Top-down, Bottom-up, Outside-in, and from the Middle-out: Where Traditional Change Processes Fall Short

December 12, 2014 (Webinar)
The World is Not What It Was...

It was:
- Stable
- Simple
- Domestic
- Focused on performance

Now it’s:
- Dynamic
- Complex
- Global
- Focused on sustainability
Change and Transformation...

Once was:

- Sequential focused initiatives and “transformations”
- Amenable to a detailed change plan – from the top
- Aimed at specific strategies

Now it’s:

- Many overlapping changes
- Continual adjustments & redesigns
- Aimed at capability development—of adaptation from within
Contemporary Approaches to Managing Fundamental Change

- Great stress on executive leadership role
- Risk analysis and mitigation
- Carefully planned one-way communication
- Play-books, tools, scripts etc.
- Developing a transition structure with workstreams, initiatives, Gant charts, and plans
These are all important elements of complex transitions, but they all stem from the center out. True change is to the fabric of the organization. Accelerating change requires active leadership, learning, and engagement across and within the organization.

What are the high impact interventions to enable continual change?
Chasing Agility: How America’s Largest Specialty Apparel Retailer is Closing the Talent Speed Gap

Eric Severson, SVP, Global Talent Solutions, Gap Inc.
Agenda

– Global Acceleration: How the world is becoming faster

– The Agile Imperative: Transformation of retail in the 21st century

– Agile HR: Enabling the people who run the business to run faster

– Agile HR: The next generation
Global apparel growth expected over next 5 years

Emerging markets to see faster growth rates than developed countries, however, there remains a challenge given the difficult nature of these markets.

2018 apparel & footwear market vs. historical / forecast growth

Positive picture for future state of retail as future growth expected to outpace / maintain pace what we have seen – across 9 of 10 markets – over next 5 years.

2008-13 CAGR:

GPS Δ to Market: +177% (2)% +4.3% +4.1% +4.1% +4.1% +4.1% +4.1%

SOURCE: Euromonitor

Apparel and footwear market; Inflation adjusted current prices, YoY exchange rates, US$ Note: Gap European country actual growth rates reflect Europe aggregate growth rate; comparison to market reflects Euromonitor Germany, Italy, UK and France average.
Online influence on apparel & accessories sales in the US

Source: Forrester Online Retail Forecast, 2012 – 2017, Forrester Web Influenced Sales Forecast
‘We are in the midst of a profound structural shift from physical to digital retail...it’s happening faster than I could have ever imagined.’ Jeff Jordan, Partner at Andreessen Horowitz, January 2014

Penetration growing across categories: estimate 20% clothing & accessories penetration by 2017

Sources: US Census, Internet Retailer, US Department of Commerce
Building speed and agility in a transforming world…
Digital and physical colliding

• Bridging the digital world and physical stores
• Creating world-class shopping experiences
• Giving customers the most comprehensive omni-channel shopping experience in retail
Women's Slub-Knit Henley Tanks

- Petite & Tall, Too

**Rose Up**
$12.94

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<th>XS</th>
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<th>L</th>
<th>XL</th>
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Stores within 25 miles of 94105 Edit

- Find in store

**fabric & care**
- 60% cotton, 40% polyester.
- Machine wash.
- Imported.

**overview**
- Scoop neck with three-button placket.
- Pieced trim around neck and arm openings for added durability.
Textured Blue Fit-and-Flare Dress

Based on 1 ratings

Color: Deep royale

Size: 2

Price: $130.00

Select qty: 1

Add to bag

Reserve in store
Hold online. Ready in store within 25 miles of 94103

Fabric & care
- 67% Polyester, 32% Cotton, 1% Spandex.
- Dry clean.
- Imported.

Overview
Our flirty cobalt frock features front welt pockets and a stylish pieced hem.
- Scoop neck. Sleeveless.
- Exposed back zip. Front welt pockets.
Order in store

SCAN THE TAG.

ROPE-PRINT FIT-AND-FLARE DRESS
#950746

Color: Black

$130

Or enter the product number:

Product Number

0 2 4 6 8

1

LOOK UP ITEM

PROCEED AS A GUEST

ORDER

NEW LOOKUP

PAYMENT

BANANA REPUBLIC

SHOPPING BAG

SEE YOUR ACCOUNT?

ORDER SUMMARY

Merchandise $219.50

3-5 Day Shipping FREE

Tax (8.75%) $19.21

Order Total $238.71

Michelle Kensington
Folsom Street
San Francisco, CA 94105

Rope-Print Fit-and-Flare Dress
#950746

$130.00

Silk Utility Blouse
#969314

$89.50

Shipping Address
Folsom Street
San Francisco, CA 94105
Evolution of our Global Supply Chain

2000: Cost-focused, simple execution
2010: Operational excellence
2013: Speed & flexibility
NOW: World-class Supply Chain = Being demand-led
Responsive Supply Chain

From “Push” to “Pull”

A Consumer Demand Driven Product Model
Fabric Platforming

Raw material for multiple seasons

Move quickly, drive costs & increase flexibility
VMI

(Vendor Managed Inventory)

Stores & DC’s keep level of inventory with key vendors

Our system communicates with vendors system

Reducing potential for out-of-stock
Rapid Response

Seasonal Product

Manufacture a % of initial buy, read demand, buy/replenish color, size & silhouette that is selling
A look at the competition...

Lean Principles

Simple Business Model

Creating Collaborative Environment

Impressive HQ work environment

All functions sit together to drive speed

Huge wide open space with no walls or cubes

Country Managers, Buyers and Designers all sit together
On site sewing/prototyping capability that enables them to take an idea through design and fit ready sampling in 1/2 day

Adjacent studio for all marketing photography
Agile HR

Enabling the people who run the business to run faster
The AGILE Manifesto....

Individuals and interactions over processes and tools
Working software over comprehensive documentation
Customer collaboration over contract negotiation
Responding to change over following a plan

What does it really mean?

Where did it come from?
What makes an Agile culture?

- tools
- processes
- methodologies
- mindset
- behaviors
- environment
Authoritarian
Rigid Structure
Bureaucratic
Risk Averse
Perfectionist
Conservative
Mechanical
Territorial
Self-Serving
Controlling

Customer Value Focus
Relationship Building
Empowerment
Embracing and Driving Change
Resourcefulness
Being Adaptive
High Tolerance for Ambiguity
Continuous Learning
Paving the way to Agile at Gap Inc.

Putting a foundation in place to sustain an Agile culture......
ROWE – Unleashing when, where and how work gets done
People are free to do **whatever** they want, **whenever** they want—as long as the work gets done.
What is ROWE?

• ROWE (Results Only Work Environment):

  – Innovative corporate culture initiative designed to significantly improve employee productivity, accountability, and engagement

  – Employees empowered to work whenever and wherever they want as long as they achieve expected business results

  – A “win-win” system—the company ensures that business objectives are met while employees improve their ability to achieve work-life flexibility
Business Case: Why ROWE is right for Gap

Improve Productivity, Engagement & Turnover

- Lack of work-life flexibility is a leading cause of attrition at Gap Inc
  - Costs the company millions of dollars annually in turnover and productivity expense

- Work-life optimization routinely ranks among the top 3 employment differentiators for Gen X and Gen Y employees in national surveys
  - Gen X/Y employees make up the majority of the Gap Inc HQ workforce
  - Gap Inc.’s HQ gender profile is 72% female and its location in one of the nation’s top 5 worst commute cities

- ROWE offers Gap Inc. rare opportunity to differentiate itself in the retail talent marketplace
  - Appeals directly to Generation Y’s demands for autonomy, balance, and flexibility
Across all dimensions (**Employee Engagement/Satisfaction, Productivity, Business Performance**), performance of the pilot group *improved* over the course of the ROWE pilot.

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<td>Productivity</td>
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<td>Employee Engagement/Satisfaction</td>
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<td>Communication/Balance</td>
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<td>Performance</td>
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<td>Service Levels</td>
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<td>Managers</td>
<td>+10%</td>
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<tr>
<td></td>
<td>Total Score</td>
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ROWE Qualitative Results

In addition to quantitative results, employees and managers have provided comments attesting to the business benefits of the program. Below is a sample of those comments:

– ROWE and the flexibility it brings has gone a long way in a short time to increase productivity and accountability on our team. I feel like now we all know the result shows more than anything how committed and skilled you are in your job.

– I have turned down several offers to consider other positions within the company in the last 8 months because of ROWE. ROWE is the single best retention tool we could ever have, and I hope we realize that.

– ROWE continues to provide me with a new way of thinking - I am in control of my work and thus results. I find this incredibly empowering, and it motivates me to continue to push the bar higher on delivering results.
Gap North America ROWE Growth Results

- Productivity
- Engagement
- Communication/Balance
- Quality
- Service Levels
- Managers
- Total Score
GPS: Transforming Performance Management
When talent grows, the business grows.

Adopting a Growth Mindset.

Our behavior and attitudes around performance must match our business objectives around growth.
GROW. PERFORM. SUCCEED.

Performance Standard  Goals  Touch Base  Rewards
What is changing with GPS

**Performance Standard**
- Single company-wide definition of performance
- Eliminate 4-point rating scale

**Goals**
- No KBGs; no more than 8 priorities
- Outcomes, not tasks

**Touch Base**
- Monthly 1:1 performance conversations
- No annual written review

**Rewards**
- No distribution curve
- Shift bonus to 75% financial/25% individual
What employees are saying....

“I am inspired by GPS. There is a significant population that is embracing the part that states "if we fall short of hitting our goals, we quickly learn & strive to win."

“If we can keep this focus on non-blame and continuous learning and improvement we will be successful.”

“Those of us who embrace GPS need to create a comfortable environment for those still afraid so they can transition into a new way of working - I have faith that it will happen.”
Office of the Future:

Creating the path of least resistance to an Agile workforce
These office spaces we've created... Are they really fit for purpose?

Behind you!
planning principles

• provide users **control/choice** of interaction and privacy
planning principles

• provide a range of spaces to better enable activities while mobile workers are in the office
planning principles

• provide the proper network infrastructure
planning principles

- enable **knowledge** building
planning principles

- **facilitate** social and professional networking
Agile in action: streamlining hiring

Goal: Increase efficiency & effectiveness of the hiring process, resulting in:

- Positive candidate experience
- Strengthened partnership with hiring manager
- Tighter assessment process
- Less time, best possible candidate
Embracing agility in decision making....
Gap, In Unusual Move, Discloses Men And Women Are Paid Equally

The retailer's numbers were verified by an external consultancy. The disclosure comes on the heels of a broader trend of reporting diversity numbers in Silicon Valley.

Almost half of Gap's executive vice presidents and higher-ranked executives are women.

White House senior adviser Valerie Jarrett tweeted about Gap's disclosure.

1969
Gap Inc. founded with equal investment from a man and a woman.

2014
Equal investment continues with women and men paid dollar for dollar.

Valerie Jarrett
12:37 PM - 26 Aug 2014
Thrilled to see @Gap's efforts to ensure #equalpay for equal work! #WomensEqualityDay

72 RETWEETS 72 FAVORITES
Agile HR: The next generation
“Little A” Agile focus in 2015

• Training all of HR in Agile methodology
• Silo-busting
• Rapid prototyping
• Rewarding agility
“Big A” Agile initiatives in 2015

• Let’s Do More Women’s Initiative
• Wellbeing@GapInc.
• Proactive Sourcing
Some Lessons Learned from the Gap, Inc. Case

Agility is a complex capability; it’s not one system or function but a set of structures, processes, and systems working together.
Some Lessons Learned from the Gap, Inc. Case

• Organization change is no longer (if it ever was) a linear, one change at a time affair
  – Gap, Inc. is facing numerous challenges on multiple fronts
  – Some one, some group, or some concept at Gap, Inc. must oversee, orchestrate, and integrate changes in the HR function, the retail stores, the supply chain, facilities, and so on

• The “engage and learn” model does a good job of capturing what people and organizations are going through
  – Throughout Eric’s comments, he talked about cycles of awareness, design, tailoring, and inquiry
A Dynamic and Agile View of Organization Change

- Emerging digital and mobile world
- Changing consumer behavior
- Demands for responsibility

- Gathering data quickly
- Never believing change is “over”
- Transparency

- Centrality of supply chain
- Importance of designing collaboration
- Core work process changes – design, production, distribution, merchandising
- Performance management
- Physical environment

- Flexibility in management practices
- GPS, ROWE,
- Piloting, testing, learning
- Big A, little a agility

Design

Assessing

Tailoring

Awareness

Engagement

Learning
A Dynamic and Agile View of Organization Change