



## HOW BREAKTHROUGH LEADERSHIP CAN DEFY COMPANY DEATH

MOST COMPANIES ARE DOOMED, BUT CHANGE-ORIENTED LEADERSHIP  
CAN HELP THEM SURVIVE

By IMD Professor Seán Meehan

**IMD**  
Chemin de Bellerive 23  
PO Box 915,  
CH-1001 Lausanne  
Switzerland

Tel: +41 21 618 01 11  
Fax: +41 21 618 07 07  
[info@imd.org](mailto:info@imd.org)  
[www.imd.org](http://www.imd.org)

British Home Stores and Woolworths in the UK, Radio Shack and C&J Energy Services in the US, Japan's Skymark Airlines and Brazil's fourth largest telecom operator Oi are just a few of the many sizable companies that have recently fallen from grace and filed for bankruptcy. Although each faced a unique collection of circumstances, we can say all failed to adapt to significant trends reshaping their industries.

This is not a new phenomenon; it is a persistent characteristic of capitalism. History shows us that companies die. Further, company lifespans, never very long, are continually decreasing. Eric Knight (2014) reported that over the last 50 years the average lifespan of S&P 500 companies shrunk from 60 to 18 years. Companies are now dying in their mid-teens because the beat-rate of every industry in all parts of the world has increased rapidly.

In seeking to "beat the odds" and enjoy above average or superior success, we must understand why adapting is such a challenge and address this systematically. We should challenge the all-too-common and overly casual use of phrases such as "managerial complacency" by those seeking to find a fall-guy for corporate failure. Such characterizations are utterly disingenuous. The opposite is the norm.

Executives are typically talented, energized, committed and hard-working. Alas in too many cases, as the tally of corporate failures attests, they are also wrong. Wrong in their reading of market trends, wrong in their understanding of customer requirements and concerns and wrong about their competition. It doesn't need to be this way if senior executives commit to systematically reassessing and resetting their world-view, their industry-view and their self-view. Doing so will open the opportunity for some breakthrough thinking, setting them and their company on a fresh growth trajectory.

Breakthrough thinking, that is, seeing opportunities for value creation, however, is insufficient. The real challenge is one of leadership. Breakthrough leadership is required to motivate and enable an organization to embrace the change journey so it can adapt and thrive in new circumstances.

### **The importance of breakthrough leadership**

Top executive pay is often seen as a symbol of everything that is wrong with capitalism today. But what the Twitterati and Monday morning economists forget is what those leaders are actually paid to do. Only a fraction of senior executives' "too high" salaries are attributable to what appears on their formal job description.

Their value derives from their successful navigation of the ever-changing markets in which they operate. They are paid to ensure that the enterprise survives against the odds.

The best executives take advantage of the breakthrough opportunities that arise when there are significant gradual or sudden technological, political, regulatory or socio-economic shifts that can be taken advantage of to move the business forward.

A great breakthrough leader knows when their business model is not aligned to one of the opportunities opened up by one of these big shifts. They are masters of change management.

Too often when business is going well, nobody at a company is screaming for change; it is only when profits are in decline and it is too late. Too often the view is that change is difficult, threatening and risky. If the business isn't broken, why fix it?

### **Good leadership today or breakthrough leadership for tomorrow?**

Most of today's top executives have an enhanced ability to execute on the existing business model. They are superior managers who know what it takes to succeed today. Their track record is a testament to their understanding of their market, organization and culture. They know what they need to protect. They are committed, probably overly committed, to the one right way.

The challenge they need to open up to is: will this remain the right way? Is now the time to change? The difficulty is that as markets change and evolve around a company, who is going to lead the evolution of the company and business model itself? Without the leadership of the most senior executives and go to people, change can't really happen.

What's therefore required of breakthrough leaders is a persuasive strategic insight, an understanding of the changes needed to address opportunities and the leadership, courage and ability to champion and lead the transitions required. Breakthrough leaders have to listen, perceive changes and not become too vested in how a company achieved success in the past. Simple advice, but mostly this is a path few choose. There are notable exceptions that we can learn from and emulate in their approach. One stand-out, already by 2013 a success story in the highly challenging airline business, is Ryanair. The airline carried more passengers internationally than any other airline on the planet, had exceptionally high load factors, was highly profitable and well known for two things: the lowest price and its harshness. Harsh in its baggage allowances and enforcement thereof, its boarding procedures, its refund policy, and indeed in its perceived attitude towards passengers. An operations observer's dream! As shareholders, employees and passengers alike benefited from such simplicity and effectiveness, such executional rigor, Ryanair, in the words of the *Financial Times*, "did a U-Turn" on service. Metaphorically, they changed tires when driving at top speed. They identified an opportunity they could take advantage of if they addressed the "harsh" issue. Three years later, load factors have risen by 10 points, unit costs have fallen, prices are lower and profits are even higher. The lesson: always be open to revise your position, even (perhaps especially) if you are already successful.

Ryanair is by no means alone. Netflix started out as a successful mail order DVD rental business and created its now ubiquitous online streaming service before its previous service went into decline. Aldi challenged its already successful business model by reengineering its product offering, its in-store experience and its communications to become the UK's most loved brand. DBS, one of Singapore's leading banks, successfully challenged its approach to customer service and leveraged the insights gained in its customer-led digital transformation. It was recently named the "World's Best Digital Bank" by Euromoney in 2016.

Alas, these and other successful change examples remain in the minority. The more successful the company has been in the past, the greater the adaptation challenge. Growth and success, not incompetence or complacency, paradoxically, are significant causes of failure.

### **Leading through purpose to sustain success**

In young companies, especially in the very early days, senior executives are extremely close and hands on with their people and their customers. Everyone lives and breathes customer-centricity and company purpose.

But that disappears as a company gets more successful, bigger and more complex. More processes and management layers are added, while company purpose gets diluted. Senior executives spend more time on stakeholders like investors, unions or regulators and slowly lose focus on customer-centricity and values.

However, at companies that are able to sustain success for long periods, we see a stronger set of beliefs about company purpose that are resistant to short-termism and doing whatever it takes to hit the quarterly numbers. At these companies, beliefs and impact are cherished. The "one right way" syndrome is fiercely challenged. Challenge in fact is a part of the DNA, the belief system and culture. The Toyota Way, the Hilti Culture Journey and Apple University all embrace the adaptation challenge and embody the type of commitment to company values that breeds long term success.

Today's senior executives should not get caught up in pursuing growth at all costs. Their primary focus should be on being stewards of the values and beliefs that were essential to creating the conditions for success and knowing when to adapt to changing circumstances.

Breakthrough leaders are emotionally engaged and know what to do next in terms of selling beliefs and values to bring the organization on board to make change happen. They bring to the table the strategic insights that can motivate development, evolution, and positive change in an organization to avoid company death.

*Seán Meehan is the Martin Hilti Professor of Marketing and Change Management at IMD. He directs the [Breakthrough Program for Senior Executives \(BPSE\)](#), which caters to a carefully selected group of senior executives searching for game-changing moves in their business through high-impact strategy and leadership.*

## Related Programs



**Seán Meehan**  
Program Director

### **BREAKTHROUGH PROGRAM FOR SENIOR EXECUTIVES - <http://www.imd.org/bpse>**

#### **High impact change management and leadership**

Program Director Seán Meehan

- Look at your business from a different perspective
- Identify new opportunities in your business to create exceptional value
- Build the momentum necessary to deliver breakthrough change
- Remain a relevant and key business influencer
- Benefit from real take-home value: a personal agenda and action plan for personal and organizational breakthrough



### **ORCHESTRATING WINNING PERFORMANCE**

### **ORCHESTRATING WINNING PERFORMANCE - <http://www.imd.org/owp>**

#### **Create your own learning journey**

Program Directors Michael Wade and Dominique Turpin

- Get exposed to the latest management thinking and to practical and innovative solutions for your business
- Anticipate global business trends
- Boost your performance, broaden your perspectives and expand your global network
- Design the program that suits you and your team
- Become a complete executive through activities that develop your mental, physical, and emotional health