**GRADUATE STUDENT FINAL PROJECT: BEST BUY ANALYSIS**

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**Abstract**

Best Buy is a well-known retail organization that operates in the North American electronics markets. It is known for providing holistic customer support for all technology-related needs through both brick-and-mortar stores as well as a robust website. This case study identifies the goals and strategies Best Buy employs to maintain a successful in the general sense as well as within the context of the recent pandemic. Additionally, the structure, processes, culture, leadership, governance, control mechanisms, and incentive programs are explored in-depth to provide a holistic understanding of how Best Buy functions as an organization from both a design and human capital perspective.

**Introduction**

A familiar household name, Best Buy has had a presence in North American society for many years, but they have not always been known as Best Buy. In 1966, Richard M. Schulze and a business partner opened Sound of Music, an electronics store specializing in high fidelity stereos in Saint Paul, Minnesota (Best Buy, 2015). By 1969 Schulze was able to buy out his business partner and the company became publicly listed on the NASDAQ exchange. By the late 1970’s there were multiple Sound of Music locations, but a natural disaster in 1981 acted as a catalyst in transitioning Sound of Music into Best Buy. When a tornado took off the roof of the most profitable location, the company responded by having a discount parking lot sale with the product that was spared in the storeroom, which was a wild success. While marketing for the “Tornado Sale” the company advertised that they would have the “best buys”, and by 1983 they were renamed to Best Buy. Since the company’s inception their success has stemmed from reactions to the external environment and providing structure and standard operating procedures in their organization. They have created growth through strong partnerships with large organizations, and through acquisitions. The acquisition of Geek Squad is one example, which has helped Best Buy become a service-oriented organization.

As an organization, it has evolved from a place that is known for competitive prices on electronics to a place that consumers can go to for help with devices, appliances, home theater systems, or even telehealth needs. In this paper and with the help of internal interviews and shareholder reports, we discuss the various organization design aspects that allow Best Buy to be successful, as well as the aspects that may lead to Best Buy’s demise if they go unaddressed. We start with organizational goals and we end with incentive plans that ultimately contribute to goal achievement. To begin, let us first review Best Buy’s goals.

**Goals**

When a company defines its goals, they are writing out their purpose and competitive advantage. These statements outline the organization’s reason for existence and desired impact and outcomes (Daft, 2016). Best Buy’s goal is to enrich the lives of people through technology. The company is focused on solving the unmet needs of customers, and it relies on its employees to find solutions.

On an organizational level, Best Buy’s goals are established by the top leaders and then communicated down the chain of command to reach all employees. Management determines the goals by assessing the external environment, including threats, opportunities, and resources, and the internal situation, including strengths, weaknesses, and past performances (Daft, 2016). Considering how large Best Buy is, a top-down, mechanistic, and formal approach to goal setting makes sense. Through this approach, the company’s executive leadership can control the aims and outcomes of the individual stores.

Each year, Best Buy communicates its goals and strategic plan at an annual leadership meeting that takes place in October. Throughout the year, evaluation takes place formally through quarterly meetings and informally using social media platforms such as GroupMe. With a fiscal year beginning in February, this fall launch allows management to assess productivity, determine the outcomes for the next year, and create a communication plan for each region. With many layers of hierarchy in place, the vice president shares the goal details with the senior marketing director. Then, the senior marketing directors determine a plan for their region and share those goals with the district managers who then provide a final set of goals to a Best Buy store general manager.

Once overall goals are identified and passed down, operating goals can be developed inside of each region and store location. Operating goals are short-term, precise, and quantifiable, providing an outline for performance and behavior expectations (Daft, 2016). At Best Buy, operating goals may include revenue targets, customer obsession or customer satisfaction rankings, and safety at the task level. The general manager decides how to implement these basic goals, allowing each store to be managed based on their specific needs, customers, and community.

A strong sense of individual store autonomy allows store employees to feel empowered to achieve both personal and organizational goals. Although goals are set at the top leadership level, each store is authorized to determine how best to achieve their metrics, with the general managers communicating goal progress daily. By building strong relationships and communication between the general manager and the employees on the floor, the work is a true team effort that is guided by the direction provided by the operating goals.

On an individual employee level, employees meet with their supervisor monthly to review their performance toward their personal and departmental goals. Included in this review is how well the employee is interacting with customers and creating a happy, safe, informed, and comfortable shopping experience. In place of an annual review, Best Buy is moving toward a quarterly performance review to stay on top of any potential internal issues or external challenges that might arise. Setting high expectations and providing detailed goals has been shown to considerably improve employee performance (Daft, 2016). Using the operating goals as a guide, an employee’s progress toward their goals can be reviewed and evaluated to help keep them, and the company as a whole, on track toward achieving Best Buy’s more strategic goals.

**Overarching Strategy**

           With clear and distinct goals as the primary way for tracking organizational effectiveness at Best Buy, the mission driving the goals is centered around people. As stated on their corporate website, Best Buy’s mission is “to enrich lives through technology by leveraging a unique combination of tech expertise and human touch to meet our customers’ everyday needs, whether they come to us online, visit our stores, or invite us into their homes” (Best Buy, 2021). In the age of COVID-19, building a flexible strategy around this mission has been vital to the success of the company, especially given that the bulk of the business before the pandemic was conducted in-person at brick-and-mortar retail locations. With this in mind, we approach the overarching strategy at Best Buy with two prongs: the general strategy and the COVID-19 strategy.

**The General Strategy**

As a leading technology resource provider, Best Buy seeks to fulfill the technology needs of the masses and does not specifically target any single demographic or customer. Rather, they view opportunities to help people with every interaction. Best Buy currently operates solely in North America. Strategic partnerships with would-be competitors such as Apple, Google, or other electronics manufacturers have reduced the level of competitive rivalry. Primary competitors include other multi-channel or traditionally store-based retailers such as Wal-Mart, as well as e-commerce businesses such as Amazon. Customers also have some bargaining power in the sense that Best Buy will price match their competitors. This option is offered because the economies of scale available through global vendor partnerships and the strong relationships fostered with manufacturers lead to increased efficiencies of operations. These economies of scale prevent competitors from beating Best Buy’s prices on a regular basis.

Best Buy views its customer obsession as a competitive edge; Amazon and Wal-Mart have little to no emphasis on a personal touch or intense care for customer satisfaction. This limits the actual threat of customers leaving for an alternative, as there is truly no other technology resource that offers the same level of holistic care that is offered by Best Buy. Most revenue is generated during the fourth quarter of the fiscal year as a result of the peak holiday shopping season. For that reason, an annual holiday leadership meeting takes place in the fall to align staff with the goals for the influx of sales during the busy shopping season.

        At the store level, Best Buy leverages business intelligence to measure success as well as understand where efficiencies or improvements can be made. Scorecards are available with the click of a button and report on metrics such as close rates, revenue per transaction, and average selling prices. If one category is falling behind, managers can reach out to their networks and collaborate to understand best practices for improvement, allowing for more effective development of storewide strategies. This shared knowledge allows Best Buy to be agile during unexpected circumstances, such as COVID-19 (Daft, 2016).

**The COVID-19 Strategy**

           During the pandemic, Best Buy was especially at risk for loss of sales given the large portion of their business that involves personal interactions with customers and in-home installations. In March 2020, the primary goal was to respond quickly, efficiently, and safely. As a result, some strategic goals around curbside service offerings were accelerated and launched immediately. Additionally, in-home installations were discontinued and only recently were brought back as an option. The number one priority as stated by the executive leadership team was and is to keep people as safe as possible (Best Buy, 2021).

           With that in mind, Best Buy has taken the opportunity within the last year to bolster contact-free capabilities for both customers and employees. On the customer side, digital chat, video support, one-on-one consultative appointments, and curbside pick-ups were all added as ways to directly target helping the customer while still maintaining a safe distance. From an employee perspective, safety at work has shifted from just following OSHA guidelines to monitoring health screenings via an employee app, temperature checks prior to starting shifts, mask mandates, and contact tracing via security cameras. The mindset at Best Buy around pandemic safety has shifted from a temporary change to a more permanent part of work and the process is constantly evolving as the circumstances around it shift.

           In addition to tactical concerns around health, Best Buy also supports its employees as much as possible with health-related policies. PTO rules have shifted to allow paid time off for COVID, either for the employee or a child in their care. There is an employee assistance fund and an emphasis on helping people in underserved communities access technology and employment. The biggest challenge from an employee perspective currently is maintaining a high level of motivation and positive outlook, despite shifting headcount changes and a turbulent time from a staffing perspective.

**Strategic Challenges**

           The primary strategic challenge that Best Buy faces in the long-term is the declining need for consultative technology services and an in-person, hands-on experience (Best Buy, 2021). One of the largest threats to Best Buy has been the growing use of digital services and the reduced demand for products such as CDs, DVDs, and even hard disk games. In addition, many consumers use online shopping as a primary way to get their technology products. Over the years, Best Buy has seen declining sales and has closed stores as a result.

To combat the shift in the market, Best Buy has developed a multichannel strategy that strengthened customers’ digital shopping experience. This included a web-based storefront as well as free next-day delivery and a near-immediate in-store pickup option through increased automation and process improvements within the supply chain. Additionally, they have developed an arm of the business that assists seniors with better in-home technology, promoting the idea of technologically assisted living through telehealth and on-call support staff. Providing large-scale custom business and education solutions has also been a way to fulfill their mission. These strategies have carried Best Buy through the pandemic and allowed them to hit fiscal targets despite the uncertainty in 2020. However, these targets were achieved in the context of employee furloughs and wage reductions to weather the storm. Maintaining flexibility and adaptability will continue to be a priority as the world shifts away from an in-person shopping experience in order for Best Buy to grow in its current environment (Daft, 2016).

**General Environment**

The general environment of an organization refers to sectors that might not have a direct impact on the daily operations of a firm but will directly influence it (Daft, 2016). This includes the government and economic sectors. For Best Buy, both of these sectors were heavily impacted by the pandemic, especially considering the increased demand for and reliance on technology. Best Buy’s CEO Corie Barry acknowledged this when she said, “This pandemic has changed the way we work, learn, care for ourselves and, importantly, connect. Against that backdrop, our purpose has never been more relevant: to enrich lives through technology” (Best Buy, 2020).

One of the most notable ways the government sector influences Best Buy is through policy changes, either related to COVID-19 or through other economic policies, such as tariffs. There have been times when tariffs have caused delays in product shipments and the organization has had to plan strategically to get their product in before the policy changes. Additionally, the pandemic climate created an environment where all companies have to be on their toes, and Best Buy is no exception. They have always valued safety, but the influx of government policies to control COVID-19 put them in a position where they had to quickly react and adapt. Not only have they enacted new policies and processes to help protect customers and employees, but they also have safety audits conducted by a third party, which are focused specifically on assessing their adherence to CDC regulations and government policies.

 COVID-19 has significantly injured the financial landscape of the economy, which undoubtedly impacts a retail organization like Best Buy. The impact on Best Buy has led to workforce reductions via furloughs and restructures. This has negatively impacted morale and has the potential to significantly impact Best Buy on multiple levels as the pandemic continues to unfold; Best Buy has to remain agile. However, Best Buy has found ways to serve its clients differently during this time by creating a safe environment for its customers and employees. Additionally, the changing of political administrations has allowed for some economic events, such as stimulus payments, to positively impact Best Buy’s sales.

 Best Buy takes a very strong stance on matters of corporate social responsibility, especially when we think about the natural and sociocultural sectors. The organization is an avid supporter of climate change initiatives and aims to be carbon neutral by 2040. Additionally, it has a goal of decreasing its carbon footprint by 75% over its 2009 baseline by 2030 (Best Buy Corporate and Social Responsibility, 2017). They also have initiatives to decrease customers’ carbon footprints, such as an electronics recycling program that helps customers responsibly recycle and dispose of old electronics. This program shows the commitment the company has to be a green organization while empowering customers through education and support. Not only does this stance benefit society and the environment, but it is also a competitive advantage for Best Buy because no other major retailers have a comparable program.

 Best Buy’s formal human rights statement (2019) states, “Doing business the right way means we understand how our operations, our products and services, and even our business relationships could affect employees, our customers and people in the communities where we operate.” The company conducted a human rights impact assessment on its business and determined some of the most influential ways it can have a positive impact. The key focus areas included respecting the rights of supply chain workers and using responsible processes to source materials like conflict minerals, respecting the rights of employees while offering a diverse and inclusive environment, and respecting the rights of customers, including protecting their privacy.

The organization’s green initiatives and recycling program are also key focuses of its human rights statement.

 The final focus of Best Buy’s human rights statement includes advancing access to technology education, especially in neighborhoods that are underserved and may not have wide access to technology. This is something that makes Best Buy uniquely situated in the technology sector because not only are its operations shaped by technology, but the company also plays a large role in shaping it in our society as a major technology retailer. Through programs like the Teen Tech Centers and Geek Squad Academy, Best Buy puts technology education in the hands of kids, who are then empowered in a way they may not have been without these initiatives.

 When it comes to Best Buy’s financial sector, the organization is committed to investing in its people. Whether it is offering benefits and resources for employees, creating philanthropic initiatives to better the communities it operates in, or investing in education for customers and employees, Best Buy makes a clear investment in its human assets. While it uses analytics to make informed decisions and react to the economy as needed, it also strives to empower its leaders in their financial decision-making. Using this informed process allows leaders to make financial decisions while building strong relationships with vendors, employees, customers, and society at large. Like most organizations, Best Buy strives to be effective, adapt to the ebb and flow of the economy, and make responsible decisions about the company’s finances. Many sectors of the general environment influence Best Buy’s business operations, including its structure, which will be discussed in the next section.

**Structure**

The textbook states that three key components define organizational structure. First is the designation of formal reporting relationships, including the number of levels in the hierarchy and the span of control for managers or supervisors. The second is the identification of groups and departments into the total organization. The third is the design of systems to ensure effective communication, coordination, and integration of efforts across departments (Daft, 2016).

When looking at the organizational structure of Best Buy from each of these three angles, it appears that the company has taken on a fairly traditional approach in terms of its organizational chart and reporting relationships: a chief executive officer sits at the top, vice presidents are below that position, and the other roles cascade downward from those within each area of focus. These include functional department leaders, area managers, general managers, assistant managers, store-level department leaders, and staff. In this arrangement, more strategic forethought is done at the top of the organization while the physical work is performed at the lower layers of the organization. (Daft, 2016)

The identification of groups and departments throughout the organization is divided into three main segments of business: Sales, Services, and Operations. Sales is the customer-facing portion of the business that most people associate with Best Buy’s brand. This includes the brick-and-mortar stores as well as online purchasing, with both driving revenue for the company. As for Services, the Geek Squad is one of the most recognizable product lines for customers within that segment. This is the arm of the business that provides technical assistance, installation services, and “help desk” functions that both support and drive sales at the same time. The Operations functions include behind-the-scenes efforts to ensure that the stores are stocked with the right products at the right times. This includes the distribution warehouses, delivery trucks, and the logistics know-how that propels product flow through their systems, both in anticipation of, and as a reaction to, customer purchases.

The third component includes the design of systems to ensure effective communication, coordination, and integration of efforts. This is no easy feat in a company like Best Buy. With over 1,000 stores and 125,000 employees throughout North America, the company size creates many challenges in this area. However, as one would expect from a company focused on technology, Best Buy overcomes these challenges with a mix of both hard and soft solutions. Hard solutions include an IT infrastructure that provides up-to-the-minute data needed for business decision-making across the board. Soft solutions include the systems to recruit, hire, and train massive amounts of recruits to the company’s ranks in preparation for the holiday season. There are hourly attempts at relational coordination across all departments and functions to ensure that stores are running smoothly, and customer needs are addressed. For example, general managers have the flexibility to make many independent decisions at store levels, and this position has even been restructured to be more customer-facing than ever, including greeting customers. The increased interactions with the public allow managers to take advantage of learning opportunities that present themselves in day-to-day business operations. It is through this type of pivoting that Best Buy ensures it is communicating well, both within departments and with customers.

**Processes and People**

One of the first things stated in the interview was that “The secret sauce is people and keeping them motivated.” It was clear throughout the interview that the company has many processes that support that mantra. Selection processes ensure that the company has trained and qualified employees to greet in-store customers abound. As is typical for retail, the most important time of Best Buy’s fiscal year is the holiday season. In mid-September, they begin a structured set of activities to ensure that their colleagues are prepared and engaged for the critical months ahead. First is the recruiting process, where they actively target both part-time and full-time candidates to hire through increased advertising efforts and a push for employee referrals. Once candidates are identified, personality and aptitude tests narrow down those with the best work ethic and cultural fit. The remaining individuals then endure a streamlined, structured, and thorough interview process.

Training processes include a concerted effort to provide store-level employees with a well-rounded experience. This includes cross-training in a variety of departments and sales and product training to provide the best customer experience possible. Additionally, vendor training programs provide an opportunity for employees to understand how processes work by doing the work.

In addition to the employee-related processes, Best Buy has processes outlined for managing customer complaints. These processes stress immediate leader involvement and equip employees to take care of angry customer situations right away. They train employees to be good listeners, to empathize with customers, and to meet them with a solution-seeking focus for problem-solving.

Our text has a section titled “The Power of Empowerment'' that describes how companies can arm their employees properly in terms of performance and effective decision-making. The descriptions of the people and processes at Best Buy mirror the same three elements. They are (1) employees receive information about company performance, (2) employees have the knowledge and skills to contribute to company goals, and (3) employees have the power to make substantive decisions (Daft, 2016). The interview contained multiple references to the metrics and key performance indicators that Best Buy makes available to their employees and managers for better decision-making processes in day-to-day work. Best Buy takes pride in the training programs and investments made in the people that work there. Though it has a traditional organizational structure, Best Buy appears to have all of the processes in place to allow employees to make the necessary decisions to take care of customers on the floor through what was described as “a lot of autonomy and very little micromanagement.” Best Buy’s recipe for its “secret sauce” of people is not just lip service. The company devotes large amounts of money, energy, and time to ensure its most valuable asset contributes to its ongoing success, and this theme reaches into the aspects of leadership and governance of the organization as well.

**Leadership and Governance**

 Leadership is an important aspect of any organization, and Best Buy is no exception. The use of values-based leadership is important to Best Buy because employees learn what values are important in organizations by watching managers (Daft, 2016). Best Buy has four core values which are: (1) Learn from challenge and change, (2) Unleash the power of our people, (3) Have fun while being the best, and (4) Show respect, humility, and integrity (Farfan, 2019). These values are communicated throughout the company with various modes of formalization, processes, and training but they truly start at the top with leadership. It is expected that the leaders live these values and embody them in their daily behaviors, especially store-level leaders who are coaching employees that interact with customers every single day.

 When it comes to the leadership chain of command at Best Buy, it follows a hierarchical structure. Store level leadership consists of a general manager, assistant manager(s), supervisor(s), and lead(s). The number of these positions changes based on the demographics of the store, but regardless of these varying aspects, leaders are empowered to make decisions on their own. This empowerment does not translate to a lack of support or process, as there is a chain of command that exists when needed. If the store level leadership is unable to resolve an issue or make a decision, they can go up the chain of command to district management or even market or territory management, when necessary. Additionally, there are corporate liaisons and a board of directors at the very top level of Best Buy’s leadership structure. These executives are in place to ensure processes are followed and to maintain the checks and balances required for the most important decisions made at Best Buy.

 Best Buy is big on accountability and maintaining all ethical standards and this starts on day one during employee orientation. New hires have orientation on their first day. Every store level orientation is conducted by the general manager so expectations can be clear from the beginning. General managers are tasked with maintaining balance in their stores and ensuring the company’s vision and values are being lived while keeping all stakeholders satisfied. This means leading with a human element and taking care of the people who work, shop, and partner with them without compromising any of the company’s values. To ensure that all employees feel supported and are in a position to live Best Buy’s vision and values, there is constant communication occurring horizontally and vertically across the organization. Leadership is expected to actively communicate with each other and share information with their teams. However, employees that are not in leadership roles are also empowered to communicate and learn from each other. With an organization the size of Best Buy, it is of utmost importance that there is alignment with corporate desires and store-level actions, starting with effective communication down the leadership pipeline.

 Effective communication is something that has been emphasized more at Best Buy during the pandemic, as the situation is constantly changing and evolving, leaving employees in the wake of every decision made. As a result, Best Buy leaders are expected to actively listen to employee and customer concerns with a renewed focus on transparency. This type of leadership style has translated into deeper connections amongst leaders and employees while creating an environment where autonomy is prevalent. Employees are truly learning the correct behaviors and decision-making processes from their leaders. For Best Buy to continue to adapt and thrive in the ever-changing world we exist in, it is imperative that communication between leaders and employees remains a large part of the strategy. This means they should always seek ways to effectively and efficiently communicate information from the top down to every employee that plays a role in Best Buy’s business operations.

 It is clear that Best Buy prioritizes people and strives to be an ethical organization whose policies, processes, and behaviors align with its values and vision. This starts with the leaders at Best Buy, as the behaviors they allow will absolutely become a part of the culture at Best Buy. The most important values for leaders to embody are trust, humility, and integrity, as these should guide every behavior and decision made within the scope of Best Buy’s business and role in society. Best Buy’s affinity for values-based leadership helps to create a world-class climate and culture that values people first, which will be discussed more in the next section.

**Climate and Culture**

Throughout Best Buy, corporate culture and climate is stressed as being important at all levels. Culture is constantly being reinforced by regional managers and store managers to ensure the work environment is good for every employee that works at the company. According to Best Buy’s corporate website, their vision statement reads as follows, “we aim to positively impact the world, enrich people's lives through technology and contribute to the common good. We are an organization with a heart and soul that is built upon purposeful, values-driven leadership” (Corporate responsibility and sustainability, 2017). This vision statement is indicative of how employees throughout the company feel and why the company culture at Best Buy is known to be positive and the experience for the employees is enjoyable. One of the many key factors to the company culture at Best Buy is that everyone has a voice no matter their position. No employee is left in the dark, and they are all able to ask questions or make suggestions.

Company climate and culture at Best Buy is an integral part of its organization. For example, managers at Best Buy have scorecards for company culture benchmarks they need to meet, which ensures employees understand the cultural expectations. Other measures that are taken to maintain a good company culture include promoting wellbeing through employee assistance programs, appreciation bonuses for employee’s commitment, as well as discounts on stock and products. Best Buy values people’s differences and promotes acceptance of all races, religions, genders, sexual orientations, and ethnicities throughout the company.

 In comparison to other companies in this field, Best Buy values their culture and climate just as much if not more than their competitors. It was indicated in the interview that many former employees miss the company culture when they leave. Many employees feel the best parts of working at Best Buy are the values, people, and culture. In fact, Best Buy was named in the top ten of Forbes’ Best Large Employers list (Hilker, 2021). The rewards offered at Best Buy also have a positive impact on their employees. For example, when departmental and store goals are achieved employees are rewarded. Best Buy operates as a non-commissioned sales force that drives a collaborative culture because everyone benefits when the whole team does well.

 Company culture is an aspect of Best Buy that is extremely influential to the rest of their organization. If the organization's climate and culture is poor, other areas might be affected and not be able to perform to their maximum efficiency. Within the past year, there has been some outside influence that has hindered the company climate surrounding Best Buy, such as Covid-19. Not only did they have to alter their incentive programs, but they also laid off employees due to decreased hours of operation. Despite placing employees at the top of the priority list, Best Buy had to make business-driven decisions that many other companies had to make during 2020.

To summarize, the company culture and climate at Best Buy is an integral part of their organization. As evidenced by the vision statement, the organization stresses the importance of values and changing people's lives for the better. To track any changes business intelligence and scorecards are leveraged to ensure goals are on track. In the instance that benchmarks are met, employees are rewarded through an incentive-based system. It is clear that culture is emphasized throughout Best Buy every day. To maintain an exceptional culture and profitable business, Best Buy has to use coordination and control mechanisms, which will be discussed in the next section.

**Coordination and Control Mechanisms**

Internal and external coordination and controls at Best Buy look slightly different from other organizations, likely as a result of the service-oriented approach to both customers and employees. There are several mechanisms at work to ensure goals are met and communication is clear, both up and down the chain of command as well as externally with customers. This next section looks at coordination from both the internal perspective and the external perspective, as well as the organizational control systems present throughout Best Buy.

**External Coordination and Control**

Best Buy’s ability to communicate effectively with customers, vendors, suppliers, and regulatory bodies is vital to the success of the business. Because they are shifting to a more service-oriented strategy that allows customers to customize their personal technology needs, it is important for the Best Buy brand to be positively perceived in the eyes of the public. Additionally, the organization received over 70% of products from only 5 suppliers (Best Buy, 2021), and even a small fracture in any of those relationships can be detrimental to business outcomes. Furthermore, with the leap into the healthcare sector through the new telehealth product offering, coordination with governing bodies and healthcare providers is vital to ensure legal compliance as well as the setting of reasonable expectations. In response to this, Best Buy has senior executive leaders responsible for aspects of the business such as Marketing, Merchandising, Supply Chain, Communications and Public Affairs, Compliance, Customers, and Medicine. Each branch of the company must work together to promote the reputation Best Buy seeks to maintain as the one-stop-shop for all technology-related needs for all people.

           As mentioned previously, Best Buy has high standards of responsiveness to customer complaints. These complaints come to the company through multiple channels and are addressed immediately. For example, there is a corporate social media team that is responsible for customer interactions on the various social media platforms, including maintaining, monitoring, and inviting interactions with the public. This allows Best Buy to connect directly with customers and take a pulse on public perceptions. Store-level complaints are addressed by managers with the goal of resolution as quickly and effectively as possible. Responsive and accurate communication with customers is reliant on strong internal coordination throughout Best Buy as an organization.

**Internal Coordination**

           Communication, ownership, and accountability are key components for operations at Best Buy. During the interview, clear and direct communication was emphasized as the primary way Best Buy manages through change and maintains momentum. This is also evident in the shareholder communications released by the CEO. With that in mind, the current COVID-19 climate has created some uncertainty around business next steps, and any hesitation around this plan has led to a perception that internal decisions are being made with less transparency. Executive leadership making a non-negotiable decision to reduce headcounts and furlough employees is one example that was shared with us about this perception.

Both formal and informal horizontal ties exist throughout Best Buy in the form of liaison roles and networking. At the store level, there is a culture of collaboration between stores to

ensure knowledge is shared to promote better performance for all locations. Employees are encouraged to share ideas for improvements or product offerings, and leaders meet weekly to conduct postmortem analyses in the spirit of continuous improvement. At the corporate level, project managers serve the purpose of driving outcomes and success between departments. As mentioned previously, third-party auditors do site visits to check pricing consistency and safety to ensure policies are being adhered to across the different locations. While there is not necessarily an information sharing platform in place, the lack of this technology seems to align well with the emphasis on human touch and interpersonal interactions.

Most internal decisions for the business are typically made by the senior leadership team and trickled down to the store-level managers, although there is usually communication about and foresight of the decisions being made. There is a strong emphasis on following the chain of command and the reporting structure of the hierarchy is made clear to employees with an accessible organizational chart, ensuring information is shared up and down the chain systematically. Similar to other organizations, technology such as virtual conference calls and outlook calendars is leveraged to assist with communication and accountability throughout the organization. This hierarchical approach has some fluidity, allowing store managers to work with district managers and develop more localized, incremental goals that contribute to the broader goals and corporate strategies.

**Internal Business Control Mechanisms**

           While some autonomy is present throughout the organization, Best Buy carefully leverages the use of output controls, behavioral controls, and clan controls to promote consistency, accountability, and ownership. As mentioned previously, scorecards set benchmarks and performance metrics at nearly every level of the organization. At the store level, the close rate might be measured whereas at the senior leadership level, the carbon footprint of the organization is a larger focus.

Behavioral controls exist in the form of Standard Operating Procedures; nearly every process throughout the organization is documented and readily available at the click of a button for all employees to access. While sales processes and checklists were a focus prior to the pandemic, that focus has shifted to prioritize safety. For example, face-to-face consultative sales previously required a checklist of interactions, offerings, and add-ons that were required with each interaction. Now, customers make appointments for one-on-one discussions with a sales or service associate, allowing a safe interaction that is tailored specifically to their needs. Strict safety requirements around mask-wearing, temperature checks, and social distancing are also in place. If a customer refuses to comply, they are asked to leave the store.  While this shift had a risk of reducing sales at first, it has instead allowed Best Buy to maintain many operations while providing an environment that allows everyone to feel comfortable with interactions.

Other behavioral controls exist throughout the organization in the form of knowledge management, employee incentives, and budgeting. The learning network at Best Buy allows everyone to access live learning sessions and training videos, promoting a sense of empowerment through personal development while simultaneously ensuring employees are aligned with the organizational processes and goals. Similarly, and as mentioned previously, Best Buy leverages appreciation bonuses, employee discounts, and small tokens of recognition as ways to motivate and encourage employees to be their best selves at work. Organizational budgets are determined by senior finance leaders who have a more holistic view of where Best Buy stands fiscally. At the store level, this translates to headcount and labor hours that need to be covered. In the current climate, this means evaluating who can continue to work and who must be furloughed.

The recent furloughs at Best Buy have reduced what would have previously been viewed as an organizational culture of encouragement and empowerment. Leaders seek to minimize this through the use of clan controls such as verbal shows of appreciation and a continued emphasis on promoting a workplace that is psychologically safe for people from racial, economic, and social minority groups. This focus on inclusion and support helps reduce some of the uncertainty or tension around the rapid, but necessary, organizational changes (Daft, 2016). Best Buy took this a step further in 2020 by increasing the organization’s minimum wage and reducing salaries for executive leaders to promote the sense that we truly are all in this together. With that in mind, incentive systems will be discussed at length in the next section.

**Incentive Systems**

Best Buy offers a range of incentives offered to encourage employee retention. For example, employees receive product discounts, tuition reimbursement, stock benefits, and a 401(k) match. These benefits go above and beyond the recent increase in the organizational minimum wage and further enhance employee’s total rewards. The company is also considerate of the toll on their essential workers during the COVID-19 pandemic. In response, leadership distributed appreciation bonuses ranging from $200 to $500 as a one-time gesture.

As was briefly mentioned in an earlier section, Best Buy recently changed the annual employee performance review process that is conducted by the general managers. Previously, an individual’s performance accounted for the first half of their review score while the department’s performance accounted for the second half. Employees would receive one of three scores: Needs Improvement, Solid Performance, or Rockstar. Each of these ratings was correlated with a financial reward ranging from no increase up to a seven percent increase in pay. This model encouraged individuals to work hard for their merit increase as well as on behalf of their department. Utilizing decentralized control at the store level, Best Buy leaned on company culture, values, and employee initiative to achieve goals and earn performance rewards. This type of control mechanism empowers employees to collaborate and increase overall efficiency, and roles emphasize outcomes rather than minute tasks (Daft, 2016). As a result, staff morale was high as employees felt empowered to do their best and receive extrinsic performance incentives in the form of wage increases.

         Today, Best Buy is conducting quarterly performance reviews. Employees continue to be assessed by the general manager who evaluates individuals based on the company’s values, department performance, and customer feedback. Instead of receiving merit-based salary increases, each year all employees receive a three percent raise. This change was communicated to staff by the human resources department and has harmed morale and professional growth opportunities. Instead of approaching performance with behavior control, where supervisors watch and oversee employee activities and adherence to policies, or outcome control, where monthly achievement toward goals is assessed, every employee regardless of performance receives the same wage increase (Daft, 2016). This change poses a threat to Best Buy’s ability to retain their brightest and best employees as they have removed a key extrinsic performance incentive that motivates staff to reach for the highest rankings.

         Based on the principles of expectancy theory, Best Buy would observe an increase in efficiency and performance by returning to its previous tiered incentive system. The expectancy theory states that people’s actions are motivated by an expected outcome. With the prior incentive system, employees were motivated to work hard since their effort directly impacted their wages. Similarly, this new system goes against the equity theory and may leave hard-working employees feeling undervalued. Since individual effort is no longer rewarded, an employee's level of performance is likely to decline as a result (Schermerhorn et al., 2012). Best Buy’s attempt to level the playing field and offer identical incentives to all may hurt their goal outcomes and employee retention in the long run.

**Closing**

  Best Buy is a leading technology retailer, seeking to not only be the preferred provider of technology but to also be the preferred provider of support for customers of all backgrounds. The organization achieves this goal through a combination of strong people and product strategies, effective internal and external communication, a positive company culture, clear and defined processes and expectations, and reliable, informed leadership. While the organization has hierarchical qualities, senior leaders recognize the importance of autonomy and decentralized decision-making in maintaining an engaged, empowered team. Met with the challenges of 2020, Best Buy has overcome many obstacles through a flexible strategy and will continue to be challenged by the evolving needs of customers as the organization ages. Overall, Best Buy has many strengths and should leverage these strengths for continued success into the future.

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**Appendix A. Interview Questions**

1. **Goals**
* What is your mission/vision statement?
	+ Do you think Best Buy is in line with these?
* Do employees understand organization-wide and departmental goals?
	+ How are these shared across the organization? At orientation? How often are they revisited?
	+ Does Best Buy celebrate goal achievement? On what levels?
* Do employees have a role in their own goal setting? How often?
* How often does Best Buy conduct strategic planning?
	+ Once goals are established in a strategic plan, how are goals carried out – top down, bottom up?
* Are goals measurable, realistic, specific, and time oriented?
* Do employees feel empowered to accomplish goals?
	+ Is the culture working? What can be improved?
* What does success look like today, this year, next and five years from now?
* What is the employee performance plan process?
1. **Overarching Strategy**
* What does Best Buy emphasize as their secret sauce to hitting their goals?
* Which markets or channels does Best Buy target?
* What would you say is Best Buy’s competitive advantage in the market? What makes them unique?
* What would you say are the company’s core competencies/things the company does especially well compared to competitors?
* How would you describe Best Buy’s strategy/strategies?
	+ Are there any people related strategies?
* What kinds of customers does Best Buy hope to attract and retain?
* Who are your competitors?
* What type of reputation or brand does Best Buy try to have?
* Would you characterize Best Buy as an innovator in the market or do they take a more cautious approach?
* Describe a time when Best Buy seemed reactive to environmental threats or opportunities. Is this a typical response?
* What do you use to measure effectiveness in the organization? Is that similar or different at the corporate level?
* How does leveraging Business Intelligence help Best Buy?
1. **General Environment**
* How do government regulations impact Best Buy’s operations?
	+ Have you experienced any negative impacts on Best Buy’s operating model, due to government regulations?
	+ How have government regulations surrounding COVID-19 impacted Best Buy?
* What is Best Buy’s stance on environmental responsibility and striving for more “green” processes?
	+ What processes does Best Buy have in place to be environmentally conscious?
	+ How do you think Best Buy’s eco-policies impact their relationships with their customers, vendors, and strategic partners?
* What is the people culture like at Best Buy?
	+ What does Best Buy do to promote employee well-being?
	+ What policies are in place to protect employee working conditions?
	+ How does Best Buy ensure it is a safe environment for their customers?
* What economic conditions impact the way Best Buy does business?
	+ Does this vary across store locations or districts?
	+ How have the economic circumstances of COVID-19 impacted Best Buy?
	+ What economic conditions influence Best Buy’s labor spending?
* What do you think the most massive technology change has been for Best Buy’s business?
	+ Both from the consumer and operational processes perspective.
	+ As we have seen technological advancements throughout culture and society, how do you think this has shaped the trajectory of Best Buy’s business?
	+ Do you think the future of Best Buy will involve more of an online presence and less of a storefront presence?
* What resource do you think Best Buy invests the most financial resources in?
	+ How have you seen internal spending change at Best Buy over time?
	+ What do you think is the most important thing for Best Buy to focus their financial resources on?
	+ How does Best Buy’s financial resource investment plan align with their strategies to achieve long term goals?

**4. Structure**

* Describe the company’s organizational chart from the top position down.
* Describe how different divisions within the company are structured.
* How well does the company communicate across divisions/departments?
* Describe the ways in which decision-making practices are centralized or decentralized.
* How has the organizational structure evolved from its inception to today?
* How did the typical store manager reach their position in the company?
* How much decision-making autonomy does the typical employee have at store level?
* What are the strengths and weaknesses of the organizational structure today?
* How has the structure changed as online shopping has gained in popularity?
* How has COVID impacted the corporate structure, if at all?
	1. **Processes and People**
* Describe the process for managing inventory at a given store.
* What’s the hiring process in anticipation of the holidays?
* How have processes changed as online shopping has gained in popularity?
* What’s the process for handling a customer complaint?
* What steps does the company take to train employees on processes?
* What does the company do to best ensure success of a new employee?
* What are the best processes that you have learned at Best Buy...ones that you would implement elsewhere if you ever left?
* What processes at Best Buy do you disagree with, and would change if you could?

	1. **Leadership and Governance**
* What does the decision-making process at Best Buy look like?
	+ What checks and balances are in place in the decision-making process at Best Buy?
	+ Does Best Buy have board members; what does decision making look like at the very top of the organization?
	+ How is power distributed in the decision-making process at Best Buy?
* What does accountability look like at Best Buy?
	+ How is accountability assured across all levels of the organization?
	+ How are the highest-ranking members in Best Buy held accountable?
* How does Best Buy ensure all their employees, shareholders, suppliers, customers and communities are balanced?
	+ Does Best Buy have any philanthropic initiatives? Tech teen center, geek squad academy, a little bit fallen off with COVID.
	+ How is community woven into the fabric of Best Buy?
* What is Best Buy’s ethical reputation in their market? On a broader scale?
	+ How does Best Buy maintain ethics in their business processes?
	+ What rules are in place to ensure ethical behavior occurs?
* What is Best Buy’s leadership philosophy?
	+ Do you feel Best Buy uses values-based leadership? If so, what values do you think Best Buy leaders embody?
	+ What’s the most important value for being a leader at Best Buy?
	+ How are leaders trained at Best Buy?
* How do leaders model and communicate what values and behaviors are important at Best Buy?
* What do you think works about Best Buy’s leadership philosophy and strategy?
* What do you think could be improved upon in Best Buy’s leadership philosophy, strategy, and culture?
	1. **Climate and Culture**
* How would you describe the culture of your Best Buy?
* Are there training courses regarding company culture?
* Any scorecards for climate or culture?
* How often is company culture talked about?
* How would you compare your climate and culture to your competitors?
* What are some aspects you enjoy about Best Buys culture?
* Does Best Buy generally emphasize a culture of promoting within or do they often hire executives from other backgrounds?
* Has Covid-19 had any effect on the climate surrounding Best Buy?
* What do you enjoy most about working at Best Buy?
* How do you think your employees view the culture at your Best Buy?
* Does Best Buy promote furthering education?
	1. **Coordination and Control Mechanisms**
* Would you say Best Buy leadership is more top-down or flat? Why?
* Where are key decisions made in Best Buy?
* Is there any opportunity for other levels of the org to weigh in?
* How much emphasis is placed on the chain of command?
	+ Are there situations that call for more or less of this? Explain.
* How is information shared up and down the chain?
	+ Are there any central information systems used for sharing info up and down the chain or across the departments?
* How is information shared across/between departments or stores?
* Describe what processes and procedures look like for the different roles at Best Buy. (probably will be covered by Sean but leaving it for now just in case)
	+ Is there a central or formal location for people to get SOPs?
	+ Are there ways, in general, that communication could be improved throughout the organization?
* What does budgeting look like at your level? Who determines your budget?
* In what ways or situations would people at Best Buy leverage collaboration? Is this a common practice?
* Are there ever times where liaison roles or task forces might be used in the organization to help get something done? What about product or project managers?
* How are teams used at Best Buy?
* How much autonomy do employees have at Best Buy?
	+ Does this vary in different levels of the org?
* How are employees rewarded?
* Are there “rules and regulations” to follow? How are they enforced?
* What metrics or standards are you using to measure organization performance?
* Does Best Buy use a balanced scorecard?
	+ How do the above metrics fit into this?
* What are the key drivers of Best Buy’s success?
* What do you use now instead at the department level for performance metrics?
* How is intellectual capital managed?
	+ Are there any knowledge management systems? If so, what are they and how are they used?
* Is social network analysis used at Best Buy?
* How does Best Buy use social media?
* On a scale of 1-10, how bureaucratic would you say Best Buy is? Why?
	1. **Incentive Systems**
* What does the current incentive system look like?
	+ What types of incentives are offered? (monetary, non-monetary)
	+ How are incentives determined? (Sales, goals, tasks, etc.)
	+ Does it vary by location, or are incentives similar across all Best Buys?
	+ Do potential incentives vary by title or department?
* Are employees motivated by the current system?
* What does the employee review look like?
	+ How often does it take place?
	+ Who conducts it? (employee driven, supervisor, 360, etc.)
	+ What is the impact of a review on benefits?
* Are bonus/raises given as a result of a review or at other times?
* How are incentives communicated?
* Are employees happy with the current system?
* In your opinion, are there areas for improvement?