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Student name:	LAU CHUN KAVAN	Student ID number:	1916076
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Visions for the Future:
Theoretical Perspectives on Management
HKBM7006

Lecture: Dr Eddie Yu

Holistic Human Management and Strategy Implementation in Organizational Changes Against External Factors of Apparel Firms

Submitted by

KAVAN LAU

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1. Abstract

This study aims to investigate the impact of holistic management on human management, strategy implementation in organizational changes against external factors of apparel firms. To remain profitable and sustain competitive advantage, multi-national apparel firms often implement forward and backward integrations, and engage in the full range of value chain activities from raw material production, to product design and manufacturing, to commercialization, marketing and distribution of product to the consumer. As such, strategic management of the various activities in the value chain is essential and crucial to the success of the business model against the fast changing marketplace and industry environment. The constant and sometimes drastic changes of environmental factors such as globalization and digitization of the market as well as the shift of consumer lifestyle and behaviours, often provide great opportunities as well as challenges to apparel firms.

The impact of environmental factors to the strategic management of apparel firms will be analyzed in details, with particular focus on Globalization in the 1980s and 1990s and the adoption of big data in 2000s and up to now. Apparel firms such as Gap Inc. took advantage of globalization to expand its supply chain network and broaden its markets in the 80s and 90s, whilst early adopters of advanced analytic such as Amazon Fashion, incorporate data analytic in the front end activities and in the tail end activities of the value chain in the consumer facing business, showing that there are definite competitive advantage to be gained in this new data focused approach. Both companies benefited with their respective strategies in taking advantage of the external opportunities, resulted in accelerated business growth, enhanced efficiency in inventory management, improved demand and shortened product development cycles and as a result, reducing risk and cost while generating more business opportunities.

As such, investigations into how different ways of managing the changes in organizational structures and decision-making processes will provide insights for apparel firms for further growth and opportunities to gain new competitive advantage over other traditional apparel firms. This study will adopt widely recognized models to analyze the case of Gap Inc., a company that has benefitted immensely from Globalization and is currently undergoing through struggles to adapt to the ‘demand-driven’ marketplace, to develop a holistic management framework to guide apparel firms for managing external and internal changes they may face.

2. Introduction

Considerable amount of resources has been made by apparel firms to increase the success rate of new products, developing cost efficient and responsive supply chain strategies and distribution network, identifying consumer preferences and target segment to formulate corresponding marketing strategies. Globalization in the 80s and 90s not only benefitted apparel firms with larger untapped global markets, but also benefitted firms in reducing costs in the manufacturing

of goods leveraging on the economies of scale. Firms success in this perspective largely depends on their success or failure in transforming their local manufacturing activities to a network of global suppliers, effective management on supply chain logistics, cost and quality control, IP protection and other critical factors. In the marketing side, firms are required to identify global markets that are viable for market expansion of existing products or to develop new products to expand into these markets.

Data generation, collection and analytic have been on an exponential rise in the past decade, accelerating a titanic shift in the manufacturing industry to the new era of 'Industry 4.0'. In recent years, advanced analytics has become a core component across a wide range of consumer-facing industries to address increasing complexity (Fox R., Goldrick M., Peng A., Whittington K., 2018). Advanced analytics not only gives firms competitive advantages in raising product performance, accelerating business, providing better decision-making approaches, but also improving organizational structure and team management. As consumer-facing tech giant Amazon.com Inc. has shown, data analytic can be applied throughout different activities of the value chain, from product development strategies, merchandising and distribution strategies to sales and marketing to organizational and human resources management.

In the above two instances of external changes, apparel firms such as Gap Inc. have undergone changes of strategies and organizational structuring to different degrees of success. In this study, the case of Gap Inc. will be analyzed in depth to identify critical success and failure factors and effective and efficient framework for people and organizational management to increase organizational performance against external changes.

3. Literature Review

In order to have a preliminary understanding of the scope of strategic changes in apparel firms, an initial literature review of journals, industry reports and consultancy papers are reviewed. Keywords of the literature review include, 'Product Design', 'Supply Chain Management', 'Critical Success Factors', 'Organizational Change', 'Globalization', 'Big Data', 'Data Analytic' and 'Apparel industry'. The findings will be analyzed with the critical discussions from further research producing in-depth insights to be applied in practical contexts. Preliminary frameworks will be constructed to be validated as to which will be the best fit to answer the research question.

4. Background

Gap Inc. is founded by Donald and Doris Fischer in 1969. Located in San Francisco, the first store was named after the 'generation gap', catering to the young demographic consumer with specific interests in Levi's jeans. Within two years Gap Inc.'s revenue grew to \$2.5 million yearly. By 1976, store numbers rose to 180 across 21 states, bringing in sales exceeding \$100

million, four times that of five years ago. With a special focus on few product categories such as shirts, jeans, jackets offered in sizes and colours in abundance, by 1980 sales tripled to approximately \$305 million.

Michael Drexler, came on board as president of the Gap Stores division in 1983 and later promoted to chief executive and president of Gap Inc. in 1987, orchestrating the transformation of Gap as a multi-brand store to a brand with its own line of apparel. Putting Gap products as the main stay of their retail Gap's sales quickly grew to nearly \$500 million. Coinciding with Globalization, Drexler has implemented strategic changes within the company, transforming its supply chain, logistics and distribution to take advantage of the new expanded global market and supply chain networks. According to the National Post, the company had grown by 24,000 percent from 1984 to 1999. By 1999, company's net earnings exceeded \$1.1 billion for the first time with market capitalization of around \$13 billion. Drexler's reign at The Gap had become one of the retail industry's amazing success stories (Reference for business, c2020).

However, in 2000, although sales grew to \$13.6 billion, net income fell to \$877 million with comparable store sales fell by 5 percent. In the subsequent year for 2001 the company posted a \$7.7 million loss (Reference for business, c2020). This turn of fortunes marked the beginning of the end of Drexler's reign at the Gap Inc.

In the following decades with the seminal shift of the apparel market from being 'supply-driven' to 'demand-driven' of the Internet of Things (IoT) era, calling for new data driven NPD and A.I. integrated supply chain solutions, Gap Inc. has seen declining sales and ineffectual transformation of the organization, which was being overseen by leaderships in senior management after Drexler's dismissal, in Pressler, Murphy, the more recent Peck.

5. Hypothesis

Gap Inc. engages in a broad range of value chain activities. To navigate through environmental changes and external threats, it is therefore imperative that the firm performs strategic formulation, people management, competency analysis concurrently to sustain its competitive advantage. As such, the hypothesis being put forward by this study are as follows:

Hypothesis 1

Leadership with a holistic view of the three domains that relates to strategic formulation, people management and internal competency concurrently increases organizational performance in dealing with external opportunities and threats.

Hypothesis 2

Strategic formulation with high alignment with external factors, but low alignment with people management strategy and current core competency decreases organizational performance in dealing with external opportunities and threats.

6. Approach and Methodology

A descriptive case looking into Gap Inc., with key timeframes specified, for the periods under Drexler's (1985-2001) and Peck's leadership (2010-2015) will be discussed and analysed in detail, with the support of reports, journals, press releases and interviews conducted relating to the company, its leadership and senior management.

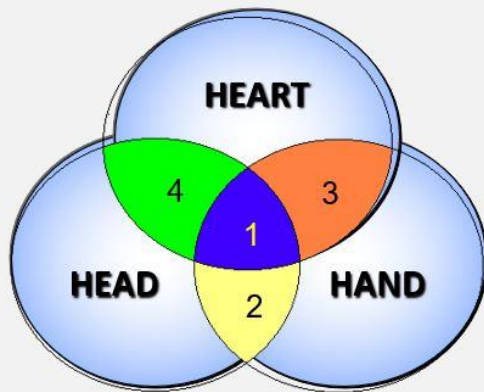
Porter's Value Chain analysis and Porter's Five Forces analysis will be applied to the case of Gap Inc., followed by identifications of critical success and failure factors in the management strategies implemented in two key timeframes of Gap Inc., with relevance to Globalization and Industry 4.0. The findings will then be triangulated with The 3-H Framework developed by Dr. Eddie Yu. Attempts will be made to identify the firm's successes and failures in relations to the 3-H domains, with the support and analysis of key events and organization changes made under the leaderships to formulate recommendations of the holistic management approach.

3-H Framework

The 3-H Framework is a holistic way in managing organizational issues, ensuring strategies and initiatives are effectively and efficiently implemented, resulting in increased of individual performance, departmental performance and in turn the entire organizational performance. The 3-H Framework uses metaphoric expressions of Heart, Head and Hand to represent vital dimensions of people. (Yu, 2020) For a holistic solution all 3H dimensions have to be effectively and efficiently managed. (Yu, 2020)

Yu's 3H Framework for HOLISTIC Effective Management

Scenarios resulting from different H domains' interceptions – fulfilling the necessary and sufficient conditions



- Case 1- Committed & capable of managing the right thing
- Case 2 – Uncommitted but capable of managing the right thing
- Case 3 - Committed & capable, but not sure managing the right thing
- Case 4 - Committed and well planned but don't know how to execute it right

Figure 1. Dr. Yu's 3-H Framework

Source: Yu, 2020

As Dr Yu's 3-H Framework relates and predicts organizational performance, this study will apply the framework and triangulate with Critical Success Factors (CSFs) of apparel firms. A Case body of Gap Inc. will be analyzed in details to identify decision makings and strategies management relating to the 3-H domains and CSFs adopted from previous studies in Cooper (1999) and Lyn et al (1999) in table 1 (cited in Choi, 2005).

Domain	Corresponding CSFs Adopted from Cooper (1999) and Lyn et al (1999)
Heart (H1)	1. Build in the voice of the customer 2. Having a clear and shared vision on the team 3. Cut back the number of projects underway 4. Securing top management support for the team and the team's vision 5. Securing good team chemistry
Head (H2)	1. Solid up-front homework to define the product and justify the project 2. Having a structured new product development process 3. Seek differentiated, superior product 4. Sharp, stable and early product definition 5. Build tough go/kill decision points into your process 6. Define standards of performance expected

	7. Refining a product after launch and having a long-term view
Hand (H3)	1. A well-planned, adequately researched, and proficiently executed launch 2. Dedicated, supported cross-functional teams, global products 3. Provide training on new product management 4. Install a process manager 5. Developing and launching a product within proper time frame 6. Possessing the optimal team skills 7. Understanding the market and its dynamics 8. Applying lessons learned from past projects 9. Retaining team members with relevant experience
3H - integrated	Full integration of 3-H in the corresponding CSFs in apparel firms in theory in this perspective should drive organizational performance in an apparel firm. This will be analyzed in details with the case study and practical analysis of Gap Inc.

Table 1. CSFs Adopted from Cooper (1999) Lynn et al (1999) and their corresponding 3-H Domains

7. Case Body: Gap Inc.

7.1 Porter's Value Chain

In order to identify the source of current and past competitive advantages, inter-relationships and interdependencies amongst different business activities Gap Inc. engages in, it is essential to first conduct Porter's Value Chain analysis of Gap Inc.

7.1.1 Primary Activities

Gap Inc. directly engages in manufacturing and selling of apparel goods to targeted customers.

Inbound Logistics

Between 2010-2015, purchasing was made from around 1,000 vendors that own factories in over 40 countries. Approximately 24% of the total purchase by dollar value came from factories based in China. Gap Inc. has employed a transparent practice in disclosing its list of factories that it engages manufacturing activities with and has a long term strategic relationships with its suppliers. Due to the large purchasing volumes, economies of scale can be identified as the main source of value creation for Gap Inc..

Operations

Gap Inc. has over 3,500 company operated and franchised store locations around the world. Franchised agreements are set up to operate Gap and Old Navy stores in Asia, Australia, Europe, Middle East, Africa and Latin America

Outbound Logistics

Large part of inventory is maintained in distribution centres Gap Inc. owns. Gap Inc. controls and maintains its warehousing and distribution of products to customers to achieve effective distribution and cost efficiency. The company also generates additional values from leasing some of the distribution space to other businesses.

Marketing and Sales

Gap Inc. marketing and sales consists of multiple components, including print and media advertising, sales promotion, events, public relations and direct marketing. TV marketing is a core component that helped build the brand value for Gap Inc.

Gap's sales margin is highly volatile in nature. It ranges from gross profit margin of 39.4 percent in fiscal year 2012 to 36.2 percent in 2011.

Value created through marketing and sales predominately from accurately identifying of correct target market segment and alignment of products with multiple brands within its portfolio and effective utilization of point of sales marketing within stores.

Services

In the service category of activities Gap Inc. concerns itself with the sales service provisions to its customers. Gap has a competitive product return policy, within 45 days of purchase while at Athleta products may be returned at any time. There are also channels set up to connect to customers via email, social media platforms, text messaging and postal mail.

7.1.2 Secondary Activities

Firm Infrastructure

At various stages Gap Inc. has employed Cost Leadership with a streamline company infrastructure. There is a strong portfolio of brands with distinct market segmentation across multiple channels. Gap's infrastructure includes wide range of support systems and functions such as finance, planning, quality control, R&D, senior management, essential to an apparel firm with up and downstream activities. Gap Inc. also employs a hybrid infrastructure, that integrates certain elements of divisional and hierarchical organizational structures. In this hybrid infrastructure, organization is divided into division by brands, each brand headed by a president, and with multiple levels of management functions between president and shop floor front line workers.

Human Resource Management

Gap Inc. has more than 140,000 employees globally. Gap Inc. utilizes intangible employee motivation tools well with the promotion of strong company culture, implementations of job

training programs. Internship programs such as This Way Ahead program to over 2000 teens and young adults, help to cultivate a strong worker base embedding its culture at the early stages of training and recruitment.

Technology Development

As a manufacturer and consumer business, technology development refers to the use of technology to increase effectiveness of primary activities, which include integration of technology in processes and organizational procedures, cost and time saving in production, distribution, inventory management and provision of services. However, Gap Inc. has not attempted to adopt technology development widely until Peck became the CEO. The fact that little tangible benefits are reflecting in organizational performance and increase of profit margins, it is safe to conclude that technology development has not yet become a source of competitive advantage.



Figure 2. Porter's Value Chain Analysis of Gap Inc.

7.2 Porter's Five Forces

With the understanding of the scope of activities that Gap Inc. engages in and the respective competence and competitive advantages, Porter's Five Forces analysis is conducted to identify Gap Inc.'s industry position within the apparel sector.

7.2.1 Threats of New Entrants

Threat of new entrants into the apparel industry has changed from moderate in the 1990s to moderately high in the 2000s. Traditionally distribution channel represents one of the most significant barriers for new entrants to the apparel market. Large capital requirements are needed to set up the business and open stores in prime locations. But with the rise of online ecommerce platforms generating big volumes of sales, distribution is no longer one of the main barriers. Major players such as Gap, Zara, however derive tremendous benefits from the economies of scale, which is not available to smaller new market entrants.

7.2.2 Threats of Substitutes

The threat of substitute for apparel products can be considered as almost non-existent. As one of the basic human needs and there is no direct or even indirect substitute to the need of Clothing. However, there might be a case for consumers to switch to cheaper alternatives in the times of economic contraction but as Gap is already operating in the lower end of the market in terms of pricing, the threat of substitute in this perspective is low.

7.2.3 Bargaining Power of Customers

The bargaining power of buyers can be considered as extremely high. In the apparel sector consumers has a large variety of brands, and products to choose from. Consumers may switch to any of Gap Inc.'s competitors for products with no barriers or additional material costs.

7.2.4 Bargaining Power of Suppliers

Gap Inc.'s business is not dependent on any particular supplier as it works with more than 1000 suppliers with factories in about 40 countries even early in the 1990s. Each vendors account for a small percentage of dollar amount purchase to its total purchase volume. Second, Gap is able to use the high volume orders to attract new suppliers and thus increase its ability to substitute supplier with lower costs. As such, the risk in dependencies on its supplier is low.

7.2.5 Competitive Rivalry

Rivalry among existing firms in the apparel sector is extremely strong. Gap Inc.'s major competitors include local apparel firms such as Abercrombie & Fitch Co., American Eagle Outfitters, Inc., Urban Outfitters, Inc., and international fast fashion brands such as Zara and Uniqlo. And although Gap Inc. has been for many years one of the biggest apparel firms in the US, it has less than 5% market share, which reflects the diverse and fragmented nature of the US apparel market. (see figure 3 and 4)

U.S. Apparel Market Share

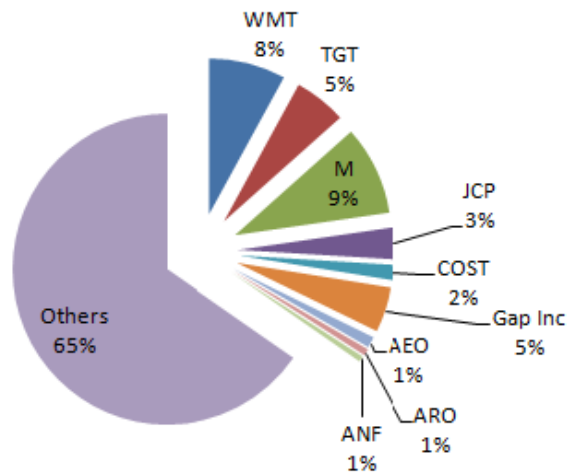


Figure 3. U.S. Apparel Market Share

Source: Agarwal, 2016

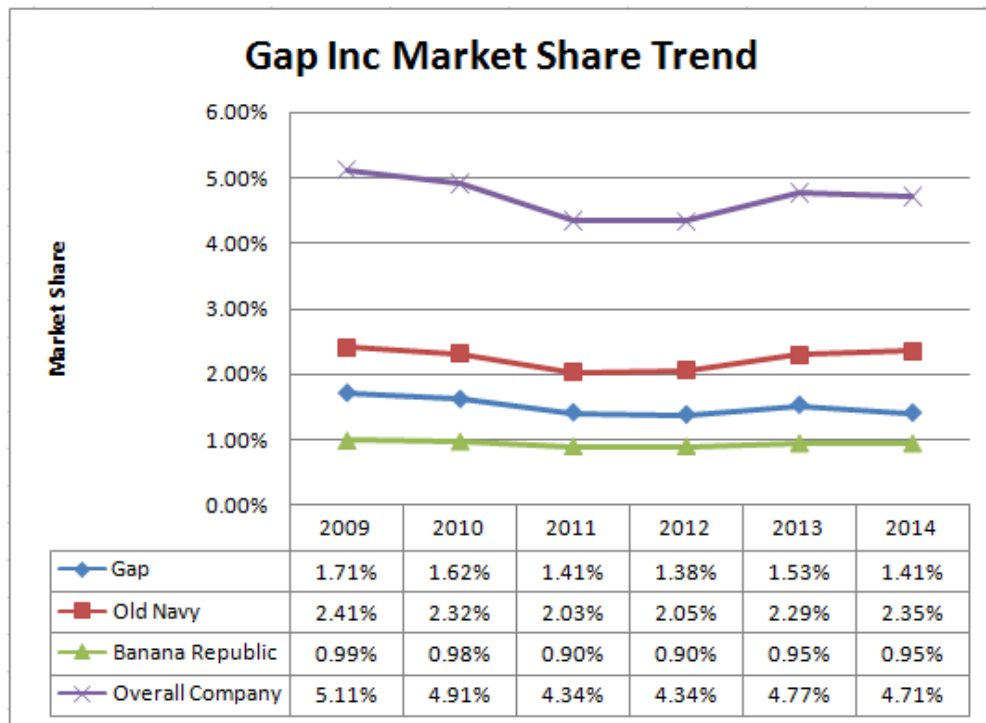


Figure 4. Gap Inc. Market Share Trend from 2009 - 2014

Source: Agarwal, 2016

7.3 Under Drexler's Leadership

7.3.1 Gap Inc.'s Strategy Planning

Market Positioning and Organization Infrastructure

Drexler looked at supermarkets as his retail model, in that Gap should have the fundamental and core items all consumers need. He also believed that in order to reach the 'supermarket' state, each store should have the items in all sizes and shop stocks should always be full. Therefore, in 1997, the inventory per square foot grew by 18%, more sizes and colours were on offer whilst the style of clothing remained unchanged. (McGrowan M., 1998)

The way Drexler managed Gap Inc as separate businesses, each of their internal environment is great on their own. Their individual product positioning and differentiation developed by their individual in house creative teams make them excellent long-term competitors. Gap Inc.'s internal resources allowed the implementation of Barney's VRIO framework (1995), where its strongest competitor advantage is its infrastructure. Its total segment fulfilment and diversity adequately make its value and rarity difficult to replace. Most of its brands have a cost advantage approach to the market and their successful identification of customer value in external environmental factors in social historical dimensions such as late baby boomers demand for work appropriate clothes and teenagers' appeal to jeans and casual wear. The ability to have a critical understanding in social complexity and unique historical conditions as well as its natural endowments of being in the market of the US apparel industry make its infrastructural competitive advantage very sustainable.

(Correspond to H1.3, H2.1, H2.2, H2.3, H.2.4, H2.5 and H2.6 on the CSF 3-H domain table)

Acquisitions and Differentiation

Gap Inc.'s success in the 1990s is often associated with Michael Drexler, who reinvented Gap along with its umbrella brands that shifted America's specialty apparel industry. His vision of making Gap a 'life' brand and 'providing comfortable clothing for all ages, from newborn to adult' (Ahmet R. R., 2014) drove him to acquire Banana Republic in 1988 to a more luxurious clothing line, ditching its safari clothing. Under Drexler's management, Gap Inc. debuted the Old Navy in 1994, centralizing quality clothing basics at affordable prices.

By positioning and targeting the brands with distinct differentiation, Gap Inc. is essentially broadening its market coverage and provides to a much wider consumer base compared to its competitors. Figure A indicates that Gap is the most general clothing line, catering to male and female costumers from urban and rural areas, ranging from 3 and 45 in age with its division of GapKids, babyGap, GapMaternity and GapBody. Gap's core customers are mainly students,

employees or professionals who are in their early financial stages in life and often shop with a budget. It provides wardrobe essentials to lower middle to upper middle class for quality items and fashion basics respectively, who are likely to have a sustainable relationship with the brand. (Dudovskiy, J.,2016)

Banana republic and Old Navy's demographics share some similarities whilst Banana Republic is targeted as an accessible luxury brand offering high quality fabrications at approachable prices, its target consumer segment range is more specific and focused compared to Old Navy, who caters to male and female shoppers from the age of 3-40. Intermix and Athleta are the only brands that target upper class, who are from urban areas and do not include student as a common occupation. Joslin (no date) states that Gap Inc succeeded in cornering each section of the retail apparel market with its brand decisions, where its segmentations divide and provide to the population in specific groups according to their consumer characteristics, such as geographic, behavioral and psychographic. Its all-rounded engagement in product diversification in the specialty apparel industry makes an excellent competitive advantage, as the individual brands are in fact integrated and built upon its core macroeconomics. Together, they work as a support function to the company for maximum effectiveness and efficiency. (see figure 5 and 6)

(Correspond to H1.3, H2.1, H2.2, H2.3, H.2.4, H2.5 and H2.6 on the CSF 3-H domain table)

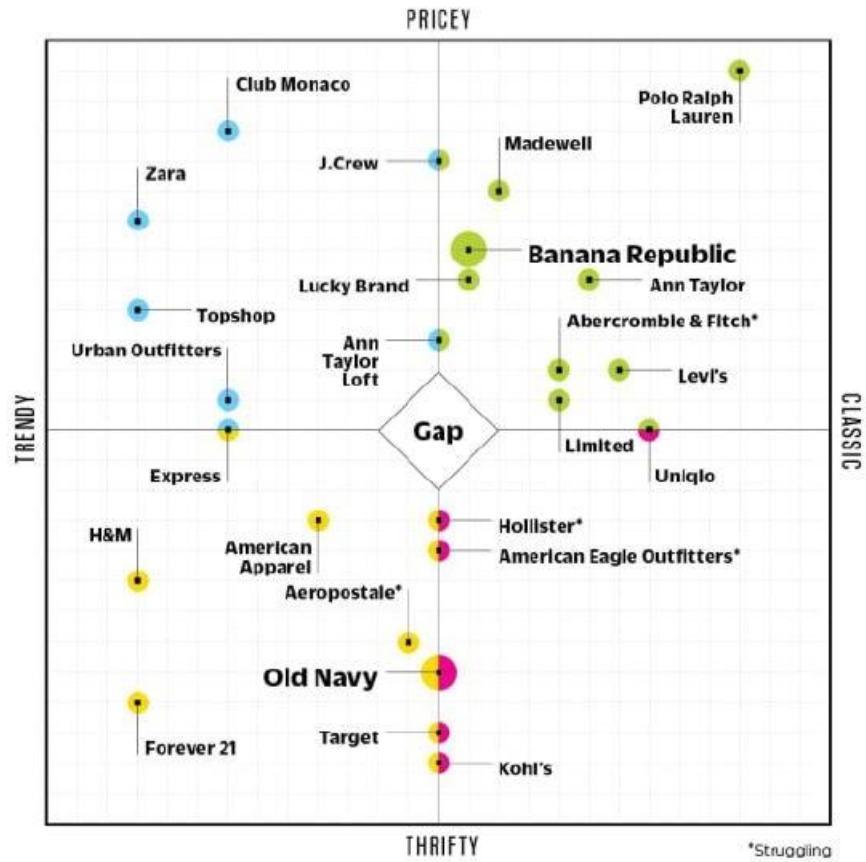


Figure 5. Gap Inc.'s Market Positioning Amongst Other Brands

Source: Wells and Galen, 2014

Type of segmentation	Segmentation criteria	Gap Inc. Target Customer Segment				
		Gap	Banana Republic	Old Navy	Intermix	Athleta
Geographic	Region	North America	North America	North America	North America	North America
		Asia, Europe	Asia, Europe	Asia		
	Density	Urban, Rural	Urban, Rural	Urban, Rural	Urban	Urban
Demographic	Age	3 – 45	18-40	3 – 40	18 – 45	16 – 50
	Gender	Males & Females	Males & Females	Males & Females	Males & Females	Females
	Life-cycle stage	Bachelor Stage	Bachelor Stage	Bachelor Stage	Bachelor Stage	Bachelor Stage
		Newly Married Couples	Newly Married Couples	Newly Married Couples	Newly Married Couples	Newly Married Couples
		Full Nest I	Full Nest I	Full Nest I	Full Nest I	
		Full Nest II				
	Occupation	Students, employees, professionals	Students, employees, professionals	Students, employees, professionals	employees, professionals	employees, professionals
Behavioral	Degree of loyalty	'Hard core loyals'	'Hard core loyals'	'Hard core loyals'	'Hard core loyals'	'Hard core loyals'
		'Soft core loyals'	'Soft core loyals'	'Soft core loyals'	'Soft core loyals'	'Soft core loyals'
		'Switchers'	'Switchers'	'Switchers'	'Switchers'	'Switchers'
	Benefits sought	Cost advantage	Self-expression	Self-expression	Self-expression	Functionality
		Self-expression			Cost advantage	Perception of leading healthy lifestyle
	Personality	Easygoing	Easygoing	Easygoing	Determined and ambitious	Determined and ambitious
	User status	regular users, or ex-users of a product	non-users, potential users,	non-users, potential users,	non-users, potential users, first-time users, regular	non-users, potential users, first-time users
Psychographic	Social class	Lower class/working class/middle class/	working class/middle class/	working class/middle class/	middle class/upper class	middle class/upper class
	Lifestyle[1]	Struggler	Aspirer	Succeeder	Aspirer	Aspirer
		Aspirer	Succeeder	Explorer	Succeeder	Succeeder
		Explorer	Explorer	Reformer	Explorer	

Figure 6. Gap Inc. Customer Target Segment

Source: Dudovskiy, J., 2016

New Product Development (NPD) and Supply Chain Management (SCM) Strategies

Early in his promotion to the executive role Drexler put together an in-house design team which soon grew to consist 80 designers. Drexler and a team of merchandising executives met the design teams 4 times a year, inspecting prototypes and validate products for approval. Buying and logistics were handled centrally, with separate design teams for each brand focusing on the development for individual brands. At that time Gap's major suppliers were predominately located in China. There were around 15 Gap Inc. centres in the U.S., Canada, the U.K., and Japan distributed the company's merchandise to its 2,848 stores worldwide. (Wells and Galen, 2014)

Gap Inc. under Drexler's management, its ability to first identify and then strategize current Opportunity and Threat was outstanding and led the company to thrive in 1990s. Gap Inc. along with the US apparel industry conducted a study on human anthropometrics of Americans, which enabled their design team to tailor better fitting pieces for the most up-to-date Americans' body data. (Ahmed, R. R., 2014) It also saw the opportunity in the workwear sector when retirement was delayed due to baby boomers and was able to identify the demand for work-appropriate clothing for mature adults then smoothly deliver the supply.

This is significant as it shows that an idea or a concept can be quickly developed and finalized through the supply chain which can be divided into two major components in the chain, the logistics operations and product sourcing (Butcher, 2020). Gap Inc. outsources all its manufacturing (Gap Inc Annual Report, 2019), where products are then transported to its distribution centres then to customers for ecommerce purchases and lastly to store distribution network. It's in house brand design teams liaise with its factory partners and strategic vendors to ensure all products are made on time. To look closer into Gap Inc.'s organizational hierarchy, Joslin (no date) lists that the Chairman and CEO sit at the top of the company structure, there are then a president for each brand and only that brand, who looks after and manages their own operation. The designs and management very rarely crossover with each other and there are very limited discussions between each brand; each brand is treated as a separate business. There is also an independent online division who does not integrate with the other managements due to the discretion to its operational content. However, there is a Corporate Shared Services Centre which supports the company's domestic and international back office operations, accounting, finance, human resources, procurement and information technology. This business model was implemented by Drexler and was in place until 2015 when Peck took over, it is designed to minimize any redundant processes and functions across the divisions.

(Correspond to H1.3, H2.1, H2.2, H2.3, H.2.4, H2.5, H2.6, H2.7 on the CSF 3-H domain table)

7.3.2 Gap Inc.'s Development of Internal Competence

David Owitz, who was the Executive Vice President for Merchandising and President for the Gap brand under Drexler's management, reveals in an interview with Investor's Business Daily (2014) that 'one of Drexler's talents is the ability to select people, motivate them and manage them effectively. (The) in-house team of designers who developed products, communicated with the factories and were a key part of the planning process that determined merchandise assortment, quantity and flow'.

NPD analyst Cohen quoted in Investor's Business Daily (2014) reveals that Gap's 'leverage technology to track costs and plan product development, manufacturing and distribution'. Drexler also used his knowledge and network to outsource reliable vendors to 'provide consistently high quality (products) and shipped on time' (McGowan, 1998). All of the above indicates that Drexler built a sustainable support system within Gap Inc and had the resources to operate it in full potential, however he resigned Gap Inc in 2002 after 24 consecutive months of declines in same-store sales (Ewen, 2017).

(Correspond to H3.1-9 on the CSF 3-H domain table)

7.3.4 Gap Inc.'s Engagement and Motivation from Leadership

Social Responsibility, Environmental Engagement

One of its other intangible assets is its ethical and social awareness and programs in place, ensuring its employees and factory workers are treated fairly. Gap Inc.'s several involvements with factories and vendors in El Salvador, Saipan and Cambodia in the late 1990s and early 2000 were detrimental to its corporate value. There was allegations of consciously using child labour and abusing the labour rights of its workers, with over 500 violations in the factories and barracks where workers were predominantly from impoverished countries such as Bangladesh, China and Thailand. (Smith 2004, Ansett 2007, Arrigo 2013) Gap Inc. subsequently produced rapid and positive response to the allegations in setting up independent monitoring programs, along with unannounced interviews with vendors and employees annually to assess their 'understanding of the code of conduct and knowledge on how to report violations' (Arrigo 2013). The speed and magnitude of response are encouraging to its leadership confidence. In fact, in 2008, 100,000 employees worldwide were asked to participate in a survey on their work environment, which received 68% response where 77% considered Gap Inc. as a great place to work, compared to the average of 61% in other retail norms. Gap Inc.'s commitment to sustain employee satisfaction and environmental engagement is apparent and transparent. Aside from its dedicated page on its website on social responsibility, where a report is released annually to review its ethical performance (Joslin, no date), its Senior Vice President for Global

Responsibility, Dan Henkle, more recently expressed in an interview that it is important ‘attract talent’ from the ‘new generation’ to the organization by ‘doing the right thing’. ‘Employees want to feel they are working for a company that has integrity’ (McIntyre, 2010).

(Correspond to H1.2 and H1.5 on the CSF 3-H domain table)

Human Resources Management

To put Gap Inc. during Drexler’s management in Porter’s Value Chain Model (1985), its firm infrastructure is minimal and standardized across brands, with its accounting practice separated from the brands as an independent department. Drexler organizational hierarchy benefits its human resource management, together with its regulated Monitoring and Vender and Development Program to further sustain its human resource management.

Gap Inc. also leverage the expertise of own sales, supply chain and merchandising associates to ‘assess “candidates’ aptitude for retail work and suitability for the GAP environment”’ (Wells and Galen, 2014). This highlight the key objective in HRM of identifying employees’ best fit to the company culture as well as their respective functions within the organization. Trainings programs were in placed at various levels and the company rewarded employees who met performance or company goals with bonuses. (Wells and Danskin, 2014) Internship programs such as This Way Ahead was implemented in 2007, targeting youth and young adults from 16-24, to give young individual facing barrier to progression and employment the opportunities to get their first jobs. This raises the company’s CSR profile as well as engaging young employees with company and brand culture with the view of continual leadership training programs to produce valuable talents in the pipeline for every level.

(Correspond to H1.2, H1.3 and H1.5 on the CSF 3-H domain table)

Man Management Style

Drexler’s control over every aspect of Gap was legendary (McGrowan M., 1998). He was well known for his attention to details from design details of a garment to the colour offerings of a product line, to store layout and visual merchandising. He had a no-nonsense approach and his staff were appreciative of his straight talking and fair praise and criticism.

Drexler was also known for his personal touch and engagement with his staff by talking to them in person and on the phone rather than with emails. He was also famous for his mantra, ‘Think negative five comp. Think negative five comp’ (McGrowan M., 1998). He urged everyone in his team to pretend the comparable store sales are down, even in reality they might be enjoying a 15% increase, to avoid complacency in the competitive apparel retail landscape to draw the best responses from his staff.

As such, Drexler is instrumental in fostering a competitive working environment with a clear common tangible and achievable goal (5%) pulling different department and personnel, who otherwise might have different departmental objectives, together. Personal touch and fair praise and criticism engaged and motivated staff to always give their best to the common cause.

(Correspond to H1.2, H1.4, H1.5 and H2.5 on the CSF 3-H domain table)

7.3.5 Effective Integration of 3H Domains

CRITICAL SUCCESS FACTORS	TJX Companies			Abercrombie & Fitch Co.		Nordstrom Inc.		Gap Inc.		American Eagle Inc.	
	Weight	Rating	Score	Rating	Score	Rating	Score	Rating	Score	Rating	Score
Product diversity	0.15	3	0.45	3	0.45	3	0.45	3	0.45	2	0.30
Financial Position	0.10	4	0.40	3	0.30	3	0.30	3	0.30	3	0.30
Market Share	0.05	3	0.15	3	0.15	3	0.15	3	0.15	3	0.15
Brand name	0.15	3	0.45	3	0.45	3	0.45	3	0.45	3	0.45
Global Expansion	0.10	3	0.30	3	0.30	3	0.30	3	0.30	2	0.20
Price policy	0.10	4	0.40	3	0.30	3	0.30	3	0.30	3	0.30
Retailing channel	0.15	3	0.45	4	0.60	3	0.45	4	0.60	2	0.30
Marketing strategy	0.10	3	0.30	3	0.30	3	0.30	3	0.30	3	0.30
Technology	0.10	3	0.30	2	0.20	2	0.20	4	0.40	2	0.20
TOTAL	1.00		3.20		3.05		2.90		3.25		2.50

4 – major strength 3 – minor strength 2 – minor weakness 1 – major weakness

Figure 7. Competitive Compile Matrix Gap Inc and competitors

Source: Abdullah, N.H.B., et al, 2011

As figure 7 has shown (Abdullah, N.H.B., et al, 2011), where Gap Inc. is compared to its competitors from the retail apparel industry on their Critical Success Factor (CSF) derived in studies conducted by Abdullah, N.H.B., et al., Gap Inc. scores 3.65 points - surpassing its rivalries, with TJX scoring 3.35, Abercrombie and Fitch 3.05, Nordstorm 2.9 and American Eagle Inc 2.5. Gap Inc.'s financial position and price policy are 1 point weaker than TJX, while the performance on the other factors is average. Its succeeding factors at that timeframe are retailing channels and technology.

From a holistic management perspective, it is clear that Gap Inc.'s strategic appeal along with management planning and control (Head) coordinate well with its functional practices (Hand). It's compensation system within its clear hierarchical organization structure in conjunction with its dedication to improving its employees' treatment and condition seem to have encouraged

more commitment and motivation. According to Yu's 3-H framework, which considers the entire organization in the analysis, Gap Inc.'s Heart, Head and Hand are in total competence to progress in their best potentials under Drexler's leadership. Although each H is interrelated and integrated with one another, they contribute differently to organization where some weighs more than the others. In the case of Drexler, It is apparent the success of his management came from the integration of Heart, Head and Hand dimensions in equal measures. As a result, Gap Inc. experienced a marked turn around in its business performance in sustained increase in year over year sales growth, high increase in gross profits and operation incomes, which are key performance indicators for an apparel firm (see figure 8). With the shift of environmental factors in the 2000s that require leadership to transform the organization, Drexler's approach fell short with declining sales reported in the 24 consecutive month towards in the end of his tenure, most likely attributed to new environmental changes and increased competitions from new entrances in the global apparel market. The resulting decrease in profit and deteriorating working culture and environment proved to be his downfall in his dismissal in 2002.

Calendar Year	1981	1982	1983	1984	1985	1986	1987	1988
Fiscal Year-End	1/31/82	1/31/83	1/31/84	1/31/85	1/31/86	1/31/87	1/31/88	1/31/89
Sales (\$million)	\$417	\$445	\$481	\$518	\$647	\$848	\$1,062	\$1,252
Gross Profit (\$million)	\$137	\$155	\$167	\$163	\$250	\$348	\$383	\$407
Operating Income (\$million)	\$29	\$42	\$43	\$26	\$71	\$139	\$129	\$129
Net Income (\$million)	\$12	\$18	\$22	\$12	\$28	\$68	\$70	\$74
Gross Profit (% of sales)	32.9%	34.8%	34.7%	31.5%	38.6%	41.0%	36.1%	32.5%
Operating Income (% of sales)	7.0%	9.4%	8.9%	5.0%	11.0%	16.4%	12.1%	10.3%
Net Income (% of sales)	2.8%	4.1%	4.5%	2.4%	4.3%	8.0%	6.6%	5.9%
Net Income (% of equity)	17.4%	21.7%	17.8%	9.7%	18.3%	32.1%	25.7%	26.8%
Stores at Year-End	522	545	550	594	648	724	815	900
Retail Square Feet ('000)	2,281	2,534	2,627	2,912	3,116	3,396	3,645	3,879
Average Store Size (sq. ft.)	4,370	4,650	4,776	4,902	4,809	4,691	4,472	4,310
Sales per Store (\$'000)	\$799	\$817	\$875	\$872	\$998	\$1,171	\$1,303	\$1,391
Sales per Square Foot (\$)	\$183	\$176	\$183	\$178	\$208	\$250	\$291	\$323
Employees ('000)	8.5	8.7	8.9	10	11	12	15.7	19.8
Sales per Employee (\$'000)	\$49.1	\$51.1	\$54.0	\$51.8	\$58.8	\$70.7	\$67.6	\$63.2
Sales Growth (% y.o.y.)	-	6.7%	8.1%	7.7%	24.9%	31.1%	25.2%	17.9%
Comparable Stores Sales Growth (% y.o.y.)	3.9%	(1.8%)	2.6%	0.9%	14.7%	12.0%	9.1%	7.7%
Advertising Spend (\$million)	-	-	\$15.0	\$14.0	\$18.7	\$20.4	\$19.2	\$13.0
Advertising Spend (% of sales)	-	-	3.1%	2.7%	2.9%	2.4%	1.8%	1.0%
Store Mix								
Gap	522	-	-	-	623	662	692	715
Banana Republic	-	-	2	11	42	70	98	109
GapKids	-	-	-	-	-	-	-	82
Hemisphere	-	-	-	-	-	-	3	9

Figure 8. Gap Inc.'s Early Turn Around under Drexler's Leadership (1981-1988)

Source: Wells and Galen, 2019

7.4 Under Peck's Leadership - Declining Sales, Profitability and Organizational Performance

Subsequent leaderships since Drexler, in particular Art Peck, have been targeting at what Drexler 'failed at' to attempt to overcome them (Forbes, 2018). The following discussion focus on the failure of implementing 3-H simultaneously or the negligence of certain 3-H domains, leading to a negative impact of organizational performance and as a result, decline in sales and profitability (see figure 9 and 10).

Calendar Year	2014	2015	2016	2017	2018
Fiscal Year-End	1/31/15	1/31/16	1/31/17	1/31/18	1/31/19
Sales (\$'million)	\$16,435	\$15,797	\$15,516	\$15,855	\$16,580
Gross Profit (\$'million)	\$6,289	\$5,754	\$5,640	\$6,066	\$6,322
Operating Income (\$'million)	\$2,071	\$1,644	\$1,447	\$1,442	\$1,374
Net Income (\$'million)	\$1,262	\$920	\$676	\$848	\$1,003
Gross Profit (% of sales)	38.3%	36.4%	36.3%	38.3%	38.1%
Operating Income (% of sales)	12.6%	10.4%	9.3%	9.1%	8.3%
Net Income (% of sales)	7.7%	5.8%	4.4%	5.3%	6.0%
Net Income (% of equity)	42.3%	36.1%	23.3%	27.0%	28.2%
Stores at Year-End	3,709	3,721	3,659	3,594	3,666
Retail Square Feet ('000)	38,100	37,900	36,700	36,400	36,700
Average Store Size (sq. ft.)	10,272	10,185	10,030	10,128	10,011
Sales per Store (\$'000)	\$4,431	\$4,245	\$4,241	\$4,412	\$4,523
Sales per Square Foot (\$)	\$431	\$417	\$423	\$436	\$452
Employees ('000)	141.0	141.0	135.0	135.0	135.0
Sales per Employee (\$'000)	\$116.6	\$112.0	\$114.9	\$117.4	\$122.8
Sales Growth (% y.o.y.)	1.8%	(3.9%)	(1.8%)	2.2%	4.6%
North America (% of total sales)	84.0%	83.9%	84.3%	86.7%	87.7%
Online Sales (% of total sales)	15.2%	15.8%	-	-	-
Sales by Brand (% of total sales)					
Gap Brand	37.5%	36.4%	35.2%	33.5%	31.1%
Old Navy Brand	40.3%	42.3%	43.9%	45.7%	47.3%
Banana Republic Brand	17.8%	16.8%	15.9%	15.0%	14.8%
Other	4.4%	4.5%	5.0%	5.8%	6.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Figure 9. Gap Inc.'s Performance under Peck (2014-2018)

Source: Wells and Galen, 2019

Calendar Year	2014	2015	2016	2017	2018
Fiscal Year-End	1/31/15	1/31/16	1/31/17	1/31/18	1/31/19
Gap Brand					
Gap North America	960	866	844	810	758
Gap Asia	266	305	311	313	332
Gap Europe	189	175	164	155	152
Total Gap	1,415	1,346	1,319	1,278	1,242
Old Navy Brand					
Old Navy North America	1,013	1,030	1,043	1,066	1,139
Old Navy Asia	43	65	13	14	15
Total Old Navy	1,056	1,095	1,056	1,080	1,154
Banana Republic Brand					
Banana Republic North America	610	612	601	576	556
Banana Republic Asia	44	51	48	45	45
Banana Republic Europe	11	10	1	-	-
Total Banana Republic	665	673	650	621	601
Other Brands					
Athleta North America	101	120	132	148	161
Piperlime North America	1	-	-	-	-
Intermix North America	42	41	43	38	36
Total Other Brands	144	161	175	186	197
Company Operated Stores	3,280	3,275	3,200	3,165	3,194
Franchise	429	446	459	429	472
Total	3,709	3,721	3,659	3,594	3,666

Figure 10. Gap Inc.'s Performance under Peck (2014-2018)

Source: Wells and Galen, 2019

7.4.1 Shift from Competitive Advantage Built from Physical Retail

Art Peck took over the executive role as Chief Executive Officer in 2015. He previously worked for Boston Consulting Group and joined Gap Inc. as Vice President of Strategy and Operation in 2005. Peck held senior leadership positions across nearly every area of the company, overseeing the acquisitions of activewear brand Athleta and retailer Intermix, while driving Gap's expansion in Greater China, where the company now operates more than 100 stores (Amed, I., 2014).

Deteriorating business performance in 2015 saw a 12% decline in global same-store sales for the month of April, year-over-year. Total sales fell 3.9% annually and in a cost cutting exercise to protect decreasing net income, Peck closed 175 stores and eliminated 250 positions at headquarters. (Wells and Galen, 2019)

Peck identified one of the cost drivers from the previous business model was its excessive expense and land in real estate, he expressed in an interview quoted in Moin (2017) that 'the company has been diligently rationalizing its retail square footage, indicating that (it) has shed five million square feet over the last 10 years in North America'. Despite the importance of in-store experience and customer service which brings 80% of apparel purchase. Peck explains that

when he closes over 200 stores, ‘it’s because it’s the wrong stores in the wrong locations.’ (Lee, 2019) The graph in figure 11 presents data on Gap Inc’s real estate growth and shrinkage from the fiscal year Peck took on the role in 2014 to 2019 when he resigned. The blue chart shows its increase in store numbers whilst the green shows the decrease in number. The line presents the recorded total store number at the end of the year.

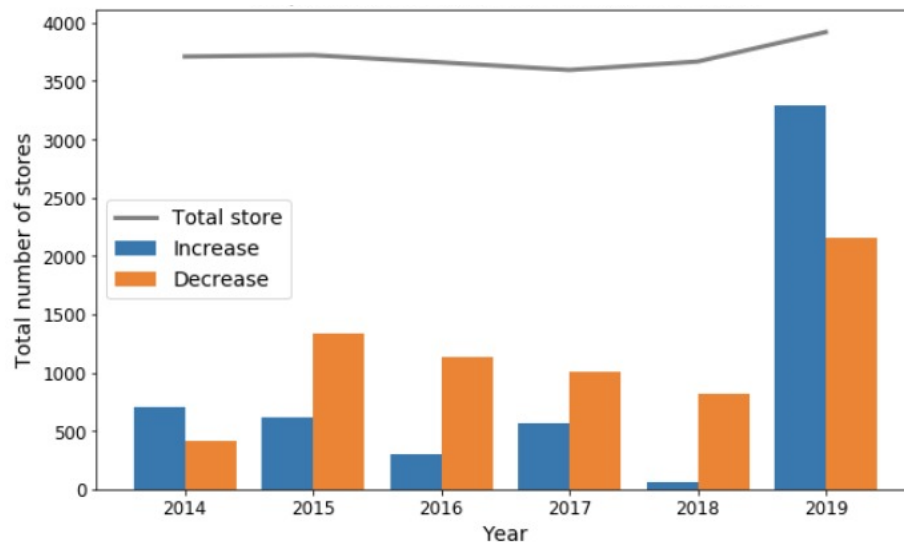


Figure 11. Gap Inc. Real Estate Data 2014-2019
(created with data from Businesswire)

The average shrinkage in store over the 6 years is 114.3 per year, there is a steady decrease in shrinkage from 2015-2018 whilst the growth is significantly lower. 2019 is a critical year for Gap Inc. as there was a rise of 329 new stores and closed 215, it is the only 2019 where the increase is higher than its decrease. The total number of real estate in 2014 is 3709, which remains relatively stable except for the slight drop in 2016 carrying onto 2017 to only 3594 stores, though the number was brought up again in 2018 to 3666 and a steep rise to 3919 stores in 2019.

In the Head perspective, by ‘rationalizing’ Gap Inc’s retail square footage and closing down stores that are in locations that are not cost beneficial enough and reinvesting in places that are more sales effective, Peck aimed to cut out unnecessary expenses and bring in more valuable tangible assets to the company. The relocation of brick-and-mortar stores improved its cost advantage approach to the business but also negated the motivation and commitment aspects of his employees (the Heart-Hand dimension) and the core competitive advantage built around the strength of the physical retail operation.

(‘Head’ over ‘Hand’ and ‘Heart’ approach without the overall considerations of the ‘Heart’ dimension and ‘Hand’ competency)

7.4.2 Product 3.0

The relocation of stores also signifies the re-evaluation of their customer segments and re-examining their core customers. Peck also identified the disadvantage and lack of in-depth customer preferences in its inventory management, as well as recognizing the success of its competitors such as Zara and H&M is due to its shortened supply chain and quick-turn-around New Product Development (Hopper, 2017), Peck launched Product 3.0, a new operational structure to the company. The main objectives were to create a ‘highly responsive supply chain’ where its New Product Development was to be shortened and reconstructed. Taking Zara’s supply chain into reference, whose NPD process can be as fast as just fifteen days, which is a ‘stark comparison’ to the typical NPD cycle which took ‘several months to even a year to develop’ (Hopper, 2017). In effect of Product 3.0, Gap Inc’s vendors were shifted from Asia to the Caribbean to order to shorten its product development cycle to 8-10 weeks and bring closer its supply chain.

In support of the shrinkage of production and shipment timelines, Gap Inc. stores drastically decreased their shop stocks in store. Stores would only accommodate a small number of stocks, larger quantities would be pursued after customers’ responses were reviewed. The inventory management would be much more effective and cost efficient, as its stocks are now essentially tailored to only responding to real-life data rather than by creative instincts, i.e. creative director which Peck removed from Gap Inc’s infrastructure. The limited stock of inventory would also propose more value and scarcity to its goods because they understand that once a product is gone, it is gone. It would also attract customers to revisit the store more regularly to check for new products, Hopper (2017) points out that an average Zara shopper visits a Zara store 17 times per year, compared to a brand loyal who visits the store only 4.1 times per year. This stems from consumers’ fear of missing out on something. This is extremely effective in boosting store traffic, which is a common struggle amongst the apparel retail industry (Jones, 2017). By doing so, customers’ confidence in the company and loyalty can be slowly regained, which is essential to its competitive advantage. As such, there is a focus on more flexibility in its NPD and responsive to its data collection as the data results could be unpredictable. By not stocking up inventory on all styles, distributions would flow more smoothly and there would not be a wealth of unwanted stocks, hence a much lesser proportion of its investments and products would be discounted and sales would be more profitable.

(‘Head’ and ‘Hand’ approach implemented for better supply chain system and product management strategies)

7.4.3 HRM and Organization Change in the Removal of Creative Director

Gap Inc.'s profound objective to rebuild its brand identity by targeting its core costumers, it boiled down its key product categories to only including denim, bottoms, active, kids and baby- the products that Peck observed as the goods that 'generate the most loyalty' (Moin, 2017), a result generated by its newly implemented customer purchase data system. It also evaluated and eliminated products that did not belong in its core values, in hopes to re-differentiate its products and its brands.

Peck believes that leveraging such data gives insight and hence directions to what customers demand from a company and efficiently recognize the value. His disbelief in the role of a creative director, who he refers to as 'false messiahs' (Bain, 2016), led him to replace it with big data driven R&D process and encouraged executives to focus on the data on customer preferences. Israeli expressed in an interview with Kenny (Forbes, 2018) that Peck recognized the flaws in the previous business model Drexler implemented in the design, product and creative directors and thereby imposing the opposite to that in an attempt to succeed.

Peck reveals in a conference (Lee 2019) that the big data identifies the company's customers, in which its 'best customer', their purchase, preference, shopping channel, frequency and even as far as family composition. In Peck's perspective, eliminating the role of its creative director could allow integrations and a more streamlined product development process. The predominantly data-driven decisions are more straightforward and direct, and more business orientated, rather than relying on one's creative instinct and artistic visionaries, as that of Drexler's approach.

Although correctly identified the external environmental factor of technological advancement to shift the business to a more data-driven model, the elimination of the role of creative director, resulted in a loss of identity and general direction of the brands. Along with other positions eliminated new departmental functions were not clearly defined or communicated to employees in the new organizational structure, leading to distrust and de-motivated staff as well as decreased cross-functionalities between departments.

('Head' approach without the support of 'Heart' domain considerations in implementation of new strategies)

Along with its development and enhancement on its digital capabilities, Product 3.0 required \$150 million in expansion online and offline, advancing its site speed and data analytics, as well highlighting a new customer e-commerce experience where they can 'capture inventory visibility' online and reserve any available pieces, which would be ready for them to try on in a store of their preference (Hopper, 2017). This Peck-driven decision stems from understanding today's 'converged customer' (Lee, 2019) and the importance of imposing flexibility in its

inventory management (Hopper, 2017) and ensuring its inventory ‘isn’t held up in separate online and off-line buckets, instead of being available to customers’ (Lee, 2019). Data acquisition enhancement will also be utilized to ‘personalized digital and in-store experience’, where the assortments are customized for each store, including ‘it’s size, curves, aesthetics, the entire population demographics, psychographics, etc, and it builds in predictive demand.’ (Peck, 2019 quoted in Lee, 2019).

Despite Peck’s effort to reconcile its core customer with its advanced digital technology, its annual revenue year-on-year comparison from figure 12 shows that under Peck’s management, Gap Inc’s revenue dropped drastically in the fiscal year of 2016 and continues to do so throughout 2016 and 2017 until warming up in 2018. The progress of its revenue shadows the pace of its number of stores (see figure 11), although there is no evidence that the latter has an impact on its revenue, it is evidentially that its dramatic growth in real estate in 2019 brought in revenue shown in figure 12.

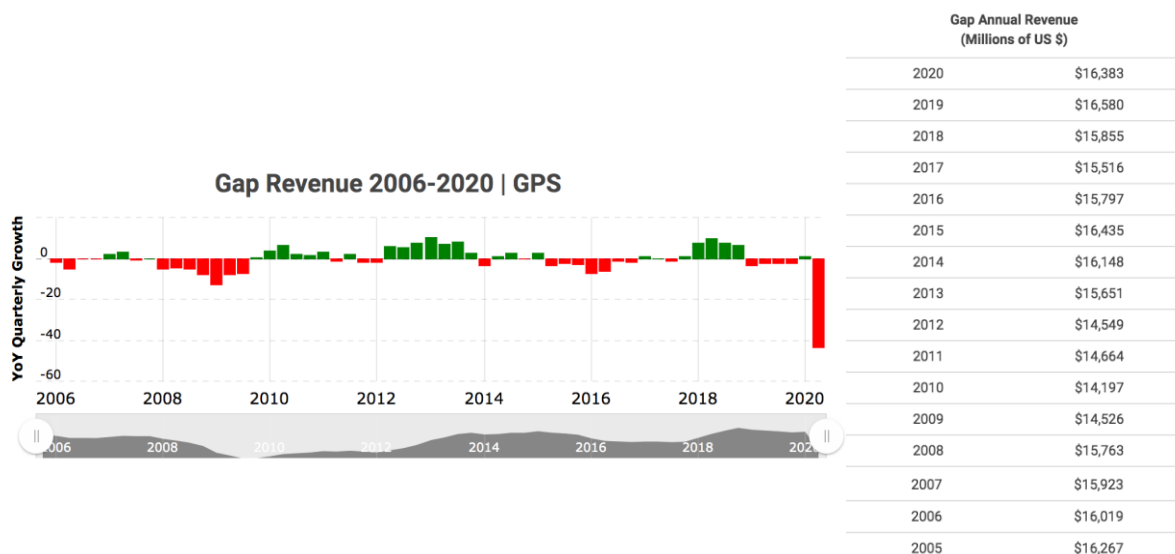


Figure 12. Gap Inc. Revenue between 2006-2020

Source: Macrotrends.net, 2020

Peck’s unexpected drop in revenue could be a counter-effect of Gap Inc cutting back on TV advertising, which it made its success in the past (Ritson, 2016). It shifted its focus perilously on technology, including neglecting its store window display, as Peck described them as ‘much less relevant’ and should be ‘skinny-ed down’, he explained ‘if you haven’t won at the digital interface on the front end, your window in the mall store is probably not going to make a difference at the end of the day.’

Replacing its storefront was its fixation on social media, including advertising on social media apps such as Instagram and Tinder, whose users range from teenagers to young adults. The shift of marketing strategy to online based campaigns correctly identified technological changes and trends of marketing but the decision of market promotion through dating apps such as Tinder, lead to the questions of whether at that place in time online marketing core competence has been built to a sufficient level to deploy the strategy effectively.

(‘Head’ over ‘Hand’ approach without the simultaneous development of the ‘Hand’ competency)

8. Limitations

Since this study’s primary focus is on two individual timeframes of the development of Gap Inc. in isolation, there might be gaps in the continuous change of internal and external factors between these two timeframes to enable comprehensive and absolute comparisons. Second, Peck in his time was presiding over a company on a mammoth slide and on the wrong side of the curve to implement his Change Management. Third, assumptions testing and triangulations of performance indicators to frameworks used are based on secondary information and key events in the timeframes specified and could be subjective and bias. As such, this study aims to be explorative, putting forward the hypothesis and the correlations between the 3-H domains and strategic management and leadership of apparel firms.

9. Preliminary Findings

Ritson criticized Peck’s conversion of Gap Inc. technology-dominated company as erratic, suggesting that he is a ‘Morbus digitalis’, i.e. ‘a sickness characterized by erratic and irresponsible behavior’ (Ritson, 2016). Many also thought his decision to eliminate the role of its creative director was confusing, Bain (2016) explains that although some creative directors create a ‘cult around their vision’, it might not be ‘practical for high street brands’. However, Bay, the creative director who was fired upon Peck’s promotion, expressed that ‘Gap is not a design-led company and thus (she) had very little say in what ended up in store’. Departmental functions are not clearly specified and organized as with Drexler’s organization. As such, confusion is created and promoted distrust between the employees and management.

From the few key changes Peck made to Gap Inc. upon his promotion, there seems to be a lack of communication or discussion between the 3-Hs, though it is difficult to examine whether or not Peck’s employees trusted him, the fact that a creative director was hired after Peck left the company could be an indication that there was distrust and most likely inactive listening within the organization. These two qualities are some of the key enemies of Heart-to-Head communications, which is fundamental for a healthy and successful holistic management.

Both Drexler and Peck build the organization change strategies on their own core competence and experience (in the case of Drexler, in merchandising; Peck, in strategy formulation and management). There are however more integration and implementation of the 3-H domains in Drexler's approach in adopting his initiatives and strategies. As the above studies shown, the leadership of Drexler and that of Peck highlight, even if senior management has correctly identified the external factors, opportunities and threats as well as the organization changes needed to be made in order to gain competitive advantage, the importance of implementation of 3-H domains in conjunction with one another cannot be understated.

10. Recommendations

In order to have a holistic approach Gap Inc. should, while adopting digital strategies to be in line with the latest industry developments, at the same time expand its market in rapidly emerging economies such as China, India and former USSR block countries with appropriate realignment of its brand offerings. This would increase cost efficiencies with the current adoption of technology in supply chain and R&D activities implemented by Peck but has not yet utilized fully due to Gap's currently narrowed and declining markets in the U.S. and Europe. (Head and hand domains in relations to organizational planning and marketing strategy implementation).

Second, although Gap Inc. is one of the first to develop online shopping but currently its online platforms has not produced significant increase of sales. It is therefore recommended to bring in highly qualified seasoned, local and regional professionals, in the e-commerce and online marketing fields to increase the efficiency of online sales, in particular in regions that show high growth in e-commerce markets such as China, as competitor Zara's new re-focusing of e-commerce strategy with local partnership of online platforms T-mall has shown. (Hand domain in relations to competence, in particular in areas of technology adoption to create value)

Third, by reinstating a creative director Gap Inc. has come to recognize that a figurehead is needed, in addition to perform his/her functions within R&D, there are intangible and secondary functions such as to uphold and promote brand value and culture, within the organization as well as outwards to the consumers. These functions were fulfilled under the leadership of Drexler, with him being a maverick of a merchant and a 'people manager' that he was, in addition to the competence of creative director and divisions executives that he hired. The right appointment of these positions can regenerate the company and motivate functional teams from senior management to front line store workers. In addition, celebrity endorsement and cross-overs are effective marketing strategies which are underutilized by Gap Inc. currently. Celebrity ambassadors can help reinvigorate consumer's interests in the brand, as well as raise international profile which is an important tactic to new emerging markets such as China. Gap Inc.'s recent cross over with musician, celebrity, and designer Kanye West fits into the cross-over strategy in extending West's visions and creative directions for the brand, reinvigorating the

organization from within. Senior management should continue with this lead and manage the ‘human element’ together with the big data elements from Peck’s Product 3.0 supply chain strategic changes in order to regain trusts and engagements from the company’s core functional units such as the R&D and marketing teams. (Heart domain in relations to motivation, and engagement, with its employee and consumers.)

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