

LEADERSHIP, CULTURE, AND TRANSITION AT

LULULEMON

Marina MARTINOVA, Edoardo CRISAFULLI, Georgios CAMBANIS, Ashish BAHUKHANDI, Marc KABALANE

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Presentation of Lululemon



Company background & Business Strategy



Company background:

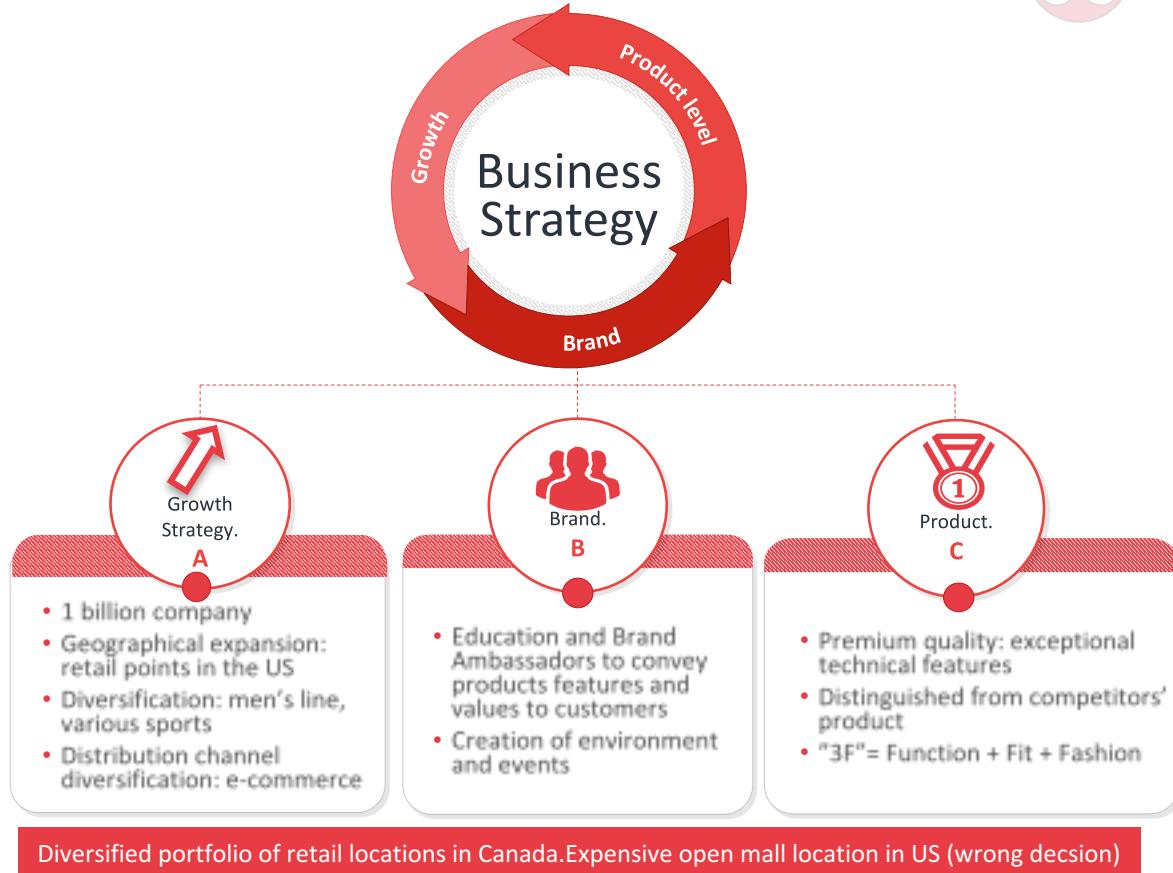
- 1998 - founded by Chip Wilson (personal experience) in Canada;
- Main product: "yoga-inspired athletic apparel";
- 2001 – expansion to the US
- 2008 – turbulence period
- 2008 – New ears: Christine Day took over as CEO

Problems in 2008:

- Operation on large scale & unfamiliar markets;
- New format (e-commerce)
- Decrease in sales (by 25% 2008-2007);
- Inventory issues (stock outs);
- Declining quality;
- New leadership & management misalignments;
- Cross-functional barriers;
- Slowing down;
- Demoralization.

Current challenges:

- Stock price slump;
- Early product recall
- Wrong crisis management policy
- Turnover in the top management



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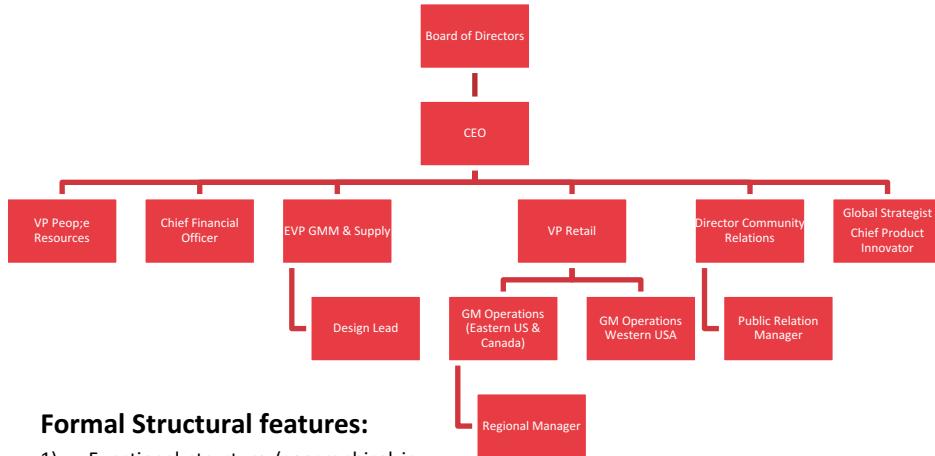
Lululemon's leadership seen through DESIGN, CULTURE and POWER perspectives





The first lens: Organizational Structure

Horizontal linkage & alignment

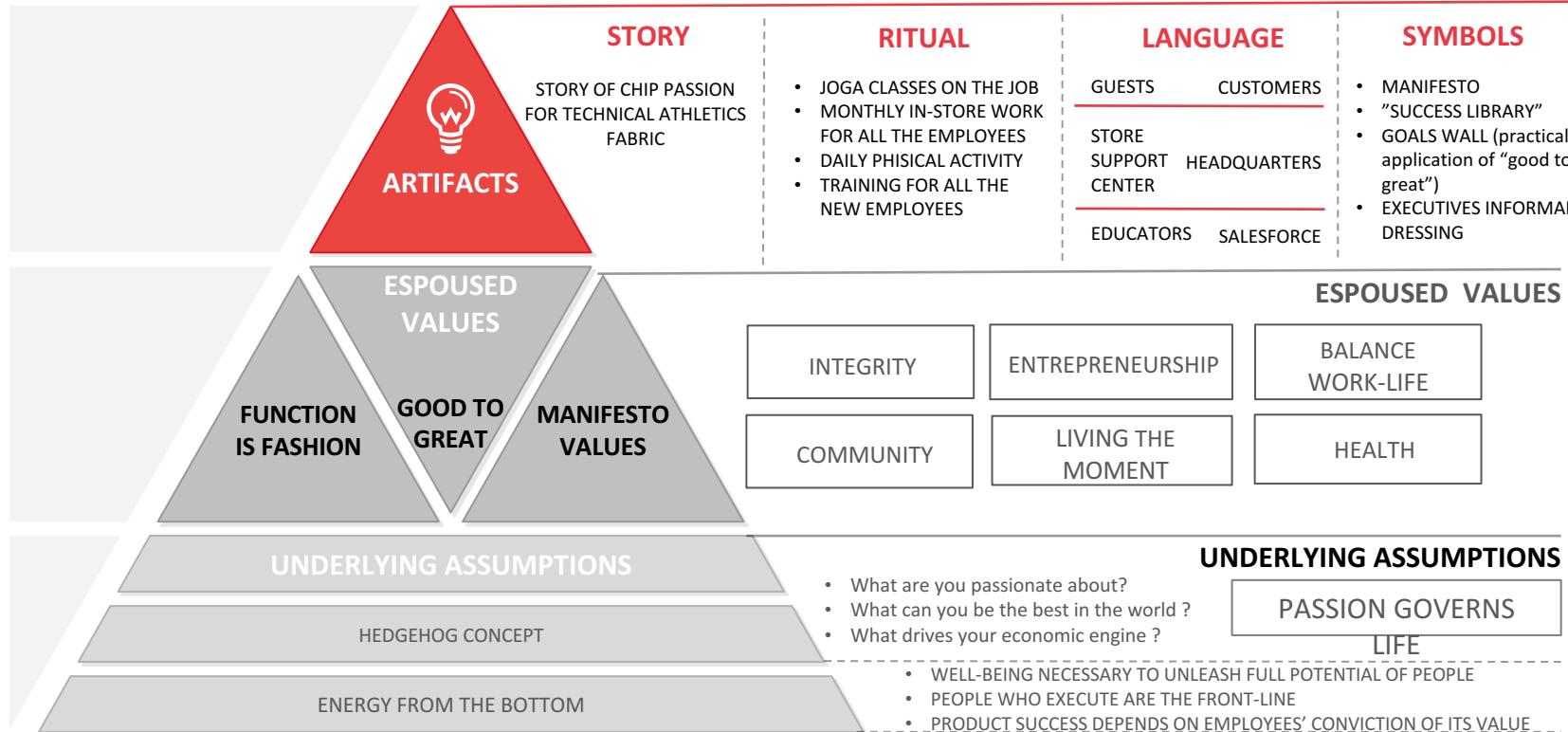


Drawbacks of current structure:

- 1) Strongly hierarchical formal structure with autonomous sales points;
- 2) Less suitable for too many product lines (men's/women's, jogging/ skiing)

Linkage	Alignment	External connections
<p>Education:</p> <ul style="list-style-type: none">• Goal setting <p>In practice:</p> <ul style="list-style-type: none">• Field actions (8 hours/month)• Designers & stores connection	<p>Motivation:</p> <ul style="list-style-type: none">• HR development program• Bonus programs for managers (20% of salary depend on sales) <p>Values:</p> <ul style="list-style-type: none">• Manifesto & J. Collins Good to Great• Examples: C.Day is not only a successful businesswoman but also a mother	<p>Input:</p> <ul style="list-style-type: none">• Customer's feedback• Trainer's feedbacks <p>Output:</p> <ul style="list-style-type: none">• Customer education• Trainer-ambassadors• Appealing Manifesto

The second lens: organizational culture



The third lens: leadership



CEOs time-line

1. CHIP WILSON

Founder-entrepreneur

- Set the vision
- Manifesto
- Single person with all the answers
- Followed by a green team

2. BOB MEERS

Expert Former Reebok CEO

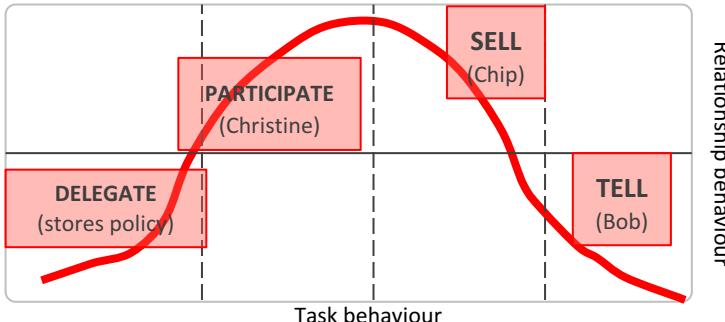
- IPO
- Set the direction without explanation to employees
- New outside leaders
- No link with the past

3. CHRISTINE DAY

- Experience: Starbuck's executive
- Open, comprehensive
- 1st woman CEO

Introduce new executives without creating contrast with culture

HERSEY-BLANCHARD MODEL



SKILLS	High	Substantial	Moderate	Low
WILL	Usual	Frequent	Occasional	Desultory

Decentralization of leadership

- store managers as entrepreneurs
- store managers incentivized by at least the 20% of compensation based on achievements in local sales
- large autonomy in marketing and branding decisions

Implications

BENEFITS

- Adaptation to local demand
- Employees' escalation of commitment

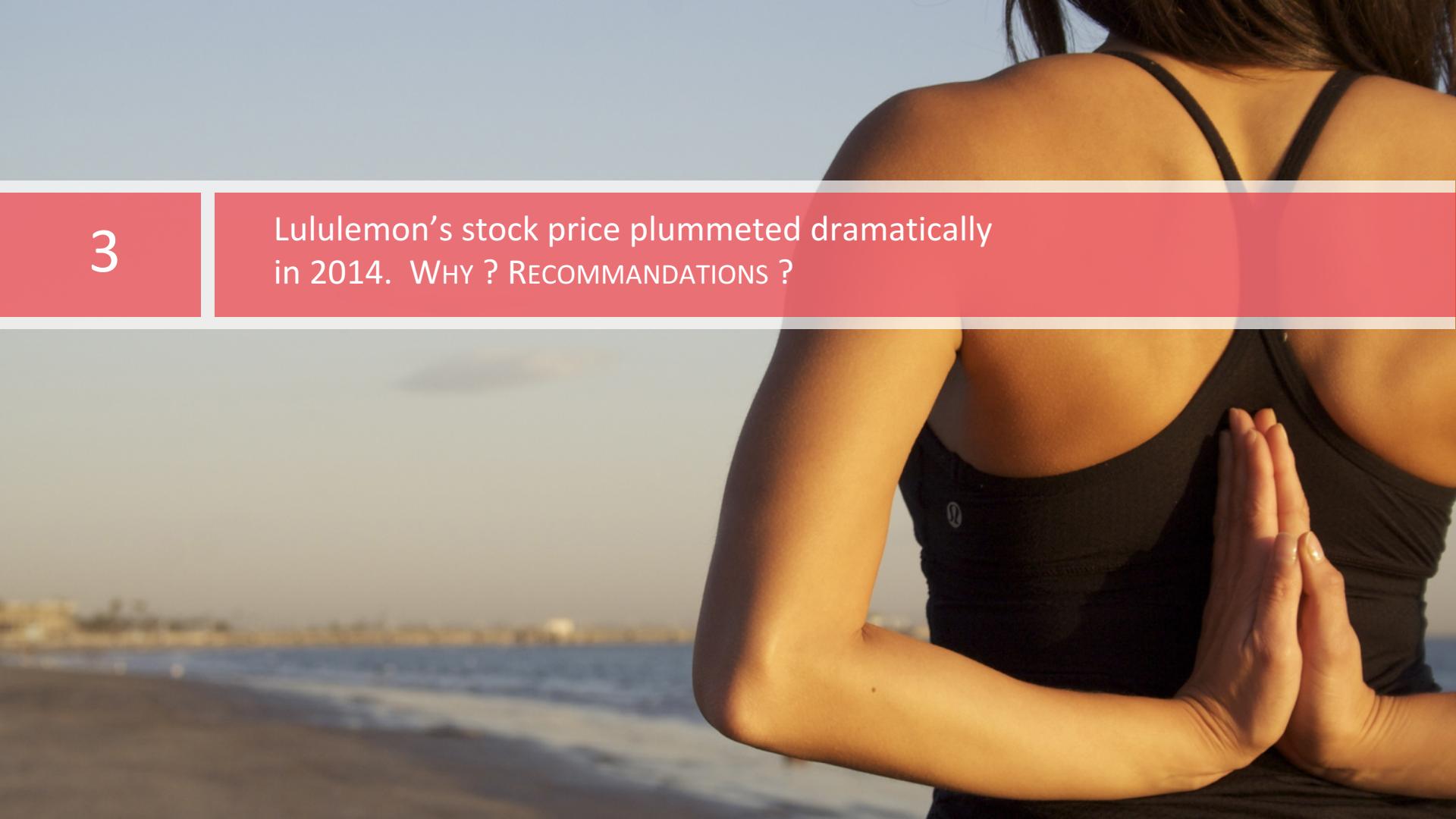
RISKS

- Risk of brand distortion and misrepresentation
- Harmful irreversible decisions risk

Anticipated power struggles



GROUP	PERSONAL
Among C-Suite members	Wilson vs Day
CEO and new comers could clash with the old guard. Christine Day' decision should strictly fit to the company culture to avoid the same errors made by Bob.	CHIP WILSON Founder-entrepreneur Emotively bound to his own company He gave his own value to the company
Occupational community conflict	CHRISTINE DAY Corporate manager Goals related to: <ul style="list-style-type: none">• Personal career• Financial success of the company• Shareholder value
MALE vs FEMALE	CONFFLICT OF POSITION Christine as CEO should have authority over the Chief Product Innovator too. The problem is that Chip cover this role and at the same time he is the main shareholder of the company. Therefore Christine could fear contrasts with Chip and her room of action on innovation could seriously be limited.

A photograph of a woman from the waist up, performing a yoga pose on a beach. She is wearing a black sports bra and black leggings. Her arms are bent, hands clasped together in front of her chest, and she is looking down. The background shows a sandy beach, the ocean, and a clear sky.

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Lululemon's stock price plummeted dramatically
in 2014. WHY ? RECOMMANDATIONS ?

Lululemon Stock price : 2013-14



Lululemon Crisis 2013-14



Operational

Quality-control issues
(Sheer pants)

Competition

Human

Resignation of Key
People

Quality Control and
manufacturing issues finally came
to light

A swarm of competitors came
into the picture at exactly the
wrong time. Gap's Athleta, Under
Armour, and Oakley, were just a
few competitors making premium
exercise gear

Public relations deteriorated after
Chip Wilson made some "fat
shaming" comments

Human Resource and Knowledge
drain because of key board
members

Analysis of Lululemon's ability to handle the crisis



STRENGTHS



Analysis of Lululemon's ability to handle the crisis



WEAKNESSES

-
- A pie chart divided into three equal segments, each colored red. The segments are labeled "Operational" (top left), "Strategic" (top right), and "Cultural" (bottom). The chart is centered in the slide area, with a white border separating it from the surrounding content.
- Single Taiwanese supplier limits flexibility in delivery process.
 - Start up, family-like business culture not adequately adapted to growing company size
 - Quality Degradation
 - Inattentiveness to customers' complaints
 - Decentralized Marketing: Harder to communicate a common message across stores.
 - Key Man Risk – Image of the company tightly linked to Chip Wilson

Strategic Recommendations



Short term

- **Focus on Customer Retention.** Rather than mere reimbursement, offer discounts for substitute products and include follow up communication. Provide more channels for customers to be and feel heard: direct lines, chat boxes, social media interaction.

Medium Term

- **Undo Lululemon's Identity Erosion.** Allow people to associate a new face with Lululemon. Convince the CEO to take on this role and actively exhibit the company's values, hire a personal social media curator to promote this image and be as present as possible in tv, talks, advertisements, panels, and store appearances.

Long Term

- Set as the absolute priority the **quality of the products** and prevention of other product failures. Invest heavily in R&D (exceed the industry average), hire materials specialist, add product control units and communicate these efforts to investors and customers.
- **Increase number of suppliers** to add flexibility and safety buffers in the delivery process.