

Confidential

STRATEGIC COACHING FINAL REPORT

March 26, 2009

EXECUTIVE SUMMARY

In the beginning of 2008, a large pharmaceutical Company in Japan began a transformation project with the goal of becoming a competitive specialty pharmaceutical company. **The transformation project included two strategic initiatives: to implement a strategic alliance with a Japanese company and to restructure the organization** to support the goal of becoming a competitive specialty pharmaceutical. The expected end result of the transformation was to create a highly competitive firm focused on specialty medicines that could generate profits in the short and medium term.

This project required not only change management plans to achieve the two initiatives in a set time period, but also that senior management refocus on the critical activities needed to lead and motivate their teams to succeed in the transformation. A coaching team was brought in to assist with the implementation of the two strategic initiatives of this transformation and to develop leadership skills in each of the executives.

An ROI calculation determined that the Return of the coaching intervention was 12 times the Investment based on the difference of expected vs. actual results and an estimate of the contribution of the coaches. Subjective evaluations by the President, the executives and the coaches indicate that the intervention was a success.

The conclusion was that the agreed timelines of the action plans had been met and that both strategic initiatives of the transformation were begun successfully. The coaching was perceived to have contributed to both the business goals of the transformation project and to the development of the leadership skills of the executives. One of the follow-on benefits of this process was that the executives, as a recently formed team, increased their level of trust and had ability to support each other.

Critical areas of focus in the engagement were:

- Implementing the reorganization
- Helping the executive team increase their influence with Olive and with key head office personnel
- Developing accountability and a proactive mindset in the executive team
- Developing and motivating staff.

Following a seminar designed to break down both strategic initiatives into action plans with objectives and timelines, the coaches were brought in to identify and contract the leadership skills necessary to implement the action plans. In addition, the President of the Company, identified particular skills based on corporate values that the coaches and their executives would also need to consider in their coaching contracts.

The project began in May 2008 and finished in December 2008. A review of the results of the action plans in the transformation was held in December and subjective and objective evaluations of the executives and their progress were collected from both the coaches and the executives

An assessment of the organization's ability to execute its strategy was conducted using the xQ survey developed by FranklinCovey. The intention was to have a baseline for measurement of success and to identify areas for improvement in the ability of the organization to execute strategy. Due to the heavy requirements of the project, the action plans developed from the survey were de-emphasized and changes from the baseline will not be measured until the spring of 2009.

The original intended outcomes to be accomplished by the coaching team included:

- Business objectives accomplished
- Development of leadership competencies
- Documented evidence of organizational needs
- Transfer of coaching skills
- Identification of further development needs.

Most of the above outcomes have been accomplished as measured both by achievement of milestones and upon reflection of the coaching process by the executives and the president. Transfer of coaching skills was discussed as a follow on activity implemented by assigning a 'homework' assignment in January 2009.

The coaching team has presented recommendations for the follow on homework assignments based on learnings about the coaching process which will positively affect each executive's ongoing objectives. In addition, it has been recommended that a workshop be held in May 2009 bringing coaches and executives together to talk about the result of the homework and accomplishment or progress on the stated objectives. An xQ is recommended as an effective follow up activity to gauge the current level of execution ability within the organization base-lined against the xQ results obtained in May 2008.

PROGRAM OVERVIEW

Five executive coaches, including one person acting as lead coach, were engaged to work with five of the six executives responsible for the strategic initiatives. The coaches were carefully selected for their diversity of practice, experience in business, and sensitivity to cultural and language requirements. The executives were introduced to two coaches and selected one of the two to be their executive coach. In addition to the coaching sessions, the coaches met monthly for mentoring sessions that raised organizational issues common to each executive and gave feedback to the president along with suggestions for his review. Confidentiality of the individual coaching sessions was maintained throughout the engagement and the executives were asked to raise organizational issues that would be discussed at the mentoring sessions.

The first step, critical to the coaching program, was to translate the strategic plan into achievable action plans for each of the executives undergoing coaching. These action plans formed the basis of the coaching agreement between the coach and the executive. Coaching objectives were selected from a combination of input from the President based on an analysis of the desired leadership behaviors and the priorities of the action plans for each executive.

Although development of the action plans and establishment of each executive's leadership objectives had already been completed before commencement of the project, the coaches worked with the executives to refine these objectives and consider them in the development of the coaching objectives.

The next step was to determine the leadership competencies necessary to accomplish the objectives. Executives accomplish their objectives through the work of their direct reports. Since development of middle management is identified as a critical need, the management of the development process as well as monitoring progress toward strategic objectives was considered within the scope of the coaching engagement. Executives needed to define objectives and training and coaching areas for key direct reports. Measures for each of the objectives were developed at this point.

Finally, the program has been evaluated by the success at both executives and their direct reports in executing the action plans which have led to progress toward the strategic initiatives. Measures have been reviewed and an evaluation of the program from the point of view of each coach has been collected and consolidated in a report to the President. Follow-on recommendations are included in the report.

ROI Calculation

Progress toward Contracted Coaching Goals – Subjective and Objective Progress

Executive	Material Return	The President's Evaluation of Areas of Focus	Cost Savings	Contribution of Coaching to Return	Return
Mr. A	Prevented 2 months delay on Product A 3 people retained (with influence from Mr C)*	Ability to make tough decisions re: structure Deliver drug outcomes (Product A filing) XXX governance and credibility Taken on XXX responsibility Spread his wings (more influence in XXX)	200M <u>45M</u> 245M	15%	36.75M
Mr. B	42 people left voluntarily vs. base line of 30 expected*	XXX Significant Downsizing XXX communication and collaboration	144M	20%	28.80M
Mr. C	Deal governance All projects on schedule vs. a baseline of all projects delayed by one month	Maintain a tough dynamic Not overwhelmed Delegation alliance to a good start Structure for team Hire direct reports and consultants	200M <u>27M</u> 227M	50%	113.50M
Mr. D	Could multitask to manage XXX factory site vs. baseline of responsibility falling on The President	Ability to take on Production and IT whilst delivering and dealing with XXX site and business XXX Deal financials	60M	30%	18.00M
Mr. E	Resolved 10 HQ cases vs. baseline of 4*	Planning and efficiency Resilience and peer communications Leveraging his team	72M	60%	43.20M
Return			748M		240.25M
Investment					20.00M
ROI					12.0125x

*The vast majority of those voluntarily downsized did not have the level of skills appropriate to the future of the organization. Downsizing is extremely sensitive in Japan, and the standard is a two year voluntary package. The downsizing was accomplished offering a one year retirement package, thus actual results were remarkable over base case estimates.

For each executive, a subjective evaluation was done by the President to determine if coaching had an effect on the success of certain material outcomes. In each case there were milestones created for each executive. The base line expected result was determined by the President's judgment of what could likely have gone wrong or been delayed. This baseline was compared to the actual result and a financial estimate of the impact has been calculated.

The impact was calculated by the NPV of future expected revenues delayed by one or two months. In the case of downsizing, an estimate of the amount of annual salary is calculated for the difference between expected and actual reductions of headcount. In case of work that The President would have to do if he had to take on a task, his actual salary and benefits cost was prorated. In addition, it was assumed at a base case that at least one of the executives would leave the company, and an estimate was made about the cost of a consultant to replace him.

This calculation only considers material differences with a minimum of 10,000,000 yen. Other benefits such as increased cooperation between executives in achieving milestones, increased effectiveness in managing direct reports to achieve milestones, and the time taken by the coaches was not considered. The return of 240,250,000 yen was determined as the difference between actual and expected results against the total cost of coaching at 20,000,000 yen, resulting in a return of 12 times investment.

It is notable that the return for the two coachees who relied most heavily on the coaches for support (in the President's opinion) also garnered the largest return. This would justify the use of coaches not only on high performers who are expected to get results, but also on executives who have particular development objectives that affect their ability to get results, and therefore require more support. The base case was calculated with a basic knowledge of the executive's ability and The President's judgment. Actual results are the accomplishment of the individual executive. It should be noted that the coach's activities were supportive of the executive and not directive.

This is a standard calculation for a coaching ROI. Since it is not a controlled intervention, and the results of the intervention won't be known for some time, it is recommended that subjective evaluations from the executives and from coaches should also be considered. Other considerations in the calculation of ROI are the confidence level in the actual results by the person who made the calculations. In this case, the President made these estimates, which is a more accurate view than the executives themselves, however the NPV figures are based on expected returns within a 3 year time frame. There could easily be variability in the results from causes other than the coaching intervention or even through the activities of the executives, for example staff changes, regulatory changes, market conditions, etc. The ROI calculation should be taken as an estimation of effectiveness of the coaching solution among other measures, but not relied on as an exact measure.

Objectives from Coaching Contracts and Self-Evaluation

Comments taken directly from executives

Executive	Self-evaluation
Mr. A	<p>To a certain extent but I myself enjoyed it and felt it useful.</p> <p>This coaching re-assured about my ability but not necessarily resulted in improvement, just in line with my expectation. No critical talents decided to resign the organization though pretty flat organizational structure was introduced. Through coaching, I was able to make simulations in communicating the new organization. This was very helpful in the successful outcome</p>
Mr. B	<p>Learned the importance of active listening in the process of coaching my subordinates.</p> <p>Successfully enhanced logical thinking skills in my direct report through the coaching sessions and now he is able to make better and clearer presentation materials to his team for the implementation of strategies.</p> <p>Acquired opportunities to recognize the current status by talking and sharing information with my coach.</p>
Mr. C	<p>Find myself better.</p> <p>Find better option and better forecasting of future what to happen</p> <p>Planning of future for my division, I got wider insight by coach how to set view and how to implement.</p> <p>When I became less confident what I am doing, I learned how to behave and overcome such situation to lead people better to develop them.</p> <p>Very frequent look back and recognition done however I improved less on this topic since I myself fell into a vicious custom still to react all.</p> <p>time to time when I get in trouble, I found how I should organize myself and put priority for businesses and coaching of subordinates</p> <p>Balance of assertive and friendly, I had trouble but now improving gradually</p> <p>Rather than improving as good as, but keep momentum or INITIATE is important which I understand not in theory but in practice and still improving.</p>
Mr. D	<p>Communicates earlier and more frequently</p> <p>Consciously be the first or second to state my opinion on a subject. Need to focus better at meeting, not being distracted by taking meeting minutes etc.</p> <p>Drives the company with stronger project management</p> <p>First action was to delegate more of my day to day responsibilities so I was able to focus on the project itself. Second was to invest my time early and intensively (7PM to 9PM meeting every night) to bring the key talent up to speed with a few of the projects to be better able to delegate aspects of those projects to them.</p> <p>Build stronger teams</p> <p>xQ was the driver / pretext for my interdepartmental communications plan. The coach focused me on ensuring an outward commitment to this from the leaders of my team and specific actions they commit to. I also felt that the committee needs to build stronger bonds and thus held a few "events" to progress this.</p> <p>Discussed how to maintain strong teams in the light of the reduction announcement.</p>



	<p>The coaching came at a critical time and focused me on those specific actions that I needed to take over that next week and months to come to overcome the numerous assignments / challenges I faced. Subsequently, helped me to address very specific issues such as interpersonal conflicts, again multiple priorities and greater delegation.</p> <p>Under "drives projects" was able to focus on the deal (Finance subcommittee, getting the knowledge of a vast array of people in global up to speed, tax planning etc) Budget preparations, X project, exec visit etc etc by investing my time early and intensively to bring the key talent up to speed with a few of the projects to be better able to delegate aspects of those projects to them.</p>
Mr. E	<p>When I got so much pressure for reaching my goals, my coach set me back to the natural position and gave me the motivation again. At the rightsizing implementation stage, he suggested to me how to approach others, and let me know a facilitator's style. He gave me an approach. He showed me some styles to approach those who would be terminated, e.g. the timing and the place, and the period for the action. And how quickly to approach the rest of the people who were affected or who were not affected. Specific benefits were a life style change (use morning time more effectively), break down tasks specifically, and always ask the question 'why' and take a memo.</p>

CONCLUSIONS

The general opinion of the President, the executives and the coaches was that this was a very successful engagement. The calculation of an ROI of 12 is well above industry standards and the comments from executives show that the intervention was received well and that results were quite positive. It should be noted that none of the executives had received executive coaching while at XXX before and their ability to accept this type of leadership development was quite impressive. In addition, much credit must be given to the President for supporting the program and taking feedback well and implementing suggestions as they arose from the mentoring sessions. In a final meeting with the executives at the end of the engagement, their enthusiasm and positive comments about the coaching engagement, as well as their sense of teamwork and camaraderie was a striking change from the interactions that took place early in the engagement. The intervention was a success due to the efforts of all involved.