

## Summary

My name is Paul Hanyel Okolo and I m the Operations Finance Manager, Elizabeth Arden International based in Geneva Switzerland.

I was led to believe that I was hired because I could contribute some value to the business through my role. However, the truth became evident after a while that I was hired because it would be relatively easy to set me up to take the blame for what has been a very badly setup financial operations department that has only ever comprised 2 persons.

Let it be known that it is the choice of the appointed stewards of Elizabeth Arden International to run the business in the way they see fit. I do not question this right. However, these stewards should also be responsible and accountable for their decisions and actions and not be eager to conveniently pass the blame to an employee lower down the hierarchy simply because the employee is a person of color.

I have refused to take this fall, which was implemented in August 2010 in an annual performance appraisal review conducted by David Smith, International Controller Elizabeth Arden International where he characterized my performance as needing improvement. He achieved this through working with other senior managers to concoct out-of-context examples related to problems faced during the course of the year by the business most of which were not under my influence.

This is my response and in this response I say NO to this form of victimization and racial discrimination where I have been given no salary increase for the new fiscal Year and my FY10 management bonus, a key part of my salary has been withheld for the second year running (a dispensation of 1118 chf was paid to me in FY09 as management bonus). David Smith has however approved a 4% salary increase for my assistant, Patrick Schalom in addition to a cash bonus (even though Patrick Schalom is not eligible for a management bonus) and ensured that I deliver these to him personally. This is not the first of such acts that David Smith has perpetrated using Patrick Schalom in a bid to thoroughly humiliate me in the presence of my direct report. In March/April 2010 David Smith and Linn Skyvell arranged for Patrick Schalom to be flown to the US for JD Edwards testing without my knowledge. When he returned, a temporary assistant was hired to help him cover his daily tasks while he focused on JD Edwards implementation issues. I was called in to hire the temp staff and was even asked to write down a list of tasks to be covered by the temp but it was clear that the only reason a temp staff was being added to my team was to enable Patrick Schalom cope with additional tasks from JD Edwards. I had earlier asked for manpower resource from David Smith but got nothing.

By conducting this state of affairs, David Smith had effectively reversed my role with that of my assistants.

This document tells a different story to that told by the FY10 performance appraisal. It is a story that clearly explains the motives behind the results of my appraisal. It is a result that carries whole connotations of racial discrimination and victimization within Elizabeth Arden International. It is my hope that this document can begin to unravel the very destructive web of unfairness and injustice that currently weaves a bond of friendship amongst white-male senior managers in Elizabeth Arden International.

Let it also be known that I, as a black African, have never known racial prejudice up until now in the work place. It is an ugly sight to behold, totally unprofessional and unethical making life completely miserable for the victim.

Also note that I can supply evidence in the form of conversations with people and or email exchanges to support my story and claims.

## Preamble

“Racism is any actions or words that have the effect of creating or ensuring privilege for some and creating or supporting disadvantage for others based solely or in part on race<sup>1</sup>”

I was hired into Elizabeth Arden International on 5th January 2009. One aspect of my job revolves around reducing the risk of obsolescence inventory through appropriate write downs following a well defined SOX process. This mandate allows me to authorize destructions for obsolete inventory. I would be later stripped of this ability to authorize destruction for obsolete inventory by Louis Nault in an email message.

Since this time Elizabeth Arden’s senior management team comprising of Louis Nault and David Smith have used me to “massage” this obsolescence reserve number ensuring that it bears no semblance to reality and is driven purely by EBITDA requirements. They have disregarded a standard SOX approved process that was followed by my predecessors (Linn Skyvell and Stefan Etter) for years without internal pressure. Since the reserve comprises millions of \$, any “massaging” of this reserve is enough to ensure that International always meets its quarterly numbers. My job was therefore reduced to finding a way to make these “massages” SOX and audit compliant. I have complained about being in such a conflict-prone position but no one has really listened. David Smith, the international controller and Louis Nault, Director of supply chain finance have always come to me during the monthly close telling me what they expect the obsolescence reserve final balance to be often times without any justification whatsoever. These were always free for all episodes which various times had both individuals coming up with divergent opinions on where the final balance should be for the monthly financial close and I would be caught in the middle of this confusion. In order to sell these mysterious figures that Louis Nault and David Smith impose on me to Price Waterhouse Coopers (PWC), our auditors, I developed counter arguments that clearly showed that the original SOX process used by my predecessors to value the obsolescence reserve was inadequate to cover the risks posed by a combination of slow moving inventory (SMI) and expired inventory. Aged inventory thus became the cornerstone of my ability to justify the “massaged” amendments that I am always instructed to make to the reserve. My predecessors never used inventory aging in their computation of this reserve. They always followed a straight-forward and documented process. Why then was I always under a lot of pressure from Louis Nault and David Smith regarding the computation of this reserve? By towing this line of thought I began to understand why I had been chosen and was seen as such a good candidate for the operational finance role.

By taking the approach which I did with inventory aging I had ensured that I was able to deliver what Louis Nault and David Smith wanted but also accomplishing this in a

---

<sup>1</sup> Racism in the workplace: OD Practitioners Role in Change. Judith Katz and Karon Moore. OD Practitioner, Vol. 36, No. 1, 2004 page 14

manner that was professional and ethical, but most importantly in a manner which focused on the physical quality of inventory.

### Operational finance forecast misses with Udo Schelkes

“Common feedback from people of color includes that they have insufficient access to information, are given titles without real authority, or lack proper funding or compensation<sup>2</sup>”

Operational finance within Elizabeth Arden International is a truly interesting process. The operational finance manager is given a set of P&Ls to manage, budget and forecast. These P&Ls have been passed down from one predecessor to the next. The P&Ls are:

<u>COST CENTER</u>	<u>COST CENTRE DESCRIPTION</u>
ZUG OPS	Material variances and Obsolescence spends
CEPL-4POLE	Warehouse, order fulfilment and distribution spends
ZUG ICO to EAISA	Sales from Manufacturing to EAISA
GVA ICO to AFFILIATES	Sales from EAISA to Affiliate customers
GVA OPS	Profit reclass from Manufacturing
EUROPE TECHNICAL SERVICES	European technical spends

The first P&L is ZUG OPS. This entity is used to record the material variances from standard costs, accounting overflows from Supply Chain Overhead Allocation, Inbound freight and Duty variances and Obsolescence expenses to inventory.

Suffice to say that there are no accurate physical processes to support the generation or tracking of these variance buckets and the financial numbers reported therein. I will explain.

In operations finance, variances are a tell-all sign of the underlying production process dynamic. They can serve as an indication of how “structured” an operational process is (i.e. how well it is tracking against preset objectives) and can track deviations from optimal performance. One of the most important material variance that serves to underpin the definition above can be found in inbound freight variance.

In other to do this successfully, the variance data capture and generation process must be free of bias. In all the variance buckets within ZUG OPS this process is fundamentally flawed and completely hijacked by a pseudo-accounting mentality. The standard costing variances are constantly manipulated to deliver maximum profit into production at the

---

<sup>2</sup> Racism in the workplace: OD Practitioners Role in Change. Judith Katz and Karon Moore. OD Practitioner, Vol. 36, No. 1, 2004 page 13

expense of the markets. The obsolescence expense bucket is manipulated to deliver EBITDA. The Inbound freight and duty variances do not track actual inbound freight and duty variances.

The one evidence that this allegation is true is that despite the financial figures being reported from ZUG OPS the underlying operational process is in disarray with no reflection of what happens within operations, where and when. As a factual example, Elizabeth Arden International does not know how much it spent in FY10 on inbound freight charges. It does not even know which routes constitute inbound freight routes (this is no joke and I use this as a constant reminder of the mess that we find ourselves in). None of my predecessors knew this. It is only possible to know this now based on the work I have done in FY10. This is the same FY10 where I have been judged to be a bad performer.

Louis Nault has drummed up allegations relating to my inability to report inbound freight expense as key input for David Smiths FY10 appraisal of my performance. This is unfair considering that the only part that has always been a black-box was the part being handled by the US teams led by Louis Nault simply because they didn't know how much was spent, or more dangerously, wouldn't tell despite a record number of attempts to retrieve data from them. None of my predecessors could retrieve this data either. Today, that model has been changed but I still have no clue as to what happened in the past. The traffic team in Roanoke Virginia cannot tell me for sure and my logistics provider, 4POLE wont say (4POLE cannot even provide evidence to back up all its inbound freight billing for FY10).

My work over 2 years within Elizabeth Arden International has been to bring some clarity to these issues within ZUG OPS. I have reached out to the leaders of the business and explained this difficulty inherent within the set up of the policies that underlie ZUG OPS to them. No one has listened or helped. Rather, my work has been the object of laughter and ridicule culminating in a bad FY10 performance review.

I have been given an un-winnable set of tasks with no support whatsoever and no clear understanding from management on what the main issues of concern are despite my constant efforts to seek help and change this mentality. Examples of my efforts include redesigning most of these processes. Evidence of redesign is available for all to see.

I have written to David Smith asking to redesign CEPL/4POLE accounts for better visibility and clarity and this request has been shrugged off. My assistant, Patrick Schalom has written requesting new accounts through me and this has been swiftly actioned. This is demoralizing to say the least and very damaging for confidence levels. But I guess that was the aim.

The 2<sup>nd</sup> P&L is 4POLE/CEPL. This is the warehousing, distribution and order fulfillment spend bucket for Elizabeth Arden International.

Elizabeth Arden International, as a manufacturer of beauty products employs many third-party service providers. One of these service providers is 4POLE. This is a logistics consultancy whose CEO used to be an Elizabeth Arden International executive for many years. 4POLE performs a range of logistics, supply chain and other activities on behalf of Elizabeth Arden International and send in monthly invoices for payment of these outsourced services. 4POLE has only one customer, Elizabeth Arden International. Part of my job description was to authorize these 4POLE invoices for payment. After the first authorization in January 2009 I refused to authorize any more payments as it was clear that the invoice values had no justification or merit. No reconciliation was ever performed on a 4POLE invoice. This action led to Linn Skyvell, my predecessor who was now accounting manager, storming into my office visibly very angry and demanding to know why I had refused to authorize 4POLE invoices for payment. I quietly explained to her that the invoices were questionable simply because they were never reconciled with anything. When asked how she had dealt with this in the past she simply shrugged and claimed that she compared the values on the invoices with same time from previous years and if the figures were close then it had to be right. I was amazed at this response.

The CEO of 4POLE came to see me regarding my decision not to approve any more invoices for payment until a thorough review of the process was complete. After discussing with him and helping him to understand the challenges and the vision I had for reconciling his invoices I agreed to keep approving the invoices as long as he showed convincing evidence that he was working towards the reconciliation vision outlined to him. This vision was simple. My visit to 4POLE and CEPL storage facility had prescribed the solution and this was made available to senior management upon my return. As a full service logistics provider 4POLE would provide all traffic related information relevant to the invoices being submitted for payment. This would then be reconciled with the traffic data from an Elizabeth Arden International system. This reconciliation would form the basis for payment of all invoices. It would also help me, as the new operations finance manager, to understand the dynamics inherent within the Arden business.

Out of this vision was born the 4POLE traffic reporting system called TAMYS. This system has gone 50% live in July 2010. Before this date I continued to approve 4POLE invoices but ensured that I called out these risks to the international controller, David Smith. I explained to him that without traffic data from logistics that we as a business were essentially driving blind. The magnitude of the risks I was discovering in Elizabeth Arden Internationals business operations was huge and this was only after 2 months of service. 4POLE invoices and recharges Elizabeth Arden International approximately \$1.7 million monthly. Today, TAMYS is providing insight into invoices and I m confident that the values of these invoices will reduce accordingly. Some employees would have received praise for this effort and new capability. I got abused, bullied, intimidated and

ultimately a bad appraisal for incompetence by David Smith, international controller. Understandably, my improvements have been by improving or putting in place desperately needed controls. David Smith didn't like this as it meant that Elizabeth Arden Internationals scope of controls, of which he was its steward, was weak or non existent in certain key areas.

Gerard Freysz, the CEO of 4POLE meets regularly with Mark Newberry (SVP Logistics) in the United States where they decide the spend budget for logistics in International. I have never been invited to such meetings even though I have requested several times. My predecessors were always allowed these trips to the US when this budget was being put together or when a major contractor (such as 4POLE) was on a visit to discuss crucial issues. How then is my stewardship of operational spend enforced within Elizabeth Arden International if my largest contractor is allowed to visit global function heads for private negotiations that do not include me? This is a question I posed to David Smith, international controller during one of our sessions together. I got no response. This is still an ongoing issue.

The 3<sup>rd</sup> P&L is ZUG ICO sales to EAISA. This bucket tracks the sale of inventory at standard cost from Elizabeth Arden Manufacturing to Elizabeth Arden International. The data pull for this bucket is driven by the sales latest view information from the markets put together by Christopher Creffield periodically. The variances to budget that show up from this P&L are driven solely by the quality of standard cost of goods takeaway that the markets forecast. However, my performance has been judged by these variances.

Udo Schelkes has blamed me for the misses within this bucket when he should be holding Christopher Creffield and the markets responsible for this.

This same logic applies for the 4<sup>th</sup> P&L, GVA ICO sales to Affiliates. This bucket tracks the transfer price profit generated by the sale of inventory at standard cost from Elizabeth Arden International to Affiliates such as Elizabeth Arden Australia etc.

The 5<sup>th</sup> P&L is GVA OPS. This is a dummy entity used for the quarterly reclass of ZUG OPS profit/loss. It has no overall impact and its set up is driven purely by fiscal necessity.

The 6<sup>th</sup> P&L is European Technical Services. This bucket tracks technical spends such as product registrations and certifications and wages of the technical team located in the United Kingdom. There are usually little or no deviations in this spend.

From this breakdown, it is clear to see that the biggest variances would derive from the ZUG OPS, CEPL/4POLE and ZUG ICO sales to EAISA P&Ls. As I have earlier explained, the major drivers in the ZUG OPS bucket are the inventory obsolescence and material variances to standard costs. If the inventory obsolescence expense is financially engineered without any real recourse to inventory and purely for number massaging, and the variances to standard costs including the inbound freight and duty variance tracker do not track “real” variance to budgeted spend, then what is going on? The answer is a large-scale reporting fraud and implicit in the design is my being setup to take the blame. I have resisted this attempt and called out these bad setups as I see them. This has ensured that I have remained unpopular within the business with the senior managers.

To put this all in better context, for FY10, Louis Nault, Christopher Creffield and Margie Giacobbe implemented a \$3M expense adjustment into my finalized and already submitted FY10 International operations budget. No backup calculation etc was ever provided to support this increase in budgeted expenditure. Apparently, Louis Nault felt the need to make these changes because International was going to operate with 2 FY10 budget rates for inventory. David Smith and Emilia Pena (Treasury Manager) updated the already prescribed budget rate for international which prompted the adjustment. I was on vacation at this time.

The adjustment was introduced as a one off entry into the material variances line for International Operations Finance. It meant that my year was already defeated before it started. It guaranteed that I would struggle with huge budget swings throughout the year if the adjustment was wrong. It was totally wrong.

I complained bitterly about this and was told by Christopher Creffield that Corporate had understated their expenditure to the business and was over-delivering profits. Hence, they needed a place to “hide some money”.

I spent most part of FY10 trying to explain variances to budget. Ultimately, ZUG OPS finished the year \$3.2M above budget. I have been held responsible for this big deviation from budget and many have blamed me for not providing clarity to the numbers.

The same thing happened for FY10 inventory budget (Roanoke to ZUG inventory allocation), and is happening for FY11 inventory budget. Due to my call-outs, everyone is witnessing for themselves the same approach by US senior management in misrepresenting my budgets.

This is unfair treatment and my complaints to David Smith, Udo Schelkes etc have fallen on deaf ears.



NON SALEABLE EXCESS PREVENTION PROCESS with the business/markets as a whole

“Many leaders (both white and people of color) do not realize the extent to which her or his levels of “confidence”, “trust” and definitions of “competence”, “professionalism”, “team player”, and the like are determined by comfort and, therefore can disadvantage people of color. In many organizations, performance evaluations skew lower for people of color. Organizations may view this as an individual phenomenon rather than considering it to be a systemic issue. The problem is compounded when those evaluations are then used to determine promotions, salary increases, or layoffs at a time of down-sizing<sup>3</sup>”

My appointment into the Operations Finance manager (Supply Chain Finance manager or Inventory and cost accounting manager as I am addressed as all 3 roles because Elizabeth Arden HR consider all 3 roles equivalent) role coincided with the climax of the 2007/2008 financial crises. The financial crises saw demand across all sectors of the world economy slump. This meant that manufacturing companies like Elizabeth Arden International ramped up huge amounts of inventory which they now couldn't sell and as such the risk of obsolescence increased dramatically. However, Louis Nault had decided that we were not going to increase the obsolescence reserve levels held in the International business. That meant disregarding the SOX approved and documented and audit compliant process. This is an accounting gimmick that ensured that Elizabeth Arden International had access to the millions of \$ that should have funded the obsolescence reserve. This was initially very hard for me to execute because our auditors were aware of this possible strategy that most companies could follow and so their audits focused mostly on inventory. Needless to say, this made the first 12 months of my employment not easy within the company. I championed a change in the obsolescence reserve policy but Louis Nault and David Smith were not ready to see a documented change to the existing policy. Either way, I redesigned the policy and sent Louis Nault a process flow chart sometime in April 2009.

After many painful months of increasing obsolete inventory levels without corresponding increases in reserve levels I took a decision to do things differently. I decided to become proactive about the generation of obsolete inventory since Elizabeth Arden International struggled to fund the required reserve levels that the SOX approved process required. I decided to embark on a plan that would see inventory waste and inventory risk reduced across the International business. The strategy was simple.

As a trained Electrical Engineer with a post-graduate MBA in Engineering Management I had learned how to manage industrial operations.

---

<sup>3</sup> Racism in the workplace: OD Practitioners Role in Change. Judith Katz and Karon Moore. OD Practitioner, Vol. 36, No. 1, 2004 page 15

In the midst of my ensuing crises at Elizabeth Arden International I decided to introduce a manufacturing cash-flow model into the company's inventory operations. Before doing this, I tried to share this model with David Smith and Udo Schelkes (VP for Operations Finance). I tried to explain to them that if I successfully implemented this model that they (the above) would see a dramatic change in their working capital and the overall behavior of the company's business operations. I also communicated to them that this model would be implemented as a set of policies aimed at ensuring that this company managed its working capital in the best possible manner. Also added in my advice was that these changes wouldn't win me a whole lot of friends and that I would need their backing and support when the business turned on me. They (Udo Schelkes and David Smith) assured me of the support I would need.

I set to work. The new sets of policies were implemented starting July 2009 which marked the start of Elizabeth Arden International's fiscal year 10.

As predicted, the business turned very aggressive simply because the financial changes that were being experienced were a bit painful at first. Ultimately, the new process demanded that the right cost sit with the right cost generator. This meant that the markets no longer enjoyed an artificial boost to their operating margins that was created by transferring some of their costs to a central P&L (mine), thereby creating better margins for themselves leading to better performance bonuses. By transferring some of the costs away from themselves the markets created a period of non-accountability that led to this cost ballooning in size. Since this cost had no ownership, nobody cared. All the senior managers with Arden International knew that this was happening but were at a loss or unwilling to intervene because of the powerful people that operated within the markets. I took on the challenge as it was in my best interest to do so. I was getting hammered by Udo Schelkes on my inability to address this issue.

I got numerous phone calls from Louis Nault (whose team had tried unsuccessfully to embark on similar procedures and failed) asking me to discontinue the new process. I got abuses from general managers and business controllers with one in particular (David Davies, business controller for the UK) abusing the creator of the process when he met me (he didn't know at that time that I wrote the process). I took no offence at these reactions because they were expected. Udo Schelkes provided verbal support for the process when the attacks became very verbal. David Smith said nothing and remained uncommitted. Linn Skyvell as accounting manager and predecessor refused to get involved.

In January 2010, my reporting line was once again changed to David Smith (my reporting line had been changed earlier when the dotted line relationship to Udo Schelkes was publicly dropped in a general meeting with over 100 people present. The meeting was to announce changes that were being made to the finance organization as a result of the implementation of the new shared service center model. The only problem was that the only change that was made public in that meeting was the removal of the dotted line relationship my role had forged with Udo Schelkes. In its place a director of Operations

finance role was created. I was notified 2 hours before the changes were generally announced (I wrote a complaint about this change as I felt it was a perception from Udo Schelkes that I couldn't handle my position. After meeting with Udo Schelkes I applied for this new director position and was promptly turned down).

As befits a new reporting relationship, David Smith and I decided to have lunch to discuss areas where we could work better. In that meeting he described how disappointed he had been in my work performance so far. I was distraught. I asked for specific areas where he felt I needed to improve and he provided none. I found this puzzling. How can you know that I am not doing my job well yet have no indication of what areas this lack originates from? I tried to explain to him what I had done and what the implications would be medium term but he remained adamant. At this stage I was stunned with surprise. Here was I in a company that had already put me through a lot implementing what is considered to be cutting edge strategic thinking and being told, with no evidence or specifics whatsoever, that I was not doing well. I wrote a strong letter of complaint to David Smith about this but received no response, as usual.

In January 2010, I stopped the new non-saleable process for a myriad of reasons. The tracking process upon which the strategy depended on had reached saturation point beyond which it was humanly impossible to continue without the support of manpower resource. However, the combination of pressure from Louis Nault and the January 2010 verbal appraisal from my new manager, David Smith made it impossible to continue such labor. In the 6 months that I focused on the process its implementation had clearly shown, with evidence, the core reason for working capital degradation at Elizabeth Arden International. My findings were presented to a spectrum of senior managers with my recommendations for going forward. In this meeting I emphasized that Elizabeth Arden International was not ready for this process as it was yet to structure out the right enabling environment where value adding managers like myself could succeed free of reprisals and prejudice. Needless to say, since then I have been the subject of numerous personal and professional attacks and criticisms whose climax is the FY10 appraisal, conducted by David Smith. The appraisal basically concludes that my performance for fiscal year 10 was inadequate and needs improvement. My inspired non-saleable process has on record about \$4 million of savings for Elizabeth Arden International despite all the obstacles thrown my way during its implementation. It was at this point that I knew for a fact that I had been the target of a group of senior managers within the business who were keen to teach me a lesson that I should not mess about with the "natural" order of things within the business.

Following the selection of David Smith as my new manager in January 2010 he has since tried to put me on a micro-management plan. This has not been simple because I have not been micro-managed at this level in my career. He explained to me that his extremely good management style focused on collecting data evidence (even though Elizabeth Arden International today faces numerous challenges relating to data integrity with its IT/

IS business systems. One could almost not rely on any piece of business data generated from within the company. Even the business data for sales were many times incorrect on occasion!).

Due to all this stress, sometime in March 2010, my doctor diagnosed me with cardiac Arritmyia. My doctor wanted to understand my stress levels and I explained to him the issues I was having at work and that part of the problem was that there was almost nothing I could do to stop it. The alternative would be to resign but it is evident the difficulty employees of African descent face in finding sensible employment in Geneva Switzerland. My doctor's advice to me was simple, avoid stress and exercise more. I immediately advised David Smith, my new manager of this new development but he showed no interest. During this same period he called me into his office, shut the door and proceeded to verbally abuse me with all the obscene language that he could muster. The trigger for this was that I had come to him to request the coming Monday off. This was a Friday. I explained to him that it was an emergency trip involving a family member of mine and that I would ensure that all my work commitments would be met during this one day absence such as not to cause any delays to the business. He, David Smith told me that he couldn't grant this as it was the 6<sup>th</sup> day of the monthly financial close. I assured him that I had all my work-streams covered. He, David Smith lost his temper and verbally abused me for 10 minutes. When he calmed down I quietly told him that there was no need to insult me this way and that if he didn't want me to take the coming Monday off then I wouldn't. The following Monday I was present at work. He tried to apologize to me afterwards but the trust had been irreparably broken.

Evidence for similar treatment can be found in NOVA (the HR absence planning system). I had planned a holiday in October 2010 with my family and had applied for this in August 2010. For two months this holiday remained unapproved. It was eventually approved a few days before I was scheduled to go on holiday. As a result, I had to postpone this vacation to November 2010 as when the vacation was approved by David Smith there was insufficient time for my family and I to plan a proper vacation.

Why did my vacation request take 2 months to approve? How critical is my job role that it takes 2 months to approve my vacation?

It is also a well known fact that can be confirmed from NOVA that I m not even allowed to approve vacations for Patrick Schalom who reports into me. His vacation requests are either approved by Udo Schelkes or David Smith.

## NOBILIS CONSIGNMENT STOCK with David Smith

“All too often, organizations look at what happens to people of color on a case by case basis, thereby missing the fact that there may be patterns of discrimination, areas or departments where discrimination exists, or patterns of behavior that adversely impact people of color<sup>4</sup>”

Elizabeth Arden has also blamed me in my FY10 appraisal for the mismanagement of consignment stock inventory held at Nobilis in Germany. This arrangement was put together by the then senior management team (former SVP of marketing, Michael Shin) with absolutely no financial or inventory controls in place. My predecessor, Linn Skyvell never bothered to highlight the dangers inherent in this. In light of this, I incorporated the risk posed by this arrangement into my reserve calculations (this was done in February 2009. Impact of this incorporation was significant but since I was not allowed to change the reserve levels in the SOX approved way I couldn't cover the risk). In March/April 2009 I began the process redesign of this consignment stock arrangement and sent drafts to David Smith, international controller. He edited with comments and sent back to me. I released final drafts to him for his approval and his authorization to implement. I forwarded new process to all involved including consignment stock partner, Nobilis in Germany. There was uproar because the new process now meant accountability. Inventory was being approved for shipment to the consignment stock location without any real (financial analysis showed that Nobilis monthly sales did not require the volume of shipments sent there every month) need for it. The result was that the consignment stock position on Elizabeth Arden International's books was increasing without control. The new process thus ensured that before any stock left the central distribution center in France for Nobilis in Germany there had to be corporate approval from the supply chain and forecasting team and the business controller for Germany amongst others.

Another difficulty created by the old process was that Nobilis was not always a consignment partner. After transitioning to a consignment partner Nobilis had not separated Nobilis owned inventory from Elizabeth Arden owned consignment inventory. The result was that Nobilis or Arden had no clear idea of who owned what stock on the Nobilis site. This was the main problem encountered when I authorized 4POLE to visit Nobilis for a physical count of the inventory. One of the ideas behind the new process was that we would align records on consignment stock between the Nobilis consignment stock ledger and the Elizabeth Arden consignment stock ledger. This alignment might require that Arden take a write down on some inventory positions dependent on the results of the physical count. With a huge margin of error caused by the non segregation of inventory when Nobilis decided to become an Arden consignment partner, 4POLE

---

<sup>4</sup> Racism in the workplace: OD practitioners role in change. Judith Katz and Karon Moore. OD Practitioner, Vol. 36, No. 1, 2004 page 15

produced a result from the physical that meant Arden make a comparably small write down. The new process meant that since we had aligned stock positions with Nobilis this one time any future counts would mean that Nobilis would have to pay for the unfavorable differences found.

A few months later when it was found that the Nobilis consignment partnership couldn't work with the new rules in place senior management decided to close down the business model. Part of this close down meant that the consignment stock at Nobilis in Germany needed to be returned to the Elizabeth Arden International main distribution center in France. This return process also meant that inventory needed to be counted, sorted and accounted for. Initial reconciliations showed a huge discrepancy with the Nobilis data which was sent to me. I contacted David Smith the International controller with this development and the need for an urgent physical. It was at this stage that he David Smith informed me that he was under a lot of pressure from Gretchen Goslin (EVP business development) not to conduct a physical on the consignment stock before return to France. I couldn't believe this email. I wrote to Gretchen directly for support and after speaking with her she sent an email authorizing a physical count to be performed but nominated Guillaume Gaultier (business controller for Germany) to coordinate the count with Nobilis. I had already negotiated my trip to Germany with David Smith but Goslin Gretchen had insisted otherwise. I knew I was being set up to take the fall that was coming.

In summary, of the \$1.3 million of consignment stock carried on Elizabeth Arden Internationals books Nobilis had decided to purchase a good portion of that outright. We all knew but nobody said that Nobilis had sold that inventory a long time ago without acknowledgement to Elizabeth Arden International.

At this juncture, let me explain the consignment process. Its most simple format is a "sale or return" process. Inventory is kept at the consignment partner's site and replenished as the consignment partner acknowledges items that have been sold from consigned inventory. The consigned inventory does not belong to the consignment partner but to Elizabeth Arden International in this case even though the stock is physically sitting in the consignment partner's geographical location. In this case, in Germany, as Nobilis is a German company. Elizabeth Arden invoices the consignment partner for the inventory quantities that the consignment partner acknowledges to have sold during any one month. However, if the consignment partner sells this consignment inventory but does not acknowledge this fact the consignment partner does not get invoiced. This process is usually rife with fraud and the only sure way to ensure that this risk is mitigated under this sort of arrangement is through regular and periodic physical inventory counts under strict supervision.

However, since I had been prevented from going to the physical count there was no way I could know for sure what was found on the Nobilis site. Elizabeth Arden International ended up writing off almost \$400 thousand worth of inventory that was either destroyed or missing. Elizabeth Arden Internationals forecasting team headed by Stefan Etter in conjunction with the business controller for Germany kept replenishing the stock at

Nobilis which ultimately had no usage and had to be destroyed less than a year after being ordered.

I was blamed for all this loss in my FY10 performance appraisal conducted by David Smith.

Another consignment partner exists in Elcortes Ingles Spain and is currently following the same dangerous route. I have since called out the issue to David Smith, international controller and held meetings involving the Director of security at Elizabeth Arden Inc, James Kilfoil. This partner has \$700 thousand worth of inventory on the consignment books but only acknowledges meager sales of approximately \$50 thousand at the end of every month. The stock at this partner is still being replenished in the same way and is growing steadily. Why Elcortes Ingles holds 14 months of Elizabeth Arden owned stock is a deep mystery. It is most likely that the stock doesn't exist any more. Just like Nobilis, Elcortes Ingles buys non consignment stock but also does not separate these. Unlike Nobilis however, Elcortes Ingles has been an Arden consignment partner for several years and has Elizabeth Arden consignment stock strewn across 28 different store locations around Spain. This ensures that the physical count necessary to ensure that risk is mitigated becomes a logistics nightmare. This is organized fraud and it is hard to tell who the real perpetrators are.

## SDPP TURNKEY FINANCIAL REPORTING with Stefan Etter

“Who is really competent to lead today’s organizations? Do we ask the most important question – whether our current managers and leaders are competent to effectively interview, select, develop, coach, and lead a diverse group of people? Have we included this competency in the criteria we use to determine a person’s qualifications to lead? If we were to include it now, how many individuals who have been promoted to leadership positions would no longer be able to meet this new definition of “competent”?<sup>5</sup>”

Elizabeth Arden International like most consumer goods manufacturers employs the use of 3<sup>rd</sup> party manufacturing services. SDPP is the name of the contract filler employed by Elizabeth Arden International to provide contract filling for fragrances. When I joined Arden one of my core responsibilities was tracking production variances. You see, I had a simple ideology. As an engineering manager for several years before becoming a business consultant I had since understood the importance of the information buried in production variance. Within this information is encoded the dynamics of the entire production process. After 2 months at Elizabeth Arden International it became clear that SDPP could not provide production variance data accurately or in a timely manner. This was confirmed in a meeting where the owners of SDPP Frederique and Simon Nikitits confirmed this situation. They acknowledged that much needed to be done on the production measuring and data generation side.

It so happened that Elizabeth Arden global was embarking on a new directed turnkey manufacturing model whereby Arden would completely outsource the sourcing and manufacture of 90% of all Elizabeth Arden International items to strategic partners. These partners would takeover the complete sourcing of components used to manufacture finished products. This sourcing will not be arbitrary but directed. Arden would continue to negotiate with component vendors for price setting and its strategic partners would buy the component inventory on its behalf. The advantage for Arden would be that it no longer had to manage an entire purchasing function in-house and it no longer needed to hold its entire component inventory on its books. The advantage for the strategic partner was increased volume of business.

This transition placed key requirements on the strategic partners capabilities. Heading the initiative for Elizabeth Arden International is Stefan Etter. A visiting US Elizabeth Arden INC including plus myself, Stefan Etter and a few others made a trip to SDPP about 2 hours from Paris, France. The aim of this trip was to assess the strategic capabilities of SDPP as a strategic partner. After this visit I told Stefan Etter that the major drawback with SDPP as a strategic partner is the simple fact that SDPP does not have the data capabilities to report on such large-scale production. I provided evidence of this fact to Stefan Etter.

---

<sup>5</sup> Racism in the workplace: OD practitioners role in change. Judith Katz and Karon Moore. OD Practitioner, Vol. 36, No. 1, 2004 page 15

In summary, SDPP was chosen as a strategic Turnkey partner and I have struggled to get any financial reporting data from the company after 16 months of turnkey operation. SDPP has been visited by Pierre Piraud (EVP supply chain and product innovation), David Smith and Stefan Etter regarding their inability to produce financial reporting on their turnkey activities. These visits were met with promises that never materialized. They just didn't have the capabilities in house within SDPP and were in the process of installing SAP enterprise software within their factory.

During the FY2010 appraisal, David Smith and Stefan Etter concluded that I had basically failed in delivering financial reporting on SDPP turnkey activities. This is unfair since I have basically done all that I can to help the situation including preparing manual reporting templates for SDPP to simply just fill in the blank spaces with production data. After so many visits and templates sent to SDPP there is now conclusive evidence after 16 months to show that SDPP could not and did not have the capability to produce financial reporting concerning production activities at its factories at the moment it commenced turnkey activities. To therefore reprimand me for something that was a consequence of Stefan Etters decision is wrong.

Today, Elizabeth Arden International, represented by Stefan Etter is considering scaling back (almost quitting) the level of outsourced manufacturing business given to SDPP under Turnkey citing a lack of key production related capabilities as a central concern.

I stand corrected.

## WORK PERMIT RENEWAL with Human Resource

“Many organizations would prefer not to address or even acknowledge the possibility that racism may be part of the organizations policies and/or practices. There may be a fear of finding out the truth or of lawsuits, and therefore the organization shies away from collecting any data to learn about the current realities or gaps that may exist<sup>6</sup>”

Since I m of African descent, work in Switzerland is predicated by the successful negotiation of a Swiss work permit. The same goes for all foreigners but unlike EU foreigners work permits for African and NON-EU workers need to be referenced by an employer. Without this condition an employee of African descent has no hope of working in Switzerland.

Joining Elizabeth Arden International in January of 2009 meant that a new work permit was needed as my old permit referenced my earlier employer. This was issued without much fuss by the Geneva authorities.

After one year as an Elizabeth Arden employee it became necessary to renew this document. I filled in the necessary paperwork for this as usual (same as the previous year) and waited for a favorable response.

I was shocked when a letter came back to Elizabeth Arden International from the Geneva canton in Switzerland that my request could not be honored immediately citing some discrepancies/irregularities in my last application. I was asked to re-provide evidence of my work and stay in Geneva. I was surprised because I had successfully renewed permits 3 times and had lived and worked in Geneva for more than 2 years. I re-submitted the required documents to the Geneva canton through Elizabeth Arden International and was told that the case would be treated individually. At this stage I complained to David Smith who assured me that the company’s lawyers would sort the case out properly. The canton of Geneva had described in a letter to me that if my permit could not be renewed because of the original application discrepancies the year before (my previous employer had ensured with the canton that I could not leave the business for another company until after 4 years) I would have to stop working and leave the country. This was a blow to me as Geneva had now become my home.

As fate would have it my wife was a French national living and working in Geneva Switzerland. This meant that I was entitled to also live and work in Switzerland. I sent my marriage documents to the canton of Geneva and a new work permit, independent of Elizabeth Arden International has since been issued to me. I had been living and working in Geneva Switzerland for almost 2 years before joining Elizabeth Arden International and had never had any issues with renewing my work permits however in the short space of 1 year after joining Elizabeth Arden I had run into difficulties with the canton of

---

<sup>6</sup> Racism in the workplace: OD practitioners role in change. Judith Katz and Karon Moore. OD Practitioner, Vol. 36, No. 1, 2004 page 15

Geneva and was staring unemployment and possible deportation in the face. It turned out that my marriage to my wife had saved me.

Elizabeth Arden International exhibited absolutely no care or due diligence during this work permit process that would have spared me a few weeks of extreme nervousness. All in all, I blamed no one within the company and carried on my work as per usual.

## OPERATIONS FINANCE BUDGET PROCESS with Christopher Creffield

“Collusion of silence refers to the tendency of people who witness acts of overt or covert racism (hearing jokes, inappropriate comments, etc) to say nothing. By not speaking out, people tacitly allow racism to flourish...The challenge is to create safe work environments where people can speak up without experiencing negative consequences<sup>7</sup>”

The budget process within Elizabeth Arden International is a particularly difficult one for operations finance simply because the time-table drawn up by Christopher Creffield (Financial planning and reporting director) insists that both markets (Arden’s profit centers) and operations (Arden’s major cost center which I m supposed to manage) submit budgets at the same time. I have explained to Christopher Creffield verbally and through email that the operations budget should be the latter of the budgets to be submitted because it is with the dynamics specified by the sales information which the markets submit that the operations budget is built. This point finally found a response in Christopher Creffield as he then gave me an additional 2 days after the markets submit their sales budget data to submit budget for operations. This I did but admittedly with some difficulty as 2 days is not enough time to fully work through the dynamics inherent in the sales data submitted by the markets. Typically at Elizabeth Arden International, most of what is done is without rigor and is akin to driving blind.

It so happens that the sales data for planning in Elizabeth Arden International is derived from a standard costing process which I manage. This standard costing process is a delicate one given the fact that Elizabeth Arden International has over 80 thousand stock keeping units (skus). Most of these skus are redundant meaning that they will never be used anymore. However, I still have to manage these. The standard cost roll process is too detailed to go into here but suffice to say that all standard costs of skus held by Elizabeth Arden International need to be updated on the first working day of the new fiscal year, usually on July 1<sup>st</sup> of a given year. Prior to this, a simulation of the financial impact of this revaluation is conducted 3 months before July 1<sup>st</sup> towards the end of February or beginning of March of a given year. During this simulation period, my accountant and I embark on processes that help us to understand what the financial impact of updating standard costs of 80 thousand skus would mean to inventory on hand levels as at the first day in July. This is no easy task and requires detailed analysis and patience. However, it was during this critical period of 2010 that David Smith, international controller decided to send my accountant to the United States for data testing within a new enterprise system called JD Edwards that was then being implemented within Elizabeth Arden International. David Smith never called me to understand the work requirements before sending off my accountant. He never informed me directly that my accountant would be

---

<sup>7</sup> Racism in the workplace: OD practitioners role in change. Judith Katz and Karon Moore. OD Practitioner, Vol. 36, No. 1, 2004 page 16

making a trip abroad. I only found out from my accountant himself. David Smith also insisted that that standard cost roll simulation take place at the scheduled time because the information would be relevant to the operations budget planning for the new fiscal year. Needless to say, I performed the simulation on my own and produced the new set of costs for all skus.

Louis Nault (Global supply chain finance director) had laid out a new process for how Elizabeth Arden International markets would receive their new sku cost information used to plan sales figures for the coming year's budget. In the past, all updated sku cost information was sent to markets on an excel spreadsheet which I prepared. This year Louis Nault informed me that all costs will be retrieved directly from Elizabeth Arden International inventory cost database by the IT team in the US. This data would be loaded into the planning tool such that markets can easily create their sales plans while simultaneously understanding their gross margins.

A standard costing process is the process whereby a sku is given a fixed cost for the duration of the fiscal year. This standard cost is the total cost of building any given sku from a bill of materials composed of different hierarchical component levels, each with its own cost. This total cost of the sku is the manufacturing or production cost. However, the costs that the markets use is marked up by a preset percentage. This mark up caters for extra production costs such as logistics and distribution etc. Hence, the markets never see the production standard per se but only its marked up version, which is called the market standard. As such Elizabeth Arden International markets never make use of the production standard but only its marked up version, the market standard.

In summary, the standard cost data retrieved from the costing database by the IT team following Louis Naults new process was at production standard. Hence, the production standard was used by the markets for preparing their budget figures. The IT retrieval team and Christopher Creffield claimed I had instructed them to do things this way, i.e. retrieving the production/manufacturing standard rather than the market standard. Margie Giacobbe (VP, Finance) and Chris Creffield claim that this wrong advice from me was given to them in an email. I denied this claim and challenged either party to produce the email where I m instructing them to commit this blunder. To date no email has been produced.

Christopher Creffield has a good motive to accuse me of misleading everyone. His team is responsible for ensuring that the budget figures produced by the markets made sense. If indeed the production standard was used instead of the market standard the gross margins of the markets should be disproportionately large. They should be projecting too much income for the new fiscal year in their respective profit and loss statements. Christopher Creffield and his team did not spot this. Also present during these accusations was David Smith and he said and did nothing. Following this incident and my exoneration from blame Christopher Creffield became openly rude and threatening. In one email, he is threatening to ignore my contribution to his periodic financial forecast updates for International if I don't give him my contribution in the shortest time possible. My response to him was that he wouldn't dare do that since he knows fully well how long it usually takes me to give my input. He has since proceeded to inform David Smith and the

human resource team in Geneva that I have been rude to him. David Smith, knowing full well the history of the events that led up to this highlighted this episode as an example of my un-collaborative attitude towards senior members of management. I have since been reprimanded in my FY10 appraisal. This is a most unfair situation.

## THE PERFORMANCE APPRAISAL PROCESS with David Smith

“Many organizations describe themselves as a meritocracy or performance-based culture. Often, however, alliances and relationships (“who you know”) play a major role in determining who is perceived as successful. Organizations identify rigorous policies and practices and then often apply them in their most narrow form with people they are unsure of or whom they feel uncomfortable<sup>8</sup>”

The appraisal process in Elizabeth Arden International starts about July and ends with salary increases, promotions, reprimands and bonuses all handed out in September of the same year. Since I joined the company in January 2009 by the time it was July 2009 I had only been working for 6 months. There was not much to appraise me on but I had scored a lot of firsts. I had successfully and painfully provided the ammunition that shut down a sub-distribution center in Singapore that was housing expired chemicals for 2 years. These expired chemicals my predecessor had carried on the inventory balance sheet at full value for the last 2 years. I wouldn't have it and wanted it scrapped immediately. The simple reason was because it inflated my inventory value when it was clearly worthless. In addition to this, Elizabeth Arden International had been renting out a whole sub-distribution center in Singapore and paying storage monthly to store expired chemicals. I made the case to Udo Schelkes (VP operations finance) and Stefan Etter (director of supply chain). Stefan Etter's first impulse was that I lead the charge in closing down this sub-DC. I told them that I had no problems with recommending closing down the DC but I wanted to understand in full the series of events that led to this situation. I told them I wanted to embark on a fact-finding mission. Udo Schelkes refused and emphasized action. Further investigation by me uncovered the fact that this situation had been known for sometime by the corporate finance and supply chain teams but no one had dared to confront the Singapore manager Ayaz Furniturewalla and Goslin Gretchen (EVP business development) his boss. The simple reason was because they were a formidable pair within the organization and would ruin the internal career of any one, within Elizabeth Arden as a whole, who attempted to confront them with this fact. I had been pressed by Udo Schelkes and Stefan Etter to act so I sent an email to Ayaz Furniturewalla informing him of the situation and hoping that my being a new employee would shield me from the wrath that was most likely to follow. It did not. Goslin Gretchen got involved and surmise to say that I was thoroughly humiliated in the long term. Singapore was eventually found to be filled with further obsolescence inventories. The sub-DC was temporarily closed down. All this took place in my first 3 months as an employee at Elizabeth Arden International SARL. Today, the sub-DC has been reopened and is being managed through 4POLE (logistics consultancy).

---

<sup>8</sup> Racism in the workplace: OD practitioners role in change. Judith Katz and Karon Moore. OD Practitioner, Vol. 36, No. 1, 2004 page 15

By the time July 2009 came along I was considered a trouble maker within Elizabeth Arden International. Through all this I remained professional and never became rude to any of my superiors. When I faced issues I always preferred to dialogue or communicate with the parties involved in the hope of a permanent solution. I was a trouble maker because my professionalism and unwavering commitment to financial integrity and risk mitigation had made me take on challenges that no one else would touch. In carrying out these duties I have never taken my skin color into cognizance. The 2009 appraisal conducted by Louis Nault recommended a salary increase of 1.65% for the new fiscal year starting July 2009. Louis Nault never incorporated my input into his decision making. The appraisal process also recommended a bonus of \$1118 outside of my total bonus potential of \$4500 (half-year). The company cited financial difficulty during the last operating year as the reason for not being able to pay me contractually agreed bonus. I was not happy with this decision but did nothing. It is impossible to tell who got paid their bonuses because of the secrecy with which such activities are conducted in Elizabeth Arden International SARL and Geneva as a whole.

The July 2010 appraisal given to me by David Smith, international controller, remains a blotch to Elizabeth Arden Internationals credibility to work with people of color. It was reviewed by Louis Nault and seconded by Steven Smith (EVP and Chief financial officer).

David Smith concluded that my performance as an Elizabeth Arden International manager needed improvement and has since placed me on a 60 day performance monitoring and improvement plan. I have rejected this conclusion but have attended weekly performance tracking meetings that spell out weekly objectives. Much of what has been achieved during this 60-day time frame would have been achieved anyway by me. The evidence is available for all to review.

The entire weekly objectives setting meeting was brought into huge focus when David Smith concluded in weekly update 4 (weekly performance update meetings set up with the performance improvement plan, PIP, as a result of the “needs improvement” rating from the FY10 appraisal) that I had been cooperating with colleagues on business issues but not collaborating with colleagues. Even though I gave many instances of self-directed collaboration and cooperation with colleagues in FY10, this was not evidence enough to stop it being an appraisal issue. When I asked him to explain the difference between collaboration and cooperation I got no response.

I am the only employee manager of African descent within Elizabeth Arden International, Geneva office, and would have qualified as the only such employee save for another colleague who is a middle aged systems analyst who has been with Elizabeth Arden International for several years now.

David Smith has told me that the FY10 appraisal reflected more my bad behavior than my competence. I don't know what constitutes my bad behavior save for being opinionated and displaying a commitment to professional and ethical standards.

I have been judged out of context and specific examples sought and isolated for the purposes of proving that I m not a good "fit" within the business. I have in my possession numerous emails from colleagues harassing me and I have called these out to David Smith citing examples. He did nothing. These did not stop and they only ceased when I sought refuge in an external law firm. The fact that it takes intervention from an external law firm just to make coming to work daily less painful is evidence in itself of the challenge faced by a colored person working in Elizabeth Arden International.

I'll end this with the conclusion that a whole lot that cannot be written for lack of space has been left unsaid.

Racism, discrimination and victimization of colored people in the work place has mutated into a most dangerous form that is no longer covert but very subtle. However, according to Judith H. Katz and Karon R. Moore this is not so much true. They argue that, "What could ever be subtle about systemic exclusion, prejudice, discrimination and unfair treatment? It is sometimes hard for people of color to know the source of the problems they encounter and exactly what or who in the system undermines their success. When the source seems invisible – or when those engaging in subtle racism have the system behind them supporting their denial when confronted – it is difficult to address disparities and perceived inequalities<sup>9</sup>."

It is my hope that this behavior within Elizabeth Arden International be stamped out immediately thereby giving way to the same employee rights and standards that operate in the businesses headquarters located in the United States.

It is also my hope that anyone reading this document will begin to understand the plight faced by the only colored management personal in Elizabeth Arden International, Geneva office and his bid for racial equality and fair treatment in the workplace.

---

<sup>9</sup> Racism in the workplace: OD practitioners role in change. Judith Katz and Karon Moore. OD Practitioner, Vol. 36, No. 1, 2004 page 16

