

The Big Lesson Behind Ron Johnson's Ouster

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We've seen this movie before.

A venerable, once profitable company, finding itself flat-footed in a rapidly changing world, recruits a high profile executive to lead a heroic turnaround. The newly minted CEO arrives with big ideas and lofty promises to shake up the company's moribund culture and put it back on the right side of the growth curve. But a year or so later, the hoped-for transformation has failed to transpire. The company is in even more of a tailspin. The once brilliant CEO, now deemed a dunce, is unceremoniously dumped. And the postmortems roll in, aglow with the wisdom that comes with 20/20 hindsight.

The most recent protagonist in this seemingly never-ending saga is, of course, Ron Johnson.

Not so long ago, more than a few observers believed that Johnson, as the superstar founder of those chic Apple stores, would inject some much-needed vigor into the 111-year old JC Penney. In June 2011, when news broke that JCP had enticed Johnson to be its next CEO, the hype kicked into overdrive. The CNBC showman Jim Cramer's [belief](#) that Johnson was "the greatest living merchant of all time" was not atypical of the fanfare that greeted the Apple impresario's move to the department-store chain. But after a tumultuous tenure that saw the retailer's revenue plummet 25% in a single

quarter, Johnson landed on the [Worst CEO](#) lists of 2012. Last week, in a move that surprised no one, Johnson and JCP parted ways. The Monday morning quarterbacking quickly followed.

According to the pundits, Johnson's sins were numerous. This [piece](#) in *Time* billboards the consensus view of many: the ex-genius's ideas were too big. He didn't understand the chain's customers. Taking a page from his stint at Apple, he refused to test his plans for the retailer's radical makeover. He misread what shoppers wanted and alienated JCP's core customers. Worst of all, he didn't respect the JCP brand or its company culture.

All of that may be true. But even if Johnson performed as badly as his detractors would have us believe, such commentary misses the larger lesson: turnarounds are long-shots, and almost impossible to pull off. Ron Johnson's failure should really be laid at the hands of those who managed JC Penney over the past decade and allowed the company's competitive position to erode.

Business books abound with stories of heroic CEOs who come to the rescue of once proud companies that failed to adapt to a changing world. There's Lou Gerstner's turnaround at IBM. Steve Jobs' improbable resurrection of Apple. And Lee Iacocca's stirring rescue of Chrysler. We can celebrate those stories, even as we recognize that turnaround attempts seldom turn out very well.

Equally problematic, a turnaround is an expensive substitute—in terms of squandered resources and the toll its takes on associates—for serial innovation. As the strategist Gary Hamel puts it in [The Future of Management](#), a turnaround "is transformation tragically delayed." For any executive team, the real challenge is "to build organizations that are capable of continuous self-renewal *in the absence of a crisis* [my emphasis]."

So here's what I take from the Ron Johnson debacle, which I shared with our Panera management team in an email I wrote last week, and which I now share with you: "We never, ever want to forget how hard it is to turn around a business and we never, ever want to allow ourselves to manage our business by doing what is expedient short-term at the expense of our long-term competitive position.

JC Penney's former CEO and prior leadership teams failed to position the company for the future and therefore the businesses required a 'heroic' surgery (which almost always fails) by Ron Johnson. In my view, the real failure of any leadership team and any Board is to let a company get into that position in the first place."

I can't say I'm encouraged by the news that Mike Ullman, who led JCP for seven years prior to Johnson's arrival, is back at the helm. Nevertheless, I wish Ullman the best. He's got an enormous challenge ahead of him.

My message: Don't avoid the inevitable. Be a realist now and innovate while you have the breathing room, the resources, and the credibility with your stakeholders. Do that, and your company will avoid the need for a "radical turnaround" expert in the future.

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