



Best Buy smashes the clock

Inside Best Buy's radical reshaping of the workplace

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One afternoon last year, Chap Achen, who oversees online orders at Best Buy Co., shut down his computer, stood up from his desk, and announced that he was leaving for the day. It was around 2 p.m., and most of Achen's staff were slumped over their keyboards, deep in a post-lunch, LCD-lit trance. "See you tomorrow," said Achen. "I'm going to a matinee."

Under normal circumstances, an early-afternoon departure would have been totally un-Achen. After all, this was a 37-year-old corporate comer whose wife laughs in his face when he utters the words "work-life balance." But at Best Buy's Minneapolis headquarters, similar incidents of strangeness were breaking out all over the ultramodern campus. In employee relations, Steve Hance had suddenly started going hunting on workdays, a Remington 12-gauge in one hand, a Verizon LG in the other. In the retail training department, e-learning specialist Mark Wells was spending his days bombing around the country following rocker Dave Matthews. Single mother Kelly McDevitt, an online promotions manager, started leaving at 2:30 p.m. to pick up her 11-year-old son Calvin from school. Scott Jauman, a Six Sigma black belt, began spending a third of his time at his Northwoods cabin.

At most companies, going AWOL during daylight hours would be grounds for a pink slip. Not at Best Buy. 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 endeavor, 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.

Hence workers pulling into the company's amenity-packed headquarters at 2 p.m. aren't considered late. Nor are those pulling out at 2 p.m. seen as leaving early. There are no schedules. No mandatory meetings. No impression-management hustles. Work is no longer a place where you go, but something you do. It's O.K. to take conference calls while you hunt, collaborate from your lakeside cabin, or log on after dinner so you can spend the afternoon with your kid.

Best Buy did not invent the post-geographic office. Tech companies have been going bedouin for several years. At IBM, 40% of the workforce has no official office; at AT&T, a third of managers are untethered. Sun Microsystems Inc. calculates that it's saved \$400 million over six years in real estate costs by allowing nearly half of all employees to work anywhere they want. And this trend seems to have legs. A recent Boston Consulting Group study found that 85% of executives expect a big rise in the number of unleashed workers over the next five years. In fact, at many companies the most innovative new product may be the structure of the workplace itself.

But arguably no big business has smashed the clock quite so resolutely as Best Buy. The official policy for this post-face-time, location-agnostic way of working is that people are free to work wherever they want, whenever they want, as long as they get their work done. "This is like TiVo for your work," says the program's co-founder, Jody Thompson. By the end of 2007, all 4,000 staffers working at corporate will be on ROWE. Starting in February, the new work environment will become an official part of Best Buy's recruiting pitch as well as its orientation for new hires. And the company plans to take its clockless campaign to its stores — a high-stakes challenge that no company has tried before in a retail environment.

Another thing about this experiment: It wasn't imposed from the top down. It began as a covert guerrilla action that spread virally and eventually became a revolution. So secret was the operation that Chief Executive Brad Anderson only learned the details two years after it began transforming his company. Such bottom-up, stealth innovation is exactly the kind of thing Anderson encourages. The Best Buy chief aims to keep innovating even when something is ostensibly working. "ROWE was an idea born and nurtured by a handful of passionate employees," he says. "It wasn't created as the result of some edict."

So bullish are Anderson and his team on the idea that they have formed a subsidiary called CultureRx, set up to help other companies go clockless. CultureRx expects to sign up at least one large client in the coming months.

The CEO may have bought in, but there has been plenty of opposition inside the company. Many execs wondered if the program was simply flextime in a prettier bottle. Others felt that working off-site would lead to longer hours and destroy forever the demarcation between work and personal time. Cynics thought it was all a PR stunt dreamed up by Machiavellian operatives in human resources. And as ROWE infected one department after the other, its supporters ran into old-guard saboteurs, who continue to plot an overthrow and spread warnings of a coming paradise for slackers.

Then again, the new work structure's proponents say it's helping Best Buy overcome challenges. And thanks to early successes, some of the program's harshest critics have become true believers. With gross margins on electronics under pressure, and Wal-Mart Stores Inc. and Target Corp. shouldering into Best Buy territory, the company has been moving into services, including its Geek Squad and "customer centricity" program in which salespeople act as technology counselors. But Best Buy was afflicted by stress, burnout, and high turnover. The hope was that ROWE, by freeing employees to make their own work-life decisions, could boost morale and productivity and keep the service initiative on track.

It seems to be working. Since the program's implementation, average voluntary turnover has fallen drastically, CultureRx says. Meanwhile, Best Buy notes that productivity is up an average 35% in departments that have switched to ROWE. Employee engagement, which measures employee satisfaction and is often a barometer for retention, is way up too, according to the Gallup Organization, which audits corporate cultures.

ROWE may also help the company pay for the customer centricity campaign. The endeavor is hugely expensive because it involves tailoring stores to local markets and training employees to turn customer feedback into new business ideas. By letting people work off-campus, Best Buy figures it can reduce the need for corporate office space, perhaps rent out the empty cubicles to other companies, and plow the millions of dollars in savings into its services initiative.

Phyllis Moen, a University of Minnesota sociology professor who researches work-life issues, is studying the Best Buy experiment in a project sponsored by the National Institutes of Health. She says most companies are stuck in the 1930s when it comes to employees' and managers' relationships to time and work. "Our whole notion of paid work was developed within an assembly line culture," Moen says. "Showing up was work. Best Buy is recognizing that sitting in a chair is no longer working."

Jody Thompson and Cali Ressler are two HR people you actually don't hate. They groan over cultish corporate slogans like "Build Superior Organizational Capability." They disdain Outlook junkies who double-book and showboating PowerPointers. But it's flextime, or Big Business' answer to overwork, long commutes, and lack of work-family balance, that elicits the harshest verdict. "A con game," says Thompson. "A total joke," adds Ressler.

Flexible work schedules, they say, heap needless bureaucracy on managers instead of addressing the real issue: How to work more efficiently in an era of transcontinental teams and multiple time zones. They add that flextime also stigmatizes those who use it (the reason so few do) and keeps companies acting like the military (fixated on schedules) when they should behave more like MySpace (social networks where real-time innovation can flourish). Besides, they say, if people can virtually carry their office around in their pockets or pocketbooks, why should it matter where and when they work if they are crushing their goals?

Thompson, 49, and Ressler, 29, met three years ago. The boomer and the Gen Xer got each other right away. When they talk about their meeting, it sounds like something out of *Plato for HR*, or two like minds making a whole. At the time, Best Buy was still a ferociously face-time place. Workers arriving after 8 a.m. on sub-zero mornings stashed their parkas in their cars to foil detection as late arrivals. Early escapees crept down back stairwells. Cube-side, the living was equally uneasy. One manager required his MBAs to sign out for lunch, including listing their restaurant locations and ETAs. Another insisted his team track its work — every 15 minutes. As at many companies, the last one to turn out the lights won.

Outside the office, Thompson and Ressler couldn't help noticing how wireless broadband was turning the world into one giant work kibbutz. They talked about how managers were mired in analog-age inertia, often judging

performance on how much they saw you, vs. how much you did. Ressler and Thompson recognized the dangerous, life-wrecking cocktail in the making: The always-on worker now also had to be always in.

The culture, not exactly Minnesota-nice, was threatening Best Buy's massive expansion plans. But Ressler and Thompson knew their solution was too radical to simply trot up to CEO Anderson. Nor, in the beginning, did they feel they could lobby their executive supervisors for official approval. Besides, they knew the usual corporate route of imposing something from the top down would bomb. So they met in private, stealthily strategizing about how to protect ROWE and then dribble it out under the radar in tiny pilot trials. Ressler and Thompson waited patiently for the right opportunity.

It came in 2003. Two managers — one in the properties division, the other in communications — were desperate. Top performers were complaining of unsustainable levels of stress, threatening business continuity just when Best Buy was rolling out its customer centricity campaign in hundreds of stores. They also knew from employee engagement data that workers were suffering from the classic work-life hex: Jobs with high demands (always-on, transcontinental availability) and low control (always on-site, no personal life).

Ressler and Thompson saw their opening in these two vanguard managers. Would they be willing to partake in a private management experiment? The two outlined their vision. They explained how in the world of ROWE, there would be no mandatory meetings. No times when you had to physically be at work. Performance would be based on output, not hours. Managers would base assessments on data and evidence, not feelings and anecdotes. The executives liked what they heard and agreed.

The experiment quickly gained social networking heat. Waiting in line at Best Buy's on-site Caribou Coffee, in e-mails, and during drive-by's at friends' desks, employees in other parts of the company started hearing about this seeming antidote to mega-hour agita. A curious culture of haves and have-nots emerged on the Best Buy campus, with those in ROWE sporting special stickers on their laptops as though they were part of some cabal. Hance, the hunter, started taking conference calls in tree stands and exchanging e-mails from his fishing boat. When Wells wasn't following around Dave Matthews, chances were he was biking around Minneapolis' network of urban lakes, and digging into work only after night had fallen. Hourly workers were still putting in a full 40, but began doing so wherever and whenever they wanted.

At first, participants were loath to share anything about ROWE with higher-ups for fear the perk would be taken away or reversed. But by 2004, loftier and loftier levels of management began hearing about the experiment at about the time opposition to it grew more intense. Critics feared executives would lose control and co-workers would forfeit the collaboration born of proximity. If you can work anywhere, they asked, won't you always be working? Won't overbearing bosses start calling you in the middle of the night? Won't coasters see ROWE as a way to shirk work and force more dedicated colleagues to pick up the slack? And there were generational conflicts: Some boomers felt they'd been forced to choose between work and life during their careers. So everyone else should, too.

Shari Ballard, Best Buy's executive vice-president for human capital and leadership (an analog title if ever there was one), was originally skeptical, although she eventually bought in. At first she couldn't figure out why managers needed a new methodology to help solve the work-life conundrum. "It wasn't hugs and smiles," she says of Ressler's and Thompson's campaign. "Managers in the old mental model were totally irritated." In the e-learning division, many of Wells's older co-workers (read 40-year-olds; the average age at Best Buy is 36) expressed resentment over the change, insisting that work relationships are better face-to-face, not screen-to-screen. "We have people in our group who are like, 'I'm not going to do it,'" says Wells, who likes to sleep in and doesn't own an alarm clock. "I'm like, 'that's fine, but I'm outta here.'" In enemy circles, Ressler and Thompson are known to this day as "those two" and "the subversives."

Yet ROWE continues to spread through the company. If intrigued nonparticipants work for progressive superiors, they usually talk up the program and get their bosses to agree to trials. If they toil under clock-watchers, they form underground networks and quietly lobby for outside support until there is usually no choice but for their boss to switch. It was only this past summer that CEO Anderson got a full briefing, and total understanding, about what was happening. "We purposely waited until the tipping point before we took it to him," says Thompson. Until then he wasn't well-versed on the 13 ROWE commandments. No.1: People at all levels stop doing any activity that is a waste of their time, the customer's time, or the company's money. No.7: Nobody talks about how many hours they work. No.9: It's O.K. to take a nap on a Tuesday afternoon, grocery shop on Wednesday morning, or catch a movie on Thursday afternoon.

That's the commandment Achen was following when he took off that day to see *Star Wars Episode III: Revenge of the Sith*. Doing so felt abnormal and uncomfortable. Achen felt guilty. But Ressler and Thompson had told him to "model the behavior." So he did. It helped that Achen saw in ROWE the potential to solve a couple of nagging business problems. As the head of the unit that monitors everything that happens after someone places an order at BestBuy.com, including manually reviewing orders and flagging them for possible fraud, Achen wanted to expand the hours of operation without mandating that people show up in the office at 6 a.m. He had another issue. One of his top-performing managers lived in St. Cloud, Minn., and commuted two and a half hours each way to work. He and Achen had a gentleman's agreement that he could work from home on Fridays. But the rest of the staff didn't appreciate the favoritism. "It was creating a lot of tension on my team," says Achen.

Ressler and Thompson had convinced Achen that ROWE would work. Now Achen would have to convince the general manager of BestBuy.com, senior vice-president John "J.T." Thompson. That wasn't going to be easy. Thompson, a former General Electric Co. guy, was as old school as they come with his starched shirt, booming voice, and ramrod-straight posture. He came of age believing there were three 8-hour days in every 24 hours. He loved working in his office on weekends. At first, he pushed back hard. "I was not supportive," says Thompson, who was privately terrified about the loss of control. "He didn't want anything to do with it," says Achen. "He was all about measurement, and he kept asking me, 'How are you going to measure this so you know you're getting the same productivity out of people?'"

That's where Achen's performance metrics came in handy. He could measure how many orders per hour his team was processing no matter where they were. He told Thompson he'd reel everyone back to campus the minute he noticed a dip. Within a month, Achen could see that not only was his team's productivity up, but engagement scores, or measuring job satisfaction and retention, were the highest in the dot-com division's history.

For years, engagement had been a sore spot for Thompson. "I showed J.T. these scores, and his eyes lit up," says Achen. Thompson rushed to roll out ROWE to his entire department. Voluntary turnover among men dropped from 16.11% to 0. "For years I had been focused on the wrong currency," says Thompson. "I was always looking to see if people were here. I should have been looking at what they were getting done."

Today, Achen's commuting employee usually comes in once a week. Nearly three-quarters of his staff spend most of their time out of the office. Doesn't he worry that he loses some of the interoffice magic when they don't gather together all day, every day? What about the value in riffing on one another's ideas? What about teamwork and camaraderie? "You absolutely lose some of that," he says. "But what we get back far outweighs anything we've lost."

Achen says he would never go back. Orders processed by people who are not working in the office are up 13% to 18% over those who are. ROWE'ers are posting higher metrics for quality, too. Achen says he believes that's due to the new office paradox: Given the constant distractions, it sometimes feels impossible to get any work done at work.

Ressler and Thompson say all the Best Buy groups that have switched to the freer structure report similar results. Meanwhile, the two have other big plans for the company. Last month they launched a new pilot called Cube-Free. Ressler and Thompson believe offices encourage the wrong kinds of habits, keeping people wrapped up in a paper, prewireless mentality as opposed to pushing employees to use technology in the efficiency-enhancing way it was intended. Offices also waste space and time in an age when workers are becoming more and more place-neutral. "This also sets up Best Buy to be able to completely operate if disaster hits," says Thompson. Work groups that go cube-free will be able to redesign their spaces to better accommodate collaboration instead of working alone.

Next year Ressler and Thompson plan to pilot their boldest move yet, testing ROWE in retail stores among both managers and workers. How exactly they will do this in an environment where salespeople presumably need to put in regular hours, they won't say. And they acknowledge it won't be easy. Still, they are eager to try just about anything to help the company slash its 65% turnover rates in stores, where disgruntlement is common and workers form groups on MySpace with names like "Best Buy Losers Club!"

Best Buy has transformed its workplace culture in a remarkably short time. Isn't it also true that ROWE could unravel just as quickly? What happens if the company hits a speed bump? Competition isn't getting any less intense, after all. Best Buy sells a lot of extended warranties, an area where both Wal-Mart and Target are eager to undercut the electronics retailer on price. What's more, the current boom in flat-panel, digital TVs will peak in a few years.

If Best Buy's business goes south, human nature dictates that the people who always believed the clockless office was a flaky New Age idea will see an opportunity to try to force a hasty retreat. Some at the company complain that productivity is up only because many Best Buyers are now working longer hours. And some die-hard ROWE opponents still privately roll their eyes when they see Ressler and Thompson in the hallway.

But it's worth remembering that most big companies fail to grow at the rate of inflation. That's true in part because the bigger the company gets, the harder it is to get the best out of each and every employee. ROWE is one of Best Buy's answers to avoiding that fate. "The old way of managing and looking at work isn't going to work anymore," says Ressler. "We want to revolutionize the way work gets done." Admit it, you're rooting for them, too.

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