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Corporate Strategy

Does Your Company's Culture Reinforce Its Strategy and Purpose?

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Summary. Good strategy has traditionally been seen as the key to business success. More recently, purpose has become an essential element of doing business. But something else is missing: culture, or the essential elements of how an organization and its employees... **more**

Early in my career, strategy was seen as the key to business success. More recently, purpose has become an essential element of doing business — the north star and inspiration meant to orient all company activities. But there is often a large gap between a company's purpose and what its employees experience, and a simple communication campaign about the great new company purpose won't do much good on its own.

So, what's missing from this picture? We've all known for a long time that besides purpose and strategy, something else is critical: culture, or the essential elements of how an organization and its employees behave, as well as its governing beliefs and principles. And yet, culture often receives less attention than purpose and strategy.

As a business leader and as a student of other business leaders, I now believe that a tight connection between purpose, strategy, and culture is critically important, because culture plays such a powerful role in making purpose and strategy come to life. I also believe that, as leaders, we can shape our companies' cultures faster and more profoundly than generally thought.

The purpose-strategy-culture triangle

What do successful companies like Microsoft, Netflix, Best Buy, and many others have in common? Culture has been the fertile soil that has enabled both their purpose and their strategy to come to life and drive extraordinary performance at scale. In my experience, magic happens when purpose, strategy, and culture are tightly connected and aligned, reinforcing each other. Why? Because employees must be willing and able to unleash their individual and collective human genius to support the company purpose and strategy, and this can only happen in a culture perfectly aligned with both.

When Satya Nadella became CEO of Microsoft in 2014, for example, the company was known for its aggressive, combative, and competitive culture. It was losing ground, having missed key waves of technology innovation. Since then, the company has gone through an amazing resurgence. Yes, Nadella and his team did update the company's purpose from putting a computer on every desk to "empower[ing] every person and every organization on the planet to achieve more." But I believe that the major driver of the company's amazing resurgence has been the reinvention of the its culture in support of that purpose, which implied addressing unmet, unarticulated needs. Central to that strategy was moving from a dominant "know-it-all" culture seeped in a world domination and zero-sum-game mentality to empathy and a growth mindset critical to a more open culture.



Conversely, poisonous cultures have been responsible for the downfall of companies or their leaders. Hubris, for example, is directly related to energy giant Enron's web of fraud and financial misconduct, which led to the company's collapse in 2001. And in 2017, Uber's co-founder and CEO Travis Kalanick was forced to step down after it emerged that the ridesharing company, famous for its "bro culture," was rife with bullying, sexual harassment, and discrimination.

I like to think of purpose, strategy, and culture as a triangle: Each angle connects with and shapes the other two, and if one changes, the other two must evolve and adjust to maintain balance and shape, or the triangle breaks and falls apart.

Which angle you focus on first or at any given time depends entirely on circumstances. As I was once told, trying to do everything well at all times is a recipe for "heroic mediocrity." When I became CEO of Best Buy in 2012, for example, the company was in serious trouble. The priority was to act fast, fix operations (meaning execute the existing strategy better), and create the energy, hope, and all-hands-on-deck spirit that would enable us to save the company together. This was not the time to ponder over an elegantly worded company purpose or craft a new long-term strategy. The times called for straightforward operational improvements, which helped reignite the company's culture around customers and frontline employees. A few years later, once we had stabilized the business, we felt ready to move from survival to growth. This is when we defined the company's purpose to enrich lives through technology, adjusted the strategy accordingly, and began reshaping the company's culture to make this purpose come to life.

A singular, simple, powerful idea

I find that articulating a succinct formulation that encapsulates culture around a singular, simple, and powerful idea that everyone can connect to makes it easier to shape and spread the culture. Simplicity and emotional connection are powerful because they fuel energy, focus, and action.

At Best Buy, we asked people who knew the company best to think about who we were, as a collective, when at our very best. We also asked: if the company were a person, how would it behave? "As an inspiring friend" was the answer. It came from within organically and aligned beautifully with our purpose of "enriching lives through technology by addressing key human needs." It also captured how we wanted to behave and who we wanted to be in every aspect of the business. Think of a friend: someone who understands you and cares about you and what you need. Someone who listens. Someone who connects with you on a very human level. Someone who does their very best to help you when you need it. An inspiring friend is someone who possesses the human qualities you most admire and aspire to. This simple yet powerful concept helped transform how every Best Buy employee related to not only each other, but also to customers, suppliers, shareholders, and local communities. It guided our efforts to reshape our business, our management systems, and the environment in which all of us operated. In short, it crystalized our culture for every employee and made it easier for our purpose and strategy to come to life.

The leader as role model

"The way you change behaviors is by changing behavior," Russ Fradin, the lead independent director at Best Buy when I was chairman and CEO, once told me. Simple, isn't it? Jokes aside, he meant that leaders clearly signal change and shape the culture through their own behavior and actions. Role modeling starts at the top. When I became CEO, for example, I spent my first few days working at one of our stores in a small town near Minneapolis. I wore the same blue polo shirt as our sales associates, with a badge that read "CEO in training." I observed, asked questions in the store and over a pizza dinner with local staff, and listened. By doing so, I signaled the importance of listening to frontliners to help fix what was broken. Besides setting the cultural tone, I also learned a lot about what worked and what didn't, which critically informed what we needed to do to turn the business around, including matching Amazon prices, investing in the online shopping experience, and reallocating the space in the stores to accommodate faster-growing product categories.

Satya Nadella also illustrates the power of role modeling. After advising women during a conference not to ask for a pay raise but instead have faith in the system to close the gender pay equity gap resulted in backlash, he <u>sent an email</u> to all Microsoft staff. "I answered that question completely wrong," he wrote, before saying women ought to get equal pay for equal work and should just ask for a raise if they think they deserve one. He further highlighted that this was a topic he had much to learn about, thereby beginning to shape the culture of empathy and the growth mindset that was instrumental to Microsoft's resurgence. A few years later, Microsoft reached pay parity between women and men.

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To be authentic, role modeling must reflect one's own values. Leaders should therefore not be shy about connecting their own personal purpose and beliefs with the company purpose and culture they're shaping. Leadership is less about being the smartest person in the room, and more about creating the environment that will enable the purpose and the strategy to come to life.

How to shape an effective culture

Changing a company's culture requires more than role modeling, of course. In my experience, there are three types of levers companies can use to profoundly shape an effective culture: business levers, management levers, and "human magic" levers.

Business levers

"Operational progress creates strategic degrees of freedom," including around organic growth, partnership, or M&A activities, one board member told me when I was CEO of Carlson Companies. In other words, improving operations influences strategic choices. He was right of course, and he could have added that changes in business operation shape a company culture, too.

When we focused on fixing customer pain points during the Best Buy turnaround, we emphasized the importance of acting from the outside in and from the bottom up. That made it clear that the future of the company depended on listening to customers and making their lives better. Similarly, Best Buy's successful partnerships with suppliers like Apple, Microsoft, Samsung, Sony, and even Amazon to create branded mini stores within our Best Buy outlets introduced a more expansive perspective than a traditional zero-sum-game stance. And acquiring technology companies that offered health services helped shift employees' view of Best Buy from an electronics retailer to a company enriching customers' lives through technology.

Management levers

Key management processes directly impact culture as well. What kind of people do you appoint to positions of power? What kind of people does your company recruit? Does performance trump bad behavior? How are decisions made and by whom? How does your company measure and reward success? What are key business rhythms? How are meetings conducted? What kind of controls and compliance are in place? All these structures, processes, and rules can shape culture.

At Netflix, for example, there is only one policy for travel, entertainment, gifts, and other expenses: "Act in Netflix's best interest." That's it. Also, there are no company-wide rules on office hours or the number of vacation days employees can take. These reflect the culture of "freedom with responsibility" that CEO and cofounder Reed Hastings credits for the company's radical reinvention into a streaming and creative giant that seeks to entertain the world. But this "no rules rules" approach goes hand in hand with other management levers that shape culture, such as seeking to recruit only "stunning colleagues" and rewarding adequate performance with a generous severance package; providing a lot of context to facilitate decentralized decision making (for example, by sharing information openly and broadly); and offering frequent, honest, and constructive feedback.

Over my career, I've learned to start monthly performance management meetings by talking about people and organizational issues, then the business and finally financials. This may seem like a small change, but it reinforced a culture that put employees at the center.

Human magic levers

These are the essential and interconnected ingredients that, together, create an environment in which people are eager and able to fully give their energy and talent to serve the company purpose.

During my time at Best Buy and through research I conducted when writing *The Heart of Business*, I've learned about the power of six ingredients: meaning, human connections, autonomy, psychological safety, mastery, and a growth mindset. How do you enable every employee to connect what drives them with their work? How do you create an environment where employees experience genuine human connections? How do you give employees enough autonomy to allow them to be their best? How do you ensure employees feel safe to be who they are and express what they think and feel? How do you enable

learning and growth?

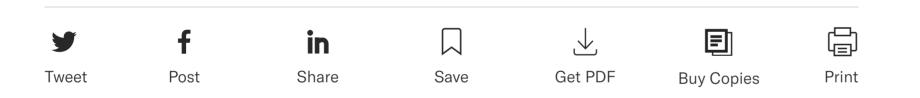
Articulating the company's culture as a singular, simple, and yet powerful idea makes it easier to answer all these questions and use all three levers with that in mind. This is how the idea of being an inspiring friend shaped so many of our decisions and actions at Best Buy, which all converged toward building a very human culture that supported the company purpose and strategy. For example, Best Buy decided to eliminate scripts for sales associates and instead encouraged them to use their ears, their eyes, and their heart when interacting with customers.

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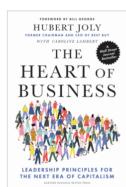
For a long time, I focused on strategy far more than purpose and culture. This was a mistake. In a world that's now particularly volatile, uncertain, and complex, crafting and pursuing a top-down and linear strategy is rather pointless. Who could have predicted the Covid pandemic? Or put together a detailed strategy that could survive the consequences of the war in Ukraine? What teams need is a guiding frame to be effective and energized when the unexpected invariably happens. In a recent conversation I had with business leaders struggling with the challenging state of the environment, we concluded that being guided by our purpose and some key principles — a way to describe culture — and then doing our best was going to work better than hoping we had a clairvoyant strategy we could predictably execute.



Hubert Joly is the former chairman and CEO of Best Buy, a senior lecturer at Harvard Business School, and the author, with Caroline Lambert, of *The Heart of Business*. He has been recognized as one of the top 100 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 10 CEOs in the U.S. by Glassdoor. Joly is now keen to add his voice and his energy to the necessary refoundation of business and capitalism around purpose and people.



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