Current Practices

William G. Stopper, Editor

Conversation with a Change Agent: Al Vicere on ARAMARK

Interview by Tom Hayes, Group Vice President, Public Relations, Gartner, Inc.

Philadelphia-based ARAMARK is a world leader in managed services including food service, facilities management, and uniform services. Since 1983, the company has gone private in a highly successful LBO, built a record of sustained performance that is enviable on any account, gone public in what might be the most successful IPO of 2001, doubled employment, and tripled revenues. This has all happened under the watchful eye of Executive Chairman Joe Neubauer. ARAMARK was ranked number one in its industry in the 2004 Fortune *500 survey and was also named one of "America's Most Admired Companies" by* Fortune *in 2004, and since 1998 has consistently ranked as one of the top three most admired companies in its industry as evaluated by peers. Neubauer himself consistently has been listed among America's most respected CEOs.*

Al Vicere (AV) is Executive Education Professor of Strategic Leadership at the Smeal College of Business at Penn State and president of Vicere Associates, Inc., a leadership development consulting firm with clients spanning the globe. He has worked with ARAMARK for over 10 years as a consultant and change agent. This interview with Al Vicere discusses the nature of his relationship with ARAMARK and chronicles the company's stunning story of transformation and performance.

TH: You've had a relationship with ARAMARK for more than 10 years?

AV: That's right. The relationship began in 1992 when the company first started to look at how it could move to the next stage beyond their highly successful LBO in the early 1980s. They were called ARA Services at that time. Senior management recognized that although they were profitable, they just weren't growing their top line. I was called in to discuss some ideas on how to spur growth through leadership development and that's where their Executive Leadership Institute (ELI) came from. They wanted a platform for growth, and ELI filled that bill.

TH: You focused a great deal on corporate lifecycle issues in the early stages of your work with ARAMARK?

AV: The idea of lifecycle stages and the need to move on to the next era was very real to ARA management, and the lifecycle framework helped us to bring their challenge to life. It was a great kick-start for the dialogue that needed to happen in order to get ELI off the ground.

TH: Based on their long-term success, their financial performance, their stability of leadership, Executive Chairman Joe Neubauer's long tenure, they seem to have found the Holy Grail. ELI seems central to how well they have done.

AV: Originally we targeted the top 150 people, minus the executive committee. Through ELI we were redefining the company's approach to doing business, helping leaders to understand the importance of growth, giving them some tools and techniques for analyzing and looking at how you grow a business, and giving them some opportunities to put those tools to work. It was all directed to coming up with creative ideas about taking the company to the next level. We put the top 150 people through the experience in 18 months, 30 at a time in five sessions. It was incredibly intense.

TH: What occurred as a result of those discussions?

AV: They started to frame how the top team needed to think and behave to take the company to the next stage. Second, they created a common language around what that next stage was all about. Third, ELI became the top team's vehicle for helping the entire leadership team rethink the company's future business model.

TH: And this was occurring in unison with the 10th anniversary of the company's LBO, right?

AV: That's right. Parallel with the ELI design process were discussions around rebranding what was then ARA Services into ARAMARK, re-positioning the company, building a new image. It all came together at once. It was a great platform for making the new ARAMARK real and live and tangible because there were clear signals saying we're different, we're new, we're growing, and we are now ARAMARK.

TH: Joe Neubauer has an engineering and finance background, very much right brain. I am curious to know how he developed the antennae initially as well as the conviction to go ahead with all this. There was a lot of risk.

AV: Joe's a great observer of the business and its people. He saw passion and intensity in his people around ELI. They really wanted to talk about what the company should stand for, where it should go. He picked up on that intensity. He saw opportunity in the fact that we could get the top 150 people to focus intensely and passionately on ways to take the business to the next level, that we could give them tools to help them make the transition. It all convinced him that we actually might get the company back into a growth mode through ELI.

TH: Is anything particularly distinctive about the way the process evolved at ARAMARK? It is almost a prototype of how you use leadership development as a communications process, a development process, and a platform to discuss opportunities in the marketplace.

AV: As we designed the program, we worked hard to give people not only tools to grow the business but also tools to help them grow themselves as individual leaders. We focused on a technique called action learning—we called it action projects—that identified significant business issues for the company that, if addressed and resolved, could spur growth. Many of the issues had been surfaced in something called *Project Growth*, an initiative that had been spearheaded by a major consulting firm for ARAMARK. But rather than have external folks come in and follow through on projects, we decided to use ARAMARK leaders.

TH: How did you accomplish this?

AV: No participant could work on a project within his/her own business unit. We wanted to address the *Project Growth* opportunities with fresh eyes, get leaders out into the businesses, help them to learn more about the company as a whole. They addressed questions like should we merge two similar business units, can we make recommendations on business unit growth strategies. We used ELI to get the groups going, to help them learn how to do the digging, the analysis.

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TH: ARAMARK is a conglomerate of acquisitions. How did this impact the process?

AV: As the groups engaged in the projects and the dialogue began, participants began to develop a broader perspective on the whole business of ARAMARK, a perspective that went well beyond their own businesses. And people began to understand better all of the capabilities that existed across the entire company. They also began to develop a social network and they began to have a lot more hands-on interaction across the businesses. People really began to understand the philosophies and the perspectives of Joe, CEO Bill Leonard, and the senior leadership team. There was a lot of dialogue and exchange. So it became very much a communication forum with discussions about what ARAMARK needed to do to grow. But it wasn't just words. It was built around people getting inside the business and coming back with recommendations on ways to grow with action plans and constructive dialogue around those plans.

TH: Talk to me about the design process. It seems risky. I understand that the culture at the time was very silo-focused.

AV: It was risky. The whole thing was antithetical to the intensity and transaction-based nature of how ARA Services operated at that time. We were trying to get the company's leaders to recognize that if you really want to grow the business, then you must open your mind to opportunities in the marketplace. You can't just do transactions—tunnel in a hole and hope you are going in the right direction—but you must open up to some new and different ways of operating, look for opportunities to do extensions, consider potential new markets. The company's leaders weren't doing that at that time. That meant we had to get leaders to look beyond operating efficiency, to think about ways to grow the top line as well as the bottom.

TH: Did they buy into that idea right away?

AV: It caused huge debates at the top of the company. During the abbreviated ELI session we conducted for Joe, Bill, and the top executive team, someone said in effect: "We're teaching our people to think. Do we want that or do we want them to do what we tell them? After all, we are in the business of execution."

TH: I can imagine there was some tension at that point.

AV: You bet. But it triggered an intense discussion among the top team regarding what the company really needed from its leaders. Yes, we need them to execute in this business. That's the essence of what we do. But fundamentally, if we want to grow, we have to build in some systems and processes to help them look for opportunities, build stronger relationships with customers. As the debate went on, the top team recognized that in ELI we weren't just *talking* about these issues, but providing company leaders with tools and techniques for building on the operational strengths of the company to better prepare leaders at all levels to identify and pursue growth opportunities. That debate really helped to fuel the intensity of the process.

TH: How do you encourage that kind of atmosphere without breaking the organization or destroying the culture?

AV: Because of the nature of the ARA Services business—low-margin, transaction-based, cash flow as king, profitability as a driving force—the culture of the company at that time was very hierarchical. There was an enormous deference to hierarchy, it was very focused, there wasn't a lot of push back, there wasn't a lot of dialogue. That was a big nut that we had to crack in order to move the organization forward.

TH: How did Joe feel about this?

AV: In one of the early meetings, we were discussing content elements we could build into ELI, and Joe said to me: "But a lot of these ideas are based on your experience with technology and manufacturing companies. We're different. I don't think we can do those things. I don't think they fit us." And I began a dialogue with him: What do you think is different about ARAMARK? Is there going to be a technology component in the service business? Will the industry consolidate, globalize? Are there industries and companies we can learn from? These were significant questions. In the middle of this discussion, I looked around the room and some of the people looked surprised at the debate. It turned out that they were learning that it was OK to dialogue with the boss.

TH: It certainly sends a message that it is OK to push back.

AV: Yes, and it gave those who were willing to take a risk the opening they needed to see that they could push back as well. It all helped to open the organization to significant dialogue.

TH: I have spoken with Joe about the company's progress. He said he feels fortunate that he's surrounded himself with good people. He said you have to surround yourself with

good people; "you are known by the company you keep" is the phrase he used. And, he said you have to listen to them.

AV: You've just hit it. Joe is very analytical and an outstanding master of the details of ARAMARK's business, but he also has a fundamental belief in people, an enormous respect for people. He loves a healthy debate. And the issue was that in the ARAMARK culture there wasn't time to dialogue, to engage people and get them on board with new ways of thinking. They were just so intense, so focused, so transaction-driven, there literally wasn't time for people to put ideas out and discuss and debate them. What ELI did was to provide a platform for discussion, and once people got a taste of that, a lot more of it started happening.

TH: So, how can a company use this kind of process to understand how its competitive environment is changing, to know when it should shed skins and make the right kind of adaptation? Joe said there was one situation where a team presented a recommendation that they get out of a particular business. Can you comment on that?

AV: In ELI 1 there was some discussion around how things in that business were changing. An action project team was assigned the task of digging into the business and looking at where it might be headed. Remember, some folks on the project team were not intimately involved with the business. But they did an analysis and reported that the market was changing. They saw real threats to the incumbent distributors like ARAMARK and suggested that the company take action. There was heated public disagreement from those running that particular business and because the pushback was so intense, nothing was done with the group's recommendations. But what the team predicted actually came to pass even sooner than expected and ARAMARK eventually decided to exit the business. The story actually became a symbol of ELI's potential value to the company.

TH: Is this is what you mean by action learning?

AV: Exactly.

TH: When was the radioactivity of that example reduced to where it could be discussed openly in the company? Was it one or two years down the road?

AV: People discussed the reactions to the presentation virtually immediately, but the discussion of how ARAMARK should have responded to the recommendations was within about a year or so, when the unit began to have performance problems.

TH: What happened to the people who delivered the original message? Did they survive?

AV: They all survived. From the very beginning we said that in a focused, intense, transaction-driven culture like ARA Services at that time, people will assume that: "I'm either going to make or break my career in my ELI session." But we agreed that if we wanted to create dialogue and get people to challenge and open up their thinking, it was absolutely critical that we didn't appear to "shoot the messengers."

TH: So what this said to the next group going through ELI was that you can really have impact; it is not going to hurt your career. Yet it also is an opportunity for high visibility.

AV: Exactly. You can have impact. If they don't like your recommendations you're going to hear it, but dialogue can be healthy. If they do like them, they might take action on them. Either way, this is what we need to be doing as a company. We need to be challenging each other, learning from each other.

TH: Does the project team format give you more ownership and more focus on the quality of the analysis and presentation?

AV: Yes, because ultimately at the end of the day, all of the senior executives of the company are going to be there to hear your project report. So it's an opportunity to demonstrate your contributions, your ability to function as part of a team to come up with important strategic recommendations.

TH: How did Joe and the top group make the leap of understanding that this program was core to the company's long-term success? People had to make time for this when nobody had the time, didn't they?

AV: A great question. One reason organizations have such a hard time benchmarking and replicating leadership development initiatives—whether it be ARAMARK's ELI or what is going on at 3M or GE right now—is that if you don't have a CEO who buys into it, gets it, sees the power of it, and makes it known to people that no matter how busy you are you will make time to participate, it is almost impossible to get something of this level of intensity off the ground. Joe saw the power of it, and when the pushback came that we don't have time, we're too busy, the response basically was: "You will make time. This will happen." Because of that, the momentum was kick-started and then, as participants got into the initiative and started to engage with it, it took on a life of its own. Then a CEO, or in this instance Joe and Bill, can start using it as a forum to send messages throughout the organization and to drive change.

TH: Was it internal dissatisfaction with the limited growth potential that drove the need to change?

AV: From my perspective, the real issue was that Joe recognized they had a company that, from an operational perspective, was doing a great job. Cash flow was good, they were generating reasonable profits, but top-line growth was flattening out. Projections were flat. Basic common sense says you can only squeeze so much blood from a rock. If you are in a low-margin business where you are not growing revenue, at some point in time things will catch up with you. Joe recognized that to keep the company going and to keep the organization successful, there had to be top-line growth. He also knew that although they were a privately held company, they had their internal stock. A large part of the compensation for the company leaders was in that stock. He knew that growth and a growing ownership stake in the entity could be a major motivator for change.

TH: If the entity isn't growing, how motivated will the leaders be to stay?

AV: It was even more than that. In the early stages of ELI, the company started to change its ownership structure. It expanded what is now the ELC—the Executive Leadership Council—which is their senior leadership group. It was originally small—the original 60 owners—but they started to expand membership in it. They increased the number of people who could buy stock in the company. It was incredibly motivating for the organization. More people saw themselves as decision-makers. More people had a stake in the company, in the whole idea of needing to do things differently in order to grow. They knew that if the company grew, there was something in it for them. That was a pretty exciting driver of what was going on at that time.

TH: HR vice president Brian Mulvaney calls you the "co-pilot" on ELI. Do you think they're still on the right path?

AV: Without question. They went public in late 2001, very successfully. They have made a couple of outstanding acquisitions, are growing nicely, and are continuing to evolve the culture with their new initiative called Mission One—a focus on building multi-faceted relationships with every one of their customers. Their recent business results show that this initiative is positively impacting performance and I've actually collected data that show that their culture is changing in a direction that should sustain the performance gains. In addition, they're working on a redesign of ELI, a follow-up for ELI graduates, and there are additional leadership development initiatives going on at all levels of the company. On top of all of that, they have incredible continuity in senior leadership with Joe and Bill. It's just a great, ongoing story.

Tom Hayes *has more than 25 years' experience in business journalism and leadership communications. He is co-author of the book,* High Standards, Hard Choices: A CEO's Journey of Courage, Risk and Change *(John Wiley & Sons, 2000), and is currently group vice president, public relations, at Gartner, Inc. (NYSE: IT and ITB,) the leading provider of research and analysis on the global information technology industry.*