Leading with purpose and humanity: A conversation with Hubert Joly

Best Buy’s former chairman and CEO reflects on a business’s reason for being by defining it around purpose and humanity, the link to competitive advantage, and managing shareholders and stakeholders during a crisis and beyond.

by Bruce Simpson
In a recent poll of customers’ reaction to the COVID-19 crisis, more than 80 percent of respondents said they would remember which companies “did the right thing by their workers” in dealing with safety measures or efforts to avoid layoffs. Three-quarters said they wouldn’t forget those businesses that took missteps “long after” the crisis ends.1

This is familiar terrain for Hubert Joly. After joining Best Buy as CEO in 2012, Joly engineered a dramatic transformation of the ailing electronics retailer and built a reputation over time as one of the business world’s most visible advocates of defining a business’s reason for being with social purpose and people as a guiding star. Today, as more and more executives grapple with the need to incorporate the needs of all stakeholders into their leadership choices, Joly’s experience reflects the challenges and opportunities inherent in mobilizing customers, vendors, and other stakeholders in pursuit of what he calls “noble purpose.” In this edited interview, Joly, a McKinsey alumnus, shares his thinking with McKinsey’s Bruce Simpson about personal purpose and managing the evolving landscape of corporate purpose during COVID-19 and beyond.

Personal purpose
My individual, personal purpose is to try to make a positive difference for people around me and then to use the platform I have to make a positive difference in the world. This is an evergreen purpose, meaning, whether I’m the CEO of Best Buy or starting my next chapter, it’s always true.

It stems from a reflection on what work is, because, of course, work is a big part of our lives. You can see work as a curse, as a punishment because we sinned in paradise. I tend to see work as being essential to our humanity and to our fulfillment, part of our quest for meaning. It’s not something you do so that you can do something else; it’s something that’s essential to our lives. I think it’s essential when we lead companies that we recognize this for all of the people working at the company—and that we can connect their individual purpose with the purpose of the company.

Pursuing ‘noble purpose’
These days most companies, and most leaders, believe in the importance of purpose, and there is a broad-based realization that excessive focus on profits is wrong. The question is often, “So where do you start and how do you sequence?” The logical part of our mind would have us start with purpose, then derive the strategy: anchor it in purpose, and transform the organization on that basis.

My personal experience is different. When we started the turnaround, I was very clear about my philosophy, which was that profit is not the purpose. Purpose is to contribute to the common good. But we did not spend time in the first three years of the turnaround on refining our purpose. We spent the time saving a ship that was sinking, by addressing key operational-performance drivers.

We also spent a lot of time—and I can see it very clearly with hindsight—on making sure that the soil of the company was fertile. Do you know the parable of the sower? If the seeds fall on stones, nothing is going to happen. You may have perfect seeds, but they aren’t going to grow. So a lot of our emphasis was on creating a joyous, growth-oriented culture, and on creating a very human environment where people felt that they belonged, that it was a human organization, that we emphasized individual development.

How do you define that noble purpose? I believe you find it at the intersection of four circles: what the world needs, what you are good at, how you believe you can make a positive difference in the world, and how you can make money.

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So the sequence of steps is not always going to be, “Start with purpose.” A lot of companies are focused on that, but it may not be the best point of attack. When you start working on defining purpose, the danger is to make it too abstract, too glossy.

No. It needs to be grounded in true customer needs, and true demonstrated abilities to achieve competitive advantage. Your dream, of course—but also the ability to make money: something that’s very real, tangible, and tightly connected to the growth and profit engine of the company.

The danger of the fact that purpose is very much en vogue, paradoxically, is to put too much emphasis, too early, on it—as opposed to really finding the right time and the right approach to go after it.

If the definition of purpose is too much for the website, people say, “Well, that’s not my reality.” So how do we make it real and how do we unleash that human potential?

People first
At the end of the day, a company is a human organization made of individuals working together in pursuit of a goal. These individuals produce value for all stakeholders. They are the source, not simply a resource. In a turnaround, typically people tell you, “Cut, cut, cut.” My approach to turnarounds is essentially the opposite; it’s to start with people. I spent my first week on the job in a handful of stores, starting in the store in St. Cloud, Minnesota, to listen to the front liners and learn from them what was happening. That’s how we decided to invest in the shopping experience online and in the speed of delivery, to neutralize the advantage of online players. We also invested in the store experience, partnering with the world’s foremost tech companies to develop stores within our stores. On the cost side, we started by looking at how we could attack nonsalary expenses. Head count was a last resort—starting not with the front liners but with the top of the house. In eight short weeks in 2012, we constructed a plan that we called “Renew Blue.” We co-created it, we didn’t go for perfection, and then we got the bicycle going in a turnaround, creating momentum and energy. (For a detailed look at Best Buy’s transformation, listen to “Transformation and resilience: An interview with Best Buy’s executive chairman Hubert Joly,” on Apple Podcasts.)

Shareholders as customers
When we presented our Renew Blue plan to our investors, it had all of the stakeholders you have to engage as you lead these turnarounds: customers, employees, vendor partners, community, and shareholders.
With the shareholders, our approach was very simple. We shared with them, in November 2012, our diagnosis of our strengths and our opportunities. We were very transparent. We gave them the overall framework and our long-term targets. I don’t think you impress shareholders just by the words you use. It’s more around the say–do ratio. So in the following quarters, we really focused on doing what we had said we were going to do, on reporting quarterly progress, on showing them concrete opportunities, and on demonstrating how we had gone after them. That allowed us to build credibility; delivering quarter-after-quarter progress was very helpful.

Sometimes there is a debate: as a company, "Do we need to focus on the short term or the long term? And do shareholders force you to do crazy things because of a short-term focus?" I think that’s a wrong, an artificial, debate. I’m a big believer that 98 percent of the questions that are asked as “either/or” are better answered as “and.” Of course, you need to focus on the long term. And you need to focus on the short term. I’ve also always found that if you tell the investors, “Look, I’m going to be investing in this area, and the payback is going to look like this,” they’re very open to that. They want you to create long-term value, so if you’re logical and you follow through with a track record of delivering results, they’re very open to this. Any management team that relies on excuses related to shareholders, is, I think, misdirected. In the end it is about treating shareholders as customers.

Measuring purpose

These days most companies, and most leaders, believe in the importance of purpose. And there is a broad-based realization that an excessive focus on profits is wrong. It’s of course the easiest thing to measure. There are generally accepted accounting principles [GAAP]. And at the end of each month, you know what your profit is.

The problem is that if you focus too much on this outcome you’re actually going to be tempted to do the wrong thing. And, by the way, anybody who believes that your GAAP numbers, even your non-GAAP numbers, are a good measure of the economic value creation for a business, is wrong.

If you dig into it, accounting has never really been designed as a way to represent economic value. For example, you always write down goodwill, but you never write it up. I think the key in leading companies is to have a balanced scorecard, to have KPIs [key performance indicators] that are focused on customers, like a customer-satisfaction score or revenue per customer; on employee engagement and turnover; on vendors and how the relationship with them is going; your impact on and reputation in the community; and on financial performance.

So it’s a matter of managing this holistically. And I think as proxy advisers or rating firms work on measuring performance, I am encouraged by the trend toward measuring an increasingly broad range of dimensions. More can be done, though, in particular in the area of evaluating executive compensation. Proxy advisers focus their evaluation on total shareholder returns over one year, three years, five years. That seems to indicate that profit is the only thing that matters. There is increasing realization that having a purpose—a long-term strategy, taking care of all of your stakeholders, doing well by doing good—is the right approach.

So we have a bit of a lag here. I think that over the next several years there will need to continue to be some work on that. There’s been some interesting work by the SASB [Sustainability Accounting Standards Board] and a few others. We’re not there yet, but I think we have to continue to move forward in that direction.

Customer purpose

When we did market research, we saw that although many of us love technology, and there are a lot of exciting new products and things that we can do with technology, it’s complicated, and can be confusing. We need help as customers.
“One of the diseases that exists in the world is the notion of zero-sum games. You lose, I win. I win, you lose. That’s wrong.”

So the purpose of Best Buy, in relation to customers, is not just to sell you a TV or a computer—though we’ll gladly help you buy one. But it goes beyond that. It’s about what we call enriching lives through technology by addressing key human needs. The reason people buy a computer or a phone is not really for the product; it’s for what it can do.

Focusing on underlying human needs unleashed a lot of growth opportunities—such as our strategy to help aging seniors live in their homes independently, for longer, by putting sensors in their home, under the bed, in the bathroom, in the kitchen, or even on themselves for full detection. Through remote monitoring and artificial intelligence, we can help detect whether something is going wrong and trigger an intervention. That’s a real need, and note how the strategy is not focused on the fact that we have brick and mortar stores or that we are a retailer. It’s based on addressing human needs.

Interestingly enough, we have a second purpose, which is to help the world’s foremost tech companies to commercialize the fruit of their billions of dollars of R&D investment. It’s not about “showrooming,” it’s about showcasing—helping customers understand what can be done. And it’s been a critical element of our journey, our purpose, and our economic equation.

Vendors as partners
The way we dealt with our vendor partners, Amazon or Apple and so forth, illustrates our basic philosophy of leading with purpose and humanity, by taking care of and working with all of our stakeholders. You could see these vendors as competitors, right? Amazon, in some ways, is a competitor. Apple is an important vendor, but it also has its own stores. What we decided was to cooperate with them. One of the diseases that exists in the world is the notion of zero-sum games. You lose, I win. I win, you lose. That’s wrong.

With Amazon, we decided that they were a developer and manufacturer of great technology products that customers wanted. So of course we were going to sell these products in our stores. Amazon now has corners in our stores next to Google—which is great for customers. They can see the various opportunities available, and they can understand what can be done with that.

We’ve even gone beyond that. One day—it was April 2018—Amazon and Best Buy announced a partnership where Amazon gave us the exclusive rights to their Fire TV platform to embed that platform into smart TVs. These smart TVs powered by Fire TV are only available at Best Buy or by Best Buy on Amazon.com. So it creates opportunities. Similarly, Apple has its own stores, but the Apple store within Best Buy is a way to expand access to
Apple’s products for more of its customers. So it’s a case where the customers win, the vendor partner wins, and we win as well.

**Purposeful leadership**

One thing I want to add is what this focus on purpose and humanity means from a leadership standpoint.

The first thing is to be aware of what drives you as a leader. Be clear about your purpose as a leader, the purpose of the people around you, and how all of this connects with the purpose of the company. If you are driven by power, fame, glory, or money, this is a danger zone. Your role as a leader also is not to be the smartest person in the room and to make sure that everybody around you knows how smart you are. It’s to create an environment in which others can be successful.

We need leaders who lead with all of their body parts: their brain, their heart, their soul, and their gut. Especially in a crisis like we have today with COVID-19, using your instincts and your intuition is also important. So use all of your body parts.

Perfection is very dangerous because you work on a team, and on your team you have other human beings. And guess what? They’re not perfect. They’re making mistakes. Being able to say, “My name is Hubert, and I need help,” is a good exercise that creates a much better outcome.

**On COVID-19**

In this COVID-19 crisis in particular, I’ve seen a lot of leaders being OK with saying, “All right, this is what we know at this point, this is what we don’t know, this is the work we’re doing to figure out the answer”—but not feeling the need to have answers to all of the questions and giving the impression that no mistake is being made. In fact, I think any leader knows that creating an environment in which it’s OK to make mistakes is something that makes complete sense. So beware the concept of perfection. Embrace vulnerability.

For me, one lesson from this crisis is around how we define performance. This is a time when our performance as leaders is not defined by our share price or earnings guidance. It will be measured by how we treat employees, how we deal with our customers and communities. Back in 1940, Winston Churchill spoke about Britain’s finest hour. This crisis can be our finest hour as leaders, but it requires that we ask ourselves a few questions.

One is, are we taking the time, first, to take care of ourselves? That means sometimes hitting the pause button and being clear about how we want to lead. The second question is, what actions are we taking and what is driving them? I am inspired by many great examples of companies taking care of their employees, not laying them off but perhaps putting them on furlough. In Europe, they have put in measures that enable employees to stay on payroll, with government subsidies. Employees will help us move forward. I think this crisis will accelerate the movement toward the necessary refoundation of business and capitalism, around purpose and humanity, and I want to be part of it.

Bruce Simpson is a senior partner in McKinsey’s Toronto office.

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