Additional information –document 3

CONSULTANT NOTES:

Phone call with Chairman, Dr. Jean Paul Dupres (December 10, 2005):

* Received call from JP requesting time to discuss the board’s concerns about Ken Martin, his leadership style, and the functioning of the executive team.
* According to Jean Paul, the board requested that Ken find a consultant to help him better address getting the top group of executives to coordinate their efforts. They do not act like a team—they each run their own areas as if there is no impact of their actions on the other functions.
* Both John Babcock and James McDermott are on the board (a legacy from when there was only an internal board), but the president, Ken Martin, is not formally a member; although, he attends all meetings and is intimately involved in all the board’s affairs as an ex-officio corporate officer. This was done as a “favor” to James Haworth so he would not feel replaced and forced out. It may have worked a little, but Dr. Haworth was upset at not being offered the Chairmanship even though it is his health which prevents him from taking on such a major role—he agreed! He rejected being any part of the board. However, he maintains a significant amount of control being the major individual share holder (controls about 25% of the company).
* It is “public knowledge” that Dr. Babcock and Mr. McDermott will step down from the board at the next election.
* It is not public knowledge that the board is wavering on making Ken Martin a formal member and having both Dr. Babcock and Mr. McDermott report to him during a transition phase as the company reorganizes operations assimilating the far flung partners and wholly owned subsidiaries into a truly global multinational.
* The board likes what Ken Martin has done with the sales, marketing, and administrative functions but wonders if he can LEAD the company into the future.
* It was clear from the recent business planning process that there is a need for a CFO to coordinate and direct the divisional finance executives and create a unified financial operation. Both the board and the executive team agree on this. All the finance units will report directly to this individual, but they operate in a matrix arrangement within their current functional areas. A new corporate financial staff will be recruited once the CFO is chosen. The current plan is to have the CFO report to the president and potentially become a board member. Ken did a great job trying to fill this gap but had neither the time nor the resources to pull it off. (Listening to what was said, it appears the lack of infrastructure and no corporate staff prevented Ken from accomplishing what he wanted to do and what the board demanded.)
* Dr. Dupres expressed regret that he had tried to continue to function as CFO when he became board chairman, and it caused great conflict and confusion at all levels of the organization. He suspects this undercut the functioning of the Executive Group but denied any affect on Ken Martin’s leadership. (“If he were a real leader, he would have overcome this problem.”)
* At the end of the discussion, Dr. Dupres asked that I keep all this information confidential. I politely refused pointing out I could not do my job by ignoring the information and felt it was critical that the board’s assessment of the organizational needs be shared with the executive team so all efforts were aligned. He reluctantly agreed but demanded that I not share this information yet. He wants me to work with the team first and provide an overall assessment of their strengths and weaknesses (especially Ken Martin). He assured me the board is in agreement with this and that it was discussed openly so Ken, John Babcock, and James McDermott all know the board wants an assessment from me after the team meeting. I think this is possible, but I want to discuss it fully with my partners to make sure I am not missing something. I extracted a promise that he would speak directly to Ken and share all of this information with him in the next few days. To ensure this, I asked that both Ken and he send me a note summarizing the key points. I told them I need this before the 15th when I would be presenting the request to my firm at which point we would decide whether we could be of help and how we would like to proceed. Dr. Dupres agreed that this made sense. In addition…

1. Only if all these conditions are met will I present the proposal at the team off-site meeting.

2. He further agreed that for the off-site meeting, the client group would be the whole team!

3. He declined my offer of facilitating his discussion with Ken—his point was that if Ken so desires, I, or another person from our firm, should become an executive coach and advisor to help him grow. The board wants him to succeed and will give him every chance to develop into the role of COO and later expect he will be CEO. 4. Finally he took the suggestion that Ken be “empowered” to develop a written “support contract” detailing what he will change and specifying what he needs or desires from the board to accomplish those changes. This will be discussed before the executive off-site meeting and revised based on the events at the off-site meeting. It will remain a living document to be discussed or changed as necessary whenever either party has concerns about the progress of the company and the overall efforts at improving the executive team as well as the total operation throughout our firm’s engagement.