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'Call Me Mike!'; To Attract and Keep Talent, J.C. Penney CEO Loosens Up Once-Formal Workplace

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Abstract (Document Summary)

Penney, which targets middle-income consumers, faces a difficult competitive environment, as discounters lure shoppers with lower prices than Penney's, while higher-end department stores offer designer brands. To continue growing, Mr. [MIKE ULLMAN] insists that inspiring the company's current workers, and recruiting new ones, is mandatory. "In retailing today, you have to realize that there is too much property and too much merchandise," he says. "What there isn't enough of is talent."

Using colleagues' surnames was addressed early on. In a 1922 memo, Earl C. Sams, the second president of Penney, decried employees' use of each other's first names. "I do believe that in and around our stores if we would address our help as 'Mr.' or 'Miss' and 'Mrs.' as the case may be, then we would maintain a certain dignity and command a certain respect that carries with it an earning power with a value that is hard to measure," he wrote.

One of the most sensitive changes was the unveiling of Penney's "Winning Together Principles," which offer an updated moral code for employees that the company says is inspired by Mr. [James Cash Penney]'s original one. The new code also quietly supersedes the HCSC ceremony, founded by Mr. Penney, which included an elaborate induction and pin ceremony and was meant to recognize loyal employees embodying Penney's core values. But only profit-sharing management was eligible. Penney's new code and recognition program is intended to be more inclusive, Mr. Ullman says, arguing that lower-level employees can embody the HCSC principles of honor, confidence, service and cooperation just as much as senior management.

Full Text (1317 words)

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Plano, Texas -- WHEN MIKE ULLMAN took over as chief executive officer of J.C. Penney Co. in late 2004, he found a formal corporate culture that in some ways seemed to evoke the 104-year-old retailer's earliest days.

Employees still referred to senior management and store managers as Mr. and Ms., rather than using first names. At the

company's headquarters here, casual attire wasn't officially acceptable, even on Fridays. Decorating cubicles too elaborately, such as placing personal items on top of file cabinets, was a no-no. A team of "office police," reporting to human resources, enforced decor guidelines.

Penney also had a practice of promoting almost exclusively from within. To advance, ambitious employees had to work their way up through the stores, with many starting behind the cash register. Serving as a store manager was an assumed requirement to reach a senior-management position.

Mr. Ullman decided that the stringent code of conduct and in-house hiring were not only a factor in the company's high turnover rate, but also an obstacle to recruiting new talent. While Penney's financial performance has enjoyed gains over the past few years -- profit more than doubled in 2005, totaling \$1.1 billion, and Penney shares have surged more than 80% to \$60.82 over the past two years -- the company realized it could find further gains by stemming employee turnover, the cost of which it attempted to quantify last year. It estimated that each employee who left Penney cost the company about a third of that employee's wage. All told, for 2005, those departures added up to \$400 million, the company estimates.

Penney, which targets middle-income consumers, faces a difficult competitive environment, as discounters lure shoppers with lower prices than Penney's, while higher-end department stores offer designer brands. To continue growing, Mr. Ullman insists that inspiring the company's current workers, and recruiting new ones, is mandatory. "In retailing today, you have to realize that there is too much property and too much merchandise," he says. "What there isn't enough of is talent."

Only the second CEO in Penney history to be hired from outside the company, Mr. Ullman is mindful that in many ways he is walking a tightrope: Bringing in new blood, without alienating loyal employees or destroying over a century of corporate tradition. But he is confident in his approach. "I think our founding fathers would want to compete in today's market," he says. "Change is necessary to do that."

Transforming corporate culture is a focus for many companies today, says Batia Wiesenfeld, professor of management at New York University's Leonard N. Stern School of Business. "Today's emphasis on culture change is shifting from stemming the bleeding of the last five years to paying attention to broad cultural adaptations that will deliver a competitive advantage," she says. But bringing change to a company that prides itself on its history isn't easy, she says, "especially when a company's legacy is part of its marketing."

Much of the way Penney operates today is rooted in its 1902 beginnings, when James Cash Penney opened his first store, called The Golden Rule Store, in Kemmerer, Wyo.

When the rapidly growing chain was incorporated in 1913 and renamed J.C. Penney, Mr. Penney instituted a ceremony for loyal employees to affirm their commitment to the company's motto, known as HCSC, which stands for Honor, Confidence, Service, Cooperation.

The son of a preacher, Mr. Penney wrote prolifically about how Penney employees should conduct themselves both on the job and at home, emphasizing the need for values such as agreeableness, thriftiness and moral leadership.

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While the memo was never sent to store managers, "everyone would have known about it," says Joan Gosnell, who oversees the J.C. Penney archives at Southern Methodist University.

Much of that formality lingered through the decades. "Even if I insisted on being called 'Mike,' people still would call me 'Mr. Boylson,'" says chief marketing officer Mike Boylson of his tenure as a Penney store manager.

Instrumental in Penney's campaign is Mr. Ullman's newly recruited human-resources officer, Michael Theilmann, a former executive at Yum Brands Inc. At a rally last summer, Mr. Theilmann announced a series of "quick hits," or small changes that he bet would make a big initial impact in Penney's cultural revolution.

One of his first moves: a poster campaign dubbed "Just Call Me Mike" that he hoped would finally cure employees of their stubborn reluctance to call senior management by their first names. Nodding to the fact that some 400 of the headquarters' 5,200 employees go by the name Mike, Mr. Theilmann had posters emblazoned with the phrase plastered throughout the sprawling corporate campus. In addition to photos of company officers named Mike, including Messrs. Ullman, Boylson and himself, the posters cited all the advantages of being on a first-name basis, including "First names create a friendly place to shop and work."

Other announcements that drew cheers from the crowd: Acceptable work attire would officially be "business casual" at the corporate office, and, on Fridays, jeans. Having disbanded the office police, Mr. Theilmann also declared that employees could decorate their cubicles as they chose (within reason).

To emphasize that workers are center stage at the company, Penney plans to sell or donate most of its art collection -- which includes over 300 pieces and is estimated to be worth millions of dollars -- and replace it with photos of Penney employees and other company- oriented art. Plans for the proceeds of the sale are in development. Sotheby's Holdings Inc. is currently appraising the collection, which includes works by Andy Warhol and Robert Herri.

New security-ID badges are currently being distributed to all 150,000 employees. To promote a more democratic sentiment inside corporate headquarters, those cards allow employees access to all parts of the building, including the executive floor, which was previously off limits to most workers. New cards feature the employee's first name in large letters, with the last name in much smaller type.

One of the most sensitive changes was the unveiling of Penney's "Winning Together Principles," which offer an updated moral code for employees that the company says is inspired by Mr. Penney's original one. The new code also quietly supersedes the HCSC ceremony, founded by Mr. Penney, which included an elaborate induction and pin ceremony and was meant to recognize loyal employees embodying Penney's core values. But only profit-sharing management was eligible. Penney's new code and recognition program is intended to be more inclusive, Mr. Ullman says, arguing that lower-level employees can embody the HCSC principles of honor, confidence, service and cooperation just as much as senior management.

"The business isn't just about store managers anymore -- it's more complicated than it used to be, and I need to motivate employees from the entry level to the officers," says Mr. Ullman. "If I had a choice to honor the past and lose, or move forward and win, I pick winning."

Cultural Revolution

How J.C. Penney is trying to transform its corporate culture:

-- Emphasizing the use of first names among colleagues and their superiors.

-- Selling the company's art collection -- including work by Andy Warhol -- and replacing it with employee photos.

-- Re-emphasizing business-casual attire during the week, and allowing jeans on Fridays.

-- Allowing employees access to all parts of the headquarters' campus, including the executive suite and its elevator.

-- Updating the company's core principles to better reflect modern sensibilities.

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