Why Some CEOs Fail and Others Succeed

CEOs are tasked with running their companies in the most uncertain economic climate in years. At the same time, research indicates that shareholders tolerate failure less than before. Between 1997 and 2006, average tenure for departing CEOs in the US declined from 10 to 8 years. The 40 percent of CEOs with the shortest tenure had less than 2 years in the position.¹

One of the biggest challenges facing CEOs remains the ability to bridge the gap between strategy and results. Aligning, energizing and enabling the organization to follow through on the strategic roadmap are the crucial challenges which determine success or failure. The majority of CEOs who are fired are not terminated because they lacked vision, but because they failed to engage their own organization in what appeared to be well thought-out strategies.² CEOs often lament that their vision and strategy ought to be crystal clear. It may be well-documented and communicated. The problem is that business functions and units often understand things differently and go in their own directions. Barriers form between functions that ought to be cooperating. A strategy that everybody seemed to agree upon begins to dissipate in different directions.

The 2010 Conference Board Survey of 2,000 senior executives identified strategic alignment and speed of execution as the most pressing CEO challenges.³ Successful CEOs understand that comprehensive kick-off events, monthly town hall meetings, executive roundtables and hefty investments in technology are not enough to ensure the success of a new strategy. Instead, results are determined by the degree and the speed with which leaders align their organization to the strategy and build execution capability among important players to deliver the desired results.

One major roadblock to strategy alignment and execution is the failure to get executive teams, managers and employees to view change as an opportunity. How does the CEO motivate his or her workforce for success? And even more
fundamentally, how does a CEO get the organization to understand the need for change? As Jack Welch said, “Getting every employee’s mind into the game is a huge part of what the CEO job is all about...There’s nothing more important.”

Successful leaders understand and appreciate that force-feeding views to employees who have been hired to think for themselves is not the solution. What works better is to let valuable employees discover the advantages of new approaches on their own terms, let them take ownership for their roles and develop action plans that reflect their positions and specialized expertise in the strategy execution. This approach is likely to result in a motivational and inspirational atmosphere and a “can-do” culture that remains true to core beliefs while continually adapting and changing.

Sodexo Invents a New Business

Sodexo is a €14.7 billion on-site services and employee motivation solutions company with more than 380,000 employees serving 50 million people daily. When Michel Landel took over as CEO in September 2005, Sodexo was still known primarily for food services, despite its position as the third largest outsourcing company in the world, and outstanding expertise in services like high-end medical equipment maintenance, defense, senior care and education. Landel introduced a strategy to better reflect current demand from Sodexo customers and capture growing market opportunities. The CEO quickly engaged the top Sodexo leaders to the strategy—which would push them to expand beyond their comfort zone in food services—to become a valued service provider for all non-core client services.

In March 2009, the Sodexo Management Institute was tasked with engaging 940 Sodexo managers and vice presidents around the world with the new strategy. They launched the CLIMB (Change, Leadership, Implementation, Behaviors) program. CLIMB incorporates connected on-line learning, face-to-face sessions, and a customized, competitive simulation developed with BTS. The goal: get 940 managers, of different geographies, genders, generations and lines of business, living and breathing the new strategy. The change expected was dramatic; Landel announced, “We are inventing a new business.” CLIMB participants are organized into large groups of 100 who complete a four-month course of e-learning and preparation. They then are ready to participate in the heart of the program, VirtuoSo, a virtual, three-day onsite simulation. VirtuoSo simulates the three-year lifecycle of an enterprise modeled on Sodexo for which the teams serve as chief executives. Teams develop business plans and choose to invest in a series of strategic initiatives, all the while mindful of profitability, cash, customer satisfaction, and employee retention. The teams get a realistic opportunity to practice the new Sodexo strategy.

The evaluations from the CLIMB program are back and managers are convinced of its effectiveness while employees are hooked. “The critical elements of the solution, the VirtuoSo simulation, were the safe environment to take risks with business decision making, the ability for participants to see decisions in real time, and an extremely competitive environment that really got our people involved and committed,” said Elisabeth Carpentier, vice president of human resources at Sodexo.
CEOs like Landel are increasingly turning to business simulations to develop the mindset and capabilities their companies require to accelerate change and realize business results. Sophisticated business simulations focus on learning by experience and are customized to model the challenges, tradeoffs, and market environments of the company itself. In these simulations, participants play a critical role in the decision making process of the company. Participants must make decisions in the framework of the initiatives they are involved with, in the context of real-world business and financial dynamics. The best simulations provide participants with access to decision tools, resources, and collaboration opportunities that directly mirror the real world.

Making it happen:

The world's largest provider of virtualization software, VMware has grown rapidly by moving beyond basic hardware consolidation along with dramatic advances in the efficiency, availability and manageability of IT resources.

In 2009, VMware embarked on a new phase of growth that would build upon its success to lead the industry through the anticipated IT industry transformation. The goal: a broader strategy for helping customers transform IT to achieve a more business-centric approach.

VMware chief operating officer and office of the president executive Tod Nielsen needed to rapidly align the management team to the company’s vision and drive home the game-changing industry forces at work. Those forces included the emergence of new alternatives for supplying IT needs (i.e. cloud computing), increased competition, consolidation, and CIOs having to do more with less. The executive team wanted to build management confidence and expertise to deliver on the new strategy.

Nielsen worked closely with BTS on a customized simulation that provided a high impact, experiential program for building alignment and execution capability. The simulation experience realistically modeled the shifts in the IT industry, integrated VMware’s strategic initiatives, and anticipated future business challenges.

The result? A two-day meeting, featuring a simulation, compelled 500 company leaders with very different perspectives to collaborate in new ways, work together, and understand the real trade-offs—as well as the real friction points—inherent in VMware’s strategy. Through working together and living the roles and responsibilities of their colleagues from different organizations, senior leaders became more deeply aligned with the strategy, took a greater ownership stake, accelerated on-the-job action, and ultimately allowed VMware to kick off the year with positive momentum.

"The BTS custom business simulation accurately modeled our business challenges and anticipated our future evolution," said VMware co-president, Application Platform, Tod Nielsen. “The experience allowed our top 500 leaders to not just see the new strategy but to practice making our strategy and vision a reality. The two day simulation got leaders from different organizations with disparate points of view to work together and understand the real trade-offs and friction points inherent in our strategy. The simulation experience provided the ‘big picture’ view we needed."
Business Simulations: Practice Makes Perfect

CEOs are realizing that innovative tools and processes are available to help companies communicate and build commitment for complex multi-year business strategies. Through simulations and experiential learning tools, division leaders, directors, and frontline managers can step outside of their comfort level in a safe environment and model decision making while managing risk. This practice opportunity allows participants to leave the exercise with confidence and a deep sense of ownership of the change. Equally significantly, these programs provide the platform for a CEO to communicate his or her vision in a way that allows the entire executive team to live, breathe and lead the new strategy in the organization.

By using business simulations, CEOs avoid the type of top-down strategy communications that are likely to fall prey to managerial misinterpretation, and achieve instead the motivational force and alignment that are needed to deliver business success. Business simulations provide rapid organizational alignment, build vital confidence in the strategy's success, and ultimately help CEOs deliver better results faster.

About BTS

BTS focuses on the people side of strategy, working with leaders at all levels to help them make better decisions, convert those decisions to actions and deliver results. At our core, we believe people learn best by doing. For 30 years, we’ve been designing fun, powerful experiences™ that have profound and lasting impact on people and their careers. We inspire new ways of thinking, build critical capabilities and unleash business success. It's strategy made personal.

For more information, please visit www.bts.com.

4  Jack Welch with John A. Byrne, Jack: Straight from the Gut (Warner Books, 2001)