

Best Buy



Best Buy CEO
Brad Anderson

If you missed the recent news about Best Buy, it's probably because you were working. Time is money, isn't it? Not always. And not, especially, at Best Buy. The December 11, 2006 cover story of BusinessWeekOnline reports that Best Buy has inaugurated a new management practice. Workers can set their own work hours as long as they're meeting their productivity goals. Reports the article, titled "Smashing the Clock": "The nation's leading electronics retailer has embarked on a radical – if risky – experiment to transform a culture once known for killer hours and herd-riding bosses. The endeavour, called ROWE, for 'results-only work environment', seeks to demolish decades-old business dogma that equates physical presence with productivity. The goal at Best Buy is to judge performance on output instead of hours."

You may be surprised at Best Buy's willingness to try a new way to manage its workforce, but Liisa Välikangas says that such managerial innovation has been a major goal at the company in recent years. Innovation seems to have made Best Buy a stronger competitor. The company generates \$32 billion in annual revenue with quarterly growth, year over year, running more than 13 per cent. Had you invested in the company in 2003, your money would have doubled. In 2007, the company plans to open 90 new stores in the US, as it pushes its total store count toward the 1,000 mark.

Välikangas has special insight into Best Buy. As managing director and research director of the Woodside Institute, a firm that helps companies stir thinking about new ways to manage, she and co-founder Gary Hamel were called on by Best Buy CEO Brad Anderson to find ways to make the company more resilient.

Movement makers

How do you apply innovation to a company that's been in the retail business since 1966? "All of us recognised that resilience, for Best Buy, was more than stocking the shelves with the latest line of products," Välikangas says. "We had to find ways to build a capability inside the company; you cannot tell a company to become resilient. You have to develop its ability to engage in change without first having to go into crisis mode."

In essence Välikangas was being asked to create a movement inside Best Buy; with more than 100,000 employees, that would not be easy. "How do we start engaging people and thinking about what it means to be resilient?" she asked. Her answer was innovative in itself. She and her team invited volunteers from inside Best Buy to attend a two-day retreat to think about "resilience" as a new company value.

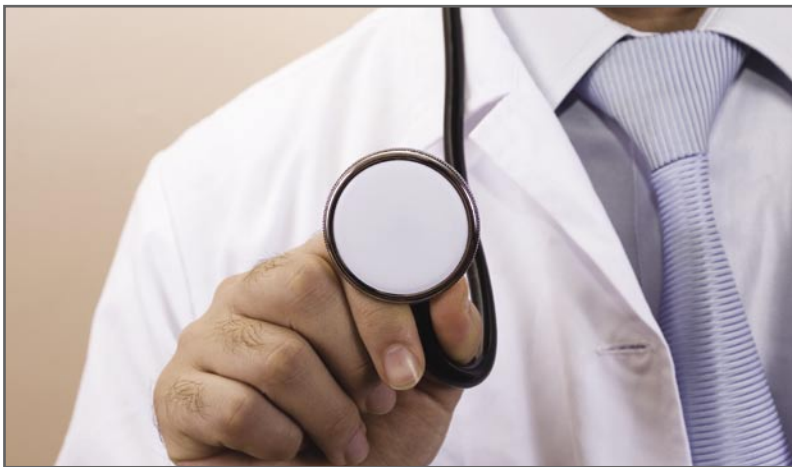
These discussions grew to "management innovation jams" in which up to 60 Best Buy volunteers tried to innovate new ways to manage, focusing on challenges as difficult as the company's resource allocation systems. Says Välikangas: "These 'jam sessions' worked on two tracks. First, of course, there was the specific management challenge being addressed. Secondly, we also had people thinking about what a Quest for Resilience means, learning about the principles of changing management practices and systems, learning about the kinds of tools that we can use to come up with ideas on how to manage the business better."

Välikangas says that pointing out the fate of once-invincible retail legends like Sears and Woolworth's gave Best Buy's jam attendees a fresh perspective. People started to collaborate rapidly and quite successfully. "We stoked their passion for making Best Buy a resilient company," she notes. "It was sort of a call to arms."

Hospitalisation

All of this was also pioneering for Välikangas and her team. “We thought very hard about what the impediments to resilience are in a company like Best Buy,” she remembers. “From the start, we asked everyone to pinpoint what was blocking Best Buy from being resilient, whether it was a collective mindset, daily work routines, management or employee behaviours or outdated management processes and systems.”

Yet Välikangas knew that Best Buy needed more than discussion. Their people needed to think about the future of the company in a dramatic way. “In time,” she explains, “we developed something called a Resilience Deficiency Ward, also known as the Resilience Hospital. We actually created a staged area with a small bed, each with a pillow that had the name of a retailer embroidered on it. These were the retailers who had once been at the top of their game but had since fallen.



Resilience Hospital

“Next to each bed there was an X-ray, a real one, and on the X-ray was an analysis of why this particular company fell from glory. We had Best Buy people put on a doctor’s white coat, go into the Resilience Hospital and survey ‘patients’.

Then, they had to think about the information given to them and come up with their own managerial diagnosis. Afterwards, we gathered as a team to consider whether Best Buy was exhibiting any of the same resilience deficiency symptoms.”

The experience economy

Business people often resist such role-playing assignments, but Välikangas says the opposite held true with the business-hospital. “The Best Buy people at Resilience Hospital were very happy. This was actually something they greatly enjoyed because it was very experiential. It was something they could get into, and it was quite an unusual thing to do.” But all wasn’t fun and games. Välikangas says that participants needed to tie their learning from the exercise into a sharper analysis of the impediments to management innovation at Best Buy and to prescribe new ways to manage.

In time, Välikangas says that some 400 managers and workers volunteered to be part of the management innovation jams that ended in 2005. Most significantly, these participants innovated. For example, the jams spawned an idea called “eBay for HR”. The concept was that, rather than managers assigning people to work projects, people could instead inspect current organisational projects. Then, on their own initiative, they could sign up to work on a project part-time, because they thought they could contribute to it and project members would welcome their input. In essence, “eBay for HR” was a marketplace for ideas and talent with the purpose of expanding manpower flexibility and resource allocations.

Were the ideas that came from the jam sessions unique? Välikangas tags the question a good one. “Well, it’s actually very hard to come up with truly novel innovations, especially in management.

It's not something that is a trivial task, and I don't know if the biggest qualifier for this is a truly novel idea. I think it's more important that the people at Best Buy tried something that gave them a new way of allocating resources or engaging more people in planning, in having their ideas heard and developed. What's most powerful is that the process we used helped Best Buy to come up with ideas that were actually deployed, not filed away as nice to think about but impossible to put into action."

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Beyond copies

Välikangas, after working with many companies, has learned a great deal about management innovation. At the top of her list of learnings is the lesson too often lost on managers: there are a lot of ideas about new management practices bandied about, but most companies don't benefit from hearing about them, mainly because no one inside a company like Best Buy can simply copy what someone else is doing.

"You have to bring new ideas about managing an organisation to life intrinsically," says Välikangas; "you have to have a team of people inside the company that is very dedicated to taking the organisation forward. Then, you have to develop an avenue for people to commit to change backed by access to tools for converting their new ideas into action." She also believes that interventions, like the jam sessions, provide an additional benefit to a company in need of managerial innovation:

a substantial number of Best Buy people soon developed a common vocabulary to talk about how the company was managed and how it could be managed better. When a common language is transformed into common goals, the chance of successfully changing an organisation goes way up, she says.

Välikangas is experienced enough to know that management innovation isn't a panacea for every challenge facing a company the size of Best Buy. And, given that she only worked with 400 Best Buy people, it's hard to know whether the jam sessions actually made the company more resilient. "I know that some of the ideas, the thinking and the tools in our management innovation programme stirred people's viewpoint about what it takes to remain successful," she says. Companies today need to reinvent their formulas for success. And while keeping the product and service line fresh is always critical, Välikangas believes that giving people inside an organisation the capacity to think as management innovators is too often overlooked as the first path to resilience. That's a mistake successful companies like Best Buy refuse to make.

Resources

Hamel, G. and L. Välikangas (2003). 'The Quest for Resilience'. *Harvard Business Review*, September 2003.