Journal of Business Research 64 (2011) 1043–1051

Contents lists available at ScienceDirect

Journal of Business Research

Deconstructing the notion of blame in corporate failure☆

John Pal [a,]*, Dominic Medway [b], John Byrom [c]

[a] Marketing and Retail Division, Manchester Metropolitan University Business School, Aytoun Street, Manchester, M1 3GH, United Kingdom
[b] Marketing Subject Group, Manchester Business School, University of Manchester, Booth Street West, Manchester, M15 6PB, United Kingdom
[c] School of Management, University of Tasmania, Locked Bag 1316, Launceston, Tasmania 7250, Australia

ARTICLE INFO

Article history:
Received 1 December 2009
Received in revised form 1 June 2010
Accepted 1 November 2010
Available online 28 November 2010

Keywords:
Corporate failure
Retailing
Blame
Culpability

ABSTRACT

Corporate failure is the subject of considerable academic debate since the 1960s. Failure in the retail sector receives less attention however. This paper addresses the notion of blame in corporate failure. Reference to A Goldberg and Sons, a failed retailer, exemplifies the discussion. Prior to bankruptcy in 1990, this firm was a successful Scottish department store and clothing retailer. The study takes a historical approach, using in-depth interviews, archival material, and other secondary data sources. Findings reveal that, despite warning signs from various key performance indicators and external reviews, the company's board failed to act appropriately. A series of bad strategic decisions contributed to the company's failure. In line with theories of blame attribution, through their (in)actions, the board's negligence played a major role in the firm's demise.

1. Introduction

The role of failure within organizations is a subject of investigation across various business and management disciplines (Mellahi and Wilkinson, 2004). Substantial academic and practitioner attention focuses on understanding the reasons why companies decline and eventually cease to operate. In addition, recent macroeconomic conditions precipitated by the global financial crisis have led to the folding of several high-profile firms in the financial sector. Failure is clearly a pertinent phenomenon. Whilst numerous studies, both academic (Arnold, 2002; Berry et al., 1997; Bird and Witherwick, 1986; Gardner, 1995; Howe, 2000; La Vere and Kleiner, 1997; Maltz et al., 2003; Michman and Greco, 1995; Miller and Merrilees, 2000; Sparks, 2003) and non-academic (Andersen, 1997; Chapman, 1974; Davies, 1991; Jones, 2005; MacLaurin, 1999; Powell, 1991; Richer, 1998; Sieff, 1986, 1991; Walker, 1978) cite the successful development of retail firms, less attention is paid to retail failure. Indeed, only in the last decade or so does the literature address the subject (Gold and Woodliffe, 2000; Lightfoot, 2003; McGurr and Devaney, 1998a; Turner, 2003), with particular focus on apparently failing companies such as Marks & Spencer (M&S) (Burt et al., 2002; Mellahi et al., 2002).

This paucity of literature on retail failure is surprising considering the amount on corporate failure more generally. This paper explores the issue of blame in relation to corporate failure, and deconstructs blame in the context of one retailer's collapse. Until the firm's demise, the story of Scottish retailer A Goldberg and Sons (AGS) is a classic rags to riches tale: one of Jewish immigrant endeavor, typical of other great retail institutions such as M&S (Bevan, 2001), Tesco (Seth and Randall, 1999), and Macy's (Harris, 1979). In the early 1900s, AGS was established. The company expanded steadily throughout the 20th century. At the firm's zenith in 1989, AGS traded from 120 stores and six fascias, with a turnover of almost £60 million (US$101.1 million at 1989 rates) and a gross profit of £4 million. By June 1990, however, AGS had ceased trading.

The investigation draws on notions of blame found in the social psychology literature, and specifically Shaver's (1985) sequential model of blame attribution (see Fig. 1). Shaver argues that the attribution sequence of blame starts on the left-hand side of his model with all the actions a potentially blameworthy person/organization might have performed. Actions with negative consequences can be examined by proceeding from left to right through the model and considering the attribution of causality, the dimensions of responsibility and the determination of blameworthiness. At various stages, certain actions that will not meet successive tests for potential blame ‘sheer off’ to provide a variety of blame attribution outcomes. Shaver (1985: 165–173) provides further details on this process. On the basis of Shaver's model the following research questions follow in relation to A. Goldberg and Sons. (1) Did the company's directorate have knowledge of impending failure? (2) To what extent was the board's decision-making the cause of that failure? (3) Who, if anybody, is culpable for that failure?

Research question one draws on notions of foreseeability in blame attribution from Shaver's model. Question two draws on the role of causality in Shaver's blame attribution process. Question three concerns

☆ The authors acknowledge the helpful insights and suggestions received from Cathy Bakewell, Gary Davies and Gary Warnaby.
* Corresponding author. Tel.: +44 161 247 3988; fax: +44 161 247 6305.
E-mail addresses: johnwpal@yahoo.co.uk (J. Pal), dominic.medway@mbs.ac.uk (D. Medway), john.byrom@utas.edu.au (J. Byrom).

0148-2963/$ – see front matter
doi:10.1016/j.jbusres.2010.11.001

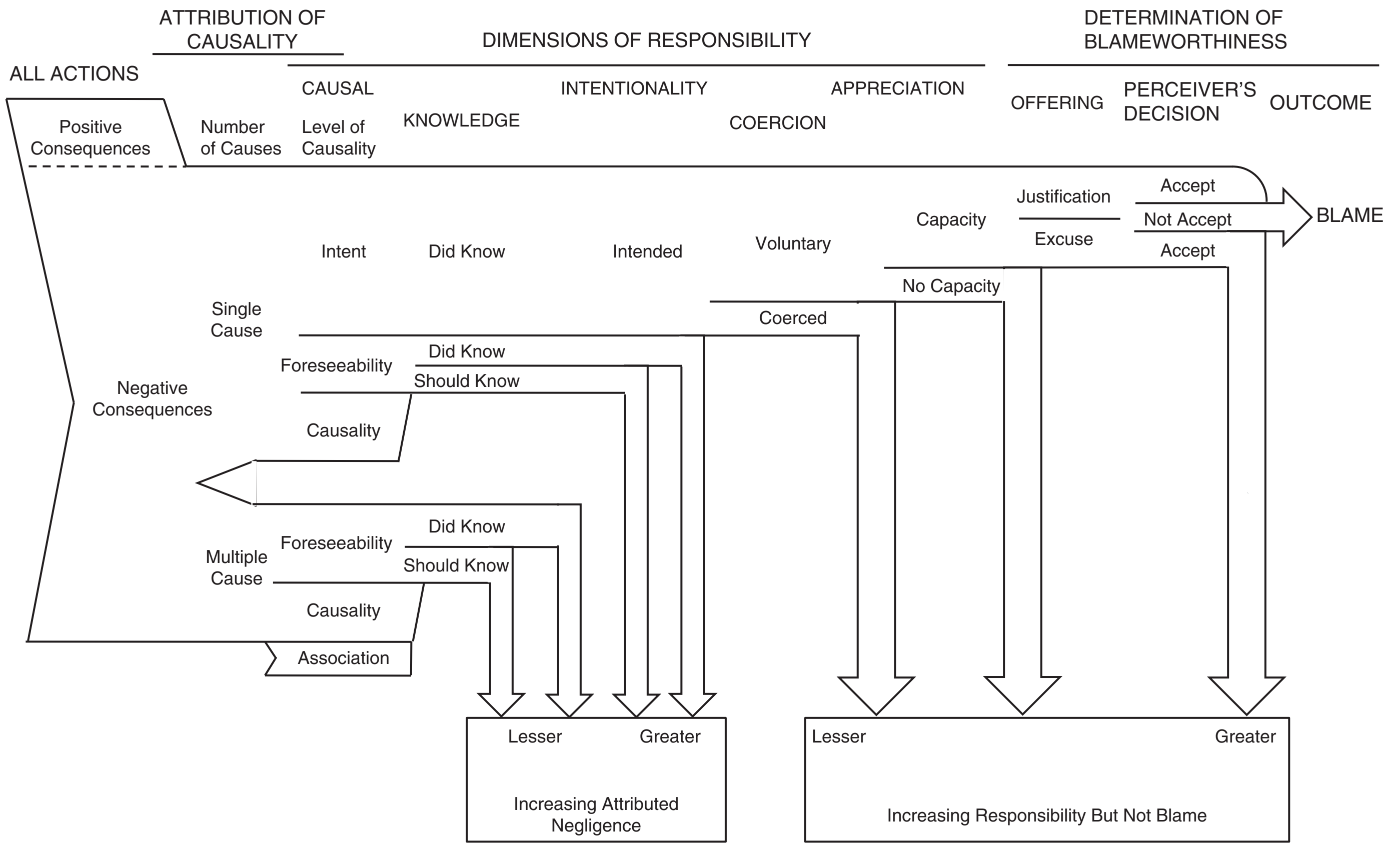

Fig. 1. Shaver's (1985) sequential model of blame attribution.

the concept of the dimensions of responsibility and, in certain instances, blameworthiness. The concept of blame is under-researched in business and management, yet deserves closer attention. Specifically, focus on the above research questions, as well as providing insights into blame attribution at AGS, may also enrich understanding of other corporate failures.

2. Corporate failure

A number of key foci characterize the issue of corporate failure in academic literature. One relates to defining the term failure in a business context. The use of synonyms such as collapse, decline, breakdown and demise confuses this task. Researchers in the finance area suggest failure equates to bankruptcy or insolvency (Altman, 1968; Altman et al., 1977; Beaver, 1966; Bhargava et al., 1998; McGurr and DeVaney, 1998b; Sharma and Mahajan, 1980). By contrast, Morris (1997, p. 2) defines failure as embracing "various types of financial distress, ranging from bankruptcy at one extreme to decline in profitability at the other". The few studies of retail "failure" imply it can be a temporary phenomenon (Mellahi et al., 2002; Burt, Dawson, and Sparks, 2003).

The literature on corporate failure adopts distinct approaches, and work in the corporate finance discipline centered on econometric analysis and failure prediction is one key research stance in this respect (Beaver, 1966; Altman, 1968; Altman et al., 1977; Altman and Narayanan, 1997; Balcaen and Ooghe, 2006; McGurr and DeVaney, 1998a,b; Morris, 1997; Rauh, 1989/1990; Taffler, 1984). A second research approach emanates from organizational studies. Mellahi and Wilkinson (2004) conceptualize the main aspects of this work as a duality between those stating that company failure is due to largely uncontrollable macro-environmental factors, and those who contend such failure is due to what goes on internally in terms of controllable management decision-making.

2.1. Blame in corporate failure

The concept of blame is complex in any analysis of corporate fortunes. First, blame is chronologically restricted and is applicable only to past events and actions. A second characteristic is that anyone can cast blame. Indeed, when blame is laid at the door of businesses in incidences of bankruptcy (e.g. Enron and Rover), perceived mismanagement (e.g. Northern Rock, The Royal Bank of Scotland), or suspected corporate negligence resulting in injury or death (e.g. the Bhopal gas disaster, or the BP Texas oil explosion), then that blame can come from the media, members of the public, or government.

The issue of blame receives significant consideration in the social psychology literature (e.g. Hamilton, 1978; Hamilton et al., 1998; Shaver, 1985), where two key themes arise. The first concerns the link between employees' hierarchical positions in an organization and how these link to credit and blame. Gibson and Schroeder (2003), for example, found that leadership roles in organizations attract more blame than credit, whilst lower-level positions tend to attract more credit than blame. A second theme is that senior management "tend to credit themselves for positive outcomes and blame negative results on the [external] environment" (Tsang, 2002: 51). Others have argued that such behavior is a marker of complacent management (Wagner and Gooding, 1997).

Another key issue is that human nature links culpability to people and, more specifically, to individuals, rather than to faceless and inanimate organizations (Gibson and Schroeder, 2003). Inevitably, therefore, when companies fall into crisis, senior figures such as CEOs end up shouldering the brunt of criticism (Sull, 2005a). Yet Sull (2005b) suggests that these individualized targets for blame are often unfounded, and perhaps even unfair. He contends that active inertia (typically a collective board level responsibility, and thereby a group activity too) is what typically leads to corporate failure.