

Hubert Joly: The new capitalism formula – purpose first, people at the center, then profits

Brian Leavy

In the early 1990s, as a young consultant in the Paris practice of McKinsey, Hubert Joly came into contact with the business wisdom of Jean-Marie Descarpentries, then CEO of French IT firm Honeywell-Bull. Descarpentries explained that companies have three imperatives, people, business and finance. Putting this in practice, excellence in the development and fulfillment of employees leads to excellence in customer service and the creation of loyal customers, which in turn leads to excellence in economic performance. Profit is an outcome of the first two imperatives. At the same time, Descarpentries emphasized that imperative and outcome were not to be confused with purpose. The company's purpose is the development and fulfillment of its people, and the attention given to the people around them. Making money is a consequence of getting this right and should not be viewed as the sole purpose of business in its own right.

These ideas struck a deep chord within Joly and had a major influence on the evolution of his own perspective over many years in top leadership positions, especially his widely acclaimed leadership of the Best Buy turnaround and transformation over the 2012-2019 period.[1] The principles and framework that he developed, and that guided his leadership at Best Buy, are featured in his new book *The Heart of Business: Leadership Principles for the Next Era of Capitalism*. [2]

Hubert Joly is currently a senior lecturer at Harvard Business School (HBJ@H2TEAM.ORG), a position he took up following his retirement from Best Buy. His previous leadership positions included those at Carlson Companies in Minneapolis and EDS in France. His interviewer is Brian Leavy, Emeritus Professor of Strategy at Dublin City University Business School (brian.leavy@dcu.ie).

Strategy & Leadership: You note that *The Heart of Business* is neither a memoir nor a play-by-play account of the turnaround and transformation of Best Buy. What then was your main aim in writing it?

Hubert Joly: This book is the articulation of key leadership principles for the next era of capitalism, and how to put them into practice in both the best and hardest of times. Throughout the book, these

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Hubert Joly
Photo: Hortense Le Gentil

principles are distilled from my own journey, reading and experience—at Best Buy and elsewhere.

Through all my experiences, I have come to believe—to know—that purpose and human connections constitute the very heart of business. And I believe they should be at the heart of the necessary and urgent re-foundation of business now under way. Capitalism as we have known it for the past few decades is in crisis. More and more people hold the system responsible for social fractures and environmental degradation. Employees, customers and even shareholders expect much more from corporations than a blind pursuit of profit. Disengagement at work is a global epidemic.

Business can be a force for good; it is uniquely positioned to help address some of the world's most pressing issues. Now that I have stepped away from corporate leadership, I want to use my energy and experience to help contribute to the necessary re-foundation of business around purpose and humanity.

S&L: The Best Buy turnaround, the experience was transformational for you as a leader, as well as for the company. Given the market turbulence Best Buy was facing what convinced you to take it on?

Jolly: By 2012, Best Buy's market dynamics were not looking good: online retailers, particularly Amazon, were fast disrupting electronics retail, leaving once powerful brands struggling. Circuit City had already filed for bankruptcy and Radio Shack was heading in the same direction. In addition, several of Best Buy's most important vendors—Apple, Microsoft, Sony and others—were establishing their own stores. At the same time, Best Buy's operational performance in the domestic market had been deteriorating for several years.

I had led several turnarounds in my life, and the more I learned about Best Buy and the sector, the more excited I became. Innovation in consumer technology was driving significant demand but it was clear to me that, although Best Buy faced serious challenges, its problems were in large part self-inflicted—and therefore fixable. I was convinced I had something to offer.

Towards more meaningful work and more engaging workplaces

S&L: In *The Heart of Business* you begin by examining the low levels of engagement in the workplace that widely prevail. Why so, and what can we do to help make work much more meaningful for the many and not just the few?

Jolly: What if we choose to view work not as a chore or as something we *have* to do in order to do the things we really want to do? What if we can choose to treat work as an essential element of our humanity, a key to our search for meaning as individuals and a way to find fulfillment in our life?

Here's how we can put that concept into practice. "What drives you?" is not a question that gets asked often in corporate environments. Asking it more often can help us connect with a purpose, which in turn determines how we relate to our work. This is why Best Buy

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employees are encouraged to reflect on this question. “What drives you?” has become a central element of the Best Buy Holiday Leadership Meeting, which gathers some 2,000 managers to kick off the holiday shopping season. I always find the simplicity and humanity of the answers striking. Encouraging and inspiring everyone at Best Buy to reflect on what drives them has been central to changing how we approach our work.

It’s just as critical for leaders to understand what drives the individuals around them—and how it connects to the purpose of the organization. To find out what drove each member of Best Buy’s executive team, I organized a dinner in 2016 as part of one of our regular quarterly retreats. Earlier in the day, we had explored the notion of being “all in.” Being all in, I figured, has to connect with who we are and who we want to be. So, I wanted to understand what drove each member of our team and how it fit in their lives and their histories. Why were they excited to work at Best Buy? How did their personal purpose connect with what they were doing at work? I did not feel I could lead our team if I could not answer these questions.

This session became one of the most memorable and inspiring moments of my time at Best Buy. We truly connected with each other, as the ten of us took turns talking about what gave us energy and what gave our lives a sense of purpose. As inspiring as it was, it was also useful, for it made a huge difference in helping us shape our ambitious and meaningful purpose for Best Buy, a purpose that would drive our sustained success in the following years.

S&L: You believe that helping to raise the level of engagement at work also requires “embracing imperfection,” which seems quite counterintuitive. Why is this so important, and how can leaders practice it?

Jolly: For years, I expected others to be impossibly perfect, while ignoring my own vulnerabilities. This severely limits human relationships—and therefore collaboration, effective teamwork and leadership. Employees are more inspired by vulnerable leaders than leaders who project improbable strength and perfection because we relate and bond through our imperfections. I learned about these benefits of acknowledging imperfection from such motivational experts as Brené Brown[3] and Carol Dweck[4] as well as reflecting on my own experience.

So much of business life is driven by the quest to be “the best” or “number one.” Of course competition is important. But competition against oneself, or doing better tomorrow than we did yesterday, is more productive than obsessively measuring ourselves against others, which is essentially a zero-sum game. We all work and lead best when we embrace vulnerability, learn from failure and continually strive to be the best version of ourselves, and this is how we can truly and deeply connect with others.

Building more purposeful human organizations

S&L: One of the first challenges to building more human and purposeful organizations is the “tyranny of shareholder value.” What do you see as the major problems with keeping “a singular focus on profit?”

Jolly: Firstly, profit is not a good measure of economic performance. It does not take into account the impact of a business on the rest of society, such as the full cost of waste or the impact of carbon footprint on the environment. Even within the company’s four walls, profit

does not account for other signs of a healthy business, like highly engaged and skilled people, the engine of Best Buy's successful turnaround and the number-one reason for its continued success today, and investing in such people-focused initiatives can lead to a dip in earnings in the near-term.

Secondly, an exclusive focus on profit is dangerous. While financial performance does matter a great deal in creating space and time for strategic initiatives, an obsession with quarterly earnings and share price movements does not justify myopic short-termism, and it certainly does not justify wrongdoing. A steady stream of corporate scandals, including those at Enron, Volkswagen and Wells Fargo were the direct consequences of an excessive focus on numbers.

Thirdly, such a singular focus on profit tends to antagonize both customers and employees. Consumers today want to do business with companies they respect and trust to be competent, ethical and actively improving the society around them and increasingly they will turn away from companies that do not meet these standards. Employees are also pushing for social and environmental change from their employers. Even shareholders—the very people who supposedly benefit the most from the belief that the sole purpose of companies is to make money—are looking beyond short-term profits and increasingly adopting the view that being a good citizen is ultimately good for business.

And fourthly, a singular focus on earnings is not good for the soul. If, when I joined Best Buy in 2012, I had told everyone at the company that our purpose was to double our earnings per share, what would have happened? Not much, and for good reason. When we ask Best Buy employees what drives them, no one ever says “shareholder value.” If we want employees to be more invested, we must acknowledge that their souls are not wrapped up in a stock price. Work is a quest for meaning. Maximizing profit does not answer that quest, and it is not what drives people to give their very best to save companies like Best Buy.

S&L: In *The Heart of Business* you develop a model called “the purposeful human organization” based around the guiding principle of purpose and people before profit. How does this work in practice? (See [Figure 1](#)).

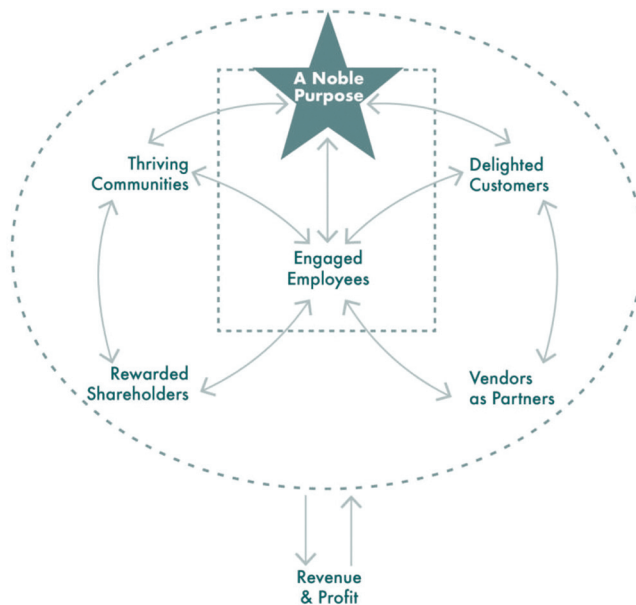
Jolly: We urgently need to reinvent capitalism from the inside out, and the good news is that we can. Over the years, I have developed—and put to the test again and again—an approach that lays out the architecture for a refoundation of business and capitalism.

That approach is based on a seismic shift from profit to purpose. Business is fundamentally about purpose, people and human relationships—not profit, at least not primarily. Companies are not soulless entities but human organizations made of individuals who work together toward a common purpose. When that common purpose aligns with their own individual searches for meaning, it can unleash a kind of human magic that results in outstanding performance.

Purpose is the reason the company exists. A noble purpose, a term borrowed from Lisa Earle McLeod, is the positive impact the company is seeking to make on people's lives and,

“Competition against oneself, or doing better tomorrow than we did yesterday, is more productive than obsessively measuring ourselves against others.”

Figure 1 The purposeful human organization – a declaration of interdependence



Source: *The Heart of Business: Leadership Principles for the Next Era of Capitalism*, Hubert Joly, (Harvard Business Review Press, 2021). Reprinted with permission. All rights reserved

by extension, its contribution to the common good. That common good is the core focus of the company and is integrated in every aspect of what the company does. Business does well by doing good.

Employees rally around the noble purpose, and customers profoundly relate to it. It becomes a guiding North Star by which strategy is formulated and every decision made and measured. A company's reason for being can be found in this way: what the world needs, what we as a team are passionate about, what the company is good at, and what it can get paid for. This concept has inspired the four questions that Best Buy uses when considering new business ideas:

- Does it fit with our purpose as a company?
- Is it good for the customer?
- Can we deliver?
- And can we make money?

S&L: How do you see the model working as a mutually reinforcing system?

Jolly: The architecture I am advocating has employees at the heart of business, creating and nurturing caring, authentic relationships both within the company and also with all of the company's stakeholders—customers, vendors, local communities and shareholders—in a way that not only contributes to the company's purpose but also creates great outcomes for each of these stakeholders.

Doing great work for customers happens when all employees from the CEO down genuinely understand and care about what customers need and how they can best help them answer these needs. In order to do great work for customers and deliver great results, employees

also connect and collaborate with vendors as partners. Business also needs thriving communities to flourish, and employees, who come from those communities and contribute to them, are central to that connection. Finally, the connection between the company and its shareholders is fundamentally a human one.

In this approach, all elements are connected in a closely interdependent, mutually reinforcing system. Profits are an outcome of a successful strategy and the quality of the human relationships that drive it. But they are also essential to fulfill the mission, as they make it possible to invest in employees and innovation; create growth; support the community; and, of course, reward investors. In summary, this approach is a declaration of interdependence.

S&L: You say that developing a “noble purpose” for Best Buy to replace the primacy of profit “fundamentally changed our strategy and how we did business.” How and why did it make such a difference?

Jolly: The resurgence of Best Buy is based on embracing and implementing the principles of putting purpose and people first. From the beginning of our turnaround, our approach was to look after all stakeholders, and our noble purpose has been central to the way we have grown and evolved.

Best Buy’s purpose today is not about selling TVs or laptops. It is not about beating Walmart or Amazon. We decided that Best Buy’s purpose was “to enrich our customers’ lives through technology.” We would do this by addressing their key human needs in areas such as entertainment, productivity, communication, food, security and health and wellness. Guided by this noble purpose and putting people first, Best Buy illustrates why this approach works: it opens new horizons; it is inspiring, and it ensures that economic activity is sustainable and produces great bottom-line results.

In Best Buy’s case, enriching people’s lives by addressing their key human needs through technology promotes many more activities than just selling consumer electronics. Twenty years from now enriching the lives of customers through technology will still be relevant—even if TVs and personal computers no longer are.

Such a noble purpose also ensures that economic activity is sustainable. I deeply disagree with Milton Friedman’s view that business has no business dealing with societal issues. There can be no thriving business without healthy, thriving communities, and there can be no thriving business if our planet is on fire.

Finally, the purposeful human organization approach produces great bottom-line results. Some of the most successful companies in the world have adopted these principles, including Ralph Lauren Corporation, Johnson & Johnson, Whole Foods, 3M and Timberland. All have high-performance businesses producing superior financial results based on purpose, self-actualization and genuine partnerships that benefit all stakeholders.

This approach was crucial to the turnaround at Best Buy. When a business is in critical condition, its people are the key to a successful turnaround, and survival depends on how energized they are, and how much they care about customers and all other stakeholders. Unleashing that spirit at the company through embracing these purposeful organization principles and values was at the heart, indeed one might say was the heart, of the company’s successful transformation.

Notes

1. "Best Buy's Turnaround Began In 2012 And It's Still Going Strong," *Forbes*, December 2, 2019. www.forbes.com/sites/petercohan/2019/12/02/best-buys-turnaround-began-in-2012-and-its-still-going-strong/?sh=170d96183842
2. Hubert Jolly with Caroline Lambert, *The Heart of Business: Leadership Principles for the Next Era of Capitalism* (Harvard Business School Press, 2021).
3. <https://brenebrown.com/videos/ted-talk-the-power-of-vulnerability/>
4. www.ted.com/speakers/carol_dweck

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