

Value driven management flashcard



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Value driven management involves the maximization of the long-term good of a company by understanding the value theory. The value theory states that what people value drives their actions. In other words, people are motivated by things that are significant to them. This may be different for each individual as some people are driven by money and others are driven by achievement.

This form of management takes into consideration the effect of business decisions on the organization and its stakeholders. With this in mind, it encourages the creation of value over time in order to help sustain the company. Creating such value over time requires an organization to pay attention to eight key value drivers. These value drivers include external cultural values, organizational cultural values, individual employees, customer values, supplier values, third party values, owner values and competitor values (Pohlman & Gardiner, 2000, p. 36).

Many organizations today, use value driven management to achieve success. However, many organizations have different methods of achieving the same goal. In this paper, we will discuss the practices of two major corporations to see how they use value driven management in their organization. We will compare how these two companies use the value driven management approach to gain enormous success in their respective industries. The two companies we have chosen are Best Buy and Procter & Gamble.

These are two companies that have been in existence for a number of years. Both of these organizations have managed to excel in their respective industries. Therefore, they must be doing something right. Hopefully we can

get to know these companies better and find out what they are really about. In doing so, we will be able to learn a great deal about these organizations and how they function. In addition, we will be able to apply the concepts of value driven management in order to have a better understanding of how it works.

Best Buy Best Buy was founded by Richard Schulze and his business partner in 1966. The first store opened in St. Paul, MN as the Sound of Music (About Best Buy – Best Buy History Timeline, 2009-2015). With operations in the United States, Canada, Europe, China and Mexico, Best Buy is a multinational retailer of technology and entertainment products and services with a dedication to growth and innovation. The Best Buy family of brands and partnerships generate more than \$45 billion in annual revenue and consists of brands such as Best Buy; Audiovisions; The Carphone Warehouse; Future Shop; Geek Squad, Jiansu Five Star; Magnolia Audio Video; Napster; Pacifi c Sales; The Phone House; and Speakeasy. About 155, 000 employees use their talents to help bring the value of these brands to life for customers through retail locations, multiple call centers and Web sites, in-home solutions, product delivery and activities in various communities.

Best Buy is constantly changing into a vibrant, customer-driven, talent-oriented company that focuses on boosting their customers' enjoyment of technology (About Best Buy, 2009-2015). External Cultural Values Being a global company, Best Buy aligns its external cultural values with the global and local community. They have implemented social, philanthropic and environment-friendly initiatives to support the community. Best Buy aims to

reduce greenhouse gas emissions, increase overall operational efficiency and attain sustainable business behavior.

Best Buy is committed to reducing pollution and saving energy through their Greener Together program. Throughout decades of philanthropy, Best Buy has contributed to non-profit organizations in various communities where employees live and work. The company has an extraordinary culture of volunteerism led by the dedication and giving spirits of its employees. The Best Buy Children's Foundation strengthens communities through national and local grant making programs (Community Relations – Foundation, 2009-2015).

One of the company's programs is @15, created to empower teens to succeed by helping them to do well in school, get involved in their communities, and build life and leadership skills. This year, Best Buy Children's Foundation will give \$2 million through the Community Grants Program. Special consideration will be given to programs that: serve a diverse population in local or regional communities, build social, academic, leadership and/or life skills in early adolescents (primarily ages 13-18), show positive results against a demonstrated community need and reach at-risk children in working families (Community Relations – Foundation, 2009-2015). Ultimately, the @15 program is about giving teenagers the opportunities to live, learn, love and lead.

In addition, Best Buy also gives support to national organizations that offer social services, such as the United Way and American Red Cross, to develop various communities. Organizational Cultural Values Best Buy's mission

statement is, “ 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” (About Best Buy, 2009-2015). Customer satisfaction is the root of Best Buy’s organizational culture. The company has a reputation of going out of its way to make sure the customers are highly satisfied. The managers at Best Buy pass on to the employees the philosophy that the company’s success is very reliant upon a vibrant and satisfied community.

Managers coach salespeople how to diligently offer customers high-quality service to assist them in making the best purchasing decisions. This also resulted in increased sales, and especially sales of more expensive PCs and TVs because salespeople could clearly explain to customers what they were getting for the higher price” (Jones & George, 2004, p. 262). Best Buy realizes that ethics and morals are critical values to the local and global community and integrate these values in their organizational values. In 2009 and 2010, Best Buy was ranked as one of the World’s Most Ethical Companies by Ethisphere magazine (Company News – Corporate News, 2009-2015). Best Buy’s promotion of a sound ethical environment shines within its industry and shows a clear understanding that operating under the highest standards for business behavior goes beyond goodwill and ‘ lip-service’ and is intimately linked to performance and profitability,” said Alex Brigham, executive director, Ethisphere Institute.

Individual Employee Values “ Picture a work environment where employees feel energized and valued, and you will see what Best Buy is working to accomplish. ” This is a statement taken from the company’s Corporate

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Responsibility 2009 Report. It is BestBuy's belief that passionate and engaged employees result in "greater productivity and customer experience" and so through different channels the company gives its employees a chance to voice their opinions (Best Buy 2009 Corporate Responsibility Report, p. 14). Two main channels are the Watercooler (an internal online forum), and the Greek Squad Forums (Best Buy 2009 Corporate Responsibility, p. 14).

These forums give employees a chance to share ideas and vent about things they would like changed, they also help Best Buy address issues, promote innovation and constructively improve employee's experience. Also, through an internal news site, employees can comment, share and rate newsletters (Best Buy 2009 Corporate Responsibility, p. 14). It is Best Buy's belief that listening to their employees has helped the company reach targeted growth and set financial performance goals.

Best Buy also tracks turnover and retention. By tracking turnover, Best Buy can determine the cost to replace employees who leave and the impact it has on the business itself. By tracking retention, the company is able to measure the number of employees who remain with the company after one year (Best Buy 2009 Corporate Responsibility, p. 15).

Also important to Best Buy is diversity and inclusion. By finding the right fit of employees to different regions, Best Buy believes it is better equipped to assist its customers. For example, in South Florida, it is important to have employees who can speak both Spanish and English, as South Florida is so heavily populated with Hispanics. Overall, Best Buy recognizes the value of

their employees and believes the company's growth is driven by its employees.

The company believes its employees are at the 'head of the class', providing leadership to the industry, customers and communities (Best Buy 2009 Corporate Responsibility, p. 7). Customer Values Best Buy's goal is to become the number one choice for consumers' technology and entertainment needs. As quoted on the company's Corporate Responsibility 2009 Report, "We are not interested in just pushing boxes out the door. We want to create the best shopping experience possible for our customers, whether in store, online or on the phone, and that means building relationships with customers to understand their needs and preferences" (Best Buy 2009 Corporate Responsibility Report, p. 8).

To get feedback from customers, Best Buy employees engage in Twitter conversations, Facebook groups, and blogs. It is through these channels that the company is better able to understand their customers' wants and expectations. To measure customer satisfaction information is sought in stores and on calls through surveys, and online at [www. BestBuy. com](http://www.BestBuy.com), where customers can rate and review products. Local store surveys are also sometimes revised so as to better understand specific customer needs (Best Buy 2009 Corporate Responsibility, p.

8). Beyond all this, Best Buy tries to reward its customers for their business through the Best Buy Rewards Zone. Through this program a customer is rewarded 1 point for every \$1 spent. Once a certain number of points are accumulated reward certificates are sent to the customer in the form of

monetary and percentage discounts. The program is free and is available to all U.

S. residents 13 years and older (Reward Zone, 2010). Another aspect Best Buy engages in is the after sale service through its Geek Squad subsidiary. Established in 1994, this subsidiary provides in-store, on-site, over the Internet (via remote access), and 24-hr telephone computer related services to both residential and commercial clients (Geek Squad, 2010).

Also, Best Buy plays a big part in the after service sales, through warranties, in-home setup, and excellent customer service to assist customers with any problems they may have. It is through these activities that Best Buy add value to their customers and made the company the leader in all customer technology and entertainment needs. Supplier Values Best Buy adds value to suppliers through exclusive brands manufacturing supplier compliance standards, targeted training and partnerships, product safety and supplier diversity (Best Buy 2009 Corporate Responsibility, p. 41).

Best Buy is a leader in supplying reliable, top of the line electronics.

Exclusive brands manufactured and offered by Best Buy include Insignia, Dynex, Init, Geek Squad, and Rocketfish products (Best Buy 2009 Corporate Responsibility, p. 41). These brands represent a small but growing portion of the company's revenue. There are many factors that influence the growth of these brands, including understanding the local customer's needs, finding a niche for products, and making sure the products are manufactured with respect for worker rights, protection of the environment and consumer safety (Best Buy 2009 Corporate Responsibility, p. 1).

Another important factor to consider when talking about Best Buy's suppliers is its Supplier Compliance Standards. Beyond the compliance standards, Best Buy has a corporate responsibility (CR) team, with agents located all over the world where manufacturing partners are present. These agents monitor and audit suppliers' factories using a five phase cycle. The five phases are: i) Factory Selection, ii) Monitoring Program, iii) Capacity Building, iv) Public Reporting and Accountability, v) Continuous Learning and Improvement (Best Buy 2009 Corporate Responsibility, p.

2). Targeted training and partnerships, product safety and supplier diversity is also important in adding value for suppliers. Training for example, addresses topics such as best management practices, health and safety management and labor-management communication. Through collaboration with academic and non-governmental organizations (NGO), seminars and industry collations, Best Buy is actively working to improve processes and refine protocols to improve both working conditions and production efficiency (Best Buy 2009 Corporate Responsibility, p. 3). Third-Party Values Best Buy holds third party values in high regard, and has demonstrated this by implementing positive strategies pertaining to their employees, consumers, surrounding community, and environment as well.

They understand the importance of third parties to their growth and success and have taken necessary steps to ensure that consumers are involved in their business decisions, and that employees work in a positive environment, conducive to helping them do their very best on a daily basis. Best Buy constantly strives to be customers' top choice for their entertainment and electronic needs, and understand that employees play a vital role in this

capacity. The goal of Best Buy is not simply to sell as many units as possible without looking long-term. Rather to recognize the importance of building relationships with their clientele. One way Best Buy has shown this is by embracing new and innovative ways to stay in touch with their clients such as: facebook, twitter, as well as other means of interaction between its employees and clients. Continually looking for new ways to have a channel of communication with its customers is one reason Best Buy ranked highest in customer satisfaction among national and multi-regional major appliance retailers, according to a new report by J.

D. Power and Associates (Majap Survey: Best Buy Tops In Customer Satisfaction, 2009). They do not gage customer satisfaction simply by store visits, but by experiences with their web site, call centers, and in- home services. Improving ways to listen to their customers is the precedence of Best Buy moving forward into the millennium. Constantly looking for new and innovative ways to connect to their customers mainly via social mediums. Also, protecting customers as well as employee data privacy through the investment in new technologies is also of great consequence.

Engaging their clients to comprehend wants and needs is an essential tool for growth and success, particularly in an unstable and unpredictable economy. Owner Values Best Buy is a company that believes technology can be used to help people connect with those people most important in their lives. This belief stems from Best Buy's conviction: more important than the power of technology, is the power of those people who use it. It is this reason they take seriously the role that is played in the consumer technology

industry, as well as the responsibility to the people they serve by placing a very high significance on ethical standards.

Being a retail company, Best Buy is able to take into consideration the thoughts and ideas of their customers, partners, employees, shareholders, and the surrounding communities where we conduct business. Moreover, it is not simply our intention to listen, rather to hear and act upon what we are being told. This is evident with Best Buy's corporate vision: " People. Technology.

And the pursuit of happiness. " People: From " unleashing the power" of our own employees to maintaining a clear focus on our relationships with customers, vendors and shareholders alike, everything Best Buy does across the world begins and ends with people. Technology: the products we sell, the services we provide and the content we share all are tied, in some way, to the technologies that connect us and shape our changing world. The pursuit of happiness: Best Buy has a unique ability to make people happy. A great place to work makes employees happy. Happy employees make customers happy.

Happy employees and customers make our shareholders, vendors and community partners happy. We're not perfect and we don't always get it right ...

and that's why it's important to acknowledge that we're in constant " pursuit" of happiness" (Investor Relations – Frequently Asked Questions, 2009-2015). Competitor Values Arguably Best Buy's core competitive value has been to focus on service, something it has been able to do better than
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any of its competitors. Such values include the sale of warranties or the help with installing a home entertainment system, or a computer. These above and beyond services not only bring their brand to a better light in the eyes of their clients, but can be highly profitable as well. Such services could bring in 5% of the company's 47 billion in sales in the fiscal year ending February 2010 (BBY: NYSE; Cyclical Consumer Goods ; Services/Retail – Computers ; Electronics, 2010). Moreover, the company's technical support staff known as the Geek Squad has expanded its services beyond computers.

Best buy is a retailer that most times has the same products as competitors such as Wal-Mart, Amazon. com, etc. It is this reason Best Buy must separate itself from the pack. As it often happens with electronic retailers, the product being sold is not priced any differently from the competition, has no brand differential, nor is promoted any differently. Therefore, often price has become the main focal point of potential consumers. However, Best Buy has initiated many services around their products through supply chain as well as trade partners, which gives them a competitive advantage in the marketplace.

These advantages are not product focused, however supply chain focused. It is using these values that Best Buy separates themselves from competitors giving them a distinct advantage (Achieving Competitive Advantage Through Supply Chain Management, 2007). Procter ; Gamble Procter ; Gamble is number 23 in the 2010 Fortune 500 (CNN Money -Fortune 500 list, 2010). Its annual revenues amount to \$80 billion and its market capitalization is bigger than the GDP of many countries in the world.

We are all P; G consumers. In our houses we all have some products made by one of the brands that belong to this giant corporation. Maybe it is Crest toothpaste or Duracell batteries, a Gillette razor or Pringles chips. 22 of P; G's brands have more than a billion dollars in net annual sales (2009 Annual report – Letter from A. G.

Laffley). P; G's set of values are consistent with the company's vision and core values, being a global top-player in the corporate world. Those sets of internal and external values shape P; G's business culture in a unique way, creating value and building a competitive advantage and a gap that makes it difficult for competitors to fill-in.