

# HR Magazine™

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## Beyond Flextime

More employees are  
working when and  
where they please



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Jason Dehne's brother called him one day in March and asked if he might like to have lunch and then visit the annual auto show in downtown Minneapolis. Without even checking his schedule, Dehne—a human resource manager of retirement and wealth strategies at Best Buy—agreed to the plan. The brothers spent a blissful Tuesday afternoon walking through showrooms full of the latest vehicles.

The story might not seem unusual if it were not for the fact that Dehne did not need to inform his boss of his whereabouts—he knew his boss could not care less. Nor did he feel guilty about it, since his job allows him to work wherever and whenever he wants as long as he completes projects on a timely basis.

# Clocking Out

Best Buy's novel  
come-and-go-as-you-  
please work style is  
pleasing employees  
and catching on  
elsewhere.

By Frank Jossi

Dehne participates in the consumer electronics retailer's novel Results-Only Work Environment (ROWE) program, which allows almost all of its 4,000 corporate employees to have the same freedom.

"Three years ago, if I was going to go to the car show I would have felt so guilty about it, I would have probably first worked the entire day and then left after 6 p.m. to get to the show [for] an hour or two" before closing time, Dehne says. Now, he continues, "people I work with don't know where I am all the time, but they know how to reach me—I have e-mail; I have a cell phone; I have voice mail. I don't report all of my activities, and I don't feel guilty about it anymore."

Begun four years ago at Best Buy's suburban Minneapolis campus, ROWE has been so successful that the company created a division, CultureRx, to promote it to other companies. Meanwhile, Best Buy has started rolling out ROWE to the 100,000 employees in its retail stores. Figuring out just how that will work remains to be seen, however, since retail requires time clocks—anathema to the program's operating philosophy.

## Reinventing the Workday

ROWE was created by Jody Thompson and Cali Ressler when they were Best Buy employees; both now serve as principals of CultureRx. They share a passion for shaking up the American workplace and replacing the 9-to-5 paradigm with one that emphasizes freedom for employees and results for employers.

In a time when many white-collar Americans complain of being chained to desks for 50 to 70 hours a week and of having too little time for families and hobbies, CultureRx offers a remedy for the prevailing zeitgeist—a prescription that has attracted the attention of national media such as "60 Minutes," National Public Radio, *The New York Times* and *BusinessWeek*. >

ROWE enables Best Buy employees whose departments participate in it the opportunity to do their work wherever and whenever they wish. They might play tennis in the morning, go windsurfing on a lake one afternoon, take a two-hour lunch or run a couple of days a week, as Dehne does.

Best Buy supervisors have been retrained to think less about line-of-sight management (Jim is at his desk, so he must be working) and more about the results of employees' work. Some employees work outside the office just one day a week, while others spend the majority of their work time at home or other locations.

Thompson likens ROWE to the college lifestyle, in which studying and writing papers can be done anytime and anywhere—the library, the dorm room or a coffeehouse. “Going from college to the workforce is like going back to elementary school—you have no control,” she says. “The conundrum is that managers are always trying to manage people—instead of results. Think about it. People come into the workforce as adults, and they're treated like children.”

## The Early Returns

Results from and reactions to ROWE have been encouraging. Productivity has increased an average of 35 percent within six to nine months in Best Buy units implementing ROWE, a figure based on metrics reported or estimated by managers using the new system. Voluntary turnover has dropped between 52 percent and 90 percent in three Best Buy divisions that CultureRx has studied. The three divisions were chosen because they were otherwise unaffected by company reorganizations or other initiatives.

Ressler cites this voluntary turnover figure as an indication that employees who once would have left Best Buy decided to stay put after ROWE was implemented. Thompson says one procurement division, an early adopter, saw voluntary turnover drop from 36.6 percent a year to less than 6 percent annually.

A CultureRx study of attitudes of ROWE participants found that feelings of pressure and a sense of working too hard have changed. “They feel happier about work. They feel more ownership of their work. They feel more clear about what they're doing for the company, and they see it [ROWE] as a benefit that's almost more important than any other,” says Thompson. “They talk about it as if to say, ‘Someone else could offer me more money, but I wouldn't go because I now have control over my time.’”

Phyllis Moen, sociology professor at the University of Minnesota, is studying ROWE and has looked at other novel work arrangements around the country. She finds the favorable results no surprise. Her own studies, and a large body of related workplace research, show “schedule control” leads to lower turnover, increased productivity and employee wellness. Having control over work schedules enhances “health, life quality

and productiveness,” she wrote in an e-mail interview.

So far so good, say ROWE's founders, and they want to share their success with the rest of corporate America, though their own experience at Best Buy suggests such a dramatic move at any company would entail challenges. Offering employees the ability to work without cubes and frequent face-to-face interaction with colleagues required overcoming significant corporate and cultural obstacles.

For years Best Buy had a reputation around the Twin Cities as a demanding place to work. Best Buy “was like corporate American culture—lots of face time, lots of hours, get your butt in your chair,” Thompson says. Neither Thompson nor Ressler had much regard for the 9-to-5, 40-hour workweek, seeing it as a relic of industrial-age factory work.

Best Buy, they say, sells customers on the future, on technology and appliances that make life easier. When you're in a Best Buy store, Thompson says, “you think ‘fun and young and do what you want,’ but it wasn't like that in the corporate office.”

ROWE began four years ago as a “guerrilla” operation, initially unknown to and unsanctioned by management. Ressler, the former work/life balance manager at Best Buy who went on to start ROWE, introduced a program offering flexible work arrangements to a test group of 320 employees in the communications and properties divisions. It was not all that different from flextime arrangements at other companies, says Thompson, who joined Ressler's crusade just after it started. As the company's official “change implementation manager,” Thompson saw early that the program had potential beyond flextime.

Thompson and Ressler discovered two general principles during the flextime experiment. One was that “flexible schedule” was an oxymoron that required a lot of keeping track of people's time. The other was that flextime enhanced the way employees in the program communicated with one another through e-mail and phone conversations outside the normal 9-to-5 workday.

They arrived at a strategy: Stop counting hours, stop requiring everyone to attend meetings, let people work where they wish. “We began thinking about how we could create a culture where they [employees] could do what they needed to do, have control over their time, and make redundant or unnecessary any other program that would be considered a flexible work program,” says Thompson. “The culture just becomes flexible without having to institute anything over the top of it.”

The duo went public with the program inside Best Buy in 2003 after testing it for about a year. The corporate management team, led by CEO Brad Anderson, eventually came to embrace ROWE, although not without a good deal of “healthy skepticism,” says Thompson. Ressler notes that management could have shut the project down “at any time,” but as results trickled in showing ROWE's ability to stem voluntary turnover,



## A 'Cool Benefit'

Amy Weldon, a senior government relations specialist at Best Buy, figures out her own schedule while working in a ROWE unit. Her job keeps her at the company's headquarters most days, but she manages to take every other Friday off to work at home. During the summer, when legislatures around the country take a break, she's inclined to work from home on Fridays and knock off early some days. Most Best Buy employees use ROWE as Weldon does, working at home a limited amount every week and taking advantage of the flexibility when necessary.

Weldon's manager has embraced ROWE and encourages colleagues to use it. "When I'm working at home on Friday," Weldon adds, "I'm still connected to my team through my laptop and cell phone, but I can get some personal errands done. Our team has a lot of trust from managers, who also use ROWE. ROWE isn't the driving force for why I'm at Best Buy, but it is a cool benefit for us."

jump-start productivity and improve employee morale, the company decided to allow managers throughout the corporate system to adopt ROWE at their discretion.

John Moynihan, vice president of the rewards program in the company's HR department, says not all managers are comfortable with allowing employees great latitude. "For a lot of managers with the traditional mind-set, there's that sense of 'I paid my dues, now you have to as well,'" says Moynihan, who oversees CultureRx and works at home occasionally. "Meetings being optional, in particular, is something difficult for them to accept. We try to convince some traditional managers by showing them negative environmental assessments of their department and suggesting the work environment may be a problem. We tell them how ROWE can change that environment and how our biggest skeptics are now our biggest partners."

### Managing Results

Of course, the sort of paradigm shift that CultureRx envisions did not come easily, especially to managers, Thompson says. They had to be trained, along with their staffs, to adapt to a new world in which colleagues would not always be available on-site for a quick chat about a project. In fact, Thompson and Ressler turn many work assumptions upside down in what they call ROWE's "13 commandments."

Although reluctant to name all 13—CultureRx is, after all, now in the business of selling the concept—Ressler offered three key commandments: There are no work schedules; every meeting is optional; and employees should render no judgment about how colleagues spend their time. The last one turned out to be particularly difficult: Who has not sat in judgment of colleagues' practices and productivity?

CultureRx calls such judging of others "sludge." It's the constant questioning, Ressler says, of "how other people are spending their time, the attitude heard when people say, 'Smokers sure get a lot of breaks. There she goes at 3 p.m. to

get her kid; I wish I had a kid.'" Sludge "is engrained in corporate America, and once it is gone it really feels like a big weight lifted off people while allowing them to be the most productive person they can be."

Once employees realize that the judgments they once made about colleagues have nothing to do with work results, they begin to see the power of ROWE. Managers "are scared to death" when the training process begins, Thompson says, but they soon come to realize freedom is rewarded with exceptional work. "Everyone wants the benefit, everyone is jazzed up about it, and no one wants to screw it up," she says. "Managers get better work and more work out of people because they've allowed employees their freedom. Managers find out pretty quickly they can trust people."

### Measuring Performance

One important issue that ROWE managers have to address focuses on how to judge performance when hours on-site are not available as one aspect of employee reviews. What parameters do they use? "At Best Buy," Ressler says, "the [performance management] systems and tools were in place, but HR was frustrated because people, even before ROWE, weren't using them the way they were intended to be used. They had to hound people at the end of every quarter and at the end of every year to get their performance and development guides in."

As managers work on improving their employee review skills, HR has concentrated on assisting them in removing obstacles to higher performance. Moynihan says HR generalists now work to assess the health of various work environments in different divisions and identify barriers to better managerial relations or higher worker productivity. Whatever the issues are, they look for solutions suggested by employees and agreeable to managers rather than a by-the-book, top-down approach.

HR uses ROWE in a variety of ways. To prospective employees, says Moynihan, the allure of freedom on the job can be persuasive and not something they'll be offered by other corporations, at least not to the extent of Best Buy. In performance management, ROWE has led to improved goal-setting and outcome-based evaluation rather than less measurable criteria or hours engaged.

This, of course, has not been easy. Managers have the latitude to set a series of baseline goals with employees or teams, he says. He likens the process to "socio-technical work systems" that grew out of a British-born trend begun in the 1980s that favors autonomy in the workforce combined with little supervision. > Given the resources, employees can figure out how best to get work done.

Moynihan says that in Best Buy's team-driven environment, team members will pressure underperforming colleagues rather than their managers. And if that doesn't work? The information about underperformers invariably filters up. "We're better able to

ascertain who our strong performers are and who they aren't based on results and productivity," he adds. "We've had improved retention of strong performers and seen a greater increase in involuntary terminations of poor performers—it's been a good way to learn who is providing results and who isn't."

## More Employers Giving It a Go

Best Buy's ability to allow an employee to write training modules while following a traveling rock band—a real example—is possible only in a time of rich bandwidth and cell phone ubiquity. The company has replaced almost all of its desktop computers with laptops as prices have dropped, Thompson says. It provides cell phones and BlackBerry devices to employees who want them.

Other companies have begun to see the advantage of remote employees in ways such as saving on real estate costs and increased employee retention, says Neel Bhatia, project leader and recruiting director for the Boston Consulting Group's San Francisco office.

A real estate study by Bhatia's organization last year showed 85 percent of corporate executives expect an increase in the number of off-site workers over the next five years. Today, 85 percent of companies surveyed allow employees to work outside their office environments, he says. The study showed 25 percent of its respondents have more than 10 percent of their workforce in "alternative workspaces," he notes.

Says Bhatia: "A couple of trends are enabling this—technology, such as BlackBerry devices, wireless phones and laptops, and the cost savings [in real estate] and employee retention that come with the use of those technologies."

IBM shares Best Buy's zeal for alternative work arrangements. More than 42 percent of its 140,000-employee workforce operates from homes, clients' offices or other locations. The company offers part-time, compressed workweeks, flex-time and job-sharing arrangements.

Employees are assessed "on their personal contribution toward IBM's goals" rather than hours on the job, says Andrea Jackson, manager of work/life, flexibility and mobility programs. Aware of a changing work environment, Jackson says in an e-mail that managers receive "flexibility awareness" training provided through e-learning and workshops that teach how to manage employees by their "business contribution" instead of personal interaction or hours logged.

A 2004 IBM work/life survey found flexible work options the top reason to stay at IBM, and employees who worked from home turned in the highest "employee satisfaction" ratings, says Jackson.

Laurie Friedman, an IBM corporate communications man-

ager, oversees a team of seven home-office employees around the country. "We communicate frequently by teleconference and instant messaging," she says. "We physically meet twice a year. ... I have no problem managing a virtual team."

Sun Microsystems' Open Work program saved the company \$67.8 million in real estate costs this year and clipped an average of two hours a day off commuting time per employee, says Ann Bamsberger, vice president of the Open Work Solutions Group at Sun Microsystems, who spoke from one of the company's drop-in worksites.

More than 40 percent of Sun's employees participate in Open Work, which allows them to work at home or other locations, among them drop-in centers where they can telecommute, use technology for teleconferencing or meet with other members of their team who live in that area. On average, at-home employees have a 34 percent productivity gain after leaving the office environment and give back 60 percent of their commute time to Sun, she says.

## A New Role for HR

While face-to-face meetings still matter, Bamsberger contends that people management has entered a complex age in which managers have to mix and match teleconferencing, instant messaging, phone conversations and e-mail while working on projects. The idea of a weekly meeting has gone the way of the two-martini lunch. In fact, she says, there had better be a good reason for a face-to-face encounter "because employees will otherwise resent it. They'll be thinking, 'I had to drive all the way in here to hear that? You could have told me that by e-mail.'"

The movement of corporations toward results-oriented work should offer HR an important role and give it the latitude to transform the rules of the workplace to accommodate a new environment. Says Ressler: "A company that is contemplating making this kind of change to their work environment would find it very beneficial and helpful to have HR professionals by their side who are knowledgeable about ROWE and are open to the idea that they can coach their executives differently to move the company in the direction of the future."

"This is next-generation HR," Bamsberger says. "I keep telling other HR professionals, 'Stop fretting about comp and benefits; this is the future.' This is the kind of stuff they have been wanting to do for years and years. The talk in HR has always been how to become more of a strategic partner. Well, this is how to do that. This is a terrific opportunity for HR to participate in creating a new work environment." ■

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