



2015

HUMAN RESOURCE MANAGEMENT SEMINAR -  
CASE ANALYSIS AT BEST BUY



# **New York Institute of Technology School of Management**

**MGMT822**

**Human Resource Management Seminar**

**TERM PAPER - A1  
Human Resource Planning Seminar.**

**BY**

**Sunitha Vijayakumar.**

Submitted to  
**Debbie Bortolussi, Professor MGMT822**

**January 26, 2014**

A PAPER SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE GRADUATE  
PROGRAM IN BUSINESS ADMINISTRATION



## **Table of content:**

1.0 Executive summary	3
2.0 Purpose of the report:	4
3.0 Issue Statement and Case Data Analysis	
3.1 Analysis1- Results-Only Work Environment	5
3.2 Analysis 2- Poor Forecasting Strategies	8
3.3 Analysis 3- Management strategies	9
4.0 Alternative analysis	13
5.0 Recommendation	14
6.0 Action Plan	17
7.0 Conclusion:	20
8.0 Reference:	20



## **1.0 Executive summary**

This report provides an analysis of the errors that were faced by Best Buy in their Human Resource Planning. It also discusses about the understanding of their errors and change of action that was taken by Best Buy to overcome and sustain. The methods of analysis include the secondary data collection from reliable sources across the web.

The major findings of the report include the failure of their renowned human resource strategy called the ROWE program where the employee shall do their job from home, the customer dissatisfaction that was happening at the stores due to poor training and lack of competency of the skills in recruitment that lead a drop in online sales.

The report finds the prospective of the company in its existing state and its comparison to the evolution after break of failures that has happened in its Human Resource Management and the contingency plan what Best Buy has done to defeat it.

The primary recommendations include an understanding the ROWE program as how well could have it been designed to maintain the same level of productivity of its employees, the physical changes that has to had been implemented at the stores and the training that should have been proposed to the sales and stores team in winning the customers, and the cross training program of shifting the employees within its own company by reskilling them rather than laying off and recruiting again for its mobile stores as a better way which could have saved the cost of recruiting.

The report has its own limitation as the analysis has been done on the existed problems and Best Buy has already recovered from it. Hence the suggestions and recommendations are valid only



based on the understanding what I have got during the research of its problems and its explanation available on the internet. But the exact real-time situation and then the current situation were unknown. The recommendations and idea provided are based on the past performances not present.

## **2.0 Purpose of the report:**

After reading this report you will understand the importance of human resource planning and steps involved in the human resource planning process. For this analysis I have chosen Best Buy which is an US based primary electronics retail store operates nationally and internationally. This document provides an overview of Best Buy's ROWE (**R**esults **O**nly **W**ork **E**nvironment - a human resource strategy), which is where employees are paid for productivity, not just activity, Matching Labor Demand and Supply, Importance Training and Strategic management.

## **Best Buy corporate culture :**

Best Buy operates more than 1,400 stores throughout the US and Canada and 2,600 stores in Mexico, Canada, China, Turkey and United Kingdom. It has multichannel operations which include: Future Shop, Geek Squad, Pacific Sales Kitchen and Bath Centers, Magnolia Audio Video and Jiangsu Five Star Appliance Co. The stores sell a variety of electronic gadgets, movies, music, computers, and appliances. <sup>1</sup>

## **Mission Statement:** <sup>2</sup>

*"Our formula is simple: we're a growth company focused on better solving the unmet needs of our customers—and we rely on our employees to solve those puzzles. Thanks for stopping."*

---

<sup>1</sup><http://investors.bestbuy.com/phoenix.zhtml?c=83192&p=IROL-IRhome>

<sup>2</sup><http://www.strategicmanagementinsight.com/mission-statements/best-buy-mission-statement.html>



### **Four core values of Best Buy:<sup>3</sup>**

1. Have fun while being the best
2. Learn from challenge and change
3. Show respect, humility and integrity
4. Unleash the power of our people

### **Top 3 Competitors :**

Wal-mart stores , Inc.

Apple Inc

Amazon .com , Inc

### **3.0 Issue Statement and Case Data Analysis**

#### **Analysis 1- Results-Only Work Environment:**

In 2003, Best Buy discovered some disturbing trends at their Minneapolis- headquarters. They saw an increase in the number of people quitting and filling stress related health claims and Employees were not happy or motivated. The problem landed on the desk of Cali Ressler , who managed Best Buy's work/life balance program. Ressler considered popular flexible work schedule options such as flextime and telecommuting, but decided, along with Jody Thompson, who was working as a designated "Change Agent" at Best Buy, that problem demanded a bigger solution. Ressler and Thompson the Gen Xer created a way that workers at Best Buy 's head

---

<sup>3</sup><http://www.bestbuy.ca/en-CA/why-best-buy.aspx>



quarters could be in control of their work and production . They devised a radical new program called " Results-Only Work Environment " <sup>4</sup>

Employee who opted to sign on with ROWE were allowed to decide how, when, and where they could work. They had the options to decide whether to work in office, at home, in the park, a coffee shop, another country, and wherever the place was comfortable. It was more like work for anywhere, anytime program. Productivity increased 45 percent and turnover decreased. Nevertheless, Best Buy used to be known for its demands of overtime, high employee turnover and its administrators with herd mentality. Best Buy is so happy with the results and that they are recommending the program to other companies. For putting an innovative idea into practice with a payoff, Best Buy and CultureRx win the "2007 Optimas Award" for Innovation. <sup>5</sup>

The very fate of an organization is determined by the number and type of person working in it. It is, therefore important that an organization has the right number and type of persons at any given point of time to be successful and this is what is achieved through manpower planning or human resource planning. Biggest disadvantage of this ROWE program was miscommunication and lack of collaboration among the employee

Example : The CBS "60 minutes" news program interviewed Chap Achen, a manager at Best Buy headquarters. When he was questioned on why the employee workplace division looked like a ghost town, he answered that, "some folks literally don't come to office for weeks at time." When also questioned how to track a specific employee, he admitted that he was not concerned

---

<sup>4</sup><http://www.businessinsider.com/best-buy-dropping-flexible-work-2013-3>

<sup>5</sup> <http://www.workforce.com/articles/print/best-buy-culturerx-optimas-award-winner-for-innovation>



about the presence of employees at their workplace. "I couldn't tell you if he was in his basement or at star bucks with wireless connections.<sup>6</sup>

Even though Best Buy clearly understands that change is necessary in as successful organization it failed to implement the proper training program for the employee before implementing the ROWE program. It also failed to track the location free team spirit. It didn't set rules for communication and job protocols, keeping global issues in mind

But in 2013, a crucial decision is made and Best Buy laid off 400 corporate employees.<sup>7</sup> The reason behind this big decision was that there were no good work collaboration among the employees. Best Buy's present CEO Hubert Joly decided to end the ROWE program era. Joly also called the ROWE system a "fundamentally flawed from a leadership standpoint"<sup>8</sup>

Researches tell that there are many misconceptions as to what ROWE is and is not. Pros and cons will summarize the advantages and disadvantages of ROWE concept

### **Benefits of Rowe program :**

- Cost-benefit analysis of the HR plan : Best Buy Implemented ROWE and it reduced the facility and building cost.
- Introducing Flexibility : It introduce certain amount of flexibility for the employees. There can be function anywhere and anytime.
- Work-family conflict : It improved work-family fit and time adequacy.

---

<sup>6</sup> <http://working247.com/60minutes> , CBC news.com

<sup>7</sup> <http://www.startribune.com/business/195156871.html>

<sup>8</sup> <http://www.businessinsider.com/best-buy-ceo-rowe-2013-3>





- Evaluated on the performance : Employees are evaluated based on the performance even without their presence
- Employee retentions : It enhanced employee retention , satisfaction and attraction

#### **Drawbacks in ROWE program:**

- Uncertainties : Absenteeism was uncertain .
- Reduce the control of employees ; Sometimes employees are not under the control under the management . It is difficult to manage the employees
- Lack of communication: It lacks face to face communication and team work causing delay.
- Not adaptable : It is adaptable for all kind of employees and this may reduce their performance

#### **Analysis 2- Poor Forecasting Strategies:**

Retailers like Best Buy get affected due to competition from other online retailers. Recently there is a "showroom trend change" where the customers would visit retailers to see the physical objects but purchase the products from an online retailer who usually offer cheaper prices. With benefits like lower online prices and subscription services like eBay, Amazon; the need for physical retailers such as Best Buy is diminishing. Best Buy is also closing the big box stores and opening more Best Buy Mobile stand-alone stores. For instance, the total store count in Q1 FY 2013 was 1,103, and that dropped to 1,056 in Q1 FY 2014. However, the Best Buy Mobile stand-alone store count totaled 326 in Q1 FY 2013, versus 409 in Q1 FY 2014.<sup>9</sup>

---

<sup>9</sup><http://www.fool.com/investing/general/2013/08/28/best-buy-is-facing-too-many-headwinds.aspx>



With the poor results in financial performance Best Buy laid off 400 employees in 2011 and 950 at its Future Shop and Best Buy retail stores in 2015 <sup>10</sup> it is reducing management and sales staff and restructuring to take advantage of online sales.

Another instance in 2008 , Best Buy was forced to react quickly as the economic downturn dramatically reduced sales . They responded by offering a voluntary severance package to nearly all of the 4000 employees at their Minneapolis area headquarters. The offer was accepted by 500 employees. <sup>11</sup>

Estimating changes in internal supply requires proper HRM to look at those factors that can either increase or decrease its employee base. Proper assessment of organization's current human resource situation should be analyzed. There should be year - year analysis for every significant job level and type. Layoffs are more controllable and anticipated by management, especially in the short run . Proper forecasting strategies should be used to avoid the layoff whereas Best Buy failed to use it.

### **Analysis 3- Management strategic- Renew Blue strategic**

Corporate strategic and employment planning are two critically linked processes; one cannot survive without the other. Accordingly, to perform both properly requires a blending of activities.

---

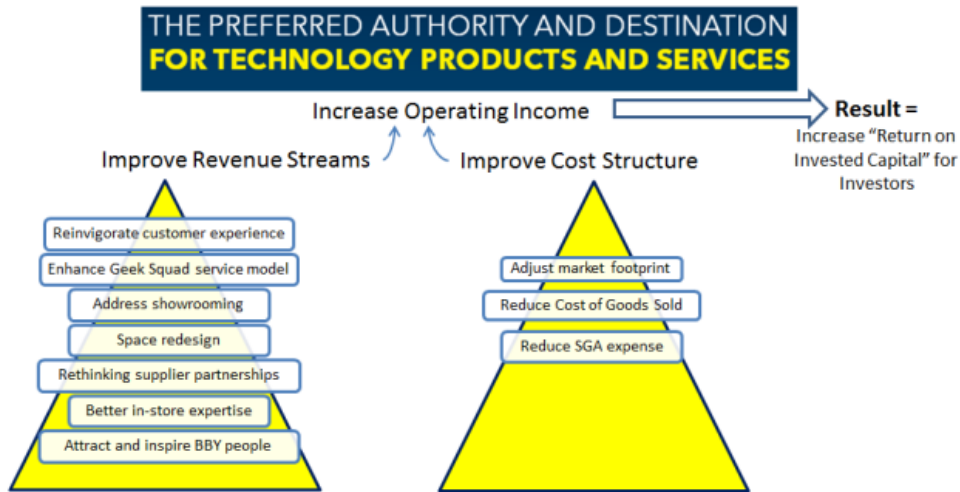
<sup>10</sup><http://www.cbc.ca/news/business/best-buy-canada-to-lay-off-950-staff-1.2517280>

<sup>11</sup> <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aK0n4VkwNEKI>



Figure 1

The Renew Blue Vision is to make Best Buy



*Source: leadingstrategicinitiatives.com*

The Renew Blue Vision:

According to the Renew Blue presentation, BBY's vision is this: "To be the preferred authority and destination for technology products and services."

Best Buy Chief executive Joly started "Renew Blue" program on 2013. As per Figure 1 it going to focus on 4 areas;

- 1) merchandising and marketing;
- 2) increasing its online sales;
- 3) leveraging its Geek Squad to grow the service business; and



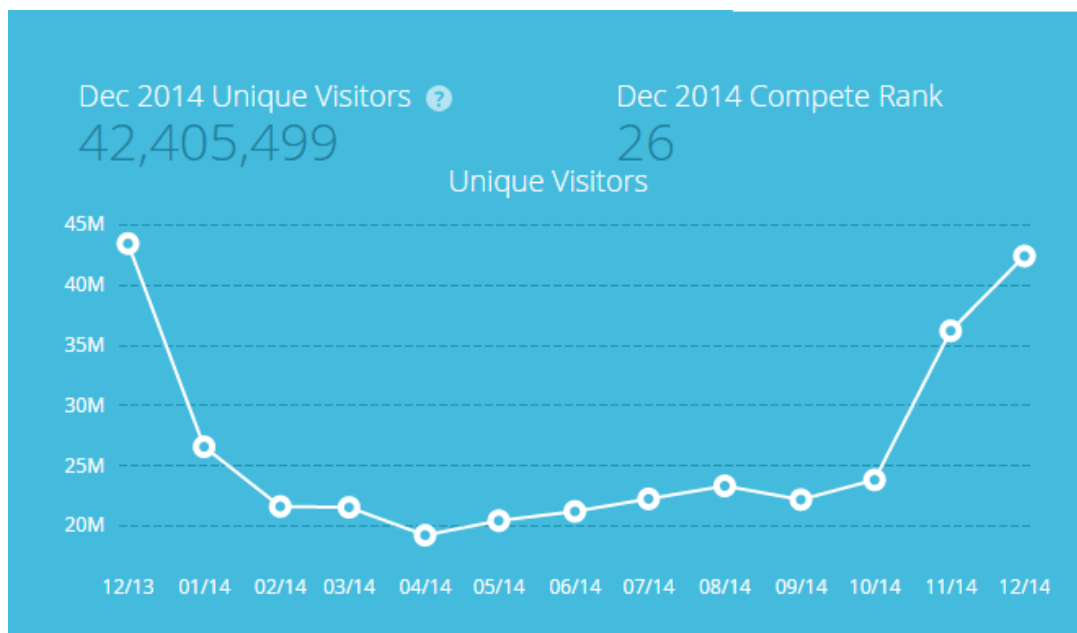
4) improve its supply chain, cost structure and employee engagement.<sup>12</sup>

To slow the decline in the same-store and profit margin by emphasizing cost cutting and online sales. According to the fiscal report of Best Buy it has mentioned that they will be pursuing the successful implementation in new field- and store- operating model, by strengthen the talent in critical areas , and redefining of key business process to better support their multi-channel, customer focused channel.<sup>13</sup>

**Need to strength the digital talent with new strategic**

Website Visitors: Best Buy

Figure 2



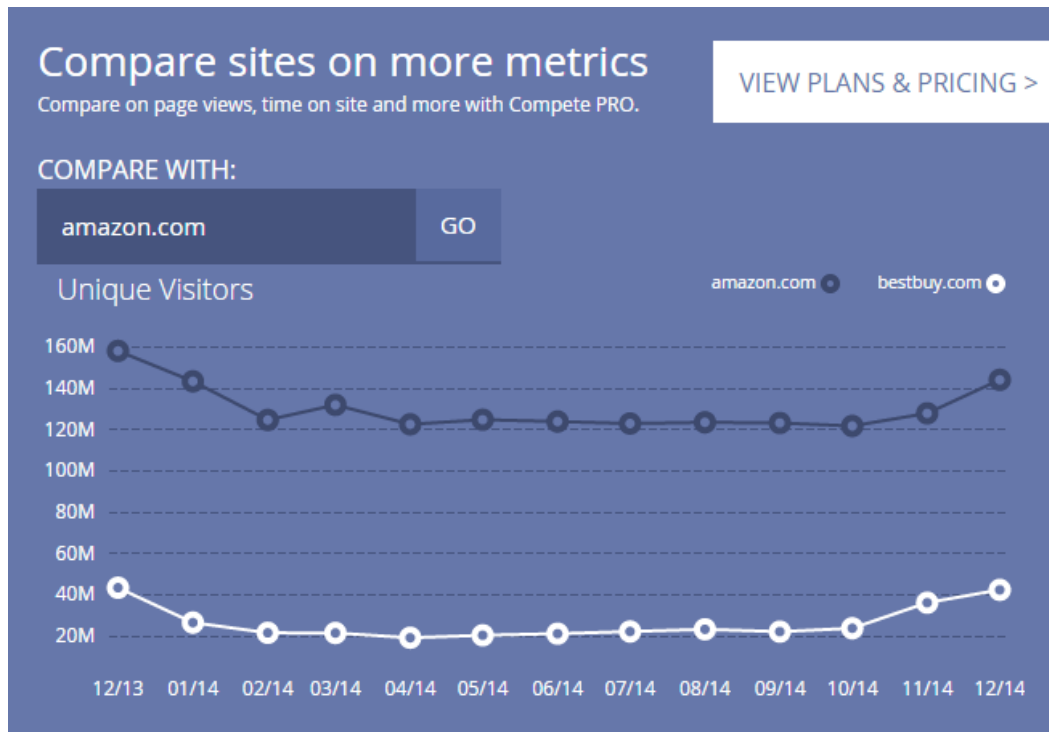
Source : *compete.com*

<sup>12</sup><http://leadingstrategicinitiatives.com/2013/01/24/strategic-initiatives-case-study-best-buys-renew-blue-turnaround/>

<sup>13</sup> <http://phx.corporate-ir.net/phoenix.zhtml?c=83192&p=irol-reportsannual>



Figure 3



Source : *compete.com*

The website provides customers with access to product information, product support, service packages, deals of the day etc. The website also gives customers the opportunity to order online and pick-up their products in-store. Looking at the figures it clearly states Amazon has more number unique of visitor approximately 160 m when compared to Best Buy 40m

As projected, Best Buy reported another quarter of declining sales in Q2 2015 (reported on August 26). At \$8.9 billion, revenue declined 4% annually and 1.5% sequentially.<sup>14</sup>

<sup>14</sup><http://www.forbes.com/sites/greatspeculations/2014/08/28/best-buy-reports-dissapointing-sales-outlook-but-strong-expense-control-improves-non-gaap-earnings/>



Best Buy HRM should plan on training and development function for employees which tends to be continuous process. The goal of training and development is to adapted employees who possess the up to data skills, knowledge, and abilities needed to perform their current jobs more successfully. The increase in employee training costs is also part of the new CEO Joly's plan, "Renew Blue", which aims to provide expertise that customers cannot find online.

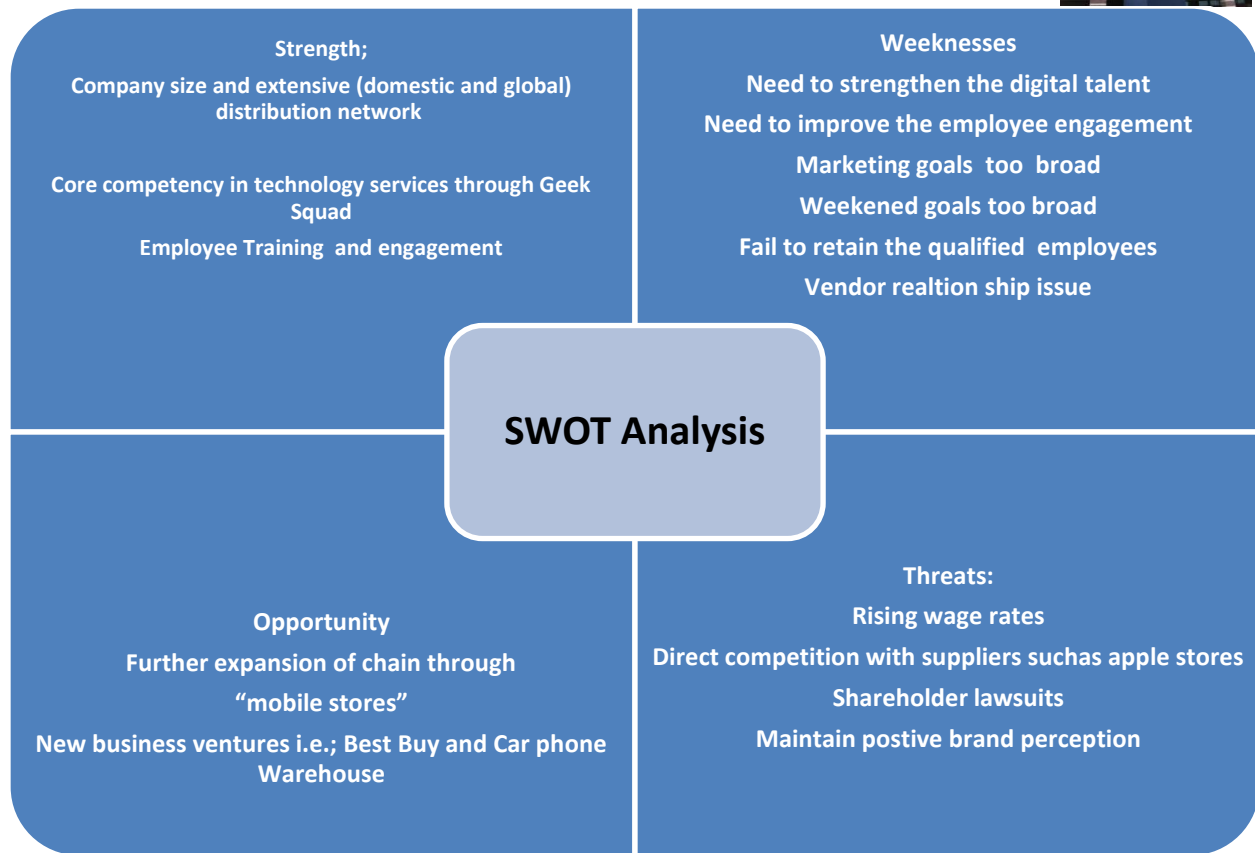
#### **4.0 Alternative analysis**

##### **Internal SWOT Analysis based on the annual report of Best Buy 2014 <sup>15</sup>**

The SWOT analysis should lead to clear assessment of organizational internal resources- such as capital, workers kills, patents etc. it should also indicate organizational department abilities, such as training and development, marketing, accounting, human resource, research and development, and management information system. HRM should conduct the job analysis whereas it should be linked to the organization's strategic goals, these goals become a moving target. This SWOT analysis phase of strategic planning process cannot be overstated. It is duty of HR to ensure that the company meet its objective and establishes the direction of the company through strategic planning.

---

<sup>15</sup> <http://phx.corporate-ir.net/phoenix.zhtml?c=83192&p=irol-reportsannual>



Exhibits 1

### **5.0 Recommendation.**

1 **ROWE program** : This is more suitable for the older employees. Since it can give more privileges to older employees who are the key resources for the organization to make tough decisions and to handle pressurized situations during crucial periods such as recessions. Best Buy also avails greater contributions with their experiences. Best Buy also gets and gives more benefits from these senior resources by providing them flexible schedule using ROWE program.

2. **Training Action Plan** : Best Buy should implement new training action plan for the employees to upgrade their skills. It also should focus on employee development such as soft



skills and technical training. In addition by cross training the employees in other domains can result in resource shifting rather than recruiting new resources.

**3. Recruiting Technical Writers for website maintenance:** Online shoppers are increasingly relying on product reviews and buyer ratings to guide their own online purchases. Furthermore, online customer reviews as well as “shares” through social networking media can fuel additional website traffic.

**4. Recruiting Marketing Panel :** Best Buy can expand the recommendation panel with a Long Tail approach since most of its products consists of electronics, appliances and entertainment. As per current online search criteria for products, Best Buy allows customers to select a product and displays a smaller related products based on the selection which appears on the customer page. If they include more search results such as "Customer bought also related products", "Most favorite", "Search results for other items" all these can showcase the other related products which drastically increase the online sales of the products. Also often changing the product tags can make better visibility and new craze for the products and make online shopping a great experience with more sales.

**5. Comfort of in-store purchases :** Best Buy human resource should plan for restructure the space in the stores for the into a inviting café environment complete with bean bag chairs where the consumer and retail employee can relax and discuss about the product. Of course, customers can touch, feel, and test products found in any given Best Buy location at this current point in time, but by providing an area where consumers can take an iPad, comfortably sit down, and test the product over a hot cup of coffee and fluffy banana nut muffin such the consumer can develop a far greater bond to that particular product at that particular point in time.





6. **Frequent performance review:** There should be Five minutes informal discussion between employees and their supervisor. Performance appraisals must convey to employees how well they have performed on the established goals. it 's also desirable to have these goals and performance measures mutually set between the employees and supervisor. without proper two way feedback about an employee's effort and effect on performance, we run the risk of decreasing his or her motivation.

7. **Employee development :** Best Buy should employee development program to ensure that it has the necessary talent internally for meeting future human resource needs. the focus of employee development is on future position within the organization for which the employee requires additional competences . This avoid the recruiting several employees after recession.

8. **Give an opportunity to young talents:** Hiring more internships, Co-op by participating in job fairs at colleges and university.

9. **Forecasting the demand for human resource;** A comparison between the demand and supply forecasts of human resource would indicate the net manpower requirement of the enterprise. It may be surplus or deficit. A proper action plan should be made in case of surplus manpower, the employees, found in excess of the requirement, may be redeployed . Employees can be sent to branch offices or sister concerns where there is shortage of manpower.

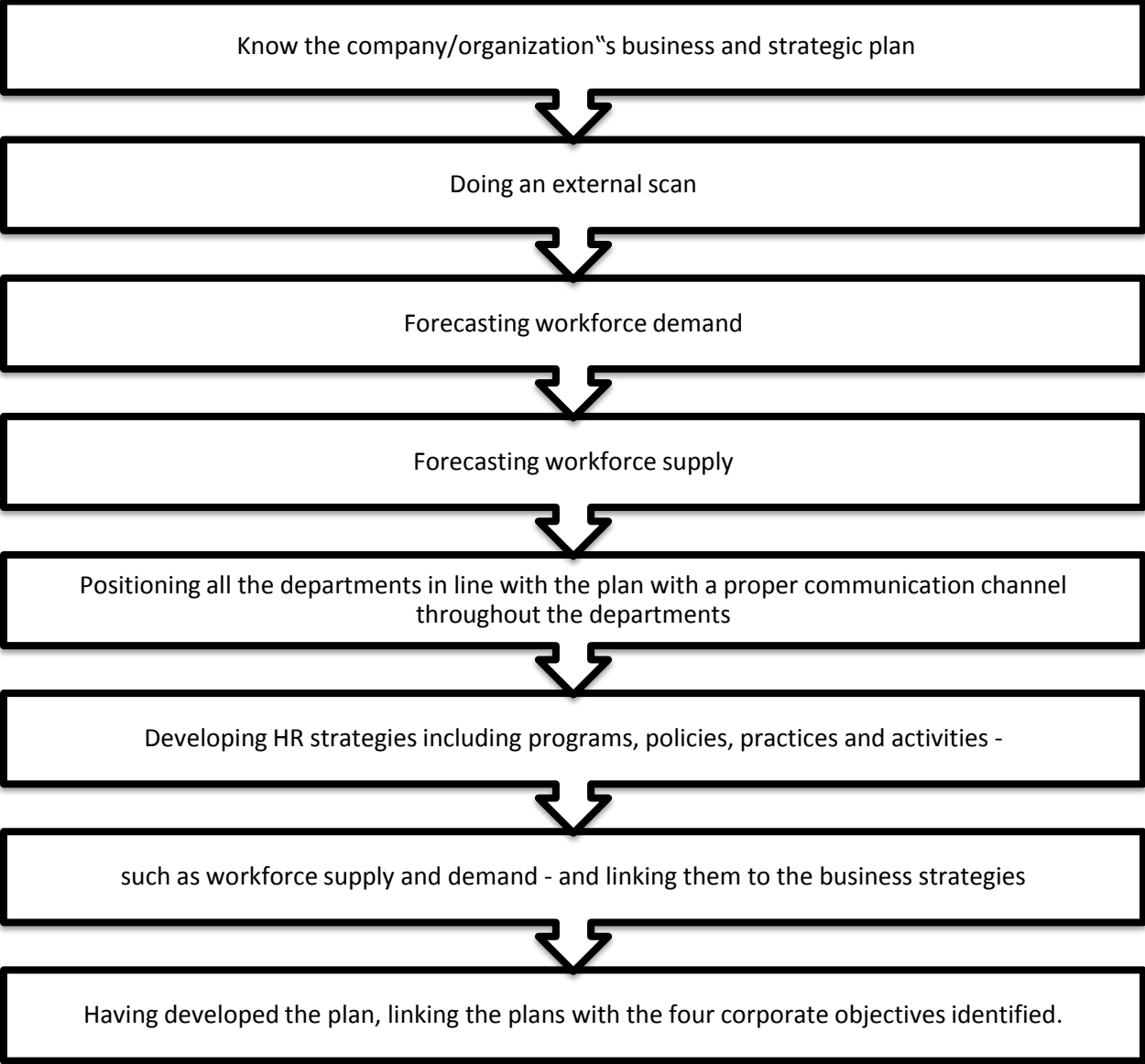


## **6.0 Action Plan**

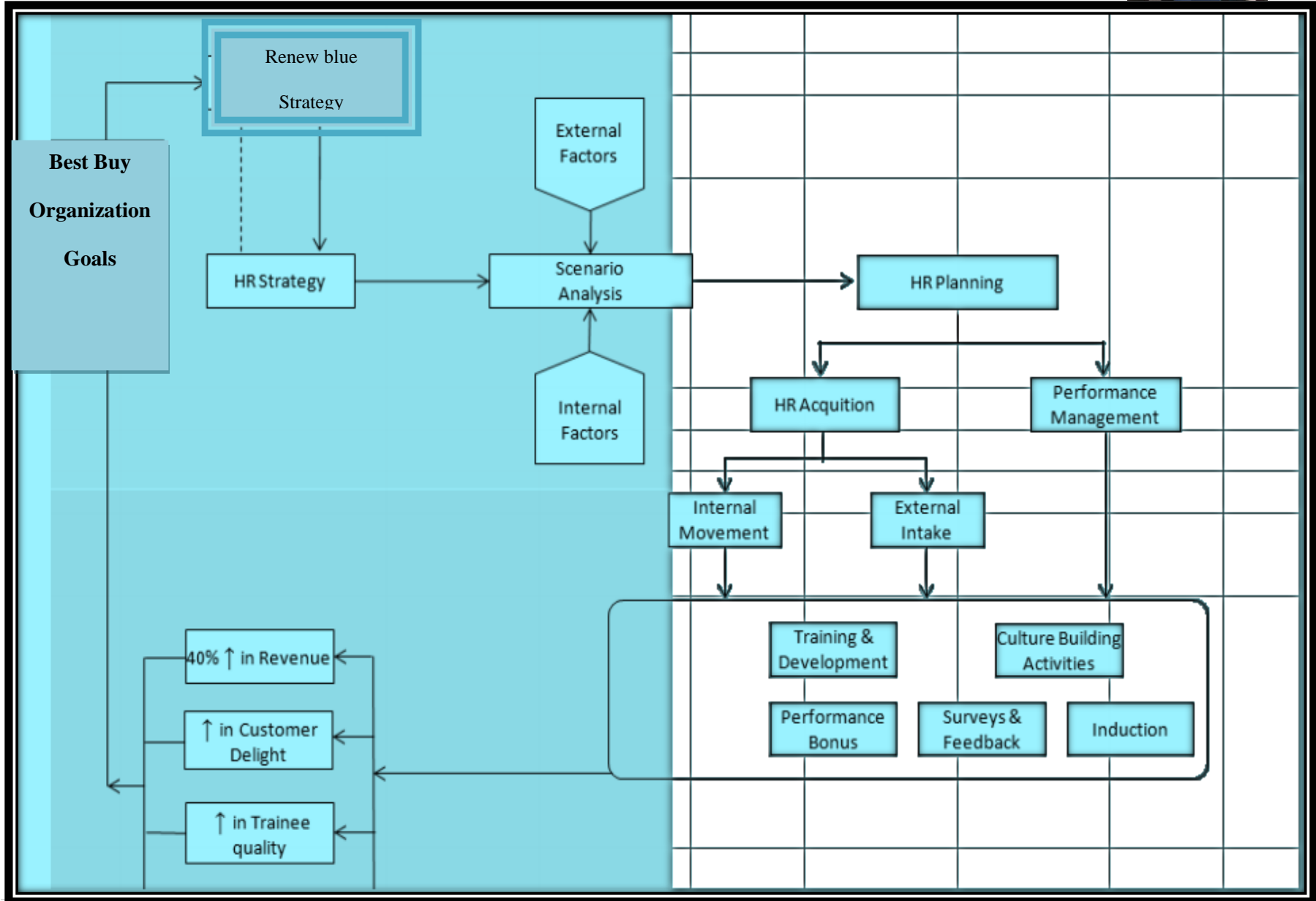
### **HRP Model for the Best Buy**

After reviewing the internal, external factors including the strength & weakness, we will be able to identify or understand the four corporate objectives which have been identified by best buy. Through the Strategic HR planning of forecasting & planning we would be able to identify the strategies & factors that would impact its functional objective to obtain its overall corporate objective. The company has already implemented sound HR practices over the past 1.5 (2013-2015 ) years, some of which includes: Manpower Planning, Recruitment & Selection, Induction, PMS, Training, & Culture building activities. Changes in the HR plans and its impact on the overall business strategy can also be explained through this model.

Understanding how to develop strategy is a motivation to progress to HR strategic planning. A strategic plan consists of a series of actions designed to accomplish defined objectives. And a HR plan is described as strategic since such plan is intended to help organization achieve their business plan. A human resource strategic plan is aligned to the organization's strategic business plan.



# Proposed HRP Model for Best Buy





## **7.0 Conclusion:**

With this human resource planning strategy discussion and with Issue statement, Case Data Analysis, Alternative Analysis, Recommendations and Action plan it is obvious that Best Buy can implement a well upgraded HR plans and policies to increase its sales and customers. As discussed, Best Buy can come back as a giant to online markets by restructuring the current HR policies and firm's operating environment.

## **8.0 Reference:**

<http://investors.bestbuy.com/phoenix.zhtml?c=83192&p=IROL-IRhome>

<http://www.strategicmanagementinsight.com/mission-statements/best-buy-mission-statement.html>

<http://www.bestbuy.ca/en-CA/why-best-buy.aspx>

<http://www.businessinsider.com/best-buy-dropping-flexible-work-2013-3>

<http://www.workforce.com/articles/print/best-buy-culturerx-optimas-award-winner-for-innovation>

[http://working247.com/60 minutes , CBC news.com](http://working247.com/60-minutes-cbc-news.com)

<http://www.startribune.com/business/195156871.html>

<http://www.businessinsider.com/best-buy-ceo-rowe-2013-3>

<http://www.fool.com/investing/general/2013/08/28/best-buy-is-facing-too-many-headwinds.aspx>

<http://www.cbc.ca/news/business/best-buy-canada-to-lay-off-950-staff-1.2517280>



<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aK0n4VkWNEKI>

<http://leadingstrategicinitiatives.com/2013/01/24/strategic-initiatives-case-study-best-buys-renew-blue-turnaround/>

<http://phx.corporate-ir.net/phoenix.zhtml?c=83192&p=irol-reportsannual>

<http://www.forbes.com/sites/greatspeculations/2014/08/28/best-buy-reports-dissapointing-sales-outlook-but-strong-expense-control-improves-non-gaap-earnings/>