

# **The Elon Effect: Tesla's Future without its Rocketman**

## **MANAGEMENT DECISION**

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## **What is going to happen?**

Luckily, a few people might think at least, this meeting hasn't happened yet and hopefully will not happen in the near future for Tesla. Elon Musk will probably continue being the CEO for a few more years, but the scenario of having to replace him is not as unlikely as some might think. So how should you prepare for it? Is it even possible to replace a superstar CEO with another superstar?

## **Apple**

At the moment we don't know how Tesla will deal with the situation, but we can take a look at how other companies did. One obvious example that comes to mind is the case of Apple. The company was founded by Steve Jobs in 1976 with a great vision to revolutionise the computer and mobile phone industry. Steve Jobs was, just like Elon Musk, the face of Apple and you could truly say that he was living the brand. Apple was stronger than ever, but in the year of 2011, they would come to lose one exceptionally important factor of the company. On October 5th 2011, Steve Jobs lost his battle against cancer and passed away at the age of only 56. With his death, Apple not only lost its long-time CEO and founder but also its true tech visionary whose vision still till this day remains inseparable from Apple's philosophy.

After Steve Jobs' death, Apple fans, professional analysts and business partners were worried about the future of the company. However, Steve Jobs himself had made some significant staffing decisions months before his death that would ensure that Apple would not only be able to continue, but also grow to greater heights than ever before. Steve Jobs' choice for his succession rested on Tim Cook, who, alongside design chief Jony Ive, were his two most trusted companions and therefore the most reliable successors. Tim Cook already gained a great reputation as an expert in logistics and production and was considered a top manager, but he lacked credibility as a charismatic leader. Practitioners of scepticism doubted his ability to captivate the crowds and did not believe he was capable of taking on the role. And to this day, Cook never turned out to be a great presenter who could enthuse audiences from the stage. However, he did not cause the decline that many had feared. In fact, Apple sold more devices and services in the following years than ever before.

Additionally, Apple stepped into the U.S. financial history in 2018 due to its high valuation on the stock market. The high valuation was largely based on persistent customer loyalty, which continued even after Tim Cook took over the role of CEO. However, Cook's new strategies differed from Steve Jobs's to some extent. For example, Cook treated his shareholders by paying dividends, an approach that Jobs refused to take during his time in the company. Another change in approach was protecting the environment, a matter with which Steve Jobs had previously been

involved in controversial discussions. Tim Cook abandoned environmental toxins in production and initiated a transition to using sustainable resources. Environmental protection thus became part of the company's identity. In politics, Cook advocated for the rights of minorities. At the same time, he introduced a new data security strategy.

In terms of new products and services, he was able to further expand the offering (Apple Watch, AirPods, iCloud, Apple TV+, etc.) and continued to attract new consumer groups for the iPhone. The products were offered at higher prices and thus profits kept rising. His first major innovation, the Apple Watch, was welcomed on the market with great enthusiasm and succeeded in beating the competition. However, larger innovative projects, such as the Apple Car and Apple's own AI glasses, still remain on the waiting list for upcoming products.

But Apple hasn't forgotten Steve Jobs, Tim Cook and Jony Ive continue to pay tribute to their former partner regularly. On the 10th anniversary of Jobs' death, they both expressed moving sentiments on social media honouring his great legacy.

### **Coca-Cola Company**

In addition to Apple, the Coca-Cola Company is an alternative example to describe how the loss of one CEO doesn't always lead to a non-problematic continuation of a success story for the company. At the time Roberto Goizueta was the CEO of the Coca-Cola Company. During his 17 years (1980-1997) in the company he became well known for his many successes such as introducing Diet Coke, and Cherry Coke and turning the Coca-Cola brand into the most well-known trademark on the planet. Goizueta managed to increase its sales from \$5 billion to \$18,5 billion and thereby also increasing the stock value, a remarkable 34 times, from \$4,3 billion to \$150 billion. But he wasn't only innovative and created a big financial success, he was also liked by the people, and even Warren Buffet described Goizueta as a "great leader and a great gentleman." (Los Angeles Times)

Unfortunately, Roberto Goizueta passed away in 1997 which led to the CFO Douglas Ivester taking over as CEO. According to analysts the transition was going to be seamless and the risk of the company being hurt after Goizuta left was very low. However, Ivester was well known for his great work as a CFO, but in the new role of CEO he didn't live up to expectations. Sources close to the board made the connection to mountain climbing and said that "Anyone can get to a certain level. But very few can function well in the really rare air. Doug was simply unable to give people a sense of purpose or direction." ([money.cnn.com](http://money.cnn.com)) As having previously worked a lot with numbers and analytics, the fact that he kept that mindset in his new position became a problem. Ivester wasn't a "people person", something that caused problems when in 1999 hundreds of consumers in Belgium got sick after drinking Coca-Cola. According

to Ivester, this was just seen as a minor problem and the reason probably only was a bad batch of carbon dioxide. This resulted in a one-week late announcement of the incident and then the crisis was already a fact. The overall view of Ivester was that the employees didn't see him as a great leader, his knowledge of how to handle the political situation was poor and he rarely let others influence when it came to the big decisions. After three years as a CEO, Ivester left the Coca-Cola Company in 2000 and received a retirement package worth more than \$150 million.

### **Last words**

Successful visionaries - generate sensation and enthusiasm, but also face ongoing criticism. Their performance is always under scrutiny and as leaders of gigantic companies, they possess great influence and power. Frequently, they are the key figures in ensuring the continuity and reputation of their companies and can even change an entire market. The key takeaway from these examples is that succession planning is crucial for any company, especially for those with a charismatic and influential CEO like Elon Musk. The company needs to identify and develop potential successors early on, and ensure that they are equipped with the necessary skills and qualities to lead the company into the future. As for Tesla, the company's board of directors and leadership team must be proactive in preparing for the eventual departure of Elon Musk and ensuring that the company continues to thrive without him.