Salesforce.com Adopts CEO Structure With Spotty Record

By Jay Greene  August 8, 2018

Salesforce.com CRM 0.45% Inc.’s elevation of Keith Block to co-chief executive moves the center of gravity away from charismatic Chairman Marc Benioff, even as the business-software company creates a power-sharing structure that frequently doesn’t work out.

Few companies are as synonymous with their leader as Salesforce, which Mr. Benioff co-founded in 1999. He is the face of the company he runs, among the first to deliver subscription sales of software to corporate customers over the internet while also being outspoken on issues in and out of the workplace, such as gender equality.

By sharing the CEO position with Mr. Block, who was promoted Tuesday from president and operating chief, allows Mr. Benioff to focus on Salesforce’s strategy and culture while recognizing Mr. Block’s role in managing the company’s day-to-day business. The move also should help Salesforce make decisions more quickly, a former executive said.

“The DNA of Salesforce is that it has a tendency to wait until Marc says go before they drive,” the executive said.

Few companies, though, maintain co-CEOs for extended periods, as the lines of power can blur and create friction. A leadership duo at Deutsche Bank AG, for example, struggled after a series of financial missteps and regulatory penalties led both co-CEOs to resign in 2015.

Mr. Block’s previous employer, Oracle Corp., has had two CEOs since 2014: Mark Hurd and Safra Catz. But in that case, founder and Chairman Larry Ellison continues to wield significant influence over the company.

Often, companies with two CEOs grapple with a lack of strategic clarity, as well as senior executives who play one leader off of the other to get the answers they want, said David Heenan, a visiting professor at the College of William and Mary and a co-author of “Co-Leaders: The Power of Great Partnerships.”

“It can work if the guys have worked together for a period of time,” Mr. Heenan said.

Salesforce’s two CEOs have worked together for years. Mr. Block joined the company from Oracle in 2013 as vice chairman and president. The 57-year-old added the operating-chief title in 2016, and during his tenure has focused largely on executing the day-to-day business, a role he will continue.

As co-CEO, Mr. Block will report directly to Salesforce’s board of directors, of which Mr. Benioff is still chairman.
Mr. Benioff, 53, meanwhile, will continue to lead in the areas of innovation, technology, marketing, stakeholder engagement and culture. He is notable for being something of a spiritual leader for Salesforce, dubbing employees “ohana,” a Hawaiian word for family.

“This is just a natural evolution of what’s been happening over the last five years,” Mr. Block said in an interview. No particular factor precipitated the change, such as being recruited for a new job, he said. Mr. Block doesn’t anticipate any tension with Mr. Benioff.

“We’ve essentially proven this model out over the last five years,” Mr. Block said.

The promotion turns up the spotlight on Mr. Block as Salesforce, which sells subscriptions to online services, drives toward its goal of generating $23 billion in annual revenue in the fiscal year ending January 2022. In the most recent fiscal year, revenue jumped 25% to $10.48 billion.

Mr. Block, who previously ran Oracle’s North American sales and consulting operations, led Salesforce’s expansion into vertical markets such as financial services, health-care and retail. He has been Salesforce’s main face in business dealings, explaining to Wall Street acquisitions such as the company’s $6.5 billion purchase of MuleSoft Inc. in March.

The success of Salesforce, whose stock closed up 73 cents at $145.17, makes this move easier for investors to swallow, said Stifel Nicolaus analyst Tom Roderick. “It’s the most logical next step and we’ve seen it coming for the last few years,” he said.

Even as sole CEO, Mr. Benioff found time to focus on other areas important to him, such as philanthropy and social activism.

Mr. Benioff and his wife, Lynne, have increased their philanthropy over the years, giving more than $250 million to the University of California, San Francisco, to build UCSF Benioff Children’s Hospitals in San Francisco and Oakland. Two years ago, they created the Benioff Ocean Initiative at the University of California, Santa Barbara.

Mr. Benioff also is a frequent speaker at the World Economic Forum, and a member of its board of trustees.

The leadership change isn’t a signal Mr. Benioff will become less engaged with Salesforce, Mr. Block said. “Marc is very engaged in the business, and he’s going to work for a very, very long time,” Mr. Block said.