Sears Holding Corp & Dysfunction Workbook

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Introduction

Sears Holdings Corporation provides a useful case for examining organizational dysfunction because its decline involved more than changing consumer preferences. The company faced a combination of financial pressure, underinvestment, strategic conflict, deteriorating store conditions, leadership concentration, and declining trust among employees, customers, vendors, creditors, and investors. In October 2018, Sears Holdings and several subsidiaries filed for Chapter 11 bankruptcy protection. That filing did not result from one interpersonal problem, but the case illustrates how dysfunctions described in team literature can become more damaging when they interact with weak governance and a failing business model (Sears Holdings Corporation, 2018, *Form 10-Q*).

The original workbook focused on two ideas from Patrick Lencioni's framework: absence of trust and fear of conflict. Those concepts remain relevant, but they need to be connected carefully to documented evidence. A business case should distinguish confirmed facts from allegations and avoid assuming that one news report proves what occurred inside every leadership meeting. This expanded workbook therefore uses public filings, reported litigation, and organizational-behavior theory to analyze trust, conflict, commitment, accountability, and attention to collective results (Lencioni, 2002).

Organizational Context: Sears Holdings

Sears Holdings was created in 2005 through the combination of Kmart and Sears, Roebuck and Co. The company operated well-known retail brands, large store networks, websites, private labels, and service businesses. However, the retail environment was changing rapidly. Customers increasingly expected convenient digital shopping, fast fulfillment, attractive stores, competitive prices, and integrated online and physical experiences. Sears possessed valuable brands and real estate, but maintaining such a large legacy network required sustained investment and coherent execution.

Public filings before bankruptcy described continuing losses, store closures, liquidity pressure, asset sales, and uncertainty about the company's ability to continue as a going concern. Sears Holdings' 2017 annual report, filed with the U.S. Securities and Exchange Commission, disclosed substantial operating challenges and dependence on financing and transformation initiatives (Sears Holdings Corporation, 2018, *Form 10-K*). The company's 2018 quarterly filing later confirmed that Sears and

certain subsidiaries entered Chapter 11 proceedings on October 15, 2018.

These facts do not by themselves prove a particular team dysfunction. They establish the environment in which organizational relationships were tested. When a company is repeatedly closing stores, selling assets, renegotiating obligations, and asking employees and vendors to believe in a turnaround, the quality of trust and decision-making becomes strategically important.

Dysfunction One: Absence of Trust

In Lencioni's model, trust is not simply friendliness. It is the willingness of team members to be vulnerable: to admit uncertainty, acknowledge mistakes, request help, and share information without expecting that openness will be used against them. A leadership team without this foundation may spend energy protecting individual positions, controlling information, and avoiding responsibility. Research on organizational trust similarly links trust with cooperation, information sharing, and willingness to accept vulnerability (Dirks & Ferrin, 2001).

Trust at Sears can be considered at several levels. Internally, employees needed confidence that leaders understood operating conditions and would provide the resources required to improve stores and customer service. Vendors needed confidence that invoices would be paid and that the retailer could continue ordering merchandise. Investors and creditors needed reliable financial disclosures. Customers needed confidence that stores, warranties, deliveries, and services would remain dependable.

A prolonged decline makes each relationship fragile. Empty shelves can reduce customer trust, but they may also reflect vendors' concerns about payment. Store deterioration can lower employee morale and customer traffic, which further weakens revenue. If leaders communicate only optimistic turnaround language while front-line experience continues to worsen, employees may stop treating official messages as credible. Trust then becomes a business capability, not merely an interpersonal virtue.

Dysfunction Two: Fear of Productive Conflict

Productive conflict allows a team to challenge assumptions and debate choices without turning disagreement into personal hostility. Fear of conflict can produce artificial agreement, delayed decisions, and strategies that are never tested rigorously. In a distressed retailer, leaders must be able to question capital allocation, store closures, pricing, inventory, technology investment, and the pace of transformation.

Sears' situation involved difficult trade-offs. Closing an unprofitable store could preserve cash but reduce market presence and employee confidence. Selling real estate could create short-term liquidity but remove future strategic options. Investing in digital systems might be necessary but

costly during a cash crisis. A healthy leadership process would bring competing evidence into the open, define decision criteria, and record who is accountable for execution.

The public record cannot reveal every internal debate, so it would be irresponsible to state that Sears executives never disagreed. The stronger inference is that the company's results raise questions about whether dissent was converted into effective decisions. Conflict is valuable only when it leads to clarity. Endless argument, hidden agendas, or decisions repeatedly reopened after meetings are also dysfunctional.

Dysfunction Three: Lack of Commitment

Commitment in team theory means clarity and genuine support for a decision, not unanimous enthusiasm. Employees cannot execute a strategy if leaders send inconsistent signals about priorities. Sears attempted to operate physical stores, develop online capabilities, monetize brands and real estate, cut costs, and promote a membership-based transformation. Each initiative may have had logic, but a complex portfolio can confuse the organization when resources are inadequate.

Commitment requires a visible hierarchy of priorities. Store managers need to know whether the immediate goal is cost control, customer experience, inventory productivity, or digital integration. Technology teams need stable requirements. Vendors need forecasts. When priorities shift frequently or remain vague, employees protect local interests because they cannot see a dependable enterprise direction.

A practical workbook question is therefore: Could a Sears employee at each level explain the company's strategy in concrete terms and identify the behavior expected that week? If not, the problem was not merely a communication failure. It was a failure to convert strategy into shared commitment.

Dysfunction Four: Avoidance of Accountability

Accountability requires agreed standards, timely performance information, and willingness to address missed commitments. In a declining company, it is tempting to blame external forces such as e-commerce, economic conditions, or changing consumer tastes. Those forces matter, but they do not remove responsibility for store execution, capital choices, customer service, and governance.

Accountability becomes weak when targets are unrealistic, authority is unclear, or powerful leaders are exempt from scrutiny. It also fails when employees are punished for reporting problems. Front-line workers may know that a promotion is confusing, a system is malfunctioning, or a store lacks essential inventory. If raising the issue creates personal risk and no corrective action, silence becomes rational.

Strong accountability would require separate measures for short-term liquidity and long-term capability. Cost reductions may improve cash temporarily while harming maintenance, staffing, and customer experience. A board and leadership team should examine both effects. Otherwise, financial survival measures can accelerate operational decline.

Dysfunction Five: Inattention to Collective Results

The final dysfunction occurs when individual status, departmental goals, or personal interests take priority over the organization's shared outcome. Sears' structure created potential tension among retail operations, real estate, brands, financing, online initiatives, and affiliated transactions. A decision could benefit one asset or stakeholder while weakening the retail enterprise.

The 2019 lawsuit reported by Reuters alleged that former chief executive Edward Lampert and others transferred valuable assets away from Sears before bankruptcy. These were allegations in litigation, not facts that should be presented as already proven (Reuters, 2019). Their relevance to the workbook lies in the governance question they raised: how should boards manage related-party transactions and conflicts of interest when the same influential individuals occupy multiple roles?

Collective results require clear definitions. If leadership measures success through asset monetization while employees and customers measure it through store survival and service quality, the organization may not share one result. Governance mechanisms must identify whose interests are being served, disclose conflicts, obtain independent review, and evaluate long-term consequences.

Source Evaluation Workbook

Source One: Organizational Trust

The original workbook used a Medium article on absence of trust. It communicates Lencioni's idea in accessible language, but it is not the strongest evidence for a corporate case. A more defensible foundation combines Lencioni's original management framework with peer-reviewed research on trust. Trust supports information sharing, cooperation, and willingness to accept vulnerability. In Sears' case, the concept helps analyze relationships among leaders, employees, vendors, investors, and customers, but it should not be used to diagnose specific individuals without direct evidence.

Source Two: SEC Filings and Bankruptcy

SEC filings are primary sources for the company's reported financial condition and disclosed risks. Sears Holdings' 2017 Form 10-K described substantial operating losses, liquidity concerns, transformation efforts, and risk factors. Its 2018 Form 10-Q documented the Chapter 11 filing. These documents establish the seriousness of the company's condition and allow the workbook to connect

organizational behavior with measurable business pressure.

However, corporate filings are prepared within legal and reporting frameworks. They should be read critically and compared with court records, independent reporting, and outcomes. They are authoritative for what the company disclosed, not a complete account of employee experience or internal decision-making.

Source Three: Reuters Report on Litigation

The Reuters report summarized litigation brought by the Sears estate concerning transactions involving Lampert and related parties. It is useful because it identifies the allegations, parties, and financial context. Its limitation is equally important: a lawsuit contains claims that must be evaluated through legal proceedings. Academic writing should use verbs such as “alleged,” “claimed,” or “argued,” rather than turning an accusation into a settled fact.

Lessons for Managers

The Sears case offers several lessons. First, trust depends on operational reality. Employees and customers will not be persuaded by optimistic language if stores lack merchandise or support. Second, strategic conflict should be structured. Leaders need explicit decision criteria, independent analysis, and records of major trade-offs. Third, commitment requires priorities that can be translated into local action. Fourth, accountability must apply to senior decision-makers as well as front-line teams. Finally, governance should protect collective outcomes when executives, lenders, owners, and affiliated businesses have overlapping interests.

A dysfunction framework is most useful as a set of questions rather than a label. Did leaders receive unfiltered information? Could managers challenge assumptions? Were decisions clear after debate? Were responsibilities assigned and reviewed? Did incentives reward the health of the whole organization? These questions connect team behavior with governance and strategy without claiming more than the evidence supports.

Conclusion

Sears Holdings did not enter bankruptcy because of one dysfunctional meeting or one missing leadership trait. Its decline reflected competitive disruption, financial weakness, underinvestment, strategic choices, and governance challenges. Nevertheless, the five-dysfunctions framework helps explain why organizations under pressure need trust, productive debate, commitment, accountability, and focus on collective results.

The most important correction to the original workbook is evidentiary discipline. Public filings confirm

Sears' financial distress and bankruptcy; reporting documents serious allegations surrounding asset transfers; organizational theory explains how trust and conflict affect teams. These sources can be connected, but they should not be collapsed into unsupported certainty. A credible case analysis distinguishes fact, allegation, theory, and inference.

References

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