The Organizational Structure of Best Buy Co.
By: Michael Cramer
Organization and communication is quite possibly the most important factor in the success of an organization. This becomes exponentially more true as an organization grows in size and scope. Best Buy Co. is a prime example of how large organizations handle communications challenges especially when taking on both multiple industries and markets within a single organization. A sound communications structure is in large part responsible for the companies growth from a small radio shop to the multinational retail giant it operates as today.

To first understand the way Best Buy communicates internally, it is helpful to know some of the companies history. Best Buy was started in 1966 by founder Richard M. Shulze. The company was originally started as a single radio shop called “The Sound of Music.” By 1970, Sound of music was already hitting annual revenues exceeding one million dollars. The company would maintain a fairly consistent status as a radio and Hi-Fi stereo chain until 1981 when a tornado hit one of the original stores. Salvaged inventory from the storm were sold from piles in the wrecked stores parking lot in what was known as the “Tornado sale,” which became an annual event. Intrigued by the idea of selling things in a more non-traditional, grab and go manor, Shulze decided to change the companies name to Best Buy Co. and simply put product out on the shelf for customers to buy instead of behind a glass counter. This idea would find huge success and in a few decades time Best Buy Co. would become the electronics retail giant it is today. But with such growth came the issue of communication. Now with over 2000 separate locations and an estimated 155,000 employees (BestBuyinc.com, 2009), Best Buy has adapted to allow the company to communicate like a much smaller organization.
Best Buy is currently the number one seller of consumer electronics in the United States and is quickly becoming a world leader in the industry. Products sold at the store range from home appliances to computers as well as a multitude of other personal electronics and media products. The companies annual income exceeds 45 billion USD according to Yahoo finance (Yahoo finance, 2009). Currently Best Buy is one of the few remaining consumer electronics retailers. Having lost it’s major competitor Circuit City in 2009, Best Buys now considers its major competitors to be Wal-Mart and Target, both department stores which simply have an electronics section. Communication is becoming the key to Best Buy maintaining its edge in the industry, as both Wal-Mart and Target often have lower prices on similar items. Best Buy relies on its communications network to train employees to a much higher standard than their competitors.

Organizational communication is, in my interpretation, the communication within a group of people or sub groups which is used to achieve a common goal. By this definition, in order for a group to be organized they must be working towards a common goal. Best Buy seems well aware of this idea as it makes its goals very apparent to its employees. On the break room at every Best Buy store is a list of the companies values as well as the company goals. These include things like “Always have fun while being the best”, “Learn from challenge and change” and “Be there for the life of the customers product.” Everything employees are taught relate back to these goals and the company likes to instill within it’s employees the idea that they are working towards the same goal.
Examining the organization of Best Buy Co. can at first be confusing. The company is separated into many sub organizations like it’s Best Buy Mobile and Geek Squad divisions. Best Buy also operates under a few different names in several countries, for instance in some parts of Canada Best Buy operates as Future Shop. For the sake of this analysis we will focus on the core Best Buy structure as well as the Best Buy Mobile and Geek Squad structures since these are often found in the same locations.

Best Buy is a typical example of a network style of organization. At the base of the network is the store level employees, this includes Best Buy sales staff as well as Best Buy Mobile sales, inventory associates and merchandising. Each employee is assigned a department and a department supervisor. The department supervisors typically act as the connection between base level employees and management, though often base level employees will speak with store level management directly. Each department supervisor is put into a sub category which is headed by an assistant manager who works under the general manager. This is the basic structure of a single Best Buy store organization. Best Buy mobile and Geek Squad staff often have to work with management at the store level but they technically are not subordinates of a stores assistant or general manager. A stores management staff communicates with district management. District management is typically assigned about 20 stores to monitor. Best Buy Mobile and Geek squad have their own district staffs to answer to instead of the core Best Buy staff. Districts are assigned to regions which are controlled by regional managers. There are over 40 regions in Best Buy’s organizational structure, the regional managers in charge of these typically answer directly to corporate staff who
work under the company executives. This takes us to the top of our organizational structure with the CEO of the organization, currently Brian J. Dunn, and his board of executives. Best Buy mobile and Geek Squad have their own regional and corporate staffs who communicate with the company execs. The attached flowchart gives a visual representation of what the Best Buy organizational network looks like. The company often goes through a series of restructuring, most recently in early 2009 where they lowered the number of in store departments from eight to three according to internal company documents found in the Best Buy Employee wiki. However despite this restructuring the general organization always stays fairly similar to the aforementioned model.

Methods of communication within this power structure are incredibly varied but the company offers many tools to its employees to use in making communication within the organization much more efficient. In many instances, information will simply trickle down from the top of the network to the bottom. Word of mouth from the CEO goes through corporate channels all the way down to the base level employees. While effective in smaller organizations like an individual store, this is a very inefficient way of communicating in such a large organization. To remedy this problem Best Buy sought out ways to allow employees all over the power structure to communicate together directly. One example of a communication technique used by corporate level employees to instantly send information to store level is the Employee News Feed, found in the Best Buy Employee Toolkit which every employee has access to. In the news feed, the company will filter important information straight down to the employees who need to know it. For example, if regional staff notices they have made an error in the weekly
sales ad, they can send a news feed item to all store level employees indicating the need to print a correction form. Each employee is fed news relevant to their particular job. This way a mobile phone salesman will only receive news feed items necessary to the sale of phones instead of bombarding them with information about refrigerators or computers.

There is also the company email system. With this email network, employees can both receive information from corporate, regional and district staff as well as those within their own store. A department supervisor can keep their employees up to date by sending them information via email or even address an issue with a single employee. Efficient means of communication like this allow the large organization to operate much more like a smaller one. Information disperses faster and more cost efficiently with the use of these tools.

Like in most organizations, power and politics play a huge role in keeping things moving. This is apparent even at the most basic store level. There is a management hierarchy in each store who get to make store decisions. Often times managers compete for their ideas to be the ones which the store or possibly he company adapts. For instance one year during the summer, after school children had been given their report cards, the manager of the Frederick, MD store decided to start a promotion where kids could get a five dollar gift card for every “A” they received on their final report card. While the idea was a hit amongst the people who participated, it lost the store a lot of money and ultimately cost the general manager his job. Meanwhile another manager did a similar promotion with a percentage off reward instead of gift cards and the entire company started to adopt the policy. That manager now has the job of GM at Frederick,
MD. Best Buy rewards good ideas on the part of management but seems to severely punish costly ones, all part of the politics within the organization.

Lower level employees often get caught up in politics at Best Buy. Many sales floor employees may be working for multiple direct managers who all want something different to be done, and while one of the companies employee motto’s is “One team, One dream” it doesn’t always work out so simply. For instance the manager of the computer services department may ask computer sales people to focus most of their sales techniques on attaching computer services like optimizations and the installation of virus software. Meanwhile the Best Buy Mobile manager may be telling them their primary focus should be mobile internet solutions which his department sells. The main issue is there is very little in the Best Buy operating procedure which outlines what to do in this situation so employees get caught up in the politics of the situation and ultimately sides are taken. Typically it is left up to a stores general manager to calm political disputes, though he or she may very well be involved in their own.

Overall I believe that Best Buy has a good but flawed communication structure. While the company provides many tools for communication they seem less involved in making sure those people are paying attention to the tools. For instance, The employee news feed is one of the main tools employees can use for communicating with corporate. There is a comment section below the news item which allows for employees to ask questions and make comments. Unfortunately, corporate never responds. Employees have to hope that another employee will be able to answer their concerns, something which is sometimes unlikely. There also seems to be a disconnect between sales staff and corporate staff in charge of making advertisements. For instance, the
october edition of the Best Buy Mobile buyers guide includes advertisements for a “3 for free” promotion in which the company is attempting to advertise that all three major cell phone providers are offering a free phone. Employees however, realized that customers would instantly believe Best Buy was offering a three free phone deal. Ultimately because of poor communication between corporate and store level employees, many customers were left confused and ultimately unhappy. Best Buy Mobile Employee Matthew Zuhl said to me that “it seems like they have people who have never worked in this environment before making the ads, I wish they would communicate more actively with [store employees].” These sentiments seemed very prevalent amongst the employees I spoke to.

Despite these criticisms, the overall communication structure is still sound. Employees are provided many avenues to communicate and the company is built of a strong traditional “chain” style network organization. Communications avenues are fairly direct up to corporate and a little more diverse for the lower level. Best Buy Frederick’s general manager Jonny Aeris told me that he feels the communication flow in Best Buy is “Incredibly smooth” and helps him “get things done on time and effectively.” The general theme is that Best Buy higher ups seem to like the communication structure while lower level employees feel it leaves them under represented.

Overall Best Buy has an interesting structure which most likely attributes to its success. It seems to pride itself in the fact that it is an organization which adapts to new challenges and changes its communication flow to always have an edge. The company makes for a great example of network style communication as well as an example of
how an organization can adjust itself to new communications challenges with new technology.