

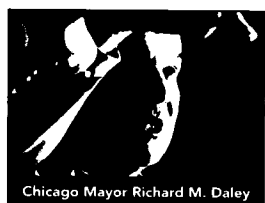
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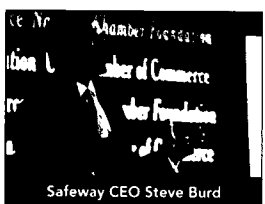
OutFront



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NO JACKPOT ▲

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Flexibility to the Fullest

BEST BUY frees corporate employees to work wherever they want, whenever they want—as long as they reel in results.

By Patrick J. Kiger



"No one at Best Buy really knows where I am. Nor do they really care."

—Steve Hance, employee relations manager, Best Buy

Back when he worked in a conventional corporate office for a previous employer, Best Buy employee relations manager Steve Hance admits he sometimes got through long, unproductive meetings by fantasizing about fishing or hunting. But since he began working for the Richfield, Minnesota-based national electronics retailing chain in March 2005, the outdoorsman no longer has to daydream.

Instead, when Hance participates in a morning teleconference with his co-workers or in-house clients, he sometimes is calling in via cell phone from his fishing boat on a lake or from the woods where he's spent the hours since dawn stalking wild turkeys. "No one at Best Buy really knows where I am," he explains. "Nor do they really care."

Gone are the days when Hance needed to spend morning until night seated in a cubicle surrounded by papers and charts he'd carefully arranged to ensure that co-workers and bosses who peeked in would see he was hard at work. At Best Buy, he's free to set his own schedule, to work wherever he wants—whether it's a desk at headquarters or a table in

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The Insider

Private concerns

As more publicly traded companies go private, there are significant workforce issues to consider



Sue Hagen, Dole Food Co.

By Jessica Marquez

Sue Hagen admits she had a few concerns about how going private would affect her company. As senior vice president of human resources at Dole Food Co., she was worried it would be harder to recruit and retain talent without the prestige of being a publicly traded company.

But chairman David Murdock's reasons for going private were compelling. It was his dream to leave a legacy by refocusing on nutritional education and addressing obesity in the U.S.

To do so effectively, it would mean having a longer-term focus than a public company normally has, Hagen says.

"His vision didn't exactly fit into a quarterly newsletter to shareholders," she says. "These

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MARK KEGANS

TIM RUE

AP

COURTESY SAFEWAY

WPN

A workforce experiment at **BEST BUY'S CORPORATE HEADQUARTERS** allows employees to decide how, when and where they get the job done. The electronics retailer hopes the results-focused program will reshape the workplace, foster work/life balance and, perhaps most important, deliver a big financial payoff by boosting productivity and cutting turnover.

By Patrick J. Kiger

Throwing out the Rules of Work

Cali Ressler,
left, and
Jody Thompson
of CultureRx



CONTINUED FROM THE COVER

a coffee shop—and whatever days and hours he chooses.

“It used to be that I had to schedule my life around my work,” he says. “Now, I schedule my work around my life.”

Welcome to Best Buy's Results-Only Work Environment, or ROWE, a radical experiment whose aim is to reshape the corporate workplace, achieve an unparalleled degree of work/life balance and redefine the very nature of work itself. In ROWE, most of the rules, restrictions and expectations within which corporate workers traditionally labor—such as keeping regular hours and showing up at the office each morning—are discarded.

Instead, employees are allowed to decide how, when and where they get the job done. Whether they choose to work in the office or somewhere else, such as a spare bedroom, salaried employees are required to put in only as much time as it actually takes to do their work. (Hourly employees in the program have to work a set number of hours to comply with federal labor regulations, but they still get to choose when they do it.)

Physical attendance at meetings usually is optional. As for

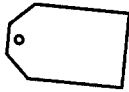
supervisors, they no longer give the hairy eyeball to anybody who lingers too long at the water cooler or occasionally dares to leave in the middle of the afternoon to watch a child perform in the school play. The only yardstick for evaluating employees is whether they meet goals for productivity.

“In the standard corporate work environment, you have to put in face time because that's how you show your commitment to the organization and your level of dedication,” Hance says. “When you come into the office, you've got to make sure you're always seen by the right people. That becomes the goal, rather than actually getting things done. With ROWE, all those little rules that we've grown used to living by are out the door. Instead, the work itself is the only thing that matters.”

Since Best Buy began switching to ROWE on a division-by-division basis in 2002, 2,400 employees, or 60 percent of the 4,000 people at its headquarters campus, have converted to the new way of working, according to Cali Ressler and Jody Thompson, two former Best Buy employees who now run CultureRx, a Minneapolis-based consulting firm that is managing the process.

INSET: STEVE WOLT—OPPOSITE: DAWN VILLELLA/BLOOMBERG NEWS/LANDOV

AT A GLANCE



BEST BUY™

Best Buy is the largest consumer electronics outlet in the U.S. The company has 785 stores in the U.S. and Canada that sell a variety of electronics products. It also offers installation, maintenance, Internet services, technical support and cell phone subscriptions. Forty-five percent of sales come from the U.S. stores, while a third of its revenue comes from the home office segment, which includes computers, computer peripherals and supplies. Canadian operations account for 12 percent of total sales. The company hopes to open stores in China during the next year and has agreed to buy Jiangsu Five Star Appliance Co. for \$180 million. Jiangsu is an appliance and electronics retailer with more than 135 stores in eight Chinese provinces.

CEO: Brad Anderson

Ticker symbol: BBY (NYSE)

Headquarters: Richfield, Minnesota

Employees: 128,000

Net income (2005): \$1.1 billion

Market cap: \$26.05 billion

52-week range: \$40.40-\$59.50

Sources: Hoover's, Marketwatch.com

BEST BUY





NEXT CHALLENGE
Now that Best Buy's headquarters is well on its way to converting to the Results-Only Work Environment, the company is in the exploratory stages of implementing a modified form of ROWE in one of the chain's 780 stores. "Obviously, a retail environment is very different from a corporate headquarters," admits CultureRx's Jody Thompson, a former Best Buy employee who helped develop ROWE. "So trying to imagine exactly how this might work is pretty mind-boggling."

Already, they say, ROWE has had a significant impact. Employees in divisions that convert to ROWE report in surveys that they have better relationships with family and friends, feel more loyalty to the company and feel more focused and energized about their work.

And more important from a business standpoint, there are some financial payoffs. CultureRx does the math this way: The per-employee cost of turnover is \$102,000, and ROWE teams have 3.2 percent less voluntary turnover than non-ROWE teams. So once Best Buy's 4,000-person head-

quarters is completely converted to ROWE, the company stands to save about \$13 million a year in replacement costs. Also, when workers switch to ROWE, their productivity jumps by 35 percent.

lect their own starting and quitting times around a core of regular working hours, according to the New York-based Families and Work Institute. That's up from 29 percent in 1992. Nine percent of employees work at least part of the time at home, rather than in the office. Seventy-nine percent of employees say they would like to have more flexible work options, as long as it doesn't negatively affect their careers.

But Best Buy is taking flexibility much further than the rest of the corporate world, according to institute president Ellen Galinsky.

"Most companies basically play with their traditional schedule and try to make it a little looser," she says. "You can start at a different time, or you can do some work outside the office, but you're still basically keeping to a schedule. ROWE, in contrast, completely alters the way people work. You're in control of everything—not just where and when you work, but whether you go to meetings, for example. The only thing you're judged on is whether you get results. It's flexibility—and accountability—to the fullest."

Al VanArsdal, a Minneapolis-based management consultant who is chairman of the Minnesota Organizational Development Network, a professional group for those working in the field of organizational development, says ROWE is a radical departure from the way most companies bring about cultural change.

"Usually, change is top-driven," he says. "At Best Buy, they're doing it from the inside out. Department by department, they're letting people blow up all the rules and redesign things in a way that makes sense for them. They're deciding what they need to be successful, and creating it."

ROWE's origins date back to 2001, when Best Buy management did a survey of headquarters employees and received some disturbing results. "Basically, the employees said they didn't think their supervisors trusted them to do their work, that someone always was looking over their shoulders," Ressler recalls. "They felt they couldn't live healthy, happy, productive lives the way that they saw fit."

"Department by department, they're letting people blow up all the rules and redesign things in a way that makes sense for them."

—Al VanArsdal, chairman,
Minnesota Organizational Development Network

quarters is completely converted to ROWE, the company stands to save about \$13 million a year in replacement costs. Also, when workers switch to ROWE, their productivity jumps by 35 percent.

"Basically, we're rewiring people's brains, getting rid of an old belief system from the 1950s that is no longer relevant to the technologically advanced business world we have now," Thompson says. "We want people to stop thinking of work as someplace you go to, five days a week from 8 to 5, and start thinking of work as something you do."

FLEXIBILITY, BUT ACCOUNTABILITY

An increasing number of companies are experimenting with nontraditional work arrangements—43 percent of U.S. employees now have conventional flextime, in which they se-

ROWE's adaptability questioned

BEST BUY IS so convinced of ROWE's merits that it has taken the unusual step of allowing Cali Ressler and Jody Thompson, who developed the program as Best Buy employees, to spin off CultureRx as a separate consulting organization.

But some are skeptical about ROWE's effectiveness elsewhere.

"Best Buy's culture is very young," says Washington, D.C.-based flexibility consultant Paul Rupert of Rupert & Co., who has worked with clients ranging from Wal-Mart to Xerox. "They have a lot of significant managers who are still in their 30s. It's very appropriate for them, with the breezy style and the humor and the slogans. But the headquarters at a typical company is filled with managers in their 50s and 60s—a different generation."

Some aspects of ROWE, he thinks, might clash too strongly with the core principles upon which some conservative companies have been built.

"You can ridicule an obsession with face time, for example, but some companies have a strong belief that having people at the same place, in the same time, creates synergy that is valuable to the compa-

ny," he says. "You're going to have a hard time changing that. But Ressler and Thompson are undeterred. Now that Best Buy's headquarters is well on its way to converting to ROWE, they're in the exploratory stages of what would be a vastly more ambitious proj-

ect—a modified form of ROWE in one of the chain's 780 stores, which have about 125,000 total employees.

"It's a well-known fact that it's difficult to keep people working in retail—not just at Best Buy—because of the hours and the stress," Thompson says. "We want to look at deeply held beliefs in the retail environment and whether they're actually in the way of both associates' and customers' needs.

"For example, we might look at what we're really trying to accomplish with a scheduling system, and having rewards and consequences around it. If you get written up for being five minutes late for your shift, maybe that results in you being upset about it for the next several hours and not giving as good of service to customers as a result."

Ressler and Thompson hope to identify some of the impediments to change, systematically remove them from a pilot store, then chart the effect on productivity, employee and customer satisfaction, and turnover.

What would such a store environment look like? They're not yet sure.

"Obviously, a retail environment is very different from a corporate headquarters," Thompson admits. "So trying to imagine exactly how this might work is pretty mind-boggling."

—P.J.K.

"... Some companies have a strong belief that having people at the same place, in the same time, creates synergy that is valuable to the company."

—Paul Rupert, Rupert & Co.

CultureRx, a wholly owned subsidiary of Best Buy, has been in business since November, and while it hasn't yet taken on any outside clients, it is talking to some "very interesting" potential ones, according to public relations representative Rebecca Selby.

In an effort to find a solution, Ressler, who at the time managed Best Buy's work/life balance programs, began experimenting with flexible work arrangements for one particular headquarters group, the 320-member retail operations division. She soon was joined by Thompson, then working as Best Buy's "large-scale organizational change agent."

Ressler and Thompson looked at optional flextime and telecommuting of the sort that other companies had instituted, but decided that such measures would only put a Band-Aid on Best Buy's real organizational woes.

"Flexible work arrangements usually turn out to be a con game," Thompson explains. "It's only for certain jobs and you have to apply to your supervisor to get them, so often there's favoritism involved."

It can create a stigma that drives a wedge between employees.

"Your co-workers start looking at you as that person who's not loyal to the company, because you're not there at the same time in the morning that everyone else is. And eventually, it dawns on you that you're trading one box for another, that there isn't much difference between working 8 to 5 on Monday and 7 to 4 on Tuesday."

Just as important, Ressler and Thompson realized, such programs didn't change the way leaders managed their teams. Managers still assessed employees' engagement on whether they looked busy and filled up the days with meetings that created the appearance of work.

Instead, they decided, the only solution was to get rid of the old structure altogether.

"Instead of giving flexibility to a few select people, give it

to the whole department at once," Ressler says. "Managers can't turn anybody down, and nobody has to ask permission. If you want to work from Starbucks on a PowerPoint presentation, that's OK. If it's a nice day and you feel like taking a walk in the park, nobody's checking on you. People can do what they want, as long as the work gets done."

OUTCOMES, NOT APPEARANCES

Shifting from a traditional office culture to ROWE isn't necessarily an easy process, explains Jeff Johnson, Best Buy's director of human resources. "With any organization, you're going to have a mix of managers—some early adopters who are open to trying something new and others who are traditionalists, the ones who feel comfortable with what they have and are worried by change," he says.

Either way, ROWE requires a commitment from the leader of a group that is converting to the new way of doing things. For that reason, instead of forcing the entire organization to convert all at once, Best Buy is allowing departments—and even teams within departments—to gradually migrate to ROWE.

Converting to ROWE is roughly a six-month process. The first phase is leadership training, in which Thompson and Ressler work to get managers to rethink their concepts of what work means.

"You can spend lots of money equipping your people with laptops and cell phones," Ressler says. "But if you're the manager and you cling to the old definitions of working, then everyone is going to know that being in the office every day is the basis for good reviews and promotions, and nobody is go-

ing to dare do anything else." The trainers also do a cultural audit of the department or team to get the sense of how they are performing in the old environment and set up a baseline against which changes wrought by ROWE can be measured.

The second phase is training for the team itself. Employees go through role-playing exercises and "sludge sessions," in which they learn to cope with negative expressions that cast judgment, place guilt or add stress in the workplace. ("Ten o'clock and you're just getting in? Wish I had your job," is a typical example.)

To playfully reinforce the change, such "sludge" expressions are written down and thrown into a large silver trash can provided by Ressler and Thompson. After that come "culture clinics," in which they discuss the details of making flexibility work—how to use e-mail and voice mail, for example, to make one's location irrelevant.

Then the group "goes live" and tries ROWE for six weeks before returning for another debriefing. "That's when all hell breaks loose," Ressler says. "They have to take a deep breath and do things like working from home one day without telling anybody where they are. They have to trust that their manager isn't going to get upset. And their manager has to trust them."

Employee relations manager Jennifer Martin realized that sometimes she was better off calling in to a meeting rather than rush to the office.

"Say it's a rainy morning and your dog doesn't want to go outside," she explains. "If you go in, you might spend the rest of the day worrying that the dog didn't get a walk, instead of concentrating on work. Instead of having to be someplace, I'm focusing on what I need to accomplish."

Once freed from the old rules and obligations, employees and managers also find ways to become more efficient. One Best Buy team, for example, realized that they had been wasting huge amounts of time creating unnecessary PowerPoint decks simply because they needed something to fill space at equally unneeded meetings. In another department, an employee freed from the 9-to-5 routine came up with the idea of splitting the work of online order fulfillment between a U.S.-based team and another based in Shanghai, China, so the process could continue around the clock. As a result, customers began getting products they had ordered online more quickly.

"You start looking at everything and saying, 'Is this really going to help get me to my desired outcome?'" Ressler

says. "Pretty soon you've cut out 10 of those unnecessary things that used to fill up your week, and you're getting a lot more done."

Best Buy is so enamored of ROWE that it is in the process of marketing the system to other companies, and is even considering trying a modified version in its retail stores. There are skeptics who wonder whether ROWE will work outside of a relatively homogenous corporate campus.

But then again, as Best Buy manager Steve Hance recalls, many people, him-

self included, weren't sure ROWE would work at headquarters either. "Being able to take an extra-long lunch or get off work early if you wanted—it sounded like a utopia, but could people really do this?" he says. "As it turned out, they could."

Predictions on workplace flexibility were prophetic: workforce.com/flexibility

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