

# Profile: Hubert Joly, Best Buy Winner of the ISO 10018 Honorary CEO Citation for Quality People Management

By Bruce Bolger



*This profile of Hubert Joly, CEO of the consumer retailer Best Buy, kicks off ESM's new Quality People Management CEO Profile series highlighting chief executives at organizations of all types and sizes whose success is based on a strategic and systematic approach to engaging all stakeholders.*



---

*This report sponsored by EGR International, A Trusted Leader in Engagement*



While no CEO or company is perfect—every leader and organization has its detractors—ESM is singling out CEOs who demonstrate a strategic and systematic approach to success through people in order to provide CEOs, boards of directors and other executives a new paradigm for 21<sup>st</sup>-century people-focused leadership. In recognition of Hubert Joly’s accomplishments, the International Center for Enterprise Engagement (ICEE) has awarded him its first Honorary CEO Citation for Quality People Management\* (see [ESM: ICEE Launches Honorary CEO Citation for Quality People Management](#)).

It’s no surprise that Joly has staked his successful turnaround strategy at Best Buy on a strategic focus on people. After all, he joined Best Buy after an eight-year stint as President of Carlson Wagonlit (and later its parent, Carlson Companies), which was founded by Curt Carlson, one of the inventors of the modern loyalty and incentive fields. When Joly joined Best Buy in 2012, the company was a brand tarnished by high-pressure sales tactics, high employee turnover and poor service, in danger of extinction as a result of competition from Amazon. He has since led an extraordinary success story. The company’s stock has risen from the \$20 range five years ago to averaging over \$60 a share today, and annual earnings per share have more than doubled over the last four years.



## The Stats Don’t Lie

Joly has proven that a turnaround artist doesn’t necessarily have to be a cold-hearted villain. Of more than 18,000 ratings on [Glassdoor.com](#), 92% approve of the Best Buy CEO, versus 85% for Amazon’s Jeff Bezos, and the company’s Glassdoor rating of 3.8 (out of 5) is very good for the retail business. The company’s employee turnover rate is down to 30% from 60%, according to the [Minneapolis Tribune](#), and Best Buy’s American Customer Satisfaction Index score of 77% is not far below the highest reported rating (82%) on the organization’s scale. Joly told the *Tribune* that the true measure of success is “brand love,” measured by revenue per customer. He believes this is achieved by “human magic,” or creating a deep relationship with people that creates a flywheel effect that creates more stability. On his [Wikipedia](#) page, Joly writes: “We believe that price-competitiveness is table stakes. The way we want to win is around the advice, convenience, service.”

A [Fortune](#) magazine article reported: “And while Joly has now earned a reputation as a respected turnaround artist, investors say he does not fit the negative stereotype of other such executives.” The article quoted analyst Joe Feldman Senior Managing Director of Telsey Group, a consumer research advisory group, as saying Joly is “...more of a leader than just one of those guys that comes in and cuts the crap out of everything and leaves.”

## Moving Cautiously

When Joly took over the struggling Best Buy in 2012, one of the first things he did was get behind the counter at a retail store in the guise of an employee, moving cautiously before defining a clear vision. At the time he told [Reuters](#) that he “plans to cut non-salary expenses and woo holiday shoppers with a three-pronged strategy of offering competitive prices, stocking the right amount of hot products and improving customer service. Joly declined to be more specific.”



Going forward, Joly explained, the plan was “to take advantage of Best Buy’s clout with key suppliers by reaching out to them to develop deeper strategic partnerships. There are different ways to skin a cat in terms of a partnership. It can be exclusive [products], it can be unique shopping experiences, it can be deals...you know, a whole variety of things.”

Out of this discovery process came the company’s turnaround strategy, known as the Renew Blue plan, now in its fifth year. Joly told [Retail Intelligence Systems](#) that the success of the effort “is the direct result of the execution of our Renew Blue strategy and the hard work, dedication, and customer focus on the part of all of our associates.”

## A CEO-Led Enterprise Engagement Strategy

Without calling his strategic process by any specific name, Joly’s letter to investors in the company’s 2018 annual report provides the classic definition of and framework for an enterprise approach to engagement and a template for other CEOs, whether they run public, private, or not-for-profit or governmental organizations. Here are excerpts from the annual report, demonstrating the company’s focus on addressing the key brand definition, vision and goals of a strategic and systematic approach to everyone in the enterprise in order to achieve organizational goals.

“Our performance is highly dependent on attracting, retaining and engaging appropriately qualified employees in our stores, service centers, distribution centers, field and corporate offices. Our strategy of offering high quality services and assistance for our customers requires a highly trained and engaged workforce. The turnover rate in the retail sector is relatively high, and there is an ongoing need to recruit and train new employees. Factors that affect our ability to maintain sufficient numbers of qualified employees include employee morale, our reputation, unemployment rates, competition from other employers, availability of qualified personnel and our ability to offer appropriate compensation packages.”

“If we fail to attract, retain and engage appropriately qualified employees, including employees in key positions, our operations and profitability may be harmed.”

## A Clear Brand Vision

Joly clearly articulates the company’s brand vision, strategy, goals and focus in his investor letter.

- » “Fiscal 2018 was another milestone year for Best Buy. We declared our Renew Blue transformation over and launched our growth strategy, Best Buy 2020: Building the New Blue. As I will detail in this letter, we have articulated a clear purpose, strategy and set of goals and investments in support of that strategy.” (*Note: having an articulated strategic plan is the foundation of an ISO-compliant Enterprise Engagement process -Ed.*)
- » “In September 2017, we held an Investor Day and laid out what we believe is a clear and exciting purpose: to enrich our customers’ lives through technology. We aim to do this by addressing key human needs in areas including entertainment, productivity, communication, food, security and health and wellness.”



- » “We have anchored our strategy around a clear purpose of enriching customers' lives through technology. We also have a clear set of values, as reflected in our Code of Business Ethics. We think that having our employees focused on our purpose and a clear set of values is a key driver of both performance and sustainability.”
- » Joly’s letter explains how Best Buy intends to expand its sales of new technology solutions, total tech support and invest in its online experience, associate proficiency and Mobile 2020, a new service to make it easier for customers to select the right plan and set up their phones.

Without revealing specific information that Best Buy’s competitors would like to know, Joly articulates brand vision, values, objective, the people and the general tactics the company will employ to achieve its specific goals.

## A Focus on All Stakeholders

In the annual report, Joly clearly explains how the company’s goals and objectives will address the needs of all stakeholders, another foundational element of Enterprise Engagement:

**Customers.** “To enable our Best Buy 2020 strategy, we are investing in capabilities and tools. For example, we are making technology investments in enterprise customer relationship management and knowledge management tools, which will help us build a more seamless and effective experience for our customers and pave the way towards a more relationship-based approach to the customer experience we offer. We are also building out a new services platform to help power our Total Tech Support offering and provide the ability for customers to get easy and quick access to our Geek Squad tech experts, including a new app with video chat capability.”

**Employees.** Joly’s investor letter devotes considerable attention to employees:

- » “We are investing in our people through recruiting, training, development and compensation. We will continue to invest in specialty labor in areas such as appliances, In-Home Advisor and smart home. We are also investing in the multi-year strategic transformation of our supply chain that is designed to expand our bandwidth for growth and speed.”



- » “In the context of our improved performance and the expected savings brought about by tax reform, we are increasing the level of investment in the enablers necessary to propel our strategy. Specifically, this includes investments in specialty labor, improvements to employee benefit programs, and an increase in our fiscal 2019 capital expenditure plans to \$850 to \$900 million from the expectations we shared at Investor Day of \$750 to \$850 million. This compares to an average capital expenditure of \$640 million over the last three fiscal years.” The company reportedly used the proceeds of its 2017 tax reform benefits to invest in benefits for employees, including a child-care backup service.
- » “We are proud of the environment in which our employees operate, and of the strong levels of employee engagement and satisfaction we are achieving. We invest in the long-term development, effectiveness and engagement of our employees by working to ensure that we have a diverse workforce and inclusive environment, robust training and development programs, and a culture where our people can thrive. We received a perfect score of 100 in the Human Rights Campaign Foundation’s Corporate Equality Index and are ranked tenth in the world for employee training and development by Training magazine.”

- » “At the end of fiscal 2018, we employed approximately 125,000 full-time, part-time, and seasonal employees in the U.S., Canada, Mexico, and our sourcing office in China. We consider our employee relations to be good. We offer our employees a wide array of company-paid benefits that vary within our company due to customary local practices and statutory requirements, which we believe are competitive locally and in the aggregate relative to others in our industry.”
- » “We operate in a competitive labor market and there is a risk that market increases in compensation could have a material adverse effect on our profitability. Failure to recruit or retain qualified employees in the future may impair our efficiency and effectiveness and our ability to pursue growth opportunities. In addition, a significant amount of turnover of our executive team or other employees in key positions with specific knowledge relating to us, our operations, and our industry may negatively impact our operations.”

**Vendors.** “We partner with our vendors to help commercialize their innovations and bring them to life for the consumer. The company accomplishes this through customer-focused curation of the technology it sells online and in stores; effective, targeted marketing that reaches millions of relevant consumers; in-store demonstrations offering hands-on experiences for customers, needs-based selling expertise designed to solve problems and address lifestyle needs; and services that support customers in installing, setting up and operating their technology.”



**Supply Chain.** “We partner with our exclusive brand suppliers to ensure they meet our expectations for safe workplaces where workers are treated fairly. We perform audits, led by either us directly or third parties, to identify any gaps in factory performance and the industry standard code of conduct established by the Responsible Business Alliance. We also provide supplier training and assist in program development to support best practices in relation to conflict minerals, customs and trade antiterrorism measures, and factory labor conditions.”

**Environment.** “We are committed to managing our impact on the environment and are proud of our efforts to lower our carbon footprint, reducing it by 60% by 2020. We operate the most comprehensive e-waste recycling service in the U.S. and have collected more than 1.5 billion pounds of e-waste for recycling since 2009. We are also committed to providing an assortment of sustainable technology, including ENERGY STAR® certified products, and have helped customers realize \$707 million in utility savings since 2009.”

**Community.** “Corporate Social Responsibility & Sustainability. We believe businesses exist not only to deliver value to shareholders, but also to positively impact our various stakeholders, including society, and contribute to the common good. This holistic focus is a key responsibility our management and Board take seriously...We are particularly excited about the commitment we have made to help prepare 1 million underserved teens for tech-reliant jobs each year by 2020. This will be accomplished through the operation of our Best Buy Teen Tech Centers (year-round after-school programs), which we plan to expand from 15 today to 60 by 2020; career mentoring and internship opportunities through our Career Pathways Program; hosted Geek Squad Academy events (free, interactive technology camps) across the country; more than 100,000 employee volunteer hours each year; and partnerships with other organizations.”



**Return on investment.** In fiscal 2018, Joly reports that the company achieved \$285 million in annualized cost reductions and gross profit optimization for a total of \$1.6 billion since it began the Renew Blue program five years ago.

## Joly's Advice for Other CEOs and Aspiring Leaders

Here are some excerpts from a [Business Insider](#) interview with Joly about leadership:

1. **Be a purposeful leader.** “Be clear about your purpose in life, what drives you, and make sure it’s connected with the purpose of the company. If you’re driven by making money or career advancement, that’s fine for some roles. But many people want a deeper purpose in their career. You need to make sure that your purpose lines up with that of where you work. Most of us want to do something meaningful. We want to live a purposeful life.”
2. **Be clear about your role as a leader.** “Do you believe your role as leaders is to be the smartest person in the room, and make sure everybody knows that? Or is it to create an environment in which others can be successful and, you know, blossom and flourish and so forth? Most companies need a leader who is willing to help others succeed, even if it doesn't immediately benefit the leader.”
3. **Be clear about who you're serving.** “A good leader is focused on serving the customers, not the boss. If you believe you’re serving the servants, meaning people on the front line, and your role is to help them be successful, then you’ve got it.”
4. **Be a values-driven leader.** “Integrity is really important,” Joly says, although he admits that some of his criteria can sound like “propaganda.” However, he says that the proof is in the results. Due to an emphasis on ethical, values-driven leadership, Joly claims turnover at Best Buy has significantly decreased over the last five years. “These numbers with turnover and employee satisfaction, really, would not happen if we’re just going to tell people, ‘Be happy.’”
5. **Be an authentic leader.** Joly’s final leadership criteria is being yourself. “Work-life balance almost has the connotation that your work is not part of your life. So you can be an a--, the most terrible person at work, and then you can be the most wonderful person outside—it makes no sense.” Instead, he urges people to be their full, authentic selves at all times.

## The Secret to a Successful Turnaround

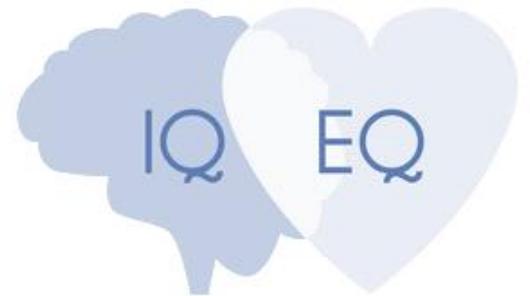
While Joly is considered a successful turnaround artist, he doesn’t fit the negative mold of other such executives, says an article in [Fortune](#). Here is Joly’s approach to a human-focused turnaround:

- » **The Bicycle Theory for Turnarounds.** For the first 18 months, don’t even worry about the company’s strategy, he says, referencing former IBM CEO Louis Gerstner’s 1993 quote, “The last thing IBM needs right now is a vision.” Instead, says Joly, ask employees to start pedaling—in other words, challenge them to show what they are capable of, and to do what they can to take the company forward.

- » **Cut jobs as a “last resort.”** Joly says there are four “levers” to improve profits—and job cuts are the last. The focus must be on increasing revenue and cutting non-salary expenses, including overhead and transportation. Eliminate luxury perks, look for health insurance plan savings, only remove people if all else fails and never announce cuts as if “it’s something to brag about.”
- » **Quantity over quality.** “The difference between great leaders and good leaders is not the quality of their decisions, it’s the quantity of their decisions,” says Joly. Employees should be empowered to make decisions by tolerating more errors and encouraged to follow their instincts by backing them up when they make a mistake. The idea is to make more decisions and then make smart decisions to correct mistakes.
- » **Replace “or” with “and.”** When executives pondered whether the priority was to cut costs or increase revenue, Joly’s answer was to do both. When executives asked if the goal was to make company’s retail employee’s happier or to focus on customers, the answer was both. By asking employees to go after two goals, he argues, they can do more in less time and eliminate unnecessary “or” and “and” debates.
- » **Whistle while you work.** Joly says people need to have a spring in their step, they need to be full of energy and lift and to believe. “When Best Buy was faced with negative press and predictions that it might go out of business, its demoralized staff looked to Joly and his top executives for motivation and reassurance that their hard work would pay off, and employee morale eventually improved.”
- » **Track your say-do ratio.** Accountability is key. When people come up with ideas and promises to implement them, follow-through is key.
- » **Spread bad news faster than good news.** Joly says he doesn’t mind being awakened at night with bad news because “Bad news has to travel at least as fast as good news. We never shoot the messenger from that standpoint, because everyone can mobilize around this.”

## EQ vs. IQ

On a personal note, in an interview with [Retail Wire](#), Joly admits that an executive coach helped him realize that one of his biggest quirks was a tendency to think he was “the smartest person in the room.” He determined that this trait held back others from contributing. Says Joly: “As I age, I believe that IQ is way overrated, and that EQ is where it matters. It’s how you assemble a team and what kind of types of leaders you put in power.”



**\*Note:** The Honorary CEO Citation for Quality People Management citation is not to be confused with an ISO 10018 Certification. The Citation is a recognition of CEOs who have demonstrated a strategic and systematic approach to engaging all stakeholders and does not verify that the organization would qualify for an actual ISO 10018 Quality People Management certification.

## Featured EEA Supporter:



### EGR International

*A leading Engagement Agency with a proprietary, fully customizable engagement portal technology designed to support the demands of large enterprises.*

Contact:  
 Jenni Smith  
 212-884-1834  
 jsmith@egrinternational.com