JK LAKSHMIPAT UNIVERSITY
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JKLU

JK Lakshmipat University
Institute of Management
End-Term Examination - 2018
Term - I

JK LAKSHMIPAT UNIVERSITY Learning Resource Centre JAIPUR

Programme: Pinnacle MBA
Maximum Marks: 20 Marks

Course: Understanding and Leading the Self
Time: 2 Hours

Instructions to the candidates:
i. This is a closed-book examination.
ii. Answer all four questions.
iii. No questions please.
iv. Please hand over the Question Paper (complete with the case) to the Invigilator

After thoroughly going through the case 'Rob Parson at Morgan Stanley (A) as at Annexure 1, do as suggested below:

1. Describe Rob Parson's:

   a. strength areas; [2]
   b. development areas; and [2]
   c. next year's performance objectives. [2]

2. Identify and illustrate the dilemma of Pal Nasr. [4]

3. Addressing this dilemma, as Pal Nasr, communicate your decision to Rob Parson. [5]

   [Your clear understanding of: (a) the vision, mission, and goal of Morgan Stanley; (b) background under which Rob Parson was hired; (c) Rob's contribution; and (d) professional positions at Morgan Stanley, as described in the case, will help you craft a persuasive communication]

4. Bullet John Mac's discussion points for a meeting he may like to have with Pal Nasr. [5]

Harvard Business School

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Rob Parson at Morgan Stanley (A)

Paul Nasr, a senior managing director in Capital Market Services at Morgan Stanley, pored over the performance evaluation data packet for his star producer, Rob Parson. They were among the most negative he had ever read. Nasr had increasingly sensed that Parson was having difficulty adjusting to the Morgan Stanley culture, but he had not appreciated the extent of his interpersonal problems in working with people inside of the firm. Nasr had also underestimated the degree to which some of Parson's actions had violated Morgan Stanley norms.

Parson was a strong revenue producer and had generated a great deal of new business for the firm. Parson was also sharp-tongued, impatient, and often difficult to work with. From Nasr's perspective, he knew that Morgan Stanley wanted team players, but he felt that he had a responsibility to build a business and that Parson was critical to that effort. Parson was eligible to be promoted to managing director this year. In fact, Nasr had almost implicitly promised the promotion when he recruited Parson to Morgan Stanley. But, with performance evaluations like these, it would be difficult, if not impossible, for the firm to promote Parson.

Morgan Stanley

Morgan Stanley, a leading U.S. investment bank since its inception in 1935, was in the midst of an organizational renewal. Under the leadership of John Mack, the firm's new president as of 1993, Morgan Stanley was transforming itself into a "One-Firm Firm." This vision, which Mack and his top executive team developed, was succinctly captured in the firm's mission statement:

> Our goal is to be the world's best investment bank and the Firm of choice for our clients, our people, and our shareholders.
>
> We will succeed by meeting the global needs of our clients—both providers and users of capital—at a level of performance which is exceptional. This commitment to add maximum value will be characterized by extraordinary effort and innovation, and by conducting ourselves with absolute integrity.
>
> Morgan Stanley's people are the source of our competitive advantage. We will distinguish ourselves by creating an environment that fosters teamwork and innovation, by developing and utilizing our employees' abilities to the fullest, and by treating each other with dignity and respect.

The mission statement, and the "one firm" vision were intended to reorient the firm towards an increasingly complex, fast-paced, global industry. The Morgan Stanley leadership recognized that

Professor M. Diane Burton prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. The circumstances and material incorporated in this case have been made available through the cooperation of the individuals and the company involved. Some names and situations have been disguised.

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clients interacted with the firm at many different points of intersection. It was important, from a business perspective, to provide a unified face to the customers and also to have mechanisms in place to effectively coordinate work across the firm.

Implementing the new vision was the responsibility of the firm's managing directors. Morgan Stanley, like other professional service firms, had an "up-or-out" promotion system with a steep hierarchy. Managing directors were at the top of the pyramid and as such had to be "standard bearers" for all of the junior staff. (See **Appendix A** for an overview of the professional positions in investment banking at Morgan Stanley).

Capital Markets Services

The Capital Market Services (CMS) division at Morgan Stanley was created as part of an effort to make the firm more responsive to client needs. It was an explicitly interdisciplinary entity designed to serve as a link between the Investment Banking Division (IBD) and the sales and trading arms of the firm, Equity and Fixed Income. The organizational structure was intended to provide clients with more focused attention and service. It also was a mechanism that allowed cross-divisional collaboration and avoided feuds over how to allocate fees across different sub-units.

Professionals in Capital Markets Services were organized into market coverage areas, typically industries. They were expected to work with corporate finance professionals, who were viewed as the "stewards" of client relationships. They were also expected to generate business from organizations in their sector who did not necessarily have an existing relationship with Morgan Stanley. Market coverage professionals were described as "entrepreneurs"—like sales people, but responsible and accountable for their own client base. Gary Stuart, a senior market coverage professional, described what it took to excel:

> In order to be an excellent producer you have to really understand the business in the industry you cover. That means knowing who the people are, who to talk to, developing relationships. In addition, you need to be extremely good at understanding the markets and have good market judgment. That takes more than study of the markets. It takes intuitive sense and feel, deal experience, and a certain type of person and way of thinking. You need to truly understand what your client's needs are. You need to have good client relationships so they'll tell you what their real concerns and needs are. But you also need to understand the business they're in and what makes sense for their business so that you can give good advice. You then need to work with product specialists within Morgan Stanley to design the products. It's the synthesis of these things—great relationship skills, great understanding of your client's business, an ability to work with product specialists, as well as great market judgment and understanding of the market. That combination puts you in a position where you can create a business.

Working with clients was only part of the job. Market coverage professionals were also heavily interdependent with other professionals in the firm. As Stuart explained:

> You need to work with product specialists to help you design and deliver the products depending on whether it's a preferred stock product or an asset backed product, etc. But, if you're overly reliant on them, you may miss opportunities. If all you do is drag a product specialist to the client, the deal doesn't always happen. Product specialists don't always understand the client's business—they understand their product. Similarly, if you drag people from the market side out to listen to the client and get a fuller understanding of the market, they don't always get the business because they don't always understand the client, and they don't necessarily understand the product—they understand markets. The market coverage professional is the nexus of all this information—market, product and client. If you

understand markets, products, and clients, you have a much better chance of doing business.

Paul Nasr

After becoming president of Morgan Stanley, Mack explicitly sought people who would "shake up the culture." In a major coup, he was able to recruit Nasr, a highly regarded banker in a competing firm, to join Morgan Stanley. Nasr had nearly 20 years of experience and was credited with building a formidable capital markets business. Nasr soon assumed a leadership role in Capital Markets Services for Morgan Stanley. Nasr described the cultural differences he encountered upon joining Morgan Stanley:

> From my perspective, there are a lot of investment banks that have little corporate culture and little infrastructure. These are firms where the "franchise" is not attracting business; individual professionals are. The ability to go out, bring in the business, and write up the ticket depends solely on the entrepreneurial ability of the individual. This means that firms turn a blind eye to certain behaviors, because the pursuit of the business and survival were more important. If you break a few eggs internally to get a ticket written with a major client, nobody is going to raise eyebrows and say, "Hey, slow down. We don't want to break eggs." At Morgan Stanley, this just is not true. Here the franchise matters, the culture is important, and the firm cares a lot about the integrity of the process.

One of the areas where Morgan Stanley had historically been weak was in delivering capital markets services to financial services firms such as banks and insurance companies. This was an area where Nasr had been successful in the past, and he knew that, if he found the right person, he could build a much more profitable business for Morgan Stanley. He described his rationale:

> If you want to be a major player in fixed income capital markets, you cannot take the 30% of the market that is generated by banks and financial institutions and say we are not going to be active in it. You have to provide full service to your clients. A firm like Morgan Stanley could not be absent from this segment; it could not be weak in this segment. We had to have a major presence.

To develop a presence in this market Nasr recruited Parson, a young banker who had previously worked for him at a different firm. Parson had been very successful, and had since moved on to become a managing director at a smaller firm where he thought he could have a larger impact. He had a proven track record in financial services and Nasr felt Parson had the type of energetic, entrepreneurial nature that Morgan Stanley needed to penetrate the sector:

> It takes more than a traditional corporate banker to get this job done. It takes somebody who wakes up every morning and wants to turn the world on fire. Rob Parson was the right guy.

Rob Parson

Throughout his ten years of experience Parson had built strong relationships with the important players in the banking and insurance industries. He knew that he had acquired a strong reputation, yet when he was approached by Nasr to join Morgan Stanley, he was initially skeptical.

> I am not the typical Morgan Stanley type. I do not fit the profile at all. I didn't go to prestigious schools. I was always a hustler but not academic at all. That doesn't mean I'm stupid; I just never took school seriously.

Parson started college at one of the New York state universities. Somewhat of a rebel, he dropped out after a year and went to California, spending his last teen year running a moped shop

on a beach near Los Angeles. Bored, he decided to go back to school and enrolled at California State University, Long Beach. After completing his undergraduate degree he went to the University of Southern California and did a 2-year MBA program in a year, "just to get it over with." MBA in hand, and on the advice of an uncle in New York, Parson hustled around Wall Street looking for a job. He reminisced, "I'd never even heard of Goldman Sachs. That's how pathetic I was." He landed his first job at a commercial bank, went through their training program, and ended up working in their savings and loan business, which was booming at the time. With experience in a lucrative field, Parson was highly marketable and moved quickly through three major investment houses. Although he was reluctant to change firms again, Parson was enthusiastic about the opportunity to work with Nasr again:

> There are not a lot of guys in this business that I look at and say, "Wow, that guy's a cut above." Paul is definitely a cut above. He's phenomenal with clients. It's funny, the other day somebody compared me and him, and said, "Gee you're a lot like Paul with clients." I took that as such a compliment. I don't know how he does it—you can go to charm school, you can go to any school you want—but you can never learn to be what he's got.

Parson accepted the job and joined Morgan Stanley as a market coverage professional in the Capital Markets division focusing on financial institutions. He was assigned the title "Principal" with the understanding that if he did a good job he would be on the fast track to managing director.

The position that Parson was hired to fill had a reputation for being notoriously difficult to perform and had seen a tremendous amount of turnover at Morgan Stanley. Parson knew the position would be challenging; however, as he reported in his self-evaluation, he initially underestimated the magnitude of the challenge:

> I accepted the opportunity to join Morgan Stanley's Capital Markets effort with the full understanding that the effort was in need of repair. The firm was virtually un-ranked in the bank league tables, and in my discussions with many of the important frequent issuers, coverage was scant at best. Many clients, in fact, said they had never been called on by Morgan Stanley, either from Investment Banking or Capital Markets. What I found after my arrival was that the situation was even worse than I had expected.
>
> The firm had done very little capital markets business even with its most important investment banking clients. There had been dramatic turnover in trading coverage. Additionally, and perhaps most importantly, the Bank group was severely understaffed. To compound the challenge, the overall number of transactions was suffering due to high interest rates.

It was widely known in the industry that clients in the financial services segment were extremely competitive and often engaged investment bankers in cut-throat negotiations over how much they were willing to pay in fees. The person filling this role needed to be very much a self-starter. Stuart described the situation:

> You need some aggressive characteristics. You cannot be easily intimidated by clients. You cannot be a person who is easily discouraged, either. You get knocked down a lot more than you do elsewhere. You need to be someone who can stand right back up again. The client base will do things competitively. It will get information or new ideas from you and do the actual deal with someone else. You can't be discouraged when you lose business.

The senior managers in Capital Markets recognized that in order to service this client base effectively, it could not be "business as usual." The financial industry clients moved at a more rapid pace than those in other sectors and were among the most demanding. Nasr, in particular, was sympathetic to Parson's constraints and supported his efforts:

> He didn't have time to build consensus around what he wanted to do. He thought that he knew more about his industry and had better market knowledge than the [Morgan Stanley] people around him. And clients in his sector wanted answers in a matter of minutes rather than hours. The Morgan Stanley way was to build consensus. If he waited for consensus, the business would have been transacted away. So basically Rob goes from point A to point B within the time frame that the client has imposed, fulfills the client's demand, but in the meantime has broken every rule within Morgan Stanley to get there. So, people say, "Wow, this guy is not following procedure. We work as a community, not individually. This is not Rob Parson's business. This is Morgan Stanley."

Unfortunately, some people in the firm were not as understanding. The Morgan Stanley way of doing business, as Nasr and others described, was one of consensus building and teamwork. As Nasr explained:

> At Morgan Stanley the franchise is very important. You do not impair the internal culture of the firm just to get one extra deal. We would like to maximize our business, but we would not like to maximize it at the expense of our culture, teamwork, and the integrity of the process.

From reading the evaluations and also recalling conversations throughout the past year, it was apparent that there were widespread concerns about Rob Parson's "style." Superiors used words like "volatile" and "abrasive." Colleagues were concerned about his "lack of team player skills." One colleague described how he can appear "cocky, overbearing, flip or insincere." Nasr summarized:

> He has created a hostile environment around him. The syndicate guys are not happy with him basically questioning their prices. The traders are not happy with him questioning their knowledge of the markets. And he always thinks he has the right answer, and the majority of the times he does have the right answer, but every time he comes up with the right answer on his own, a lot of people feel undermined.

As head of the department, Nasr started to hear about the problems Parson was having within the firm. He described how he tried to follow up by explaining to people, "he's a great guy. Give him time. He doesn't know the Morgan Stanley system yet." But the problems continued, and Nasr, who was relatively new himself, was reluctant to wield a heavy hand. He recalled:

> Rob would come to my office and say, "What's the problem? What did I do wrong?" And I used to say, "Go and talk to this individual a little bit more." He was so new here, so I tried to go about it in a very diplomatic manner rather than getting him concerned about his position with the firm. He would say, "How'd I screw up this time?" and I would say, "Well, if I were you, I'd do it this way...," but I said it in a very nice, gentle way. Maybe I handled him with kid gloves. But I felt that if I had handled him more aggressively, we would have lost him.

From his own perspective, Parson found some aspects of working within the firm to be very frustrating:

> I wondered whether what really mattered was the "form" rather than the "substance." Would the firm rather have the guys that went to the right schools, that say the right things, or a guy like me, who's a little more rough around the edges, doesn't necessarily have the right résumé *per se*, but is generally good at bringing in business?

Despite these problems, Parson was routinely commended for his ability to cross-sell, his willingness to share information and make introductions, and his energetic approach to his job. Stuart described the ways in which Parson was an outstanding contributor:

> He makes things happen that wouldn't otherwise happen. He doesn't just go out and pitch business that we already know about. He can actually go out to his

client situation where there's no business and create something; talk to the client, figure out a need and create a deal that might not otherwise happen. And, to me, that is an important difference. Not many people can do that. For example, imagine a situation where a client says, "We're going to issue $250 million of preferred stock. Please come out, Merrill Lynch, Morgan Stanley, Goldman, Sachs, and talk to me about it, and try to convince me to do it with you." Okay, this is your basic bake-off and a lot of people can do that. That's being good at sales, understanding the product and being an effective marketer. Now imagine that you go out and the client says, "You know what, we don't have any needs. We really don't need to raise funds." Then you have a conversation:

Morgan Stanley: So what are you working on, what are you thinking about?

Client: Well, we're thinking about how to be a little more efficient with our capital.

Morgan Stanley: Well, do you know about these products?

Client: Well, yes, we've heard about those; they don't really apply.

Morgan Stanley: Well, what if we tweaked it a certain way; would that be of interest to you?

Client: No, because we have an accounting issue.

Morgan Stanley: What's your accounting issue?

Client: Well, my accounting issue is we can't account for those the same way others can.

Morgan Stanley: Hmm. Well, what part of that is the issue?

Client: Well, here's the issue...

Morgan Stanley: Let us think about maybe designing something that does work because then, clearly, you might have a need for us.

You come back, you work with product people, you design something, then you go back to the client and make the pitch. You're dealing in a totally different realm. You're going to give me the business because I've created a product that you can use although you didn't think you needed us. You didn't think you had a need. You didn't have a need. We created a need by thinking about what you're doing and how you do it and we make more money doing things that way. And Rob is very good at that.

In the time that Parson had spent working on the financial services sector, he made significant gains in building Morgan Stanley's reputation and revenues. Prior to Parson, the firm had been ranked tenth with a market share of 2%. Parson had been instrumental in securing first-time business with more than ten clients, had secured major deals with existing clients, and was generating substantial revenues for his desk. Now Morgan Stanley held the third rank position with a market share of 12.2%. Nasr praised Parson's client relationship skills:

Externally he is the most wonderful guy; his clients love him. Every time they come to New York from anywhere around the world, they want to take him to dinner. And you want to go out to dinner with him because he is probably one of the most amusing, entertaining, and interesting people to be with. People look forward to having meals with him.

Nasr felt that the situation was further exacerbated by the fact that Parson had been the only person that he had hired through a prior personal connection.

I hired only one individual in Morgan Stanley from my previous life, Rob Parson. The group obviously felt that I was his protector or his godfather. For me,

> there was the issue of fairness. It was very important not to treat an individual who came from the outside differently from any other Morgan Stanley individual. Also, what signal would I be sending to all of the individuals in the Capital Markets group here? That behavior does not count? Or working together is not important? Or we put money and deals ahead of how we treat each other? Or that it is okay to mistreat our analysts or our secretaries? I think that behavior is unacceptable.

Nasr also reflected on the fact that he himself was relatively new to the organization at the point when he recruited Parson. He described, "If I'd hired him after having been at Morgan Stanley a year or two, I would have talked to him more aggressively about the differences between him and the culture of the firm. But I wasn't yet in a position myself to articulate the differences from that point of view." He summarized the situation:

> Rob Parson is a unique individual. He is unique in his drive. He is unique in his pursuit of business. He is unique in his ambition. His knowledge of markets is excellent and he connects well with clients. And at the same time, he is unique in how many eggs he breaks every day. Everywhere he goes you have to follow him and pick up the broken eggs and put them back together.

Nasr believed that it hadn't mattered that Parson had been "breaking eggs" at his last job because it was such a different place. The question now was how he, Nasr, as a senior managing director at Morgan Stanley, should deal with Parson's performance and the issues it raised.

The Performance Evaluation Process at Morgan Stanley

One of the important innovations implemented by Mack when he became president of Morgan Stanley was a firmwide, 360-degree performance evaluation process through which all of the professionals in the firm were evaluated by superiors and colleagues as well as subordinates. Top management at Morgan Stanley had introduced the new performance evaluation process amidst great fanfare with the explicit goal of changing the culture of the firm. Mack believed that changing the criteria by which people were evaluated and compensated would encourage employees to conform to a new way of doing business that emphasized team-work, cooperation, and cross-selling.

The performance evaluation process was also intended to provide comprehensive developmental feedback so that employees could continue to improve their skills in four areas: Market/Professional skills; Management and Leadership effectiveness; Commercial Orientation; and, Teamwork/One Firm Contribution. Evaluators were asked to comment at length on an individual's strengths and weaknesses providing detailed and specific examples. Although the process had been in place for two years, there was little consensus on what it actually meant in practice. One managing director commented:

> There was a cultural feeling, although ill-defined, that someone had to be a "team player." But there wasn't an explicit set of criteria that you could manage people toward or that you, as a professional, could manage your career toward.

In his self-evaluations, Parson recognized that he needed to acquire some "patience" and be less aggressive internally. He also reported feeling that he had done "a poor job at self-promotion." He described wanting to do "a better job communicating internally the extent of my discussions and successes with a broad base of clients across the spectrum of investment banking products." Parson also clearly articulated his long-term career goal: "to be in a senior leadership role in a client capacity, away from the headaches of pure day-to-day administrative duties."

As Nasr read through Parson's performance evaluations (**Exhibits 1 and 2**), he considered his options. First, he had to decide whether or not the Capital Markets division was going to put Parson up for promotion to managing director. He also needed to complete the evaluation and development summary (**Exhibit 3**) that would form the basis of Parson's annual performance review. If Parson were a candidate for promotion, the evaluation and development summary would be reviewed by

the entire promotions committee, a group of senior managing directors from across the firm who reviewed all candidates and made the final decisions. He would also need to have a conversation with Parson explaining his decision and giving him feedback and developmental advice. Nasr knew that the effectiveness of that session would be very important: first, in terms of Parson's future performance, and second, if the firm decided not to promote him this year, whether or not he would stay.

Exhibit 1 Annual Performance Evaluation Data Packet

Robert L. Parson
PRINCIPAL - INVESTMENT BANKING DIVISION

Three Greatest Strengths (Provide examples):

Downward Comments

Within IBD

Person A	• Selling Skills. Rob has good marketing skills and is always willing to ask for the order no matter how difficult a situation. He has made a big difference with several clients. • Aggressiveness/Initiative. Rob is a self starter who is unusually aggressive in pursuing the business. Typically, this initiative is constructively channeled toward a trade. Occasionally, he can be too aggressive. • Market/Product Knowledge. Rob knows the fixed income business generally and his segment, in particular, better than anyone else that we have had do this job.

Outside IBD

Person B	• Relationship management. Tireless worker. Rob has done a better job in covering financial institutions than anyone before him. • Commitment: Rob is one of the hardest workers in Capital Markets. He seems to take nothing for granted.

Robert L. Parson

PRINCIPAL - INVESTMENT BANKING DIVISION

Colleague Comments

Within IBD

Person C	• Has strong marketing knowledge readily accepted by client. Willing to do whatever is necessary to move project forward. • Works well with Regional Office to integrate us and use our strengths to manage and develop clients.
Person D	• Rob is responsive to all of my client requests. I asked him to initiate coverage of regions and he was quick to start. • Rob also challenges me to be more active. He has introduced me to several clients and he keeps me apprised of all activity. • Rob is good with senior client management and knows how to ask the hard questions.
Person E	• Rob has made important progress in the last year, and in particular the last few months. He has been more willing to involve team members with his clients, and this access has clearly led to more business. He covers a tough turf which is not easy given MS's choppy coverage in the past. Good progress on league table data. • Improved attitude throughout the year. Demonstrates more initiative, more receptive to pitching business and to allowing team members access to clients. He has seen broader involvement leads to more business and is key to deeper relationships. • Aggressive approach to underwritten bid business, important for Firm's overall league table standing.
Person F	• Relationship management. Rob is consistently very thorough about identifying and informing all the internal parties associated with a specific client • Cross-selling. Rob consistently puts key products in front of clients.
Person G	• Keeps me informed: Rob is very good at letting me know what is happening in his area and with my potential clients. Rob has good sources on the Street. • Cooperative: Any time I have asked Rob for help he has provided it. We probably need to call on his help more often. • Cross-sells: Rob has introduced me to various accounts where he believes an investment banking opportunities exist.
Person H	• Rob has made great strides over the year on improving his working relationship inside the Firm. In our work together, Rob has held a positive attitude. • Rob's key strengths are as follows: Product knowledge: very good understanding of product or markets. Commercial instincts. Avoids problem deals and has accurate pricing views. Relationship skills. Has numerous strong relationships. Aggressive selling skills. Asks for the sale and makes it difficult for clients to say no.

Robert L. Parson

PRINCIPAL - INVESTMENT BANKING DIVISION

Colleague Comments

Outside IBD

Person I	• Knows his clients very well. Rob has a very good sense of what his clients' objectives and desires are. For example, he has a good grasp for their funding requirements and what their interest in a potential deal will be. • Rob is also very willing to call his clients and get a response or feedback on a particular inquiry. He has no qualms about asking them questions when I want to know something particular about their needs or interests. • Rob has been very helpful in cross-selling derivative products by making introductions, giving contact names, and generally pushing our products with his clients.
Person J	• Quality of contacts/relationship with treasury staff at banks throughout the country and willingness to provide introductions for other members of the Firm to these people. Also, willingness and ability to cross-sell other groups' products and identify critical issues. This facilitates Rob's participation in other group's presentations/proposals and enhances the clients' perception of the cohesive nature of Morgan Stanley's overall coverage effort.
Person K	• Rob is aggressive in his pursuit of business. I'm impressed as to his attitude in trying to secure a mandate. He often calls upon me in research which none of his predecessors did with any frequency. Great business getter! • I find him to be creative in his pitches to customers. If one approach doesn't work he tries another. He is relentless. I've heard back from several of the banks that our "call" has increased significantly since Rob has assumed coverage. • He shows good judgment in his client approaches playing always to MS strengths. He has significantly stepped up our profile with financial debt issuers and is helping gain us a role in securitizations which represents a huge opportunity with the banks.

Robert L. Parson
PRINCIPAL - INVESTMENT BANKING DIVISION

Three areas in need of further development (Indicate suggestions for developing these areas):

Downward Comments

Within IBD

Person A	• Team Player Skills. Although Rob has made progress here in recent months, he still needs to work at integrating his efforts more effectively with the broader team. Appears to have had problems with McHenry and Pellery on business issues that overlap their areas. Also violated internal policies by extending syndicate invitations which led to $20,000 error. • Personal style. Rob exhibits a volatile personality, at times, that causes problems. Needs to resist the temptation to react too quickly to an emerging problem. Must learn how to treat colleagues with a little more respect. • Management skills. Take a broader strategic view. Where is his business going? How should MS position itself accordingly? We would value Rob's opinions on these issues.

Outside IBD

Person B	• Rob made the most progress in communicating with the MS Team. However, it is still the area that he should focus on going forward. Good effort noted but more work to do.

Colleague Comments

Within IBD

Person C	• Understanding of local market. Needs to spend more time in our region and be in regular dialogue with coverage targets. • Presentation tone can be rounded, i.e., as Rob develops, can be less hard-edged.
Person D	• None.
Person E	• Rob still needs to work on a number of areas in order to more fully contribute to the Firm. Management and interpersonal skills, very difficult to work for or with. Rob is fun to talk to but is often less than professional. When in bad mood or temper junior staff analysts and secretaries have been shocked by his language, temper, lack of respect to them and others. This needs to be addressed to ensure his full effectiveness. Most clients want strong team coverage, so he'll have to learn to develop ability for team work. Also to jointly share the work load, responsibility for prep and follow up. • Organization and follow up: Rob needs to work on planning, organization of his coverage effort and consistent follow up. We've seen that not all clients are forgiving on these issues. He is best at short sound-bite conversations. Weakest at strategically plotting turnaround of a client, or long-term pursuit of a prospect or business opportunity. • Judgment and decision making: Rob can be judgmental, rushing to a decision or opinion before having the facts. This includes news on prospective business to pursue, approach, etc. Inconsistent moods can impact his responses and judgments. When Rob controls above issues, he can be an even more successful contributor to our efforts. I like Rob, and enjoy working with him when he's in his calm professional moments. May these times expand.
Person F	• Judgment. Being fully informed is a critical part of the process in reacting to client situations. If Rob would spend more time gathering and evaluating information/feedback, he would probably have fewer overreactions.
Person G	• Rob often is too honest in his assessments, although he is usually correct. He probably needs to take a broader and maybe mature view of our clients and our own people.
Person H	• Work Products: spend more time on written products, particularly in bake-off situations. • Presentation skills. Too casual at times.

Robert L. Parson

PRINCIPAL - INVESTMENT BANKING DIVISION

Colleague Comments

Outside IBD

Person I	• Sometimes, it is difficult to get a response, this is probably because he is busy converting many clients and may not be able to follow up on everything, but it is noticeable on some requests. • Rob is one of the senior CMS covering officers he should take most of a leadership role within the group. This could be demonstrated by more of a presence in the morning meetings, leading by example, etc. Perhaps this is a bit tough to define but he could step up his role in the group.
Person K	• Rob may be pulled in too many directions. He has many projects and pitches underway at the same time which could be detrimental. Does he need more help?

Exhibit 2 Summary of Performance Ratings

Downward/Colleague Criteria	Direct Manager Score	Downward Average Score	Colleague Average Score
1. Professional Skills			
A. Market and Product Knowledge	-	4.0	4.5
B. Analytical/Quantitative/Problem Solving Skills	-	4.0	3.8
C. Creativity	-	3.0	4.0
D. Initiative and Commitment	-	4.5	4.3
E. Judgment and Decision Making	-	3.0	3.8
F. Versatility	-	3.0	4.3
G. Oral Communication Skills	-	3.5	4.0
H. Written Communication Skills	-	NA	NA
I. Professionalism	-	3.0	4.0
2. Commercial Orientation			
A. Relationship Management	-	3.5	4.3
B. Cross-Selling/Selling	-	3.0	3.7
C. Commercial Instincts/Revenue Contribution	-	3.5	4.0
D. Enhances PBT/Expense Control	-	4.0	3.0
E. Adherence to Firm Policies/Limits	-	2.0	3.5
F. Deal Execution/Project Management	-	4.0	3.8
3. Management Skills			
A. Global Business Management	-	3.0	NA
B. Leadership and Management of People	-	3.0	2.5
C. Evaluation, Development and Coaching	-	NA	2.0
D. Management of Diverse Workforce	-	NA	2.0
E. Management of Firm's Resources	-	4.0	4.0
F. Time Management	-	3.5	3.5
G. Planning	-	3.0	3.7
4. One Firm Contribution			
A. Team Player Skills	-	2.5	4.0
B. Contributes to MS and External related community	-	NA	NA
Arithmetic Average	-	3.4	3.6
Overall Rating:	-	3.5	2.8

Exhibit 3 Evaluation and Development Summary Form

Evaluation and Development Summary

Evaluatee	:	Parson, Robert L.	Evaluation Director	:	Nasr, Paul A.
Title	:	Principal	Signature	:	_____
Div/Dept	:	IBD/Capital Markets	Date	:	_____

Review of Performance

PERFORMANCE SUMMARY, INCLUDING ACCOMPLISHMENTS
Consider objectives in prior year's E&D Summary as well as business objectives set earlier in year. Refer to Self-Evaluation where applicable.

EVALUATION THEMES

Strengths	Comments
1.	
2.	
3.	

Development Areas	Comments
1.	
2.	
3.	

PERFORMANCE OBJECTIVES FOR NEXT YEAR:
Business Goals (List important business and commercial targets).

Professional Development Goals (list important development suggestions to enhance evaluatee's professional effectiveness).

CAREER GOALS (Comment on evaluatee's short-term and long-term career goals as described in the self evaluation):

Appendix A Professional Investment Banking Positions at Morgan Stanley

Title	Career Stage including Typical Degree and Professional Experience	Selected Professional Skills/Responsibilities
Analyst	Entry level position for people coming from an undergraduate college or university.	Acquires relevant financial, accounting and computer skills. Strives to understand how to analyze data and contribute to the definition of problems and creative solutions. Relates well with clients and establishes good working relationships where appropriate.
Associate	Entry level position for people coming from an MBA or other graduate program. May or may not have banking experience, but typically has other professional experience. Eligible for promotion to Vice President after 3-4 years.	Understands relevant financial, mathematical and accounting techniques. Able to analyze data and contribute to the definition of problems and to creative solutions. Relates well with client counterparts and establishes good working relationships. Is an effective representative of the Firm.
Vice President	First "officer-level" position at Morgan Stanley. Typically indicates a minimum of three-years of professional banking experience and demonstrated technical capability. Eligible for promotion to Principal after 2-3 years.	Displays thorough knowledge of theoretical and applied investment banking techniques. Identifies the key issues and skillfully analyzes problems to reach clear conclusions. Respected for analytical ability. Relates well formally and informally with client personnel at all levels. Commands respect and confidence of clients and has influence. Functions well as team leader.
Principal	Senior officer position. Typically indicates significant level of achievement and responsibility. Eligible for promotion to Managing Director after 3 years. Those who are not promoted may in some cases stay with the firm as "permanent principals."	Has mastered theoretical and applied investment banking techniques. Identifies the relevant issues and skillfully analyzes complex problems to reach insightful conclusions. Respected for analytical ability and opinions. Commands respect and confidence of clients. Is sensitive to client's objectives and constraints and is able to identify and create business opportunities. Persuasive with clients. Good negotiation skills. Functions well as team supervisor and leader in the Investment Banking Department.
Managing Director	Most senior level banking position and senior firm leadership position. (Sometimes referred to as "partner.") Indicates the highest level of professional achievement and management responsibility.	Highest level of technical expertise in corporate financing. Significant experience in resolving complicated unprecedented problems. Commands respect for knowledge and insight among vast array of people inside and outside the Firm. Highly developed planning and organization skills. Able to persuade and influence others at highest levels (CEO's, Presidents) Clients will have complete confidence. Probably well known within the industry and /or sphere of expertise. Displays leadership by clearly, credibly and consistently articulating departmental visions and strategies. Leads by example.