TRANSITIONING EXECUTIVE MANAGEMENT

AN EKS CASE STUDY

Situation Analysis

The Chairman and CEO of a large family controlled, business determined that it was time to retire as CEO after nearly 40 years of service in that position. He felt that the sophistication, complexity and growing size of the enterprise warranted a transition to professional management from outside the family. A leading executive search firm identified a candidate who was leading a big business unit of a large public conglomerate. He appeared to be a good fit, and the Board of Directors confirmed his appointment to the CEO position.

In the following year, the company experienced in first decline in revenue and posted losses for the first time in the eighty year history of the firm. Three disturbing trends were disturbing and indicated a need for immediate triage and correction:

1. Long time executives that were held in high esteem by the Chairman left the company
2. Key customers called him to voice concerns about lack of responsiveness to their requests and concerns, and
3. Clear manifestations of a general decline in workforce morale came to the Chairman's attention

Desired Outcome

The Chairman wanted to determine whether these business issues were temporary and associated with the transition from a family run to professionally managed enterprise, or were directly related to managerial performance or style problems that were likely to continue to erode the prospects for the company. Time was of the essence: the Annual Meeting was to be held in twelve (12) weeks and any necessary action would have to be taken prior to that time.

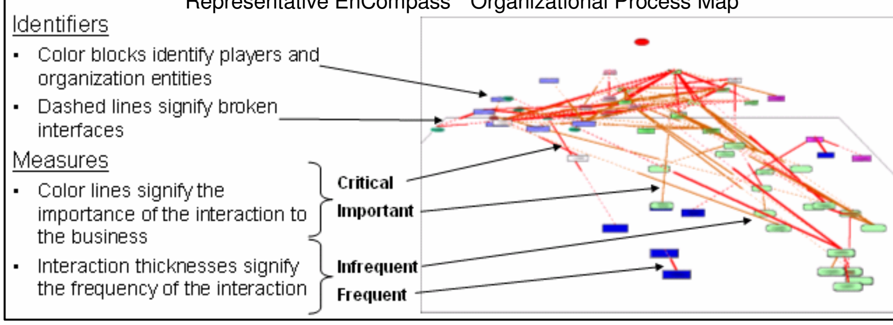
Intervention

Over the following eight weeks, a small consulting team utilized EKS' EnCompass® module of the EnCompass Enterprise (E^{2TM}) software suite. EnCompass® performed Organizational Process Mapping using data gathered through a survey-style method.

Key organizational processes that were associated with the critical success factors for the company, as identified the Executive Committee, were mapped.

Data was collected from nine operating divisions located throughout the U.S., Canada, Europe, and the Far East. Individuals from key clients and strategic partners were also included in the study population.

Representative EnCompass® Organizational Process Map



The EnCompass findings clearly demonstrated that dysfunctional interfaces had developed on nearly every issue between the new corporate office and operating divisions. They also revealed financial management was out of control and planning and execution were poorly coordinated. It was evident the problems originated in the corporate office.

Results

The results were reviewed with the Chairman and the Board of Directors and a decision was made to discharge the CEO and replace him with the General Manager of the largest operating unit, who had joined the company in a mid-level management position ten years earlier. It was clear from the EnCompass findings that he had assumed corporate responsibility for operations and logistics. Utilizing EnCompass further to pinpoint and prioritize problems and to develop and establish management consensus on action plans, the sales decline was stemmed in the following quarter, and the company returned to profitability by year end. The discharged CEO initiated action against the company for improper dismissal. However, corporate counsel countered that if the case were to proceed to trial, the EnCompass maps would be presented to document that the Board was compelled by the responsibilities of governance to take the actions that they did. The former CEO, on advice of counsel, dropped the action.

100 Corporate Pointe, Suite 210
Culver City, CA 90230
www.encompassknowledge.com

Release Date: January 2005