What do J.C. Penney and the Traditional Christian School Have in Common?

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J.C. Penney and many Christian schools have a lot in common.

J.C. Penney and many Christian schools have experienced severe financial pressures—some department stores and schools have even closed. They also share challenges with mission fulfilment, internal culture, and effective leadership. A final way they are similar is that technology has and will disrupt their industry.

Change is needed at both J.C. Penney's and the Christian school.

Financial Challenges

Both J.C. Penney's and Christian schools have lost customers (students), which has led to financial pressures.

The financial pressures at Christian schools occur mainly due to enrollment declines. There were nearly one million students in conservative Christian schools in 2005-06. In 2013-14, the NCES reports there were 707,000 in conservative Christian schools.[1] Losing 5%, 10%, or even 30% of a student body has a dramatic impact on finances—and many other areas of a school. It can lead to a school closing or even a tendency to change the mission of the school.

The closing of Christian schools is not a brand-new phenomenon. **"**The Association of Christian Schools International (ACSI), which has more than 3,000 member schools in the US, normally averages 150 school closures each year."[2] The following headline from 2009 would still be true today: "Christian education in hard times."[3]

A related faith-based system of schools has faced even more severe declines. "Nearly 1,650 schools have closed or been consolidated in the last 10 years, 88 of them last year alone, the National Catholic Education Association says."[4]

"A private school in Southeast Raleigh is closing, and a charter school is moving in. Upper Room Christian Academy announced Monday it will close its elementary school. Bishop Patrick Wooden, pastor of the Upper Room Church of God in Christ, said in a news release that "The decision to close the school was a very difficult one but realistically, it is nearly impossible to compete with free education."[5]

A former ACSI Regional Director, John Storey, reported that 267 schools have closed in the Northeast Region since 2007. Storey says "the factors within the schools control that may have led to their demise were:

- A lack of focus on mission
- Academic mediocrity—Lack of intentionality in developing curricula that led to the ends that God called them to
- A lack of a strategic plan or developing one and allowing the tyranny of the urgent to set it aside
- A lack of a business model or a flawed business model
- A weak governance structure
- A lack of visionary leadership (use D.C. as an example)
- An approach to spiritual development that communicated to students that conformity to rules was more important than spiritual growth"

Rick Newberry says that a top reason enrollment declines is due to **ineffective leadership**.[6] **This is a common characteristic with** J.C. Penney **that is discussed later in this article**. Other articles gave these reasons for school closures: the growth of home schooling and more Charter School options.[7]

While the financial problems of Christian schools are related to enrollment declines, J.C. Penney's financial problems have also been related to sales. This year it released a list of 138

JCPenney stores it will close in the next couple of months because of slowing traffic and sales.[7]

According to Business Insider, J.C. Penny is struggling to compete amidst a shift in consumer behavior: "Shoppers who flocked to malls in the past are now doing most of their buying online at places like Amazon that can be more convenient and make returning easier. [...] Over 3,000 (department) stores are expected to close this year."[8]

Other department stores have also felt the impact. "Sears has been quietly closing more stores than it said it would."[9] Other recent headlines are: "**Macy's announces store closings for 2017**"[10] and "**Electronics and appliance retailer HHGregg filed for Chapter 11 bankruptcy protection in March and expects to close all of its 220 stores by the end of May**."[5]

"Each day, it seems another beloved shopping icon is issuing bad news as retailers continue to face a challenging environment. Brick-and-mortar stores are struggling to change and adapt fast enough in the highly competitive digital age and retailers are closing under-performing stores, shedding workers, and launching new initiatives to cut costs and stay relevant".[11]

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Could we change the above quote to: ***Brick-and-mortar schools are struggling to change and adapt fast enough in the highly competitive digital age and boards are closing under-performing schools?***

Failed Efforts

"J.C. Penney is investing $160 million of an expected $500 million in capital expenditures this year (2010) to enhance its in-store experience. As of this month, the retailer will have made significant enhancements to the in-store experience at more than 750 locations in 2010. By 2014, J.C. Penney plans to complete major renovations at more than 375 of its stores".[12]

Many brick and mortar schools have also made investments to attract more students and thus tuition dollars. They often have, like J.C. Penney, increased expenses without measurable growth in their results, either academic or financial. These schools may be continuing to invest, like J.C. Penney, in a partially failing model.

Choices

J.C. Penney's and Christian schools have customers (parents) with more and more choices. Much of the change in the way customers shop can be attributed to Amazon. "Amazon took 53% of all of the sales growth of online retailers in the U.S. last year (2016) ... it's clear that Amazon accounts for a huge share of the retail growth in the United States."[13] Bloomberg's Devin Leonard reports that Amazon's annual revenue in 2010 was $34 billion. As of last year, that grew to $107 billion.[14] The same article predicts almost a doubling of sales for Amazon by 2020.

Christian schools face new competition from charter schools, virtual schools, and even colleges that now offer courses to high school students. Homeschooling options have increased with some families using University-Model schools[15] or co-ops[16]. Meanwhile public schools have been able, in many parts of the country, to make major infrastructure enhancements that give at least the appearance of a strong program. The retail and school marketplace are more crowded than ever and the consumer is more in control. Gone are the days when there was only one school in town.

Price Competition

Part of the movement of customers and parents to different choices (different for J.C. Penney and Christian schools) has to do with price and finances. While the "Great Recession"[17] of 2007-2009 impacted many people, school leaders routinely point to the impact that recession had on school families. Many have never recovered the enrollments they lost during that time. Many increased the financial aid they offered to retain some families (a form of a discount). Many schools held down tuition increases due to market and consumer demands. This impacted the quality of teachers that could be retained and/or the programs that could be offered.

J.C. Penney has also had to contend with a changing financial model in the retail space. J.C. Penney found out it is critical to discount and not just lower prices.[18] Customers routinely and easily compare prices. In a minute, the customer see that the same pair of Dockers pants that are listed for $62 on the J.C. Penney site can be found with free shipping on the Amazon site for $45.

Use of Asian Market to Survive

Both J.C. Penney and some Christian schools are using the Asian Market to survive.

Some, certainly not all, Christian schools are accepting higher paying Asian students.[19] Some of those schools charge triple the normal tuition rate and do not give financial aid. Some of those schools are opening campuses in Asia.[20]

Stores are getting more products from overseas. Dockers, when asked, could not tell us where their pants are made except to say they are "made around the world." Department Stores are also expanding to Asia.[21]

The Cost Factor

Some competitors of J.C. Penney's and some for the Christian School do not have the same costs as these organizations. Buildings, utilities, grounds, and decorating expenses that are a routine part of a school budget or a department store are not a factor for virtual options. Employee pay and benefits are not the same for some competitors of the Christian school or J.C. Penney. Contractors may be used in virtual settings as teachers for example and receive no benefits.

Mission Statements

Both the Christian school and J.C. Penney have (had) mission statements based on Biblical values**.** "It was never a secret what James Cash Penney valued when he opened his first store called The Golden Rule. "Do unto others as you would have others do unto you," is a mission statement that guided Penney and his employees for as long as he was actively involved in his business."[22] Christian schools that were often founded to provide a Christ centered, biblically directed education are tempted to change the mission of the school by the factors described in this article. For example, states and public colleges may offer free or nearly free online or face to face options to the Christian school. Even though these come with a secular curriculum and teacher, some Christian schools have accepted them as a supplement to what they offer.

Mission drift or decline typically does not reveal itself immediately but rather over time through a myriad of clearly discernible factors—enrollment, finances, leadership, faculty retention and recruitment—which are not proactively addressed by the Board and leadership. **Mission fulfillment must be measured, reinforced, and resourced for the school to thrive versus merely survive.**

Leadership Issues

Both J.C. Penney and many Christian schools struggle because of the leadership they have.

Newberry states: "enrollment can rise or fall based on the school's leadership. I have seen situations in schools where the head of school lacks the ability to provide visionary and inspirational leadership. Ineffective leadership will almost always result in enrollment decline. If the parents, faculty and staff do not believe in the leadership of the school, it will be difficult to grow the enrollment without vision and direction. In addition, the school's leadership must intentionally focus on leading the enrollment effort. It starts from the top and should permeate every area of the school."[23]

In 2011, J.C. Penney hired Ron Johnson—a "star retailer" at Apple and Target—to become the CEO with a mandate to radically overhaul the department store chain. "His plan failed miserably" and sent the department store chain's annual sales down $6 billion, led to the firing of 40,000 people, the closing of 137+ stores in 2017, and caused a major cash crisis. Johnson largely blamed the company's stagnant culture for the failure, saying people there were entrenched. [….] He stated that the problem was not with the plan but "When I got to Penney's, I had no choice because I was told people wanted to change, but the truth is nobody wanted to change. The team there was very comfortable with their place in the market." He was fired after 2 years.

There are many similarities to Christian education in the statements above. The Board and Administrative team must create an effective culture by being mission focused in discerning "what must change and what must never change." The recovery is still "fragile." Leadership faces equal risks of jumping on the latest trend or ignoring obvious changes in the marketplace of educational choice. Most Christian schools are struggling to maintain enrollment and many have increased financial aid to a point where it is not sustainable. Until Christian school leadership can develop a plan focused upon parental choice, new educational models, student needs, effective biblical integration, and sustainable financial models; school cultures are perpetuated which wind up defending mission and past

practice at the loss of families, faculty and finances. In other words, they will weaken their accomplishment of mission due to the fact they will have fewer students to impact.

Christian schools have often struggled to accomplish the essential steps of hiring the right leader and empowering them to bring the needed change. Too often the board is willing to accept a leader with the right heart but without the capacity to lead in a changing environment. The results are stagnant schools and a staggering three-year average tenure for Heads of Christian schools. Leaders feel safer maintaining instead of leading.

Education, including Christian education, has not been noted for effective innovation, nimble structures, or dealing with cultural trends. Rather, schools stand on past practice, structured schedules, orderly classroom, nurturing (and Christian) faculty, and a lack of sustainable financial models. **Leaders must create a culture willing to change and willing to follow through with people and plans that bring needed change.**

Christian school boards and leaders must provide both vision and leadership which creates a value proposition for parents and students with the same level of planning, accountability, and communication.

Technology

J.C. Penney's and Christian schools are similar in the way that technology has impacted them. This impact will continue and may even accelerate.[24] Technology has transformed the way consumers shop. It has impacted pricing, where people shop, and the number of choices they have. Technology has also transformed, and even disrupted, schools.[25] It has impacted how teachers, teach. It has impacted how students learn. It has changed the options parents have to educate their children. This transformational technology wave will not decrease, but increase.

Summary

J.C. Penney's and many Christian schools have a lot in common. But what about their futures?

The stock market would say that the future for J.C. Penney is not very bright. The enrollment trends for the Christian school would suggest a continued pressure on their enrollments and thus their finances. However:

1. Some retailers have begun to transform their business model. For example, compare the revenue and net income results for Kohl's and J.C. Penney's. Kohl's had a positive $500 million-dollar net income reported for 2016 and J.C. Penney had a negative $500 million-dollar net income. Kohls "focuses on e-commerce efficiency and in-store pickup."[26] Their stock is currently at $37 per share. But the real competition for both are eCommerce giants like Amazon and Alibaba. The successful retailer of the future will be, at least partially, online.

2. Some Christian schools have begun to use digital tools to offer students more and to also change their financial model. Schools like The Oaks, The First Academy, and Prestonwood Christian Academy have added an online division to increase enrollments and offer more choice to school families, both local and around the world. This brings in new tuition streams.

   Other schools have partnered with Sevenstar or other providers to supplement what they offer students and often lower operating costs. Sometimes they change their typical business model and have a new income stream. A Colorado Christian school reports an annual $30,000 profit (yes in a Christian school) for their online division. Financial challenges will still exist within Christian schools as they compete against a free public model of education that parents will consider.

3. Without change, likely disruptive change, even successful Christian schools will find the future overwhelming. "In the 21st century, ISM expects successful private-independent schools to make radical changes in both structure and function in order to achieve and sustain stability and excellence." (ISM)[27] The Christian school of the future will be, at least, partially online.

4. Change is needed to ensure Christian school success in the coming years. Board agendas, leadership team meetings, and planning retreats must move from reactionary solutions to improving current practices while also developing ideas for an "envisioned future" which can meet the expectations of parents and the needs of students in our 21st century context.

A Disclaimer

All analogies break down at some point. Certainly, there are many ways that J.C. Penney is not like a Christian school. Also, the similarities are only true for some schools some of the time. For example, "...*elite* private institutions (schools) are doing just fine, many besieged by more applicants than ever before. The wealthiest Americans can easily afford them and are ever more determined to secure for their children the advantages that come with attending them."[28] There are exceptions for retailers as well. Home improvement stores were cited as one retail sector with positive growth.[29]

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