GAP INC. CASE STUDY: QUALITY AND PRODUCTIVITY THROUGH TRUST

GAP INC. BOOSTS QUALITY, ACCOUNTABILITY AND PRODUCTIVITY THROUGH THE ADOPTION OF RESULTS-ONLY WORK ENVIRONMENT (ROWE)
INTRODUCTION

The economic climate of the past several years has been challenging for industries across the board, and clothing retail has been no exception. Response strategies are varied, from aggressive traditional marketing to increased reliance on social media and real-time customer engagement.

Gap Inc. chose to look within to find solutions, and in 2008 began a pilot implementation of Results-Only Work Environment (ROWE), utilizing the proven CultureRx training process, in its Outlet Division corporate headquarters. The primary objectives of the pilot were to test solutions to work/life flexibility-related employee engagement and turnover issues, and to enable increased levels of “off hours” e-sourcing.

Gap Inc. has called ROWE a “cultural revolution,” allowing employees to have complete autonomy over how they approach their work and focus on being accountable for results. Management and employees report an increase in the overall energy and engagement level, greater focus on quality rather than simply meeting deadlines, and an overall sense of trust among employees at all levels of the organization.

“ROWE really lets me prioritize my time,” reports one employee. “I feel empowered and actually more responsible at my job. It makes me feel more in control and in charge of my work.”
More than just providing anecdotal evidence, the ROWE pilot produced significant measurable results.

RESULTS

✓ Production turnover dropped by 50%

✓ Employee engagement scores improved by 13%, the best performance in the Division

✓ Several hundred thousand dollars in savings were realized by reduced employee turnover costs.

✓ Based on these initial results, sister brands within Gap Inc. were given approval to rollout ROWE to their divisions.

“[ROWE] is the best ‘raise’ I’ve ever been given.”
CHALLENGES AND SOLUTIONS

Gap Inc. is a leading international specialty retailer offering clothing, accessories and personal care products for men, women, children and babies. As a brand, Gap Inc. emphasizes overall quality in both product and process, including work in customer sales and service. Gap Inc. has about 132,000 employees and about 3,000 company-operated stores and over 200 franchise stores, operating under the brands Gap (including Gap, GapKids, babyGap, GapMaternity and GapBody), Banana Republic, Old Navy, Piperlime and Athleta.

CHALLENGE

Gap brand faced the following challenges:

✓ Shift from process-driven to outcome-driven culture
✓ Address work/life harmony of employees
✓ Improve the annual employee opinion survey to better measure employee engagement
✓ Agile response to employee challenges and opportunities

SOLUTIONS

After HR management and outlet leaders participated in a ROWE Leadership Summit led by CultureRx, the leaders bought in to the program. They saw the value of focusing on outcomes rather than just making sure employees were at their desks and busy during work hours.
While at first a frightening concept for many companies, treating employees like adults and making them feel responsible for results gives them the autonomy they need to be at their best and most productive. Gap Inc. needed just one Summit experience to understand the potential impact of ROWE on the brand, and they immediately approved a pilot program within its Outlet Division corporate headquarters in 2008. In 2011 ROWE was rolled out to other corporate divisions. Currently in place in corporate offices, Gap brand hopes to bring ROWE into the retail store environment within the next two years.

To consistently measure employee engagement, Gap brand has launched quarterly surveys. These online surveys took the place of the annual employee opinion polls, and dig much deeper into actual work habits, productivity and satisfaction. After data is collected, senior leadership conducts a talent review, looking at all the survey results together including individual functional results.

The quarterly employee surveys ask pointed questions about productivity, time management, accountability, and engagement.

Areas of opportunity and areas of success are pulled from the data and from employee comments. Leadership is then able to formulate action plans and tweak the talent plan on a quarterly–rather than yearly–basis. Employee data is more current, allowing leadership to be more agile and responsive in the planning process. Because of the constant access to fresh data, corporate leaders can address needs like additional training for managers and allocation of resources more swiftly and aptly than ever before.

Gap brand has also invested in overall well-being improvements to complement ROWE’s goals, including the introduction of the Human Performance Institute’s Corporate Athlete training for employees. This was done out of a belief that
physical, emotional, mental and spiritual energy all combine to help a person fulfill their mission, and a lack of any of these prevents a person from being their best. With both ROWE and Corporate Athlete training, Gap is demonstrating that they value getting things done and truly do care about their employees.

RESULTS

The adoption of ROWE has represented a true cultural shift within Gap. Aside from all the other benefits, the environment itself is attractive to current and potential employees. From all the quarterly surveys conducted, 75% of employee comments say that the most special aspect of Gap’s work environment is ROWE.

ROWE has proven to be a significant factor in talent attraction and retention, as well as market differentiation—even among brands under the Gap umbrella. This was one of the reasons other divisions within Gap Inc. were anxious to participate once results from the pilot implementation were reported.

<table>
<thead>
<tr>
<th>Category</th>
<th>Pre-Pilot Gap Specialty % Favorable</th>
<th>Post-Pilot Gap Specialty % Favorable</th>
<th>% Change</th>
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<tr>
<td>Productivity</td>
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<td>69%</td>
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<td>Engagement</td>
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<td>↑2%</td>
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<tr>
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<td>95%</td>
<td>↑10%</td>
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<tr>
<td>Total Score</td>
<td>74%</td>
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<td>↑8%</td>
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Note: Engagement Index Score from: Q3 2011 Pulse Survey (Post ROWE Survey) – Specialty HQ. There was not a pulse survey close to the time of the March Pre-ROWE administration for Specialty HQ.
The belief that being happier and more balanced at work yields better business has been reflected in a new corporate motto, “Better You. Better Gap.” Going beyond productivity in the workplace, Gap understands that employees cannot be productive at work without being happy and engaged at home. ROWE helps to enable a culture where employees partner with their leaders to focus on measurable results and ensure autonomy in their jobs, leading to an overall increase in satisfaction.

“I was recruited very strongly for another position outside the company with slightly better pay but much closer to my home,” reported a Gap Inc. employee. “I can honestly say that if it wasn’t for [ROWE] I would have taken that job.”

Most striking has been the responses of managers to questions regarding productivity. When asked if “My team works in the most productive way possible,” managers across all divisions gave positive responses at a 40% improvement rate over the previous year, prior to the implementation of ROWE.

One manager said, “I love ROWE and I have never seen my employees happier, while at the same time having a rise in productivity.”

According to Eric Severson, SVP of HR, within one year of implementing ROWE the Gap brand reached its best performance in ten years.
“Every division that has adopted ROWE has seen significantly improved operating and financial performance since implementing ROWE,” Severson said. “Today, based on the strength of all of our North America businesses ... we reached a twelve-year-high stock price” Severson said. “While I would never try to argue that ROWE is singularly responsible for this performance, there is no doubt in my mind that it is a significant contributing factor.”

ONE EMPLOYEE’S STORY

ROWE has been tremendous with regard to allowing my team to have autonomy in what we do and building a culture of trust and accountability. All they have to do is make sure they're delivering results. ROWE can be really scary for organizations, but one of the greatest things is it opens up lines of communication between team members and leaders. ROWE has been trust-formative for my family. I have a three-hour round trip commute via the BART train. ROWE allows me to work two days a week from home and be flexible with my schedule. We’ve been able to move to the suburbs with better schools for my kids which has been life changing for all of us.

Catrina Lee, Gap
ABOUT RESULTS-ONLY WORK ENVIRONMENT

*Results-Only Work Environment goes beyond telework.*

The brainchild of Cali Ressler and Jody Thompson, Results-Only Work Environment (ROWE) is a management strategy where employees are evaluated on performance, not presence. In a ROWE, people focus on results and only results – increasing the organization’s performance while cultivating the right environment for people to manage all the demands in their lives...including work.

Ressler and Thompson are co-founders of the consulting agency, CultureRx.

LEARN ABOUT TRAINING OPTIONS FOR IMPLEMENTING A RESULTS-ONLY WORK ENVIRONMENT AT 
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