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**Role Play**

**Spiral Flow:**

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Confidential Instructions for Mansour

You are Mansour. Originally from the Middle East, you graduated with distinction in one of the best educational institutions in the region and migrated to South Africa after college to pursue an investment banking opportunity. Shortly after arriving, you met your wife and had three beautiful children. As your career progressed, you were finally headhunted for a job at your preferred South African investment firm and stayed there for close to ten years.

Nudged by your team and several of your colleagues, you mustered up the courage to apply for a C-level position to become CEO a few years later. Unfortunately, the firm selected your peer, who had indeed been lobbying hard for that position for quite a while. He was notorious for being all talk and politics with no real content or results. You genuinely thought that the CEO would have seen his superficiality and promote you instead. But alas, it was not meant to be, and despite several colleagues begging you to stay, you left the firm. Just as you were kissing your financial independence and early retirement goodbye, a fantastic opportunity came up.

Two former clients, Alex and Jacob, successful Fintech entrepreneurs, approached you to be the CEO of their new business unit operating out of Abu Dhabi. Your mind started racing. You had managed their investments for years. You found them to be sharp, driven, flexible, easygoing people, in sum, a pleasure to work with. Alex and Jacob were rich, not super-rich yet, as they hit big with their Fintech venture: Spiral Flow, which they intend to turn into a unicorn.

Five years ago (Y-5), you shared how they could repurpose their tech to target the funds' industry, one of your areas of expertise. They loved the idea, and after a year of asking you loads of questions on how the funds industry worked, they launched Spiral Funds, a subsidiary of Spiral Flow. They hinted they wanted you at the helm, but your C-level plans at the Jo’burg firm had you subtly decline the invitation they never explicitly made. Eventually, they hired a commercial banker as CEO, who failed to produce profits for two years. The relationship eventually soured, and they fired him. Next, they asked you to take over and make Spiral Funds profitable.

On a personal level, your extended family and wife had been asking you to return to the Middle East since your parents were getting significantly older. Your kids were at an age where it was good to be closer to family and exposed to your home culture. Besides, Abu Dhabi had easy flights to your home country, so you could visit on a weekend basis if you wanted. You would live in an expat-friendly city heavily invested in their financial and entrepreneurial sectors and with a personal income tax rate of 0 percent. You also had several colleagues and a few good friends in the axis Abu Dhabi – Dubai, providing you and your family with a local support network.

Professionally, this seemed like the dream transition. Spiral Flow is based in South Africa, so you could keep your link to Jo’burg, a city you still love. You wondered why Spiral Funds is not closer to Spiral Flow, Alex, or Jacob. But they want Spiral Funds to be in Abu Dhabi to spearhead the broader Spiral Flow international expansion. This move could expose you to new markets and leverage your extensive regional connections in the Middle East and Africa.

You feared that you would have to take a compensation hit to join a start-up, but Alex matched your previous salary and bonus, then added shares and expat perks. Jacob followed up with a MoU (Exhibit 1), including an aggressive revenue growth plan (Exhibit 2) and how the shares would be vesting dependent on your performance appraisal. You remember the two of them mentioning that they want Spiral Funds to be an AED 100-million business by Y7 (seven years from now). Given the past two-year losses, their targets for the following ten years (Y-2 to Y7) seemed ambitious. Still, you did not challenge them as you believed you could meet or, with a bit of luck, exceed their expectations. You had not previously agreed to link performance evaluation and the vesting shares, but here you were, a month after leaving your job, signing the MoU for a brand-new chapter in your career.

From day one, conscientious of your lack of CEO experience, you hit the road to meet your customers and learn what they wanted, you contacted mentors for advice, and you learned as much as you could. These learnings guided your transformation of Spiral Funds. You redesigned its strategy and business model, optimized its operations, including aggressively cutting non-value-added initiatives, improved your core product, expanded your product portfolio, and leveraged your network to sell, sell, and sell some more. You collaborated extensively with HR to upskill the existing team and hire a couple of additional star employees to raise the bar. Under your active but quiet leadership, Spiral Funds built a customer-focused and high-performance culture. You were not about Silicon-Valley-like fun and games, but rather hard work, innovation, and camaraderie. At the end of Y-1, after almost two years of countless hours and weekends on the job, you were tired but happy. You now had a high-performance team, happy customers, enthusiastic colleagues, a growing start-up, and financial results three years ahead of schedule.

Meanwhile, the founders had been launching numerous company-wide initiatives to boost productivity, agility, and synergies among units. Some of the initiatives introduced by Alex and Jacob included:

* The Strategic Compliance Task Force: A project across all business units to document, quality-check, and harmonize internal compliance processes so Spiral Flow would conform to governance standards and rules imposed by regulatory bodies. Although you understand lawyers love their regulations and guidelines, they also know better than anyone else that rules are bound to interpretation. A centralized risk-assessment board will limit flexibility and agility, thus stifling entrepreneurship within Spiral Flow.
* The Vision Quest: A ten-month communication campaign to align company values across business units and raise much-needed employee engagement. Or, as you jokingly called it to Alex: Sticking post-its on a flipchart while bathing in the illusion of a happy work environment.

The founders brought the vast majority of such ideas, most of which were value-destroying, and showed the founders’ profound ignorance of Spiral Funds and its industry. As your investment banking days taught you, being honest, data-driven, and direct on their merits allows good ideas to surface and bad ones to die. Besides, the founders are trained lawyers and can easily shred anyone to pieces in a debate. You often engaged in heated arguments with them during these meetings, but only when knowledgeable on the topic. You contributed to all discussions, second only to the founders, even if you mostly leveraged your expertise to evaluate rather than generate ideas. Your colleagues, maybe younger or less comfortable debating publicly, do not contribute as much or at all. Their silence often puts an extra burden on you to be the only one openly scrutinizing the founders’ ideas.

Your first performance evaluation at Spiral Funds was “Meeting Expectations,” which Alex justified based on your joining the firm so recently and the founders wanting to keep you incentivized. Your second but in your mind first real evaluation was “Above Expectations,” but then you unexpectedly received two “Meeting Expectations” in a row (Exhibit 4). The founders argued that your numbers were good but not above expectations anymore as they had readjusted their expectations upwards after your second evaluation. You suggested that others probably evaluated you as “Above Expectations” in the company’s 360o survey assessment, which you could tell from Alex’s reaction was true. They then revealed that, as Spiral Flow is their company, their evaluation has a disproportionate weight on the final appraisal, and they poorly evaluated you. They wanted to see more leadership from you, more company-wide collaborations, and contributions to their company culture and vision.

That is quite funny because a few months earlier, Alex and Jacob unexpectedly stormed into your office to say that they thought you were becoming too influential and that you were making them feel that they were working for you. They made it quite clear that they did not sign up to work for you but that you were the one working for them. You agreed that you were working for them and never thought otherwise. They quickly ended the meeting and left. That was confusing as it explicitly demonstrated your company-wide leadership and influence. Now they were complaining of the exact opposite and punishing your performance evaluation for it.

After three “Meeting Expectations” appraisals in a row, you shared your disappointment but accepted the review to avoid conflict. However, you did express your frustration with only vesting 0.25% in this last evaluation instead of 0.325%, which is the higher-end of the “Meeting Expectations” range (Exhibit 4). Shortly after, the founders raised your vesting for the past semester from 0.25% to 0.325% to appease your frustration. However, they kept the “Meeting Expectations” appraisal so that the extra shares came from their generosity and not from your merits. You cannot help but wonder if they have not manipulated results to give you the minimum amount of shares possible. Working with them has taught you how money-hungry they are and how they are willing to do whatever it takes to win and squeeze every last bit of money from every deal. Are they not doing the same to you now?

You also suspect your evaluation resulted from your refusal to support some of their fluffier initiatives. One of your employees overheard Alex and Jacob discussing your “lack of team spirit” because you missed the end-of-year party. You only missed it because you were the only one who could fulfill a last-minute request from your biggest client. Besides, it was just a party. What did they hire you for: to grow Spiral Funds or attend parties?

Moreover, you are sure the founders resented your two-week vacation late last year (Y-1). Your older son had a severe health issue during the year, which only improved after several surgeries. Your job prevented you from spending more time with your son during this difficult time, and you promised to take him to his favorite vacation spot to make it up to him. You worked tirelessly before your vacation to leave everything organized. Besides, you remained available over the phone if any real emergency came up. You later heard that things got tough, but your team rose to the challenge. You were very proud of your team and how you trained and prepared them. Still, upon your return, Alex and Jacob made snarky remarks about your disappearance and how they had to step in to solve your problems. You are confused because HR was aware of your vacations, and your team did not mention anything about calling the founders in to help. They consulted them on a couple of issues, but that did not take more than a couple of hours. If you were there, you would have had to consult with them much the same way. So why are they fussing about it?

After almost three years of hard work, your reputation helped land a prominent client and a recognized leader in the funds' industry. Once they joined, several others followed them. While landing this client was a bit lucky, it is also the kind of luck that only happens for those who work hard and smart. At this rate, you expect results seven years ahead of schedule by the end of the year (Y0). You do not expect this growth rate to continue, but you are not complaining either.

Unfortunately, you received a fourth “Meeting Expectations” appraisal, but as you numbers grew dramatically, you chose to wait for your next, surely much improved, evaluation. To your dismay, you received another “Meeting Expectations” at the end of Y0 (Exhibit 4). During your feedback, Alex and Jacob explained the importance of corporate culture and not just your business unit. You replied that they speak about wanting a Silicon-Valley-like culture, but they confuse it with prioritizing attendance and symbolism over results. They say they want people to contribute when they really want those agreeable to their ideas. They believe they are very inclusive, but you see them as centralizing top-down bosses. Besides, their initiatives divert resources away from increasing revenues. You complained about the unfair evaluations and the reduced vesting shares. They countered with you not knowing how to take feedback, how they, your bosses, were telling you what to do, and how you still lacked leadership and broader contribution. The meeting did not end well. Since then, you were no longer cordial, and you hardly communicated apart from professional exchanges. So you wrote to Alex:

“Alex,

I am disappointed with ‘Meeting Expectations’ five semesters in a row. I am proud of the work that my team and I have achieved at Spiral Funds. However, I am not getting commensurate recognition of my contribution. I have exceeded all projections you shared with me before joining Spiral Flow. The results are seven years ahead of schedule, which means ‘Above Expectations.’

I know that you are investing a lot of time to carry out performance appraisals, but our views about my performance have been highly divergent. I do not see any other alternative than to negotiate an exit. Please let me know when you are available to talk.

Regards,

Mansour”

Spiral Flow is preparing for an IPO and needs to avoid bad rumors. Having a CEO resign now can have a very negative effect on its listing price. Since you own equity in the company, everyone profits if your departure avoids such rumors. You want to be a “good leaver,” and you have no desire to badmouth or sue them, but you also want to make sure you get what you deserve.

Your contract does not state anything about an exit payment, but a quick research revealed that it is customary to pay up to three times the executive’s base salary, to account for salary, bonuses and other monies, anywhere from a couple of months to a year or more. Your predecessor got a US$500k exit payment without producing any profits, while you turned their dreams into reality seven years early. You deserve a fair, if not a generous, exit. Of course, you would prefer to stay at Spiral Funds. You love your work, you built a great team, and it is fun to lead a growing company. But you can only stay if they recognize your contributions, rectify your vesting shares to full value, and stop asking you to contribute to their distracting projects. Should you leave Spiral Flow, you expect a generous exit payment that rewards you as a good leaver and a high performer. You are now at the end of Y0, the results for the year have just come out (Exhibit 3).

Alex has agreed to meet with you. Prepare for your meeting with Alex.

Exhibit 1

Memorandum of Understanding [summary]

Mansour & the Founders (Alex & Jacob) hereby agree that:

1. Mansour will take the CEO position for Spiral Funds, a Spiral Flow subsidiary, and report directly to the founders.
2. Mansour will start immediately and his contract has no fixed end date.
3. Mansour will receive a yearly fixed salary of AED 500k (five hundred thousand dirhams)
4. Mansour will have a housing, car, and kids' schooling allowance up to his yearly salary.
5. Mansour will receive a profit-sharing bonus of up to 100% of his salary whenever Spiral Funds generates profits. This bonus will be dependent on the profits generated above the yearly revenue and profit targets.
6. Mansour will receive shares vesting[[1]](#footnote-1) at 0.5% per semester up to five percent within five years.
7. Mansour’s vesting shares are dependent on Spiral Flow’s semi-annual performance evaluations:
   1. “Above Expectations” = 0.5% vesting,
   2. “Meeting Expectations” = between 0.125 – 0.325%
   3. “Below Expectations” = 0%.
8. The Spiral Flow 360o performance appraisal is based on three variables:
   1. Leadership within Spiral Flow;
   2. Performance of your business unit;
   3. Contribution to the Spiral Flow culture
9. The Founders will consult with Mansour and then decide on Spiral Funds' yearly revenue and profit targets.
10. In the event Mansour leaves Spiral Funds, the founders have the option to repurchase part or all of Mansour’s vested shares, at their discretion, for a price based on a valuation of 8.5x EBITDA from the previous year consolidated results.
11. Mansour agrees to a worldwide non-compete clause where he is forbidden to work with capital markets for two years from his departure from Spiral Flow. In exchange, Mansour will receive 50% of his salary during this period.

Exhibit 2

Spiral Funds Projected Revenues (AED millions) shared by the Founders

Previous CEO is fired

Exhibit 3

Spiral Funds Projected and Actual Revenues (AED millions) shared by the Founders

Mansour joins as CEO

Exhibit 4

History of Mansour’s evaluations and vesting shares

|  |  |  |  |
| --- | --- | --- | --- |
| Period | Appraisal | Vested Shared | Potential vesting |
| Y-3 2nd semester | “Meeting Expectations” | 0.375% | 0.50% |
| Y-2 1st semester | “Above Expectations” | 0.500% | 0.50% |
| Y-2 2nd semester | “Meeting Expectations” | 0.375% | 0.50% |
| Y-1 1st semester | “Meeting Expectations” | 0.375% | 0.50% |
| Y-1 2nd semester | “Meeting Expectations” | 0.25%, raised to 0.375% | 0.50% |
| Y0 1st semester | “Meeting Expectations” | 0.375% | 0.50% |
| Y0 2nd semester | “Meeting Expectations” | 0.375% | 0.50% |
| Total |  | 2.750% | 3.50% |

1. “**Share vesting** is the process by which an employee, investor, or co-founder is rewarded with shares or stock options but receives the full rights to them over a set period of time or, in some cases, after a specific milestone is hit – usually one that's established in an employment contract or a shareholders' agreement. Normally, share vesting is a tool to help achieve three potential goals: (1) incentivising long-term commitment to the company, (2) demonstrating a commitment to company growth, and (3) protecting the company in case the relationship doesn’t work out.” Retrieved on from [Share Vesting - What Is It And How To Best Use It (linkilaw.com)](https://linkilaw.com/startup-advice-tips/what-is-share-vesting/). [↑](#footnote-ref-1)