



## Creating a Meaningful Corporate Purpose

By Hubert Joly

In 2015, shortly after I became chairman of Best Buy (in addition to being the company's CEO), I decided to visit all board members. I headed to Michigan to sit with Patrick Doyle, who back then was the CEO of Domino's Pizza, and one of his colleagues. The most memorable moment of that visit, which also turned out to have the biggest impact on Best Buy, was a question from Patrick's colleague at the end of our discussion. He asked me, "Have you watched Simon Sinek's TED Talk about how great leaders inspire action?" I had to admit I had not. Shortly afterward, I did watch it. As Sinek put it, "People don't buy what you do; people buy why you do it."

This was an "Aha!" moment for me. For many years, I had been pondering the purpose of companies, as well as work's role in our individual, human quests for meaning. Although my philosophical exploration had convinced me of the power of both personal and corporate purpose, Sinek's ideas reminded me that it was critical at that time for Best Buy as a company to articulate its "why."

Today, most company leaders believe that their firms' larger purpose is to make a positive difference in the world — not just to maximize shareholder value. More than eight in 10 executives, for example, think that a strong sense of shared purpose drives employee satisfaction, facilitates business transformation, and helps boost customer loyalty. Most executives also understand that purpose helps companies navigate a volatile and unpredictable environment and delivers higher and more sustainable performance.

Defining a corporate why and making sure it guides decisions and operations has therefore become a cornerstone of doing business. Best Buy's purpose has been central to the way the company has grown and evolved — and continues to. It's what

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helped inspire previously discouraged and anxious employees and boosted the company's share price about tenfold since 2012.

I know from experience that it's easy to understand the idea of a company guided by purpose — and it's much harder to turn that into reality. The first step is to articulate the right purpose. Once I decided that Best Buy needed to focus on defining its own why, there was only one question: How should we approach this? From that experience, I learned that the following five considerations are critical for defining a powerful corporate purpose.

#1: Look for your company purpose at the intersection of four circles.

While a lot has been said and written about corporate purpose, what it actually is isn't always well understood. So first, let me offer this as the definition of the purpose of a corporation: It is the ultimate goal of the business, the essential reason why it exists, and how it contributes to the common good. For example, Google's original purpose was to "organize the world's information." Netflix has defined its purpose as "entertaining the world." Explicit in this definition is the view that business can and should be a force for the common good, rather than merely a vehicle whose only objective is to maximize shareholder returns, as Milton Friedman argued.

You might have noticed that there also isn't a lot of information about how to find corporate purpose, either (unlike, for example, how to define a business strategy). Of course, there's more than one way to proceed. But here is mine, inspired by author Andres Zuzunaga's approach to finding personal purpose: Look for your company's purpose at the intersection of four circles, as shown in the following figure.

To land on a meaningful, authentic, credible, and powerful purpose, explore all four circles thoroughly. Here are some factors to consider:

What the world needs: What specific, important unmet needs exist in the world? How critical is it to address these needs? What difference will it make?

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What people at the company are passionate about: What drives people at the company? What difference are they keen to make in the world? (These apply to senior leadership as well as the overall employee population.)

What the company is uniquely good at: What are the unique assets that allow it to address certain needs in a way others can't? How do they need to evolve/be augmented to address the chosen needs in a way others aren't?

How the company can create economic value: What business opportunities stem from these considerations? How attractive are the associated potential profit pools? Can the company capture enough of this value?

After my meeting with Patrick Doyle, my team and I started reflecting on how to articulate Best Buy's purpose during one of our quarterly senior leadership meetings. What defined the company, and what could the company be? We piggybacked on the strategy work that was already underway and deployed some analytical research. We realized, for example, that although technology offered exciting opportunities, it was also a source of frustration for most consumers, who needed help to use it fully to improve their lives.

But the work really progressed when we were able to also tap into the creative and emotional dimensions. For example, during one of our two-day leadership offsites, we spent time over dinner sharing our life stories and personal purposes, which helped us gradually define what we were collectively passionate about. Overall, what fundamentally drove most of us boiled down to making a positive difference in other people's lives. It's the combination of the analytical and the emotional that is powerful.

# 2: Anchor the company purpose in underlying human needs.

Focusing on underlying human needs, rather than on the products and services you offer to address them, is critical when defining a corporate purpose. First, it is far more

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inspiring. In Simon Sinek's words, this is what separates the why from the what and the how. Second, it broadens the company's horizons, opening up its market beyond what it already does.

Does the world need more TVs, mobile phones, and laptops? Or are these products merely a means to an end? This was a critical question as we reflected on what unaddressed problem Best Buy was meant to solve. Our research highlighted that although technology innovation was exciting, many customers needed help figuring out what it could do for them and how to take advantage of it. This was an unmet and crucial underlying need that was right in our lane, and it would offer considerable business opportunities if we expanded what we offered in our stores by adding services helping customers better use technology, like in-home tech consultations and 24/7 tech support.

# 3: Connect with what you and your team care deeply about.

In our Putting Purpose to Work workshops at Harvard Business School, my colleagues and I like to start our sessions by asking participants (MBA students or company executives) to reflect on and share with each other what drives them and why they work. In other words, we make it very personal, for a couple of reasons.

First, because business is fundamentally about human relationships — and if, like me, you see a company as a human organization made of individuals working together in pursuit of a common purpose — it's imperative for leaders at all levels not only to be clear about their own why, but also to understand what drives people around them. This was why I organized that dinner with the executive team during one of our retreats and why we encouraged employees to reflect on, and then share during company events, what drove them. This is critical for becoming what I call a human leader.

Making things personal is also critical for defining the company's purpose because it illuminates what people in the company, from front-liners to top leadership, are passionate about. When people's passions align with the company purpose, then everyone is fired up to give their best to pursue that collective purpose. Beyond individual specifics, most people typically want to do something good for someone

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else. It then becomes easier to see how this could extend to colleagues, customers, and everyone in the company's orbit.

#4: Embrace all stakeholders in a declaration of interdependence.

The question of what the world needs touches on a company's employees, customers, suppliers, communities, and shareholders. As Black Rock's Larry Fink has made clear in his letters to the CEOs of public companies, business cannot thrive in the long run if the planet or the community is on fire, or if employees are unhappy. Business cannot succeed in isolation.

How can companies ensure that stakeholders can all benefit from the company's purpose? It starts with identifying clearly who they are, what they need, and how the company could help address those needs. This reflects a view of business that goes beyond the company's four walls to mobilize all stakeholders in pursuit of the company's noble purpose, as illustrated below. In this approach, business is an ecosystem based on a mutually beneficial interdependence of all stakeholders. This architecture has employees at the heart of business, creating and nurturing caring and authentic relationships both within the company and also with all of the company's stakeholders in a way that not only contributes to the company's purpose but also creates great outcomes for each stakeholder.

This may initially feel like squaring a circle. Aren't there inherent tensions and conflicts among the interests of stakeholders? Look at the success of tech companies in and around San Francisco, for example. This was good for employees, customers, shareholders, and suppliers. But what about local communities? The influx of techies with deep pockets drove real estate prices up, often displacing earlier residents who could no longer afford to rent or buy a place to live.

Yet I believe that, more often than not, either-or situations can instead be reframed around "and." One of the key roles of management is to find ways to resolve conflicting interests so that the company can serve all stakeholders in a harmonious and congruent fashion. Here's what Brian Chesky, co-founder and CEO of Airbnb, says about this: "This idea that for one stakeholder to win, another has to lose is, to me, bad

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design. I always think like a designer. Design is not the way something looks; design is how something works, and something works best when it works for the largest number of people." In this spirit, companies like PepsiCo and Johnson & Johnson have clearly outlined how they want to benefit each group of stakeholders in the context of their overall purpose.

It is by refusing zero-sum games that Best Buy found ways to partner with competitors. When I joined the company, many of our vendors, from Apple and Microsoft to Sony, were developing their own retail stores, which could compete with ours. At the same time, we operated thousands of stores that offered the kind of proximity and reach those companies needed to commercialize their technology. Also, Amazon's clients were reluctant to buy expensive things like TVs without seeing them and testing them first. So we partnered with suppliers like Samsung, Sony, Nikon, Microsoft, Apple, and even Amazon (the very competitor expected to kill Best Buy) to create mini-stores within our stores to showcase their products. These stores-within-a-store would be faster and cheaper for our vendors than building their own outlets, and they would give customers keen to try out Apple's or Samsung's hot new phones or the latest Sony smart TVs good reasons to visit Best Buy stores. Good for customers, good for suppliers, and good for Best Buy.

#### # 5: Pick the right level of ambition

Just like in Goldilocks and the Three Bears, the company purpose shouldn't be too ambitious or not ambitious enough, but just right. A purpose that's too disconnected from the core business of the company or so broad or vague that it could apply to any company is likely to remain an empty statement. At the other end of the spectrum, a purpose that describes what the company already does, rather than addressing an unsolved problem, is unlikely to do much good or inspire anyone.

Ponder the following when calibrating the level of ambition in your company's purpose:

Articulate a timeless aspiration. Think about how your company can continue to meet customers' needs even as technologies and markets evolve. Disney, for example,

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strives “to entertain, inform, and inspire people around the globe through the power of unparalleled storytelling.” This is far more inspiring and ambitious than, say, making animated movies and amusement parks. Similarly, Apple’s purpose is to “empower creative exploration and self-expression.”

These are bold and inspiring ambitions. They’re about making a difference in people’s lives, not about market share, profits, or being number one. They’re also timeless — people will always need to be entertained, inspired, and to express themselves. There’s no finish line for companies with such aspirational purposes.

Consider going beyond customers to impact society. In what has become a multi-stakeholder world where companies are encouraged to have a “net positive” impact, companies are beginning to articulate purpose statements that seek to benefit more people than just their customers by addressing broader needs. For example, Tesla’s is, “We exist to accelerate the planet’s transition to sustainable transport.” And Patagonia “is in the business to save our home planet.” (Note how this new, shorter definition is more ambitious than the company’s previous purpose statement to “build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.”)

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After two years of work, contemplation, and iteration, we eventually landed on a formulation for Best Buy’s purpose that felt right for us — one that made business sense and just made sense, period. It had meaning for us as human beings. Best Buy’s purpose would be to enrich its customers’ lives through technology. We would do this by addressing their human needs in the key areas of entertainment, productivity, communication, and even food, security, and health and wellness. This prompted us to enter new markets. For example, we sought to help the elderly live safely at home longer by offering in-home sensors with AI to analyze the sensor data. This allowed agents in a call center to intervene early if there were signs that their customers weren’t sleeping, eating, or moving around enough.

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How do you know you've landed on the right company purpose? Once you've come up with a possible formulation, you want to make sure that all that work, reflection, and searching amounts to more than an empty statement. I find that evaluating it against the following five criteria is a good way to kick the tires.

Ask if your purpose is:

Meaningful. In other words, does it make a real difference in people's lives? Does it have the potential to make a meaningful difference for all stakeholders?

Authentic. Does it match what people at the company care deeply about? Does it resonate with the company's values?

Credible. Does it leverage the company's unique abilities or assets? Can the company deliver in a way that makes a significant difference? Does it make business sense? Can it be translated into concrete actions?

Powerful. Are the needs the company addresses important and sizable? How much good comes from addressing these needs?

Compelling. Is it clear, specific, and aspirational enough that it can inspire and mobilize people both within and outside the company?

Articulating a beautifully worded purpose is only the first step, however. Next is making sure that it actually becomes real, beyond PowerPoint presentations and company websites. What does it take? First, it requires making the company purpose the cornerstone of the company's strategy. It also requires enabling every employee to make it their own, translating it into their individual work. And the third essential element to bringing the purpose to life is unleashing what I call human magic by creating an environment in which everyone is able and willing to give their very best in

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support of the chosen purpose. This is the hard work that builds genuinely purposeful companies.

<https://hbr.org/2021/10/creating-a-meaningful-corporate-purpose>

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