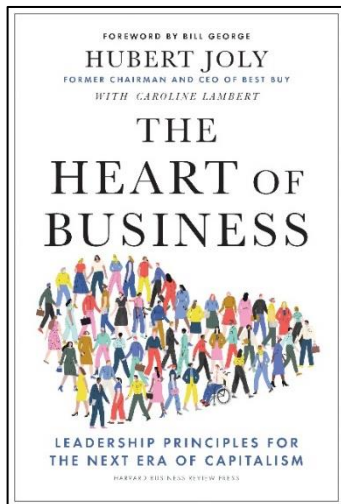


# THE HEART OF BUSINESS

*Leadership Principles for the Next Era of Capitalism*

By Former Best Buy CEO and HBS Professor  
**Hubert Joly**



## Advance Praise for THE HEART OF BUSINESS

“Best Buy’s turnaround under Hubert Joly’s leadership was remarkable—a case study that should and will be taught in business schools around the world. Bold and thoughtful—he has a lot to teach.”

—Jeff Bezos, founder and CEO of Amazon

“*The Heart of Business* will be the defining business book of this decade. Hubert Joly shares his highly successful, simple, profound insights that reprioritize purpose, people and profit. His proven philosophies are a brilliant guide for all leaders and companies as you prepare to rapidly pivot to serving all stakeholders in this new age of inclusive capitalism.”

—Angela Ahrendts, former Senior Vice President of Apple

“This smart, practical guide is a perfect resource for any business leader.”

—Publishers Weekly

A year of unprecedented change has prompted leaders to rethink the purpose of business, and the public to expect more from them. While stakeholder capitalism sounds like the solution, many companies and leaders fear they can’t afford it, doubt its effectiveness, or are not sure where to begin and how to move forward—especially during a global crisis.

In **THE HEART OF BUSINESS: *Leadership Principles for the Next Era of Capitalism*** (Harvard Business Review Press; May 4, 2021), **Hubert Joly**—former CEO of Best Buy and orchestrator of the retailer’s spectacular turnaround—unveils his personal philosophy to achieving extraordinary outcomes for all stakeholders by putting purpose and people first.

According to Joly, the “Heart of Business” is about pursuing a noble purpose, putting people at the center, creating an environment where every employee can blossom, and treating profit as an

outcome, not the goal. At the heart of business is the idea that “work is love made visible” and that companies can be a force for good by serving people.

Joly’s approach is easy to understand; putting it into practice is harder. It requires radically rethinking how we view work, how we define companies, how we motivate, and how we lead. To help with this journey, Joly shares memorable stories, lessons, and practical advice, many drawn from his own personal transformation from a hard-charging McKinsey consultant to a leader who believes in human magic.

Joly has written **THE HEART OF BUSINESS** as a playbook for leaders who are ready to abandon old paradigms and eager to lead with purpose and humanity. It touches on:

- How to place a noble purpose as the cornerstone of a company’s strategy and concretely embrace and align all stakeholders around that purpose. For **Best Buy**, that purpose is enriching people’s lives through technology. And it allowed them to form genuine partnerships with the world’s foremost companies, including unlikely allies like **Amazon**, to the benefit of all.
- How to turn around a business by putting people first and reducing headcount as a last resort.
- How to unleash “human magic” for outcomes that defy logic. This includes an actionable commitment to diversity and inclusion, such as the “reverse” mentor program that pairs **Best Buy** executives with employees who help broaden their understanding of differences and issues they face.
- How to become a purposeful leader focused on creating an environment in which others can flourish and perform at their best, and who inspires by showing vulnerability and embracing their and your humanity.

As we face an array of issues from political polarization and the need for racial justice to the pandemic and climate change, **THE HEART OF BUSINESS** is an urgent call for the re-foundation of business and capitalism—and the playbook for how to do it.

### **About the Author**

**HUBERT JOLY** is the former Chairman and Chief Executive Officer of Best Buy and is now a senior lecturer at Harvard Business School. He is also a member of the board of directors of Johnson & Johnson and Ralph Lauren Corporation, a member of the International Advisory Board of HEC Paris, and a Trustee of the Minneapolis Institute of Art. Joly has been recognized as one of the top 100 CEOs in the world by the *Harvard Business Review*, one of the top 30 CEOs in the world by *Barron’s* and one of the top 10 CEOs in the U.S. by Glassdoor.

**[THE HEART OF BUSINESS](#): Leadership Principles for the Next Era of Capitalism  
By Hubert Joly**

Harvard Business Review Press \* May 4, 2021 \* 304 pages \* \$30.00 \* ISBN: 978-1647820381

## **More Advance Praise for THE HEART OF BUSINESS**

“Hubert Joly is a leader who I deeply respect and admire. This compelling book captures his gift of using purpose and inspiring human connections with employees, customers, suppliers, investors and communities. A must read if you want to learn how to do this effectively.”

—**John Donahoe, CEO of Nike**

“Hubert Joly is one of the most gifted leaders of our time, with an extraordinary ability to navigate unimaginable business challenges while at the same time lifting others around him to fulfill a higher purpose. *The Heart of Business* provides a practical and aspirational roadmap for all leaders to elevate their impact by focusing first on what matters most—the power of human connection. There is no better teacher than Hubert to inspire all of us to lead with vulnerability, empathy, and courage.”

—**Michelle Gass, CEO of Kohl’s**

“Hubert Joly is a refreshing voice on organizational transformation, and with *The Heart of Business* he now shares an equally visionary perspective on the next potential phase of stakeholder capitalism.

This is must-read material for anyone looking to understand modern business as a force for global good, the changing nature of leadership, and why deep purpose needs to be at the heart of everything we do.”

—**Alex Gorsky, Chairman and CEO of Johnson & Johnson**

“In his inspiring and transformative book *The Heart of Business*, Hubert Joly uses his years of experience at Best Buy to clearly show the importance of purposeful and human leadership and how to implement it. This playbook for ‘unleashing human magic’ will change hearts and minds not only on how businesses are run, but how business and capitalism are taught in business schools.

This is a must-read and a defining book of our time.”

—**Arianna Huffington, Founder & CEO, Thrive Global**

“Through great storytelling and lessons from his own experience, Hubert invites us to think deeply about a company’s purpose—to contribute to the common good and serve all its stakeholders in a harmonious fashion by unleashing human magic—and offers a set of principles and practical advice on how to make this vision a reality.”

—**Satya Nadella, CEO of Microsoft**

“*The Heart of Business* makes it clear that Hubert Joly knows what it takes to create an environment in which every unique individual is valued for who they are and what they bring to the table. He knows that diversity is not an afterthought but a fundamental business imperative. He knows how to lead with purpose and humanity. And by reading *The Heart of Business*, so will you.”

—**Crystal E. Ashby, Interim President and CEO, The Executive Leadership Council (ELC)**

“The amazing saga of Best Buy—led by Hubert Joly and his team—is one of the most inspiring and instructional stories of this century. *The Heart of Business* is a must-read book for leaders—at all levels in any organization! It is a roadmap for anyone who wants to become the leader of the future.”

—**Marshall Goldsmith, #1 *New York Times* bestselling author of *Triggers* and**

*What Got You Here Won’t Get You There*

## About Hubert Joly, Former CEO of Best Buy and Author of THE HEART OF BUSINESS



Hubert Joly is the former Chairman and CEO of **Best Buy**. He has been recognized as one of the 100 “Best-Performing CEOs in the World” by *Harvard Business Review*, one of the top 30 CEOs in the world by *Barron’s*, and one of the top ten CEOs in the United States in **Glassdoor’s** annual Employees’ Choice Awards. Joly is a senior lecturer at **Harvard Business School** and serves on the boards of **Johnson & Johnson** and **Ralph Lauren**. He is also a member of the International Advisory Board of **HEC Paris**, and a Trustee of the **Minneapolis Institute of Art**.

During Hubert’s time at **Best Buy**, he and his team rebuilt the company into one of the nation’s favorite employers, a sustainable leader, and an innovator, dramatically increasing customer satisfaction and growing the company’s stock price ten-fold. His greatest achievement, however, may have been to make himself dispensable: he decided to step down as CEO in 2019 and as executive chairman in 2020, and pass the baton to a new generation of leaders.

Hubert’s purpose in life is to make a positive impact on the people around him and use the platform he has to make a positive difference in the world. In addition to serving on boards, he now spends most of his time as a lecturer at **Harvard Business School** and supporting other leaders seeking to become the best versions of themselves and to lead with purpose and humanity. He is also actively invested in efforts to advance meaningful diversity and inclusion.

Corie Barry, who succeeded Hubert as CEO of **Best Buy**, says: “[*The Heart of Business*], written by one of the most compelling and compassionate CEOs in a generation, will serve as a guide for all those who aspire to lead with purpose and live a professional life filled with meaning. I witnessed this firsthand as Hubert led a once-in-a-lifetime retail turnaround that was grounded, first and foremost, on the principle that purpose was as important as profit and that the work itself, while hard, could be joyful and filled with heart.”

## **A Conversation with Hubert Joly, Former CEO of Best Buy and Author of THE HEART OF BUSINESS**

**Best Buy has been characterized as one of the most stunning turnaround stories of the last decade. What was the key to turning around the company?**

We achieved this turnaround by pursuing a noble purpose, putting people at the center, creating an environment where every employee can blossom, and treating profit as an outcome, not the goal. This is what I believe is at “the heart of business.” I believe that this philosophy can help with the necessary refoundation of business and capitalism and help create a more sustainable future.

When I became CEO in 2012, I spent the first week on the job working in stores, listening to what the front liners had to say. And I realized that the world needed Best Buy. Customers need a place to see, touch, and feel the technology, and they need to get advice from experts on how to incorporate it into our lives. And many vendors needed Best Buy because they needed a place to showcase their products. I found that most of the issues at the company were essentially self-inflicted. We could turn around Best Buy to the benefit of all of its stakeholders.

When it came to our talent for example, we did not use the cut, cut, cut approach that many were recommending. Instead, as we focused on growing revenues, we put people first--recognizing them as the source of our future success, not a problem. And when we had to cut costs, we first focused on reducing non-salary expenses (for example reducing breakage during TV delivery) and optimizing benefits (for example partnering with insurers to boost employee wellness). Headcount reduction was a last resort, and if we had to do it, then we would focus on how we could redeploy people within the company. In difficult, uncertain times, focusing on people is a big part of the answer.

Eight years later, Best Buy has been transformed. We have rebuilt the company into one of the nation’s favorite employers, a sustainability leader, and an innovator, vastly increasing customer satisfaction, and dramatically growing its stock price.

**What led you to partner with the world’s foremost tech companies, including Apple, Microsoft, and Samsung, and some who were competitors, like Amazon?**

I saw a win-win-win opportunity.

A major threat at the time was showrooming, a practice whereby customers would come to the store and speak with our blue shirts, but leave empty-handed to buy online where it was supposedly cheaper.

We killed showrooming and turned it into showcasing. We did it by matching online prices and by partnering with the world’s foremost tech companies to enable them to showcase in our stores the fruit of their billions of dollars of R&D investment. The first deal we did was with Samsung, back in December 2012. Within a matter of months, Samsung had 1,000 stores within our stores in the U.S. We then lined up similar deals with Microsoft, Sony, LG, Canon, and Nikon. We also partnered with Amazon, which placed their Echo/Alexa products in our stores. We even executed a deal with them in which they gave us the exclusive rights to embed the Fire TV platform into smart TVs, which were then sold exclusively at Best Buy and by Best Buy on Amazon.

Establishing stores within our stores for all the key players was good for the customers, good for the vendors, and good for us. The takeaway: win-win-win partnerships that expand the pie for everyone are

better than zero-sum game approaches. We have to refuse the tyranny of EITHER OR choices and embrace the power of AND.

### **You say that profit should be an *outcome*, not a goal. Why?**

Many years ago, when I was a consultant with McKinsey & Company, I learned something really important from a client. It has stayed with me as one of the most important ideas in business.

Here's what he told me: The purpose of a company is not to make money. Of course, you have to make money, but you have to treat it as an outcome, not the goal. In business, there are three imperatives: people, business, and finance. The people imperative means having the right team, properly equipped and motivated. The business imperative means making sure you have happy customers. And the financial imperative means making money. But it is really the excellence on the people imperative and the excellence of the business imperative that lead to excellence on the financial imperative.

So, financial performance is an imperative and an outcome; but it is not the goal. If you step back, in my view, a company is a human organization, made of individuals working together in pursuit of a goal. As human beings, our aspirations, our dreams, the meaning of our lives are bigger than money. Most of us want to help others and contribute to the common good. So the goal of a company should be focused on pursuing a noble purpose, not making money *per se*.

Such a focus changes things: it can expand the addressable market of the company, and when the company's noble purpose aligns with the employees' own individual search for meaning, it can unleash the kind of human magic that results in irrational performance (beyond any logical expectation).

### **How did purpose play a role in the resurgence of Best Buy?**

In 2016, we declared that our turnaround was done and that it had become time to focus on how to accelerate the growth of the company. A key foundation for this was to rethink our purpose as a company. We were not a retailer. We were a company focused on enriching the lives of our customers through technology, by addressing their key needs such as communication, working/learning, entertainment, or health. This allowed us to vastly expand our addressable market and provide to everyone at the company added meaning to our work.

Importantly, we translated this into some very concrete strategic initiatives such as our entry into the health market, helping seniors stay in their homes independently with the help of technology, or launching our in-home advisor program that gives you the equivalent of a CIO or CTO for your home. This allowed us to evolve from selling products through transactions to selling solutions and building long-term relationships with our customers.

Note that for purpose to become meaningful in the company, you have to work not only on the strategy, but also on creating a fertile human environment in which initiatives like this can blossom. The parable of the sower is applicable here.

### **What role did Best Buy's redefined purpose play in positively impacting all stakeholders?**

Being a purposeful, human organization can change everything. Best Buy's noble purpose is about helping you, as a human being, live a better life. That purpose has manifested itself in lots of different ways; here are a few.

Best Buy encourages employees to connect their own individual searches for meaning/purpose with the purpose of the company. For example, Jason Luciano, the manager at the South Bay Best Buy store in Dorchester, MA, asked every single employee this question: what is your dream? Every associate's answer was written on a white board in the break room, next to their name. Jason, after he wrote it down, would always tell them, "Let's work together to help you achieve it."

As part of our commitment to improve the lives of customers, Best Buy has entered the healthcare technology industry, installing sensors that can be placed under the bed, in the kitchen, and the bathroom of aging seniors to detect if something is not going well. This not only helps aging seniors live longer in their homes; it opens up a whole new arena for business growth and deeper customer relationships.

As for our impact on the wider community, one example is Best Buy's Teen Tech Centers, which offer hands-on technology training to young people from underserved communities to prepare them for potential career paths and have promoted tech equity during the pandemic. We have posted [video](#) that highlights the aspirations of kids who benefit from these centers as well as real-world stories of exactly how they've helped. As of the end of 2020, there were nearly 40 of these centers; proceeds from this book will be donated to this program.

As mentioned before, we also partnered with our vendors for our mutual benefit as well as that of our customers. The results have benefitted yet another set of stakeholders: investors. The share price has gone from a low of \$11 in the fall of 2012 to around \$100.

The magic of the philosophy outlined in the book is that you can simultaneously impact every group of stakeholders in a positive way. It's about refusing to make trade-offs and having an expansive view of the possibilities for everyone.

**What are the five ingredients you suggest for unleashing "human magic" and creating outcomes that defy logic?**

The old approach to strategy formulation and implementation was quite top-down. It tended to look like this: take a group of smart people, have them create a smart strategy and implementation plan, communicate the whole thing, and put incentives in place to create alignment.

This approach does not work, because it fails to excite people.

I believe the recipe for creating an environment that allows everyone to blossom and produce irrationally good outcomes has five key ingredients: 1) Connecting individual search for meaning with the company's noble purpose; 2) Developing authentic human connections; 3) Fostering autonomy; 4) Growing mastery; and 5) Nurturing a growth environment.

**In 2019, you were succeeded as CEO by a woman. By the time you stepped down from the board in June 2020, Best Buy's 13 directors included a majority of women and 3 African American directors. How did you achieve this measurable increase in diversity and inclusion, both at the board level and throughout the company more broadly?**

At Best Buy, my team and I were intentional about fostering greater diversity and inclusion at the company. An initiative that helped create awareness and build a sense of urgency has been a "reverse" mentor program that pairs **Best Buy** executives with employees who help broaden their understanding of differences and the issues they face. We took these initiatives seriously and began building a better company because of it.

The issue of structural racism is not just a political issue; it's a business issue. The country is becoming brown. If the company does not represent the customers we serve, we're going to fail. It's a human, philosophical, spiritual, and business imperative to move the needle around diversity and inclusion, including by creating an environment where everyone can feel that they belong.

### **In what ways do your leadership principles reflect your own personal transformation?**

I feel today that much of what I learned at business school, McKinsey, or during my early days as an executive is either wrong, dated, or incomplete.

That includes the flawed approach to making change happen at a company that dates back to Bob McNamara in the 1960's: take a bunch of smart people to develop a smart strategy and implementation plan, communicate the plan, put the right incentives in place and expect things to happen. This approach does not work. No one likes to be told what to do; we as human beings like autonomy; and it is now proven that financial incentives tend to deteriorate performance. If you use carrots and sticks, then you will get donkeys.

In contrast, I have learned much during my time leading Best Buy about what it takes to unleash human magic. It means creating an environment where everyone can blossom. It starts with making sure that everybody at the company can connect what drives them in life with the purpose of the company.

As a result, I have gone from being a deeply analytical, hard charging consultant and executive to somebody who believes in human magic. I have gone from primarily relying on my brain to leading with my whole self, including my soul and my heart. I became a better leader when I stopped having my head disconnected from my heart.

### **Why is vulnerability so important for those in the C-Suite?**

The old leadership model was that of the leader as a super-hero, who saves the day, who is smart ("the smartest person in the room"), and who is probably driven by power, fame, glory and money.

The role of the leader has changed over the past ten years, and over the past 18 months. We have to do a reset. How we lead matters. Today's leaders have to lead from a place of purpose and with humanity. They must be clear about who they serve (not themselves), they must be conscious of what their true role is, which is to create an environment here everyone can blossom, and they must be driven by values and be authentic and vulnerable.

Vulnerability is what engenders genuine human connections, and is key to unlocking outstanding performance from everyone in the company. Moreover, senior leaders need to role-model this. As CEO of Best Buy, three months in the job, I told my team that this turnaround was going to require all of us to be the best leaders we can be. That included me. I told my team that I had a coach who was going to come in and ask them for feedback. I then shared with them the areas where I want to get better. That sent a signal to the rest of the team: if the CEO is vulnerable and wants to get better, then it's okay for everybody to want to get better. Setting the tone of vulnerability and improvement was critical to the company's subsequent performance.



**You talk about the necessary refoundation of business and capitalism. How are you thinking about it? How can the book help?**

The world is facing a range of major problems, including a health crisis, climate change, social injustice, and geopolitical tensions.

The Milton Friedman version of capitalism got us here. This model is failing.

The principles I outline in the book can help with the necessary refoundation of business and capitalism, by having business contribute to the common good through the pursuit of a noble purpose, embracing all stakeholders, and treating profit as an outcome rather than the goal. It can help build a more just, happier, and more sustainable future.

This is, of course, easy to understand but hard to do. The book is written as a guide for leaders who are eager to embrace these principles and lead from a place of purpose and with humanity.

**You talk about business getting involved in societal matters. Why is this legitimate and appropriate?**

If the city is on fire, like Minneapolis was after the killing of George Floyd, you cannot open your stores. So of course, you have to get engaged.

If the planet is on fire, you cannot run a business, as Larry Fink has rightfully pointed out. Business needs to do its part to prevent the global warming and climate change that will lead to catastrophic consequences.

**You now teach at Harvard Business School. What's your topline advice to current and future business leaders facing an economy beset by crises like the pandemic and climate change?**

When a company's noble purpose aligns with the employees' own individual search for meaning and benefits all the stakeholders involved with the organization, it can unleash the kind of human magic that results in irrational performance.

###