

CORNER OFFICE

Hubert Joly Turned Around Best Buy. Now He's Trying to Fix Capitalism.

“The more taxes I pay, the happier I am,” says Mr. Joly, who is waging a campaign to get big business to be more socially responsible.



By David Gelles

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When Hubert Joly took over Best Buy in 2012, the electronics retailer was struggling to compete with Amazon, discount retailers like Walmart and a broad shift away from brick-and-mortar shopping. Sales and profits were sagging, and the stock price had cratered.

Mr. Joly, who is French, was an unlikely choice to become Best Buy's chief executive. He had spent the previous eight years working at a privately held travel company, and the five years before that at Vivendi, the French media company. But while analysts and even some Best Buy executives were pessimistic about the prospect of a turnaround, Mr. Joly was unfailingly optimistic.

Eschewing the conventional wisdom — that Best Buy should slash wages and cut costs in a bid to jack up profitability — Mr. Joly began investing in the company. He gave workers better perks, reorganized store floor plans and even teamed up with Amazon. The strategy worked, and Best Buy shares soared during his tenure.

Since stepping down as chief executive in 2019, Mr. Joly has taken up a post teaching at Harvard Business School and recently published a book, “The Heart of Business.” In his book, on the speaking circuit and in meetings with other executives, Mr. Joly has taken up a campaign against the capitalist status quo. While he goes light on policy prescriptions, Mr. Joly is broadly calling for an end to profit maximization at all costs, a restoration of the social compact between employers and workers, and an approach to business that takes human dignity as a starting point.

This interview was condensed and edited for clarity.

You contend that something's not right with the way capitalism is being practiced today. What happened? Tell me that story from your perspective.

The world we live in is not working. We have these multifaceted crises — health crises, economic crises, societal crises, racial crises, environmental issues, geopolitical tensions.

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For me, on the top of my F.B.I. most wanted list are two people. One is Milton Friedman, with his shareholder primacy — the excessive, obsessive focus on profits as the key thing that matters. And the other one is Bob McNamara, with the model of scientific, top-down management — getting a bunch of smart people, coming up with a plan, tell everyone else what to do, put incentives in place and hope something is going to work.

The combination of these two things is what got us here. It's sad because if instead of following Milton Friedman we had followed Peter Drucker, it would have been a different situation.

What was the moment when you realized that the way we've been doing things just isn't working?

My journey on this dates back to the early '90s. When I started at Best Buy, the basic advice from investors and management was cut, cut, cut. Close stores. Fire everybody. We did the opposite. We listened to the frontliners. We treated head-count reduction as a last resort. So the philosophy was there from the beginning.

If you think about business by first thinking about how you want to be remembered as a human being, most of us gravitate to the golden rule — doing something good to our people. If you can connect that desire in your heart with the way you run the business, the employees will love the company. The customers will love the company.

What were some of the obstacles you encountered as you worked to turn around Best Buy?

Our main challenges were: How do you create these new strategies? How to get 100,000 people to embrace them? People can have conversations about changing the system. I think that if we change ourselves, and change the way we run companies, there is an enormous amount we can do, and we don't need to blame anyone. We don't need to become a B Corp to do good things in the world.

Are there specific actions you think companies should take?

I would start with providing an attractive environment and set of opportunities for their employees. Raising the minimum wage is a very important trend, but it goes beyond pay. It is about benefits, taking care of your employees, including their mental health or their ability to vote. It is about a path to advancement, skills acquisition. It is about offering a growth environment, one where you feel you belong, one where you feel your manager is investing in you, one where you can connect what drives you with your work.

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The others have to do with developing a concrete plan to become carbon neutral and making sure you are a good member of the community in which you operate.

If companies are going to pay workers more and pay more taxes, doesn't that at the end of the day mean there will be fewer profits for executives and investors? That's a hard sell to the people who currently have the most power to change these things.

My experience has been that you can actually create more shareholder value by embracing this stakeholder approach. That doesn't mean it's always easy, and it takes time. If in 2012 I told the investors, "I'm going to immediately go to \$15 an hour," it would not have been reasonable. So we did it over time. It's like, if I want to lose 20 pounds overnight, you can't. It takes time.

Executive compensation — that's a different discussion. But even if you cut executive compensation in half, I don't think it changes materially the profit of a company. It doesn't make a difference for the workers. But I'm on the record saying that the more taxes I pay, the happier I am.

When you think about Amazon today and look at its labor practices, do you think it has the capacity to embody some of these values you're espousing?

Jeff Bezos' last shareholder letter is interesting. I love the fact that he added, "Earth's Best Employer and Earth's Safest Place to Work," and that with size comes responsibility. These are the right words. But words are easy, and then you need to go and do that.

When Jeff says he is embarrassed that they barely won the union vote in Alabama, I think this is genuine. Employees are putting more pressure in companies, and so you have no choice. You have to embrace all stakeholders.

I will not be the one to underestimate Amazon's capability to become a great employer if they put their minds into it. The question will be if they put their heart to it.

Do you think businesses like Best Buy can succeed in a world where there's less planned obsolescence, even less consumption?

We need to get to net zero in short order; otherwise, we lose control. We need to implement a few known things, and then we need to invent a few other things that are not known. I'm a big believer that if mankind puts its ingenuity to work, we can create amazing things. When you think about the rate of innovation, there are so many things that exist today that did not exist 30 years ago. We don't know where it's going to at this point. Plan A: The whole thing implodes, and we all burn in hell for a long time. Plan B: We innovate, and we're able to find new ways to, you know, to meet human needs.

I am not a big fan of saying, “Gee, the only way to get out of this is to go back to our caves.” That would not be a great outcome. So I am hoping that with innovation and persistence, we can actually get out of the mess we’re in. What’s exciting is that it seems to me people are now taking this seriously. But it’s not a given.

You’re teaching at a business school now. Is the curriculum changing in ways that reflect the stakeholder capitalism movement?

So much of what I learned in business school was either long dated or incomplete. The definition of madness is doing the same thing and hoping for a different outcome, so for me, there’s this urgent, urgent need to rethink the foundations of our economy.

I teach marketing to the first-year M.B.A. students. For now, it’s about how do we meet the needs of the customers, and maximize profits while doing it? That’s how marketing has been taught for the last 30 years. We have a few cases that look at brands taking a more holistic approach to life, so it’s happening. But I would say there is still a lot of work ahead. Do we need to accelerate the movement? Absolutely.