

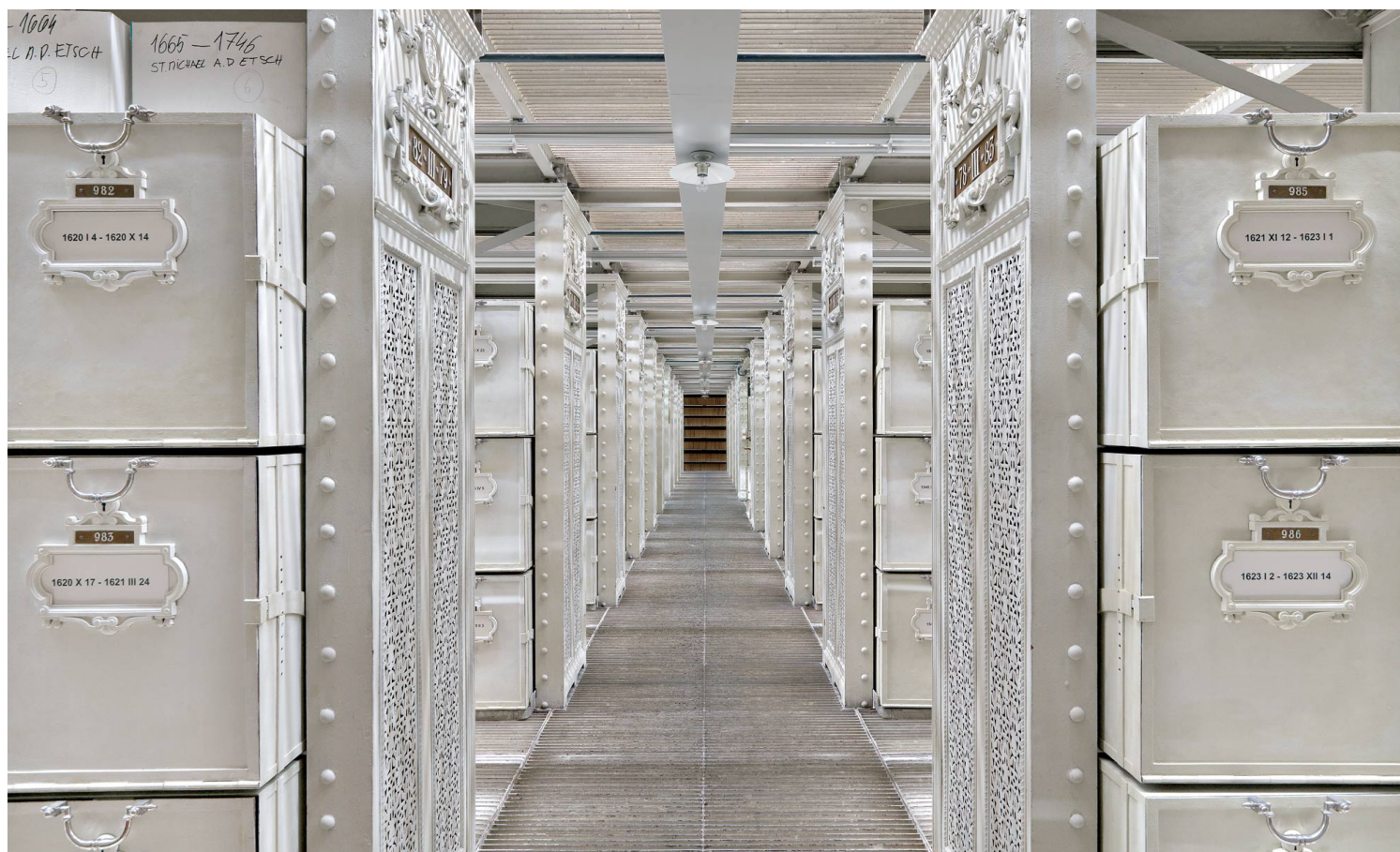
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To See the Way Forward, Look Back

by Ranjay Gulati

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The Archivio di Stato in Vienna. Massimo Listri

Summary. Most business leaders focus on the future much more than on the past, believing that their job is to embrace disruption and innovation, transform their organizations, and explore new frontiers. But decades of research on companies worldwide shows that most successful ones are also guided by core values and a clear purpose. These can often be uncovered by conducting a thorough audit of a company's history, original value statements, and purpose. Then leaders can decide what to preserve and what to let go—celebrating and collaborating around the good while acknowledging and moving on from the bad.

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Most business leaders focus on the future much more than they do on the past. With industries and economies changing so rapidly, executives believe that their job is to embrace disruption and innovation, transform their organizations, and explore new frontiers—not maintain the status quo. Management experts encourage such views, often regarding the past as a hindrance to innovation.



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However, decades of research into companies around the world has taught me that corporate history can be a strategic and motivational resource. Treated as a reference point for thought and action, it can actually drive progress in a way that provides continuity and offers stakeholders a sense of identity, pride, and responsibility as custodians of a legacy. Organizations that understand these benefits can look back at and pay homage to their histories even as they strive to move forward and beyond them.

As Sierk Ybema, a professor of organization studies at VU Amsterdam, points out, steeping yourself in history doesn't mean taking a purely nostalgic view of your corporate past, leaving it cloaked in a rosy glow. Nor does it mean taking what Ybema calls a *postalgic* perspective, one that dismisses traditional organizational ideas and practices as outdated. Rather, you should challenge yourself to straddle both points of view. When you acknowledge your company's complex history and ponder its conflicting themes, you generate more nuanced and refined thinking and uncover opportunities to leverage the past to push the business forward.

When explaining this idea to CEOs and their teams, I often refer to the Sankofa, a mythical bird from Ghanaian folklore that is typically portrayed as twisting its head backward to secure a precious egg while keeping its feet facing forward. Indeed, the word *sankofa* (which comes to us from the Akan tribe) can be translated as “go back to the past and bring forward that which is useful.”

I've studied corporations—from Carlsberg and Lego to Bühler and Johnson & Johnson—that have oriented themselves similarly. They cultivated a keener understanding of their founding ethos and spirit and used that knowledge to articulate a modern-day mission and values that employees, customers, strategic partners, and investors have rallied around. At best they were able to create a sense of sacredness that bound stakeholders together in pursuit of an aspirational future, forming what the sociologist Emile Durkheim referred to as a moral community. They discovered a guiding light to help them break free of established practices and chart a new path, especially in times of crisis.

To use the past as a pathway to the future, leaders must first excavate the company's early history, arriving at a deep understanding of how and why it came to be.

In studying leaders and companies that have accomplished this, I have identified four steps that others can follow to do the same for their organizations. The first is to conduct a thorough historical audit, teasing out those elements from the past that should be held dear and crystallizing them into a purpose and values while simultaneously identifying what shouldn't be retained or repeated. The second step is to translate the past into future-oriented action, using the purpose to inspire strategies, policies, and operational decisions that remain true to your company's essence while positioning it for future success. The third is to galvanize the organization around those efforts by clarifying everyone's role in maintaining or changing organizational history and legend. And the fourth is to sustain this progress by continually reexamining, reinterpreting, and deepening the company's connection to its history.

Uncover the Sacred in the Past

To use the past as a pathway to the future, leaders must first excavate the company's early history, arriving at a deep understanding of how and why it came to be. As the organizational theorist Majken Schultz of Copenhagen Business School and colleagues suggest, that excavation can include various subprocesses, such as discovering key elements of the past, assessing or interpreting it in the new context of the present,

and reclaiming it as “authentic” for use by the company. The goal is to grasp the very essence, or “soul,” of the organization as best one can—not just the founding ideals, ambitions, and purpose that animated stakeholders, but also the values that informed that early thinking and the principles or heuristics that drove day-to-day decision-making. Many of today’s largest and most celebrated companies are quite young, so for them excavating history might not be onerous. But at companies whose roots stretch back to the mid 20th century or earlier, leaders will have some digging to do.

For two years in the 2000s, Jørgen Vig Knudstorp, then the CEO of the Lego Group, delved deep into the then-70-year-old company’s archives, studied the life of its founder, Ole Kirk Christiansen, and met with long-serving employees. Those efforts gave him a better understanding of Lego’s early mission of helping children engage in “good play” that would facilitate learning and intellectual growth. He also zeroed in on a principle that had successfully guided the company’s initial operations but in later years encouraged an unproductive tendency toward perfectionist overengineering: “Only the best is good enough.” Knudstorp realized that the purpose of activating kids’ development through play endured. But “only the best” thinking would have to shift toward a continual pursuit of excellence—from an excessive and harmful focus on the details to a more holistic view of high performance that would most benefit Lego’s end users. This work led to a dramatic turnaround in the company’s fortunes: Revenues and net profits more than doubled from 2010 to 2019, while the company established itself as one of the most reputable global brands.

Carlsberg, a brewing company founded in 1847, embarked on a similar journey during the 1990s and 2000s. A motto from its early history—“*Semper ardens*,” or “Always burning”—became the name of and inspiration for a new line of beer, and artifacts from the corporate archives were used to market it. Later the Latin phrase became the basis for the company’s corporate identity, which some executives referred to as its driving purpose. A 2010 statement read: “We never settle but always thirst for the better....With the courage to dare, to try, to take risks, we constantly raise the bar. We don’t stop at brewing great beer. We brew a greater future.” Like the Sankofa, this statement is both backward- and forward-looking. Further, it explicitly combines longing for the past (nostalgia) with awareness of the need for novelty, innovation, and risk-taking in the interest of progress (postalgia). In the years since 2010 Carlsberg has shown strong sales and financial performance.

Use It to Drive Future-Oriented Action

Once you’ve sifted through the past to determine what should be embraced or eschewed, the next step is to put that thinking into action by identifying areas where your organization might strategically extend or build on its history and other areas where it might profitably diverge and chart a different path. In these efforts leaders must prioritize honesty and transparency. They must celebrate and collaborate around the good while acknowledging and moving on from the bad, rather than just trying to bury it. In this way leaders can help their companies join the ranks of organizations that in recent years have come to grips with historical transgressions, such as those related to the Holocaust or slavery.

There are no all-purpose directions for translating the historical excavation you've done into action focused on the future. Instead the best of the past becomes a source of inspiration and guidance, a compass rather than a map. To pull this off, leaders should strive to understand the business intent embedded in their company's original purpose and values and how it translated into a logic that founders and early employees used in their strategizing and decision-making. They should then follow the same logic.

Knudstorp, for instance, says that he sought to return to Lego's roots with "a modern-day interpretation" that might depart from tradition in the specifics. A group called the Concept Lab was charged with creating entirely new products that were, as one Lego executive put it, "obviously Lego—but never seen before." Another group focused on developing new business models and—drawing on the inspiration of a fan—created the Lego Architecture product line: models of famous landmarks, such as the Taj Mahal and the Space Needle, marketed not to children but to adults.

In some cases leaders may consciously distance themselves from big parts of their organizational past. When Dara Khosrowshahi became CEO of the scandal-plagued Uber, in 2017, he wanted to move the company away from the aggressive, transgressive, "tech bro" culture that its controversial founder, Travis Kalanick, had promoted. Khosrowshahi promulgated new values, including "We do the right thing. Period." To make good on that promise, he took a number of actions, improving rider and driver safety measures, ending forced arbitration of sexual harassment claims, and bringing on a prominent #MeToo activist as a consultant.



Biblioteca St. Emmeram in Regensburg, Germany. Massimo Listri

At the same time, he didn't seek to eradicate Uber's ethos of intense competitiveness and willingness to question existing norms. Instead he channeled it in more-positive ways. Uber's current mission statement, for instance, still evokes boldness, brashness, and impatience with the status quo, but it connects those qualities with a purpose. It describes employees as "go-getters" and "the kind of people who are relentless about our mission to help people go anywhere and get anything and earn their way."

Although the company's cultural transformation is ongoing, Uber has seen improvements in employee diversity, with the number of women in leadership roles increasing by more than 11% from 2017 to 2021. The company found in its *2022 People and Culture Report* that 80% of employees "believe their personal values align with Uber's values and culture."

Unite Your Community

Religious and political leaders commonly draw on the past to align stakeholders with a new and improved vision, showing them the role they play in not just carrying on but also improving the traditions of an enduring moral community. My research has shown that corporate executives can similarly present modern-day ambitions and plans as the continuation of a communal quest to realize the company's founding ideals. In their hands the past lends authenticity to the company's current and future endeavors, in a process that some scholars call *organizational historicizing*.

As it embarked on changes to its strategy and organization, Lego created a museum in its founder's home to showcase Lego products over time, making the company's history, ongoing purpose, and values tangible for stakeholders. Other companies have evoked a sense of tradition and forward progress by resurrecting products that are iconic or embody founding principles: Volkswagen's redesign of its Beetle, for example, and the reintroduction of classic menu items at McDonald's. When you launch a transformation while also celebrating an organization's history, you don't just preempt nay-saying traditionalists who resist all change. You also give forward-looking, change-embracing stakeholders a sense of context and constraints. In the end everyone begins to feel connected to both the past and the future and keen to responsibly but creatively carry on the legacy.

CEOs, in particular, can use their bully pulpits to make this happen. During his first year at the helm of Microsoft, for example, Satya Nadella said that the software maker should "reimagine a lot of what we have done in the past for a mobile and

cloud-first world, and do new things” while also framing this innovation as a rediscovery of Microsoft’s “soul—our unique core,” which is “founded on the belief that technology can create opportunities for people to express and achieve their dreams.” In this way he rallied employees around a new strategy, making them feel that they were part of something transcendent. From 2014 to 2022 Microsoft’s revenues soared from \$87 billion to \$198 billion while its market capitalization rose from about \$296 billion to roughly \$2 trillion.

Stay Connected

Maintaining a connection to the past in a way that inspires action and sustains a sense of legacy is an ongoing task. New events and an ever-changing context require periodic revisits to an organization’s history, and the best leaders treat those as opportunities to spark renewed dialogue with an eye to both refining their companies’ purpose and values and driving progress.

When the privately held Swiss food and mobility equipment firm Bühler approached its 150th anniversary, in 2010, its chairman, Urs Bühler, asked its CEO, Calvin Grieder, to forgo a nostalgic look back and instead focus on contemplating the organization’s next century and a half. Grieder and his team complied but kept Bühler’s core values and business intent in mind as they planned the future. That led the company to adopt a new purpose of “innovation for a better world,” with an emphasis on environmental sustainability, even as it perpetuated its historical focus on delivering both commercial and social benefits. Over the decade that followed, Bühler modernized its production methods, adopted a goal of helping its customers slash their water and energy consumption and their waste by 50%, and pushed other

industry stakeholders toward eco-friendly innovation with its Networking Days conferences, where it called upon industry members to work together to achieve progress.



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Johnson & Johnson, the pharmaceutical company, is another organization that has continually revisited its founding credo—always put customers first—as a way of ensuring that it will be not an empty slogan but a principle that informs the company’s actions at all times. During formal sessions in the 1970s, leaders explored, adapted, and then recommitted to the credo, which helped J&J quickly and decisively respond when someone laced bottles of Tylenol with cyanide, resulting in the deaths of seven people in 1982. J&J immediately recalled 31 million bottles, cutting into its short-term profits but cementing its reputation as a customer-first company.

Subsequently, however, attention to the company’s founding principles and values waned, and the 1990s saw a decade of underperformance. That prompted a new CEO, Alex Gorsky (now the executive chairman), to again return to the credo, challenging and updating it to ensure its continuing relevance. In 2013 the company celebrated the credo’s 70th anniversary by convening its board and business heads to review and assess J&J’s mission and values. Four years later focus groups of employees had their

say, suggesting further updates. As a result of those efforts, the company essentially kept the credo in place but tweaked it to emphasize themes such as diversity and a larger global health mission.

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Only by continually engaging with the past and translating it anew can companies remain, as Gorsky observed, “both timely and timeless.”

Tempting as it might be to ignore the past when pursuing transformation or growth, companies would do well to look to their history as a way to propel them on a purpose-driven path forward. They must derive inspiration, guidance, and energy from it while also assessing it critically and figuring out where to build on it or move on toward novelty and innovation.

Our companies soar when we cultivate a sense of legacy that inspires everybody to pull together to reach a lofty goal. For that we must link the present to the future, pursuing our latest aspirations while remaining in touch with what’s good about our organizational heritage and soul. Let us all tap into the profound wisdom conveyed by the Sankofa.

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