



a fierce case study

Finance System Modernization at Costco Embraces Fierce Conversations

PART
ONE



Background

Scalability. It's necessary to accommodate growth. And Costco knows about growth. Expanding from one store in 1983 to over 600 stores in eight countries in 2012, Costco plans to almost double in size by 2025. Remaining nimble is key.

Like most fast-growing companies, Costco has relied on in-house ingenuity over the years to build systems and software as needed. While this has served the company well, as Costco looks to the future, it seeks continuous improvement in systems that increase both scalability and global capabilities.

The Cosmos project kicked off in 2012 as a way to integrate Finance and HR/Payroll systems with elements of an Enterprise Resource Planning (ERP) solution. In other words, the team set out to modernize the way things get done at Costco.

To prepare teams for this new level of collaboration, **Costco chose Fierce to be an integral part of the Cosmos project.** "Fierce Conversations" training was rolled out to team leads and members.

COS•MOS

ˈkɑz-məs, noun

A complex, orderly, self-inclusive system.

The **Accounting Modernization** project at Costco is called **Cosmos** because it brings order to numerous, complex systems across multiple divisions and teams—providing a single, scalable and self-inclusive system for Finance and HR/Payroll.

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CHALLENGES

- Establish scalability for growth
- Align diverse team around common mission
- Inspire behavioral change for long-term good rather than short-term gain

SOLUTIONS

- Co-location
- 3-in-the-box approach
- Fierce Conversations and Fierce Accountability training
- Fierce models for shared language and framework

WHAT IS CHANGING

- Greater transparency
- Stronger communication skills
- More advocacy and inclusion
- More nimble Finance and HR/Payroll applications

“Sometimes it seems like the different groups all speak their own languages. Finance speaks Accounting. IT speaks Tech, and the Consultant speaks Consultantese.”

— KELLY PAINE
Accounting Manager & Change
Management Lead for Cosmos
Costco Wholesale

Challenges

Establishing scalability and preparing for growth require forethought. Changing the way things have always been done is never easy—even for a company with a strong, healthy culture.

The first hurdle was to align a diverse implementation team—comprised of people from different backgrounds and companies—around a common mission while staying focused on the business.

“Sometimes it seems like the different groups all speak their own language,” said Kelly Paine, a Costco Accounting Manager and the Change Management Lead for Cosmos. “Finance speaks *Accounting*. IT speaks *Tech*, and the Consultant speaks *Consultantese*. We need to understand each other’s perspectives. And in order to do that, we need a shared language.”

Success requires people to accept the importance of the big picture—to change behaviors based on what will be good in the long-term, rather than being driven by short-term gains. “This means we’ll have to become more structured administratively while remaining entrepreneurial and innovative in our respective areas of the business,” said Kathy Shannon, Merchandise Accounting AVP and Cosmos Project Executive.

Changing the way things are done requires truly understanding why things have always been done that way. “Because this project ultimately affects everything and everyone,” said Trisha Gilmore, Cosmos Project Lead for Accounts Payable/Accounts Receivable, “we have to gather knowledge and input from all the different angles or we won’t succeed.”

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Cosmos Project Lead for Accounts
Payable/Accounts Receivable
Costco Wholesale



3-IN-A-BOX

COSMOS is the first project to use a 3-in-the-box approach—one business, one IT and one systems integrator work side-by-side for each function on the project.



CO-LOCATION

places related roles
or groups from
multiple departments
& divisions together
to build unity.



Solutions

The Cosmos team was handpicked from different divisions for their expertise. co-location helped galvanize the team and ensure members have quick access to each other.

“We co-located the team in order to increase efficiency,” said Paine. “As with all project teams, we need to align ourselves with the vision and mission of the project and become unified.”

CO-LOCATION and the **3-IN-THE-BOX** approach presented the opportunity for collaboration, yet these solutions aren’t effective unless team members learn to communicate openly with each other. To prepare teams for this new level of collaboration, Costco chose Fierce to be an integral part of the Cosmos project. “Fierce Conversations” training was rolled out to team leads and members.

Fierce methodology provided a shared framework and armed team members with a common language, tools and expectations for conversations. The conversational models remind the team to stay curious about diverse perspectives, dig deeper and continually interrogate reality—even when it shifts without warning.

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— TRISHA GILMORE
Cosmos Project Lead for Accounts Payable/Accounts Receivable
Costco Wholesale



What Is Changing

As the Cosmos team works together, they are developing a more unified and cohesive identity. Fierce techniques have led to greater transparency across divisions, organizations and with internal customers.

Cosmos now has a network made up of front-line staff selected by their peers to represent different perspectives. "We determined early on that the Advocate Network would be absolutely critical to our success in maintaining transparency about the project," said Shannon. "They help us keep the business in the loop, and they will be instrumental in fostering user adoption because they'll have been in communication with the project team every step of the way."

A more inclusive environment means team members are better prepared to connect and learn from each other. The group is aligned beyond words and into actions. Familiarity has led to more collaboration, and the gaps between groups are closing. Spontaneous meetings solve problems in less time, and the closer proximity means everyone is kept in the loop.

The project team is well underway to transforming Costco's Finance and HR/Payroll applications into one orderly system with less discrepancy, duplication and ongoing maintenance required. As a result, Costco can continue to be nimble with a system that is better prepared for the company's growth.

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Fierce Principle 1:
Master the courage
to interrogate reality.

“no plan survives its collision with reality, and reality has a habit of shifting.”

— SUSAN SCOTT
Founder & Author, *Fierce Conversations*



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Conclusion

Preparing for explosive growth while maintaining the incredible family atmosphere Costco has cultivated over the years starts with open communication. When people strive to understand each other, engagement and productivity flourish.

“We hope that by developing communication skills on the Cosmos project team, the skills will become contagious and flow out to the entire organization,” said Paine. “We’d love for others to see how we’re communicating and follow our example.”

Still To Come

The next steps for the Cosmos team are to ensure “Fierce Conversations” training is sustained and continue investing in team members by adding “Fierce Accountability” to training plans.

As Costco progresses on the path to organizational transformation through system modernization, “Fierce Accountability” will help to strengthen leadership competency and enable people to describe reality without laying blame. Understanding the accountability cycle will prepare the Cosmos team to continue to overcome obstacles, learn from mistakes and work together to achieve goals.

add fierce to your training toolkit

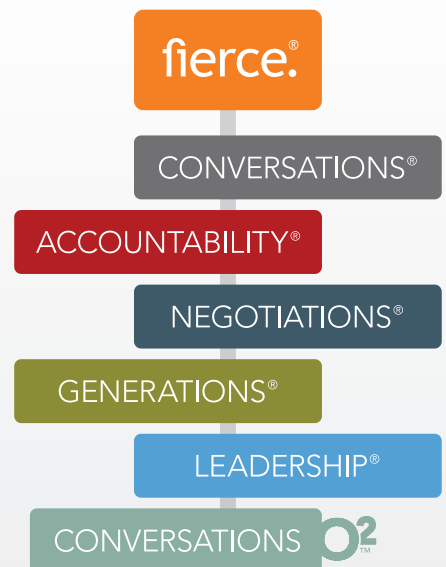
Our diverse, global client list underscores a basic truth: Business is fundamentally an extended conversation—with colleagues, customers and the unknown future emerging around us. Whether your focus is on implementing key initiatives, managing top talent, improving customer acquisition and retention, developing leaders, or simply igniting productive dialogue that generates clarity and impetus for change—success occurs one conversation at a time.

For more information about how Fierce can help your business, visit fierceinc.com or contact us at 206.787.1100.

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