enabling teams to innovate and take full advantage of new opportunities, Sears turned to cost-cutting, layoffs and store closures. **If the company had nurtured [leadership skills](#) in their still-engaged organization, if they had established a [collaborative culture](#) that fostered creativity and innovation, and if they had encouraged those on the [frontlines](#) to find new and better ways of delivering superior service, then the story might have had a very different ending.**



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