

## **Where is Simon?**

What do you do when your Sales leader loses perspective?

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## Introduction

Evangeline MacIntyre came to work for Nano Renew Technologies five years ago because, as their Sales manager, she could work directly for Simon Mendes. Simon, who is the public face of Nano Renew, leads the company's sales and stakeholder-relations efforts. Under his leadership, he has positioned the company as demonstrably committed to doing business in a socially responsible yet profitable way. As Nano Renew's business has grown, so has Simon's public persona as a sales leader who is making a difference. He has become the darling of the B Corporation movement and is increasingly away attending to speaking engagements. Recently, Simon has negotiated a contract with an Indigenous nation and the Canadian government, which, when completed, will bring Nano Renew to a new level of prominence and financial security. However, Evangeline sees that this contract is in grave jeopardy unless organizational issues and stakeholder relations are not dealt with urgently. But Simon is not listening. He believes that his sales momentum will fuel operational success. Nano Renew and Evangeline need to think carefully about next steps.

## About Nano Renew

Ten years ago, four good friends who met while attending graduate school at the University of Alberta created Nano Renew Technologies. Nano Renew's mandate is to bring to market nanotechnologies that address water and contamination issues in both the developing and developed world. With initial funding, lab access and partnerships offered by Lakehead University through connections with Vikram Asan, one of the founding partners, the four friends opened Nano Renew in Thunder Bay, an Ontario community where they believed they could make a difference.

Vikram Asan, Ph.D., is the chief science officer and he oversees product research and development; Hannah Li, an electrical and computer engineer with specialized education in nanofabrication, is the chief operations officer responsible for the manufacturing process and supply chain; Dale Kalowsky, CFO and chief administrator, is responsible for finance, human resources, and legal. The fourth member of the team, Simon Mendes, carries the title of CEO, even though the four partners make decisions together and share equally in Nano Renew's successes and failures. Simon is a masterful salesperson, relationship builder and communicator, so the team decided early on that he should be the public face of Nano Renew.

In the first six years in operation, the partners successfully created and patented a cost-effective process for the production of nanotech water filtration, with the potential to revolutionize the field. Prior to Nano Renew's innovation, nanotechnologies had been prohibitively expensive for most water-treatment applications.

Four years ago, as a result of the firm's patents, venture capitalist Louise Vitner agreed to invest \$2.5 million in Nano Renew for a 25% stake in the company. The investment has allowed Nano Renew to bring to market a number of products, albeit in modest ways. One such product is an inexpensive jug that campers and hikers can use to create potable water from the most dubious of sources. Currently this product is being sold through MEC, a consumer-goods retailer, with positive customer feedback but negative margins for Nano Renew.

The firm also patented two other products. The first is a nano-sensor that, when embedded in product packaging, provides early warning of harmful bacteria. It does this by analyzing moisture in the package. Initial sales with companies that package fresh edibles have been very positive. This remains an area that can potentially offer Nano Renew high returns if aggressively pursued.

Finally, the firm has developed a unit that efficiently and cost-effectively provides clean water to individual buildings located in areas where water is unsafe to drink or use for washing. These units, branded Pure Renew, have been tested in portable battlefield hospitals, small villages in India, and lakeside cottages, and are now commercially available through Nano Renew. Revenues for the systems have been built via direct sales through the company's website and supported by positive media coverage. Simon has also been pursuing distribution opportunities via building-supply companies, governments and retailers in an effort to scale the sales potential.

The four partners have also pursued their collective desire to develop a socially responsible firm. Three years ago, they applied for and received B Corporation certification. In addition to community outreach, the partners, in the spirit of transparency, provide employees with regular updates of financial results and product developments. Committed to the concept of ensuring fair income distribution, the founders also have made available to employees a 20% share in the company. Their B Corporation certification is up for renewal and recertification in the coming year.

Nano Renew currently employs 150 people including scientists and engineers, various other professionals and hourly employees. The company has participated enthusiastically in incentive programs to create employment opportunities for First Nations.

## **Simon Mendes's Rise to Fame**

While all the founding partners wholeheartedly endorse the value system, the concrete steps that Nano Renew has taken to publicly celebrate their commitment to conduct business in a socially responsible manner have been driven by Simon. His initiatives have appeared to serve Nano Renew well as the company has earned the approval of potential customers and consumers more quickly than if Nano Renew were just trying to sell specific products into a competitive marketplace.

In his efforts to build the Nano Renew brand, Simon has joined the speaker's circuit, developed a significant following on social media, launched a podcast and published a best-selling book, *Socially Responsible Sales Leadership: How to Win with Your Values Intact*.

The founding partners are proud of what Simon has done, although some are noticing, of late, that it can be difficult to book time with Simon as he is often away "building the brand," as he tells them. At this stage, it is only a passing concern as all are busy with their own portfolios and Simon, it seems, is still bringing in contracts.

## Evangeline MacIntyre

Evangeline, the Sales manager, has enjoyed coming to work over the last five years. Simon has been an excellent boss. An energetic, charismatic leader with a comprehensive view of the salesperson's role, he has been generous with his praise, building her confidence and belief that she has a real opportunity to grow and succeed at Nano Renew. She has come to understand that sales in this kind of start-up is about much more than knowing the product, filling a pipeline and building a PowerPoint. She agrees with Simon that, for sales to build, one needs to create a brand, and to get Nano Renew's name and values out there. For this reason, she is flattered and happy to work overtime when Simon asks her to be his de facto editor, helping with research for his book, his podcasts and keynote addresses. No one knows Simon's positive message better than Evangeline.

Evangeline also likes the culture at Nano Renew. In the beginning, everyone acted like one big family. A familiarity, in her case, fostered by the fact that her husband, Jake, has been the founding partners' lawyer. As the managing director of the largest law firm in Thunder Bay, Jake proved his worth, from the outset, by ensuring potential future patents would be Nano Renew's alone despite the working partnership with the university. His firm has subsequently overseen the successful filing of the patents so critical to Nano Renew's

growth and success. In some ways, Jake is like a fifth partner at the firm. Evangeline and Jake often socialize with the Nano Renew partners and their families.

Evangeline's role also brings her into close contact not only with the founders but with other leaders and employees in the firm. She works with them to ensure that all are informed enough to anticipate and fulfill Nano Renew's sales commitments. Apart from Simon, her closest founder connection is with Hannah Li. This is in part because her work brings her in regular contact with operations, but also, because they are both women in a largely male management team. Evangeline appreciates the mentoring she receives from Hannah.

As the firm has grown, the family feeling has become understandingly muted, but there is still a sense of communal harmony. Employees value the transparency, the open-door policies and the social-responsibility values of the firm and its founders. Around town and in the industry, Nano Renew employees enjoy boasting about where they work.

## **Growing Pains**

Despite the successes, the founding partners are all aware that Nano Renew still has some way to go before it has a secure financial footing. Generally speaking, potential investors appreciate that Nano Renew has been building a strong CSR brand, although some argue that the partners may have gone too far, too soon, diluting share ownership with employee participation. Louise Vitner, Nano Renew's initial-round investor, is also indicating that she would like to get her money out. She therefore has been pushing for the team to bring in new money.

Simon and Dale are having discussions with potential investors. Those who have been approached are asking a lot of specific questions about how the team is planning to ramp up sales and production—and most importantly, profits—now that patents are in place and

products have been developed. Some suggest that the Nano Renew strategy seems too “fly by the seat of your pants” given Nano Renew’s products span diverse markets. Despite the fact Nano Renew’s revenues have been growing each year, increases in costs have outpaced this growth. Potential investors want the Nano Renew team to present a concrete plan that will address more consistently, and profitably, the opportunities and challenges before them. Simon argues these are to-be-expected growing pains and the firm has many irons in the fire that will drive impressive momentum. But Dale perceives that some of the potential investors are quietly re-evaluating the team’s ability to manage growth for profit.

## **Simon Brings It In**

Concerns about investors’ issues as well as any questions about Simon’s degree of focus on Nano Renew’s business needs are considerably eased after Simon calls the partners and Louise together to share the news that Nano Renew has come out the winner in their protracted discussions with the Canadian government and the Nishnawbe Aski Nation to form a partnership. He proudly announces that the firm has confirmed an arrangement to supply Pure Renew water systems to 49 northern communities, involving not only the installation of water systems in more than 25,000 new houses over the next three years, but also a partnership with each community to train their residents in the installation and maintenance of the systems.

Louise congratulates Simon for the timely injection of revenue. “Most importantly,” Simon tells his colleagues, “this deal will get headlines and will make us the brand standard for water systems in all our markets. This is serious leverage.” The win is celebrated with all employees. The partners begin the task of finalizing detailed work plans.

This kind of contract can make or break Nano Renew’s reputation. The federal government has taken a lot of criticism from Indigenous leaders and other interested parties over the poor track record of the partnerships it has entered into on behalf of Indigenous communities in the past. Under this spotlight, any signs that Nano Renew cannot fulfill its

contractual obligations will cause the government and the Nishnawbe Aski Nation to cut their losses and terminate the arrangement, to the detriment of Nano Renew.

The contract with Nano Renew includes many checkpoints. At the beginning of the year, Nano Renew will receive an advance payment of 15% of the full contract value of \$145 million; every seven months thereafter up to month 28 of the three-year contract, the government will remit an additional 15% providing six-month checkpoint commitments are met; the final 25% will be paid upon successful completion at the end of three years. Dale knows that Nano Renew will need to manage cash flow and risk carefully through each phase, with the first year meaning a loss, rather than profitability, even assuming all goes well. Moreover, the firm will incur penalties if it defaults in carrying out any of its obligations under the contract. All the work they are about to undertake will be subject to inspection and acceptance by the federal government and the Nishnawbe Aski Nation. Nano Renew will need to ensure access to all areas where the work is being performed at all times and their new client will have the authority to reject the work and demand resolution at Nano Renew's expense.

Hannah and her team meet to translate the agreement into a detailed phase-by-phase production plan. She shares her concern about the manufacturing workload and advises Dale on the specific amounts that will need to be allocated in the operating budget in order for Nano Renew to meet its contractual obligations. While Hannah's numbers are in line with Dale's expectations and the pre-work the operations teams had done to submit the proposal, Dale cautions everyone again that the financial rewards of this contract will not be apparent until well into the contract, assuming all goes smoothly.

## Troubles Heap On

Three months after the signing of the contract, there are some unsettling developments. Hannah Li, pregnant with her second child who is due in four months, has just been told that she must remain confined to bed for the remainder of her pregnancy. While Hannah can do a lot of communication from home, her absence from the workplace comes at a critical time. As an interim solution, Vikram and his team will oversee quality control and take on any technical issues; Hannah's number two, George Pecardi, will oversee day-to-day operations.

Three months into the supply contract, in the course of getting data for Nano Renew's B Corp certification renewal, Evangeline speaks with several of her contacts in operations. She learns that the ramp-up of water-filter production is causing flaws in the filters. That means the Pure Renewes will not effectively screen out all bacteria and may even cause particles from the nano material to trigger harmful pollution. There is no clear solution, she is told, short of slowing down production and doing more investigation to seek a solution. When she asks what is being done about that, she is told, "Vikram plays things close to the chest, although we have seen him around the production floor. And George wants to look good, so we don't know if he's sharing with Vikram everything that is going on."

When Evangeline relays this news to Simon, he says to her, "Yes, I'm aware of a production problem, and, I assure you Vikram is on the case and Hannah has been informed. At Nano Renew, we have a history of solving problems. We always do. This is how innovation works. People forget that the Apollo 11 mission that landed Neil Armstrong on the moon was dealing with a hydrogen leak just two hours before launch. We are in the business of solving technological problems. If news of this one manageable delay gets out, we are out of business. I do not want you to worry about this. I want you to focus on our participation in a press conference when the government and our Nishnawbe Aski partners are planning to announce Nano Renew's solution for the 49 communities. I need your help with speaking notes as we expect national media coverage of the announcement."

While Evangeline accepts Simon's counsel, she decides to remain vigilant. She, along with others who are kept informed of financial forecasts, is aware that the extra research and development expenses will also mean even more significant financial losses at the beginning of the contract.

Two months later, near the first six-month checkpoint on the contract, Evangeline learns that the production and leadership problems in operations persist, which means the company will not have a sufficient number of systems available for installation next month.

"Simon," she says, "you need to intercede and develop a plan on how to manage this. As you said yourself, just a few months ago, failure is not an option."

Simon replies, "The partners will handle it. I can manage our stakeholders. I do it all the time, and this contract is probably delayed because our Indigenous partner is still lining up the people side of the equation for training. If there are delays, we can point to their own challenges in ramping up. Trust me, if need be, there will be lots of outs. Besides, I don't have time for this! I need to be out of here in an hour to fly to New York to give a keynote. I am scrambling as it is."

"Simon, I know how busy you are but I think we need you here. You are the CEO of Nano Renew. Hannah is not here to manage things and I'm worried. If Vikram has a solution, he isn't sharing it and, if others in operations can be believed, he doesn't even know half of it. George is juggling. And while you think you can always iron out issues with our contract partners, how do you think it will go at the last moment, particularly if you want to finger point at our client, at a time when there is a lot of scrutiny on finally delivering a long overdue solution to Indigenous communities? Isn't transparency and caring for stakeholder needs fundamental to our brand, let alone our commitments as a B Corp? Don't you think the conference organizers in New York can find another speaker? You are needed here."

Targeting Evangeline with a steely stare, Simon says slowly and calmly to her, “I’d be careful if I were you. You’ve done good work here and you have a future if you want it. But you’re out of line. As you say, I am the CEO. We can discuss this more when I’m back.” Simon stands and opens the door to steer Evangeline out of the room.

Evangeline is chilled by Simon’s words and his dismissal of her alarm. She feels as though she is the only person at Nano Renew who sees the whole picture. She is also aware that whistleblowers usually never prosper.

## Questions

Note: Please analyze the case by putting yourself in Evangeline “shoes”, meaning please assume you are Evangeline.

1. To resolve the situation at Nano Renew, what are the issues you need to identify and the solution that you, as Evangeline, want to propose:
  - What are the key issues and leadership dilemmas? Why?
  - What are the likely consequences if nothing is done?
  - What stakeholders are important to consider?
  - What options are open to Nano Renew?
  - What is the best plan of action? Please outline the action plan in specific detail, with a time line.
  
2. Now that you have developed clarity on the issue and next steps, what should you, as Evangeline do:
  - What is your role as a mid-level leader to try to effect positive change? From your perspective, what advantages do you have that you can leverage? What are the issues as a leader you face?
  - Who are your stakeholders? Who should you approach and how should you approach them, given what you know about their orientation to the issue, your relationship with them, and their realm of influence?
  - Please identify you next steps in detail. Specifically, how will you deal with Simon?