What is your impression of the final situation with Matthew McRae?

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Introduction

The final situation involving Matthew McRae presents a leadership and governance problem rather than a simple choice between accepting or rejecting a resignation. McRae was hired as chief operating officer to help Igor and Ludmilla Ivanovic manage rapid growth, but conflict developed around authority, culture, staffing, compensation, and the organization's readiness for professional management. His resignation appears impulsive, while his later desire to rescind it and renegotiate compensation suggests that both he and the owners still see value in the employment relationship. The Ivanovics should not interpret the incident only as proof of disloyalty or greed. They must evaluate McRae's performance, the reasons for the breakdown, the risks of reinstatement, and their own contribution to unclear decision rights. The most defensible response is a structured review followed by either a carefully conditioned return or an orderly separation. Dismissing McRae's entire team without individual assessment would be unfair and operationally dangerous.

Interpreting the Resignation

A resignation written during anger or frustration raises concerns about judgment, emotional regulation, and leadership reliability. A chief operating officer must make decisions under pressure and should normally use established channels to address conflict. An impulsive resignation can destabilize employees, customers, and other managers. It may also signal that the executive lacks confidence that disagreements can be resolved within the organization.

However, the resignation should not be treated as conclusive evidence that McRae is violent, incompetent, or incapable of commitment. Leaders sometimes resign after prolonged ambiguity or perceived interference, especially when they are held accountable for outcomes but lack authority over staffing, systems, or spending. Before judging his character, the Ivanovics should reconstruct what happened: what decision triggered the conflict, what expectations had been communicated, what efforts were made to resolve it, and whether the owners undermined or contradicted the COO's role.

The Request to Rescind the Letter

McRae's wish to withdraw the resignation may indicate reflection, regret, or recognition that the conflict can be repaired. It can also indicate that he miscalculated his alternatives. The motivation matters less than whether he can explain his conduct, accept responsibility, and commit to a more disciplined working relationship. Rescission should not be automatic because the resignation has already affected trust.

The Ivanovics should meet with McRae privately and require a clear account of the circumstances. He should identify what he believes went wrong, what he would do differently, and what authority and support he needs to perform effectively. The owners should provide the same analysis of their own behavior. A productive meeting is not a negotiation over blame; it is a test of whether the parties can discuss difficult facts without threats, personal attacks, or avoidance.

Compensation as a Separate Issue

McRae's willingness to restructure his compensation should not automatically be interpreted as greed. Compensation is part of the employment contract and may reasonably be reconsidered if the position expanded, business results improved, or the original package did not match expectations. At the same time, using resignation as leverage for a better package can create a harmful precedent if the organization rewards ultimatums.

The Ivanovics should separate compensation review from the question of conduct. First, they should determine whether the working relationship is viable. If it is, compensation should be benchmarked against role scope, company size, market practice, affordability, and performance. A revised package might combine reasonable base pay with incentives linked to sustainable measures rather than short-term sales alone. Measures could include operating margin, quality, employee retention, customer satisfaction, cash flow, and successful implementation of scalable systems.

Assessing McRae's Performance

The case suggests that McRae contributed to sales growth and stronger financial results within a short period. These achievements deserve recognition, but they should be examined carefully. Rapid growth can increase revenue while weakening quality, culture, employee morale, or cash flow. The owners should review whether improvements are sustainable and whether McRae's decisions created hidden costs.

Performance assessment should include operational data, feedback from managers and employees, customer outcomes, and evidence of team development. The review should distinguish unpopular but necessary change from disrespectful or unauthorized behavior. A professional executive may need to challenge traditions that no longer scale, yet must do so with transparency and respect for the founders' values.

The Hiring of a Friend

If McRae hired a friend without required approval, the issue is not friendship itself but conflict of interest, process, and authority. The organization should determine whether McRae had hiring authority, whether the candidate was qualified, whether the relationship was disclosed, and whether a fair process was followed. Founders often rely on informal hiring, but as the company grows, informal decisions become risky regardless of who makes them.

The response should be proportionate. An undisclosed conflict and deliberate violation of policy may justify discipline. If authority was ambiguous and no policy existed, the organization shares responsibility. Future hiring should require defined approvals, documented qualifications, disclosure of personal relationships, and consistent onboarding.

What the Ivanovics Should Do About McRae

The owners should avoid making an immediate decision during emotional conflict. A short, defined review period can protect the business while preventing uncertainty from continuing indefinitely. During this period, they should examine the resignation, performance, complaints, hiring decisions, compensation, and team stability. Legal and human-resources advice may be appropriate because rescinded resignations and executive contracts can have legal consequences.

If McRae has delivered strong results, accepts responsibility, and can work within clarified governance, the Ivanovics may offer reinstatement under a written reset agreement. The agreement should define decision rights, reporting, compensation, conflict-resolution steps, performance measures, and consequences of future breaches. Executive coaching or facilitated meetings may support the transition.

If McRae refuses accountability, continues to use threats, conceals conflicts, or cannot accept the founders' legitimate authority, the owners should accept the resignation and arrange an orderly departure. Separation should be based on evidence and business needs rather than humiliation or retaliation.

What the Ivanovics Should Do About the Team

Dismissing all managers associated with McRae would be a serious mistake unless evidence shows individual misconduct. Collective punishment damages fairness, removes valuable knowledge, and may produce legal and operational risk. Team members may have followed legitimate instructions or contributed positively to growth. Each person should be assessed individually.

The owners should communicate that the review concerns leadership structure, not a purge. They should identify critical roles, retain strong performers, and invite honest feedback without encouraging gossip. If McRae leaves, a transition plan should specify who assumes each responsibility and how customers, suppliers, and employees will be supported.

Going Back to Basics

The suggestion that the company temporarily stop accepting new customers may be appropriate if growth has exceeded operational capacity and quality is declining. However, a complete halt could damage revenue and reputation. A more precise response is controlled intake: prioritize profitable and strategically suitable customers, limit orders where capacity is constrained, and communicate realistic delivery expectations.

Going “back to basics” should mean protecting the organization’s core promise, not abandoning useful modernization. The company should identify which traditions create customer value and which informal habits prevent scale. Founder knowledge and professional management need not be opposites. The objective is to preserve quality and relationships while introducing systems that reduce dependence on personal memory and ad hoc decisions (Kotter, 1996).

Clarifying Governance

The conflict likely reflects unclear governance between founders and the COO. The Ivanovics may expect McRae to professionalize operations but intervene when his methods challenge their preferences. McRae may believe his title gives broad authority without recognizing decisions the owners reserve. Such ambiguity produces repeated conflict.

A written authority matrix should define who decides hiring, compensation, pricing, capital expenditure, supplier contracts, process changes, and customer commitments. The board or owners should set strategy and values, while the COO should have meaningful authority over agreed operational areas. Regular meetings should focus on data, risks, and decisions rather than informal intervention.

Building a Scalable Compensation System

As the company grows, arbitrary pay and promotion decisions become increasingly damaging. Employees compare treatment, and unexplained differences can undermine trust. The organization should create job descriptions, salary ranges, performance criteria, and approval processes. Flexibility can remain, but exceptions should be justified and documented.

Incentives should reflect the company's mission. Rewarding only sales may encourage overcommitment, while rewarding only cost reduction may weaken quality. A balanced system can include financial performance, operational reliability, customer outcomes, safety, employee development, and innovation.

Pursuing Excellence Through Process

Excellence requires consistent processes that support good judgment. The company should map core workflows, identify quality standards, assign ownership, and track a small set of meaningful measures. Problems should be discussed through root-cause analysis rather than personal blame. Managers need clear expectations and authority, while employees need channels to raise concerns.

The organization should also build leadership depth. Reliance on one founder or one COO makes the business vulnerable. Succession plans, cross-training, and development of middle managers will improve resilience. Excellence is not achieved by finding one perfect executive; it comes from a system in which capable people can make coordinated decisions.

Restoring Trust

Whether McRae stays or leaves, the incident has likely affected employee confidence. The Ivanovics should communicate enough to reduce rumor while respecting confidentiality. They can acknowledge that leadership roles and processes are being clarified and assure employees that customer service and employment decisions will be managed responsibly (Kotter, 1996).

Trust will depend on behavior after the announcement. If leaders demand accountability from employees but avoid accountability themselves, the reset will fail. The founders and managers should model respectful disagreement, follow agreed processes, and explain major changes.

Conclusion

McRae's resignation, attempted rescission, and compensation proposal reveal a deeper mismatch between rapid growth and the company's informal governance. His impulsive action raises legitimate concerns, but it should not lead automatically to his dismissal or to the removal of his entire team. The Ivanovics should conduct a prompt evidence-based review, separate compensation from conduct, assess each manager individually, and clarify authority. If McRae accepts accountability and can operate under a written governance framework, a conditioned return may preserve valuable leadership. If trust cannot be rebuilt, an orderly separation is appropriate. The organization's pursuit of excellence should combine its original values with scalable processes for hiring, compensation, quality, decision-making, and leadership development.

References

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