CASE STUDY:

BEST BUY CANADA MAKES AGILE TRANSFORMATION

By Dave Sharrock

This case study features Scrum Alliance Certified Agile Coach Dave Sharrock, Marius de Beer and three Best Buy Canada leaders of the agile transformation: Thierry Hay-Sabourin: Senior VP of eCommerce & Technology, Dave Evans: Chief Technology Officer (formerly Senior Director of eCommerce Technology), and Brendan Toupin: Director of Retail eCommerce.

EXECUTIVE SUMMARY

Beginning in 2016, Best Buy Canada radically shifted its approach to delivering value in eCommerce to Technology. Through the use of an iterative agile methodology instead of a linear "waterfall" process, and by shifting its focus from projects to products, the company significantly improved its ability to release new code to production and gained speed and efficiencies throughout its eCommerce sector. Capitalizing on this capability, company leaders estimate a $40M reduction per year in cost of value delivery in addition to the improved time to market, increased incremental revenue, and more robust revenue protection.

The company pushed decision making to cross-functional teams focused on specific product areas and developed the capacity to rapidly iterate, breaking a pattern of producing two or three major releases and a handful of minor ones each year. In the first six months of 2019 alone, the teams released 85 net new features on eCommerce and technology at large within the organization.

The same capacity gains have enabled eCommerce business teams to deliver products onto the company website for sale in less than 2.2 days rather than what was formerly 17 days, at 18 percent of the cost, which has provided sales opportunities when suppliers have made products available on short notice. In the first quarter of 2019, leadership credited this capability with more than $5 million in reduced cost of delivery in addition to extra sales revenue and brand value lift from being faster to market.

The organization and culture of the Best Buy Canada's technology group also changed, with employees empowered to make decisions and create a recognized impact in their daily work. Team members now consider that they will make a difference for the company and have gained mastery around the concept of self-organizing teams. When news hit of a potentially crippling postal strike mere weeks before Black Friday, employees had organized a well-rounded team on their own and developed a recommended course of action by the time members of senior management arrived at the office that morning.

For the first year, Best Buy worked with agile42, a coaching, training, and consulting firm, led by North American CEO Dave Sharrock to help catalyze a transformational agile process that is ongoing. In 2017, Best Buy hired the agile coach Marius de Beer full time.

RAPID CHANGE AN IMPETUS FOR AGILE TEAMS

In 2016, Best Buy Canada faced the challenge of staying ahead of competition, remaining relevant and thriving in a rapidly changing world. Dave Evans needed to lead Best Buy Canada's software development effort to meet that challenge.

"I didn't think we were working efficiently," he said. "As a heavy waterfall shop, we had too much waste in the process. For all the effort expended, not enough value was being delivered."

As senior director of eCommerce at that time, Evans said he thought there was a better way to deliver the product.

"We used to have a massive list of projects," he said. "Every business unit knew that every four years they would get a project built. Projects became bloated as people tried to get everything they could within the scope of a single project, and this had the impact of slowing everything down.

"Internally we decided to transform how we would deliver software," says Evans, who was one of the early architects of the project and is now the company's CTO. "We wanted to shift from a waterfall approach to agile and to put our focus on product instead of project."

Supported by leadership, he hired the firm to assess and pilot the shift to agile. In mid-2016, the assessment showed an exceptional company with great employees, hindered by management process bottlenecks and a somewhat fragmented infrastructure in which people worked in isolated silos.

Recommendations included integrating staff into cross-functional teams, emphasizing transparency of team performance, and investing in testing environments that mirrored production environments so that quality code could be delivered. Decision making would be pushed to the teams — they would be encouraged to redefine ways of working and recognized for what they were learning. Priority would be given to cheap and frequent deployments with a focus on code quality metrics visible to the entire organization to boost code craftsmanship.

Other recommendations included greater customer centricity among product owners and making the company's vision more visible while empowering teams to own strategies for achieving it.

Evans began realigning teams with cross-functional skills around domains such as website, mobile, logistics, deliveries, and business intelligence. After starting with half a dozen teams, more teams were added over the summer until by February 2017, all of web technology — about 150 people — was working in agile teams.

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We used to do two or three major, expensive releases a year and six smaller releases on the ecommerce side. This year (the first half of 2019), we have released 85 net new features on ecommerce and technology at large within the organization.
Among those 85, there are some major, significant initiatives that would have been multi-year projects in the past.

Thierry Hay-Sabourin, senior vice president
of ecommerce and technology, BestBuy

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Each team had a scrum master and a product owner, but otherwise the teams were self-forming, with certain rules around what skills a team required. As an example, there would be somebody with seniority, a tester, a front-end developer, and a back-end developer.

Because each team was chosen by its members, says Scrum Alliance Certified Agile Coach Dave Sharrock, "They really rolled up their sleeves and solved problems as teams.

We needed to get them shipping every two weeks quickly," says Sharrock.

"Best Buy Canada has an early fall drop-dead date to have everything in place because of Black Friday. That pressure meant we were very tightly focused. We had all teams doing stand-ups one after the other, and the ScrumMasters were supportive and aggressive. If they needed access to release products into a pre-production environment, they got it fast, working with the CIO to get support from the IT group."

However, there were pain points, according to de Beer:

"An immediate problem encountered by the first teams is that the rest of Best Buy was not prepared for teams delivering value every two weeks. The mechanisms to get the team's work into production didn't exist. The change-approval process, the audit trails, access to systems, the training, the support staff — nothing was prepared for it. So almost immediately the new teams started exerting pressure against the rest of the organization because the teams were moving faster. In two weeks, everybody was angry with each other.

"It was painful and slow. The teams trying to deliver value were dependent on other teams that had not been part of the transition. It required a lot of conversation with, for example, the team that was responsible for putting new code into production."

According to de Beer, by design there was no pre-set master plan for everything that should be done, and as the teams expanded their work, each iteration encountered new problems:

"I always compare it to going to the gym," says de Beer. "You can't walk in on day one and lift X pounds of weight. You have to lift just slightly over your range. To help teams learn to work

through difficulties, the secret is to expose them to challenges that hurt a bit but are not so challenging that it paralyzes them. Leadership takes on a new definition. Instead of a manager solving problems, you grow the team by shielding them from what could paralyze them, yet allow them to go through what will stretch them."

AN EARLY MOVE BEYOND TECHNOLOGY

Despite the challenges, progress was noticeable early on, and several more teams were added to the first phase of the program, including three business teams managed by Brendan Toupin, director of retail ecommerce. According to Sharrock, testing agile with business teams was a "genius move" on the part of Thierry Hay-Sabourin, senior vice president of the division.

As the manager for the bestbuy.ca website, Toupin held responsibility for merchandising and promotions, optimizing website landing pages for customers. His teams covered functions ranging from content to content management, UX and DX design, and business relations. In 2016, he was the last point of decision for everything in the store, which created a lot of stress.

"I was interested to see if the principles that work for tech teams could be applied to cross-functional business teams," says Toupin. "And could we set up our teams to take new products all the way to production within the team?"

At that time, team communications passed through Sharepoint collaboration software with so many requests passed back and forth that 80 percent of a team's time was focused on the basic operations of what Toupin calls "making the machine go forward." Only 20 percent was spent on experimental improvements focused on "how customers were engaging with the elements on pages that we offered."

Cross-functional teams were created with domain specialists from each of the formerly separate areas such as content, UX design, etc. Together, they began to focus on product categories such as appliances or digital imaging/wireless and gain product domain mastery in the process.

Expanding agility to the business side also gave merchandising teams the opportunity to make decisions quickly, impacting sales through special offers in their weekly email marketing.

Sharrock says, "This was driven by merchandisers talking to suppliers who needed to sell excess inventory. Speed is incredibly valuable to them; let's say a supplier has several hundred 60-inch TVs to get off the books. If a vendor could make decisions quickly and push the product into production fast, they got the sale."

"When you have individuals who understand the customers, and are honed in areas they are developing solutions, quality goes up," says Sharrock.

"Hay-Sabourin could see what was happening and was open- minded enough to push this outside of technology," says Sharrock. "In this business environment, which was hyper-competitive, small advantages for the business really allowed the value of agile work to blossom."

FASTER RELEASES, HIGHER QUALITY, HAPPIER PEOPLE

While the agile shift included both web development and business teams in the first year and had some impact on smoothing out the release period for the 2016 holiday season, the move was accelerated starting in February 2017, with all web technology teams making the transition and five retail product teams being formalized in the business group, followed by the IT group.

"Initially, our goal was to work with Best Buy to bring transparency to what the teams could and couldn't achieve in a given time frame," says Sharrock. "The organization wanted to increase its focus on experience of the customers, but this was difficult with only a few big releases a year. Each product release was also too expensive, people were working nights and weekends. It was very painful and stressful, and the company wanted to also reduce the human cost of each release."

In the first year, the company mindset quickly began to shift from quarterly project releases to more frequent, regular releases. By 2018, the product teams were deploying daily. This had the impact of progressively smoothing out the high-pressure deployments leading up to the holidays in 2017 and even more so in 2018.

Evans says another key benefit of the shift was quality as measured by the number of defects discovered in production — down 60 percent even as the number of deployments rose: "My wife had learned that on deployments nights I would always get a phone call at 3 a.m. when something went wrong. But the faster we got with deployments — which, granted, were smaller — the fewer issues we had in production. Now we can release during daytime, and there's rarely a big issue that happens."

Not every experiment yielded ideal results. Sharrock describes an early effort to work with a unified backlog of projects with a single priority list for all departments. This encouraged pooling of teams into even larger teams that went beyond product channels to address company-wide initiatives. This may have worked well in delivering major projects, but it came with human cost, as people ended up shuffling across different product domains.

"Key drivers for motivation among developers are purpose and mastery," says Sharrock, "And in this case we were not ticking the latter box for a lot of people. Many developers are also introverts and it's difficult to get to know new people every couple weeks. More recently, we have refocused and created largely static teams in product families.

"Team members now gain mastery over a product domain and they start to deliver much faster. You also have a shared vision and purpose that unites you. Within product families, there might be two or three sub-products and your team might work on one of them. Now, if one of the other sub-products needs extra help, it's easier to help each other without excessive team formation or big gaps in domain knowledge."

SELF-ORGANIZATION, ACCOUNTABILITY, LEADERSHIP AND PRACTICE

The concept of purpose-domain-accountability was introduced to team members rather than job descriptions to help them make sense of each team's cross-functional make-up:

Purpose the reason for the role to exist; the role can be shared.

Domain the area where this role can make decisions without asking permission.

Accountability how you know you are doing a good job.

De Beer describes how some teams reorganized themselves, even to the point of eliminating team members' own jobs:

"Even though I'm intimately familiar with how well self-organizing teams solve problems, there were certain occurrences where I had a deep emotional reaction to how awesome that was. To our retail teams, we said we believe there's a better way to do things that could be 10 times better. Would you like to leave your current job, forget the titles and roles, and figure it out with us?

"This led some teams through some pretty deep valleys but it was extraordinary to see a bunch of younger adults have conversations such as this, with a smile on their faces: 'If I teach you this, you could do both of our jobs and I wouldn't be needed anymore.'"

De Beer also says they were at one point over-zealous in giving teams autonomy when, in some cases, teams weren't ready to judge effectively what the organization needed.

"We had to come up with a way we could have that conversation and let it be natural," he says. "We borrowed some ideas from the Ladder of Leadership."

Toupin says another challenge for the cross-functional teams was to maintain some standardization of practice across diverse teams.

In his area, he says, "We had to figure out how communities of practice could have a regular cadence for engagement and discussion of their approaches. We began to identify the practice leads in each community, for example, UX design, to help drive acumen upwards and develop a process to review the work."

Toupin is also keenly tuned in to the importance of language with his team, especially when giving critical feedback. What should he say in reviewing a young team's work, say, for a TV promo, when he can see from his experience that the promo is not likely to go well? He has the authority to veto something that is dangerous to the business, but that would disempower the team, and he rarely uses that authority.

Normally, he will either say, "I don't think this is going to go well, but it might, and let's be ready to respond if doesn't," or "Let's let it play, review and see what we can do better next time."

Both options give the team the chance — but not the requirement — to reconsider the plan on its own or not, and learn from the experience either way.

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As an example, Hay-Sabourin points to the work of the new SKU Production team, a non-technology, administrative team that adopted agile methodology and went from an average of 17 days to get a new product on the website to taking less than 2.2 days. "The only change," he says, "is that it became a cross-functional team using Scrum methodology."

Hay-Sabourin acknowledges that the change hasn't worked for everyone, such as some workflow managers whose roles have gone away. Nor can "team members just punch in and wait to be told what to do," he says. "Instead, you have cross-functional teams with product owners who decide what to work on and a team that decides how."

His feeling is that over time this makes room for a group of folks who are excited to have an impact on the direction of the company.

"It's quite a change in a tech team that's been culturally trained to execute without voicing their opinion even when they knew damn well they shouldn't be doing something," Hay-Sabourin says.

FASTER INNOVATION, IMPACT ON PEOPLE

"Our goal was to speed up the pace of innovation, making improvements and releasing new capabilities to the website," says Hay-Sabourin. "The mandate to make a transformation to Agile was at first limited, but within a short time, it became clear that this should go beyond software development."

> *"Developers used to be quiet. Now at our bi-weekly symposium of 10-minute presentations, it's mostly developers doing the presentations and exhibiting an understanding of the business impact of what they're working on. Someone who worked here three years ago wouldn't recognize the company today."*

NEW FOCUS ON VALUE AND CULTURAL CHANGE

"It's hard to grasp the depth to which the changes have taken hold," says de Beer, who started with Best Buy as its agile coach and then became an in-house coach at Best Buy Canada about halfway through the transformation process.

"The company has become one of the most aggressive users of Adobe analytics reporting on a per license basis, which shows how closely our teams are watching how the customer is navigating our site. In presentations, if there's no active reference to a screen with analytics on it, there's an indirect reference to the numbers."

"The way capital budgets are allocated in technology in most companies," says Thierry, "depends on who you can talk to and who you can convince who has the power to move your pet project forward. That's flipped here. People speak in terms of value. To start working on any project, it must be the most valuable item relative to the effort to get it done. We measure everything in terms of value now."

"As a result of this agile transformation, we had wanted to deliver more stuff without spending money," says de Beer, "especially with the pace of change in the world accelerating. And we're doing that. But in the process, we also wanted to put the company in a position to survive the next disruption that we can't predict."

De Beer said he believes the key to that is the focus on value by teams empowered to make decisions on the front lines for the benefit of an organization.

"One way Best Buy has changed completely," says de Beer, "is that employees used to say, 'I need to make sure that my team or department does the best for Best Buy.' Now it is, 'How is my team contributing to the success of all the other teams?'"

Another change de Beer points out is the reduced level of energy it takes to run the business and points to Toupin as an example.

"He is in a high-stress position and the impact of the stress was clearly visible back in 2016. Since he transitioned his part of the business to agile, he spends his time thinking strategically, completely calm, even during the busiest weeks in the year."

CONTINUING AGILE TRANSFORMATION

"We always pitch ourselves as a catalyst," says Sharrock, of agile42's role in the process, which ended more than a year ago. "Our job is to help lay a foundation so the organization can blossom, and Best Buy Canada has clearly done that. They are now doing things we would never coach them on, and that's exactly what we look for."

According to Evans, who as CTO has reorganized his teams into five new technology groups, "This journey will never be done. I'm looking for some stability so team members can master their domains. Then it's about delivering more and faster, continually improving."

How important has the agile transformation been? Thierry says, "Given that technology is a core driver of business performance — and in some cases entire lines of business exist only due to technology — my view is if we had stayed on our previous course it would have put the existence of the company in question over the next decade.

"Visible culture change is driving an appetite for the rest of the organization to adopt. They may not have the same burning fire that was in technology, but the appetite is there. We have plenty of work to do to roll out agile through the rest of the company."

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