Assignment:
Common MGT 360 Management Analysis Report

`wayne.smith@csun.edu`

[updated: Monday, November 3, 2014]

Course: *MGT 360*
Title: *Management and Organizational Behavior* (3 units)

"Theory is about the connections among phenomena, a story about why acts, events, structure, and thoughts occur. Theory emphasizes the nature of causal relationships, identifying what comes first as well as the timing of such events."
--*R. Sutton and B. Staw*

Goal:
The Department of Management strives to ensure that all students enrolled in MGT 360 are critical thinkers and strong writers. In essence, the Department wants all students to be able to demonstrate competency and efficacy in applying the principles of management and organizational behavior to the issues of a contemporary organization and its broader environment.

Objective:
In narrative essay format, I want you to address a business/organization case study using the concepts from class. The case text begins on page 3 of this document.

Building upon your knowledge from MGT 360, students should demonstrate their best understanding of management theory and the application of those ideas to improve the understanding of various issues. Building upon your skills from general education and lower-division core courses, students should demonstrate their best composition and technical writing skills.

Length:
This essay is to be no less than three full pages and in length and no more than four full pages in length. Other relevant formatting requirements ("style guide") are linked from the course web page.

Deliverable:
This assignment is due on the date specified on the course outline.

Performance Measurement:
There will be two different scores for this assignment.

The *first* score will be for <u>content</u>, and will also be scored from 1 (weak) to 6 (strong). The details for earning strong scores are enumerated below:

- *Don't* just describe. *Do* lead the reader through the process of inference. That is, apply the general principles (theories, models, and frameworks) from this course to <u>explain</u> a phenomenon that occurred in the past or <u>predict</u> what phenomenon is likely to occur in the future. Both explanations and predictions require a deep understanding of "why". Support for "why" is evidenced primarily by the rigorous use of appropriate theories, models, and frameworks. Occasionally, additional support can be offered by the use of a relevant <u>analogy</u> between a fact from the case text and a fact from a course reading.

- *Don't* write haphazardly. *Do* balance <u>breadth</u> (broad coverage of multiple issues) with <u>depth</u> (sufficient, detailed analysis of each distinct issue). Identify no fewer than <u>three distinct issues</u> that you feel need to be addressed. These issues emerge from your reading of the article, your education and experience, and your understanding of what the firm needs to succeed. You'll write a better paper if you identify issues that resonate with you <u>viscerally</u>. This is the main body of the report. Additionally, the first paragraph of the report should be an introduction, and the last paragraph should be a conclusion. The last sentence of the introduction might be a summary of what is to come in the main body, while the conclusion might be a summary of what was said and final recommendations.

- *Don't* focus on principles, concepts, and materials from *other* business classes (lower-division or upper-division). *Do* focus on principles, concepts, and materials covered in *this* course—MGT 360. Take the perspective that the materials from this class on "Management and Organization Behavior" are <u>unique and distinctive</u> from other upper-division business courses. Here are two tips: 1), review the titles of the textbook chapters, HBR and supplemental readings, 2), review the organizational structure and details of the course outline.

- *Don't* just use concepts from the current part of the course, or materials just after the mid-term exam. *Do* use materials from the <u>entire</u> course, including from materials on <u>leadership</u> and <u>change</u> near the end of the course. Therefore, you need to review prior materials and you need to read ahead. This class doesn't have a cumulative final exam. However, this assignment is indeed a <u>cumulative</u> assignment.

- *Don't* ignore General Education courses. *Do* incorporate materials from one or more of G.E. courses if you feel those materials strengthen your thinking.

- *Don't* make crass, unsubstantiated arguments or ambiguous references. *Do* provide tangible support for your reasoning. For both MGT 360 and General Education course material, 1), cite your references, including specific page numbers, inline in the sentence in the narrative, and 2), provide a

"References" or "Works Cited" section at the end of the paper that lists the full citation for each reference. Cite the case text also as needed. Either APA or MLA style is acceptable for citations and references. You might wish to review, for example, the APA Style Guide summarized nicely by the CSUN Library:

http://library.csun.edu/egarcia/documents/apacitationguide.pdf

The *second* score will be for writing. The scoring criteria for the writing will be from 1 (weak) to 6 (strong), and will be similar to the scoring criteria used previously in this class.

Case Question:

Assume that you are a consultant to the Board of Directors at Target (note: the Board hires the CEO). The Board of Directors at Target has hired you to assist them in better understanding the leadership and management skills, knowledge, and abilities of the firm's newly hired CEO. Write a brief management analysis report that informs the Board. That is, using the language of our class, describe (explain) why Mr. Cornell was successful at Pepsi and/or prescribe (predict) what he will need to do to be successful at Target. (The first article below is about the new CEO; the second article is additional background information on Target and it's previous CEO.)

(If you need to make any assumptions about the firm or the industry, or background regarding anything you might have read in the case text, simply state them as needed.)

Case Citation (article 1 of 2):

Ziobro, P., and Lublin, J (2014, Jul 31). "Target Picks a Pepsi Veteran as New CEO"" *Wall Street Journal*.

Case Text:

Target Corp. is bringing in PepsiCo Inc. executive Brian Cornell as its new chief executive, turning to an outsider for the first time in its history to repair a battered corporate culture and navigate a sea change in Americans' shopping habits.

Mr. Cornell, age 55, steps into the role vacated three months ago by Gregg Steinhafel, a Target veteran who left after a revolt by key lieutenants who worried the cheap-chic discount retailer had lost its way.

The PepsiCo executive will have to manage those concerns while coming up with a strategy to reverse more than a year of falling store traffic -- a drop caused by internal fumbles; a damaging security breach of its customers' credit and debit cards; and a shift in which consumers are making fewer trips to big-box stores and doing more shopping online.

The executive has spent nearly a decade at PepsiCo, where he was an outside contender to succeed current CEO Indra Nooyi. Not all of his years at PepsiCo were consecutive, but over the past two years he ran PepsiCo's Americas Foods business, whose brands such as Quaker oatmeal and Lay's potato chips are found on the shelves of Target. Before that, he spent three years at Target rival Wal-Mart Stores Inc., where he ran the Sam's Club warehouse chain. He also was CEO of arts and crafts chain Michael's Stores Inc. for two years, after it was taken private.

Target, with more than 1,900 stores in the U.S. and Canada and nearly $73 billion in 2013 revenue, has had a difficult year. A massive data breach derailed sales over the holiday season and kept customers away for months. Sales started to improve in March as the weather warmed and after the retailer cranked up discounts, like offering five 12-packs of Coke for $10, but the company forecasts same-store sales will be flat to slightly up in the U.S. for the quarter that ends Aug. 2.

Fixing those problems will require some big decisions. The new CEO is expected to make a call on whether Target should continue a botched expansion into Canada that already has cost the company $1.6 billion. The e-commerce division remains weak, with only about 2% of sales coming via the Internet.

Target is also wrestling with deep-seated cultural issues that factored heavily in the removal of Mr. Steinhafel. Current and former executives have said decision-making slowed down during his six-year tenure, with key decisions frozen in layers of committee meetings.

They also said the former CEO eroded Target's creative flair by focusing more on selling basics like groceries as the country came out of the recession and de-emphasizing the hip housewares that once were central to its appeal. This spring, some top executives told the board that if Mr. Steinhafel didn't go, more talent would leave. Mr. Steinhafel declined previously to comment on those matters.

Target had signaled that it would look outside its walls and outside of traditional retailing altogether for its next CEO.

In fact, it is bringing someone with a history in the industry, including a stint at Wal-Mart, whose no frills, operationally focused culture contrasts with the design-conscious image Target projects. His most recent experience is in food, which may clash with the preference of many Target executives to re-emphasize more fashionable merchandise like clothing and furniture. He joined the PepsiCo fold in 1998 after the company acquired the Tropicana orange juice brand, where he worked earlier in his career.

PepsiCo said it looked forward to working with Mr. Cornell at Target and would announce his successor soon.

Target is currently being steered by Chief Financial Officer John Mulligan, who is serving as interim CEO.

Mr. Cornell, who has long sought to run a public company, begins his new job Aug. 12. He first started talking with Target several weeks ago after people in the Minneapolis business community mentioned him as an attractive candidate for the job. He has ties to the city as a director at recreational vehicle maker Polaris Industries Inc. He plans to relocate to Minneapolis and will be at Target headquarters Thursday to meet with the company's leadership team in person. Mr. Cornell has already met with some top executives like Mr. Mulligan, who will be returning to his position as chief financial officer.

"Target is full of talented individuals, and Target guests routinely share stories of their personal love of the brand," said Mr. Cornell, who attended University of California, Los Angeles, and its Anderson School of Management. "These are powerful assets."

Meshing with them will be critical after the deep rifts that developed between top managers and Mr. Steinhafel. The animosity escalated after hackers compromised 40 million credit- and debit-card accounts around Thanksgiving. Top managers began to meet regularly without Mr. Steinhafel and lobbied Target's board to replace him, people familiar with the matter have said.

Mr. Cornell's appointment does leave some question marks about some executives. Chief among them is the future of Kathee Tesija, Target's chief merchandising officer who has been viewed a strong candidate to one day become the company's CEO. The company is leaving open the president's title that had been held by Mr. Steinhafel.

Case Citation (article 2 of 2):

Ziobro, P., and Ng, S. (2014, Jun 24). "Off Target: Aides Rebelled After CEO Tweaked 'Tar-zhay' Formula" *Wall Street Journal*.

Case Text:

Just days before Chief Executive Gregg Steinhafel resigned from Target Corp., a small group of senior executives huddled together to discuss ways to improve the flagging retailer's fortunes. Shortly after their gathering on May 2, executives delivered a message to the board: If Mr. Steinhafel didn't leave immediately, others would.

The following Monday, the CEO was out. Several top managers are now leading the Minneapolis company until a permanent replacement is found.

The sequence of events, according to people close to the situation, was the climax of a tense narrative that had been playing out within Target's top ranks -- even before a massive credit-card data breach and a money-losing expansion into Canada exposed serious weaknesses in the chain's operations.

The big-box retailer was long known for a "cheap chic" style that drew shoppers looking to spend $20 on everyday basics but who left with $100 worth of "impulse purchases" -- items they didn't expect to buy. The creative force behind Target's hip image was fueled by a freewheeling corporate culture where executives walked stores with board members and managers had the latitude to make their own calls on everything from product picks to special promotions.

But interviews with more than two dozen former and current Target executives, managers and vendors reveal a deep malaise within a chain that, increasingly, had lost its way. Management became mired in a new thicket of bureaucracy. Creative leeway -- once the DNA of the chain affectionately dubbed 'Tar-zhay' -- took a back seat to rigid performance metrics.

Some executives took their grievances to Target's board; one of Mr. Steinhafel's key lieutenants stopped talking to the CEO entirely, say people close to the matter.

Mr. Steinhafel declined to comment for this article.

Under the former CEO, who needed to adjust to a newly frugal shopper in the wake of the recession, Target's offerings had become more commonplace, like Wal-Mart Stores Inc.'s -- heavy on food and other consumer staples, former employees say. Fewer new products were introduced.

The chain "lost a lot of what used to make it unique," says Barclays analyst Matthew McClintock. "There haven't been exciting reasons to shop at Target in recent years."

The product mix suffered from what some Target vendors describe as added pressure from the retailer in recent years. Buyers wrung costs out of suppliers, including small ones, who strained to adjust. They were also less willing to take risks on new items, say vendors and former merchandising employees. Rather than bet on the newest, most unique products, Target increasingly relied on a placement system that awarded prime shelf space to the highest bidders.

It was a far cry from the chain's 1990s heyday, when a team of Target trend-spotters made numerous trips around the globe, sussing out new products and ideas. Those scouting missions, once part of a famous marketing strategy, have been cut back since the recession, says a former executive.

The creative culture suffered in other ways. A plan to use mannequins in some stores for the first time, for instance, got bogged down in months of testing and review earlier this year.

Another initiative, to allow customers to order items online and pick them up from stores, was debated internally for years before finally being implemented in 2013.

Target's sales have been on a cold streak of late, with customer traffic falling in six straight quarters. Profits, meanwhile, have been hurt by an ambitious but poorly executed move into Canada, where Target opened 127 stores in just one year. Net income fell more than a third to $1.97 billion for the fiscal year ended January 2014, a level not much higher than a decade earlier.

Opened as a discount retailer in 1962 -- the same year as Wal-Mart and Kmart -- Target took off in the mid-'90s by attracting more affluent shoppers who were willing to shell out a few extra dollars for a designer dress or a whimsical kettle designed by Michael Graves.

To spice up even the most mundane consumer staples, the retailer drilled down on details. Merchandisers, for instance, ordered everything from grills to disposable tissue boxes in the season's hottest colors. The chain packed its Archer Farm blueberry granola in canisters with airtight lids -- a departure from the usual cardboard box.

Those special touches were blessed by Robert Ulrich, a Minnesota native who led the retailer for two decades before retiring in 2008. The former CEO kept a low public profile. Internally, though, Mr. Ulrich was known as a gifted leader with the ability to keep a diverse and ambitious group of senior executives in line and focused while giving them leeway to experiment.

Mr. Steinhafel, who spent more than 30 years at Target, was Mr. Ulrich's handpicked successor. The son of a Milwaukee furniture store owner, he joined Target in 1979 as a trainee buyer in the children's department and held various merchandising positions before becoming the company's CEO in 2008.

His management style was a departure from the status quo. Target had long followed a mantra of "fast, fun and friendly." It was a call to spontaneity, coined during Mr. Ulrich's tenure. Under Mr. Steinhafel, say some employees, it took on a weightier meaning. Managers were expected to host regular happy hours or take their teams out for ice cream, one former merchandising employee recalls. At annual performance reviews, some staffers were told they weren't "fast, fun and friendly" enough -- even if their units had favorable results.

Not long after he took the top job, Mr. Steinhafel severed ties with Mr. Ulrich, who had liked to keep retired executives around as advisers. The two have barely spoken since Mr. Ulrich stepped down as Target's chairman in 2009, according to people familiar with the men's relationship.

In an emailed statement, Mr. Ulrich said he and the board were in agreement that Mr. Steinhafel was the best person for the CEO job at the time.

The leadership change took place as Target hit a crossroads. The U.S. economy had just sunk into a deep recession sparked by falling home prices. Suddenly, Americans were less willing to buy nonessential items.

Sales at Target stores open more than a year fell 2.9% and 2.5% in Mr. Steinhafel's first two years as CEO.

Hoping to offset slipping sales of apparel and home furnishings, Mr. Steinhafel began to give more store space to produce and other grocery staples.

Mr. Ulrich had regarded groceries merely as an added convenience for shoppers -- not as a sales-growth tool, says one of his former top executives. He didn't want to detract from the carefully honed merchandise feel of Target's stores.

The food strategy yielded mixed results. By 2011, food and pet supplies were doing well, making up nearly a fifth of Target's sales, which were growing again. But more profitable goods, such as apparel and housewares, dropped to 37% of revenue, down from 45% in 2006.

The weak results prompted a round of belt-tightening. Among other things, Target's spending on its irreverent television ads fell to $303 million in 2009, down from $389 million the previous year. While overall ad spending, including digital, has been on the uptick, TV spending remained below 2008 levels until last year, according to Kantar Media.

Initiatives once left to divisional leaders to execute on their own became subject to consensus and extensive testing, say former executives. Even small projects, like a mobile app, became bogged under the weight of giant teams.

All the back-and-forth didn't jibe with a rapidly changing retail climate. Significantly, Target was slow to embrace e-commerce, which still only accounts for about 2% of sales. The company got a head start online in 2001 by outsourcing its retail website to Amazon.com Inc. But within a few years its partner, selling all manner of products in addition to books, had become a rival.

Mr. Steinhafel held the view that online purchases risked cannibalizing sales from visits to physical stores, say former employees. It wasn't until 2009 that Target embarked on a plan to build its own website, an effort it called "Project Everest."

Target took over its website operations from Amazon in August of 2011. Shortly after, it suffered a highly public failure when the website crashed as fans flocked online to buy a collection of goods designed by Missoni, the Italian fashion house. Angry shoppers, some of whose orders were canceled or delayed, shunned Target's stores for months.

Internal sparring ensued. At one point, Target had to decide whether to match lower prices from its online rivals. The matter was complex and subject to intense debate. Ultimately, the company decided in late 2012 to match prices of certain online retailers.

The new CEO did manage to log a few victories. Jason Goldberger, an e-commerce veteran hired last year to run Target.com, says Mr. Steinhafel finally pushed through the buy online, pick up in store program, which launched late last year. In 2010, the CEO had approved a program to give customers 5% off every purchase when they used Target's store credit-card, boosting sales. Today, one-fifth of all purchases are rung up on the "RedCard."

The moves weren't enough to calm the executive ranks. In late 2011, Michael Francis, Target's chief marketing officer who had spent over 25 years at the retailer and was an architect of its hip image, left to join J.C. Penney Co. Longtime Chief Financial Officer Doug Scovanner announced his intention to retire. Several others, from merchandising, store operations, financial services and other departments, also departed the company.

By early 2013, Target's performance slipped again after a weak holiday season during which a much-hyped product collaboration with Neiman-Marcus Corp. fell flat. A few months later, Chief Marketing Officer Jeff Jones appeared in a short video imploring staffers to "Get S -- Done."

The video was posted on an internal Target social network and shared widely among employees. Some found it refreshing to see a senior executive mocking elements of Target's culture -- even if the expletive was bleeped out each time Mr. Jones uttered it.

Then, Canada happened. The international foray, which has so far bled $1.6 billion in losses, was dogged by costly real estate, scant inventory and prices that Canadian shoppers -- used to crossing the border to visit U.S. Targets -- found too high.

Meanwhile, frustration with Mr. Steinhafel was growing in the executive suite. Late last year Kathee Tesija, the merchandising chief responsible for relations with suppliers, stopped talking to Mr. Steinhafel entirely, according to two people familiar with the matter. The rancor was partly due to the company's dealings with Procter &Gamble Co.

P&G had allowed Target archrival Amazon to set up shop inside its warehouses and ship Pampers diapers and other household products directly to consumers. The move hit a nerve with Mr. Steinhafel, who in 2012 had sent a letter to all major suppliers asking them to help Target fend off competition from the Web.

When the CEO learned of the Amazon arrangement, Target gave some P&G products less prominent placement in its stores for several months. A spokesman for P&G declined to comment.

The CEO's coup de grace came at year-end, when hackers were able to infiltrate Target's systems to steal 40 million credit and debit card numbers as well as the personal data of 70 million shoppers. Months after the preholiday attack, Target acknowledged it failed to follow up on evidence that hackers had accessed its systems -- warning signals that, if heeded, might have thwarted a breach in the early stages.

Target's board began mulling a change at the top weeks before Mr. Steinhafel's last day. The ultimatum from the senior executives prompted the board to ask for his immediate resignation, say people familiar with the matter.

Since Mr. Steinhafel's departure, top executives have been given more freedom to plot strategy and enact projects -- like putting mannequins in stores. Target had tested the idea in a single big-box location in January; now it plans to install dummies in hundreds of stores this year.

Target has also shaken up the leadership of its U.S. stores, promoting three top merchandisers, and has replaced the head of its Canadian business. The retailer has pledged to add new products more often and hasten decision making -- in part by eliminating layers of management.

"Our ability to speed things up has gotten exponentially faster," says Mr. Jones, the marketing chief. "We aren't waiting for a new CEO to arrive."