

NetApp

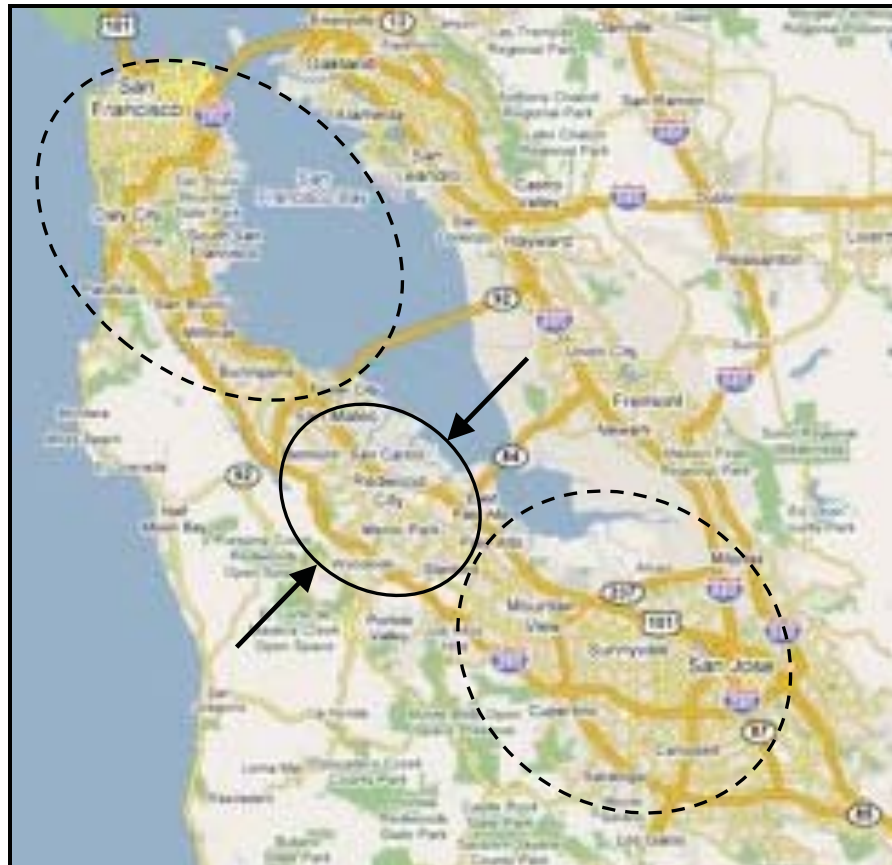
The Day-to-Day of A District Manager



The Environment

What does the “world” look like at the time of the case?

Ground Zero of the Dot Com Collapse



NTAP Stock Price

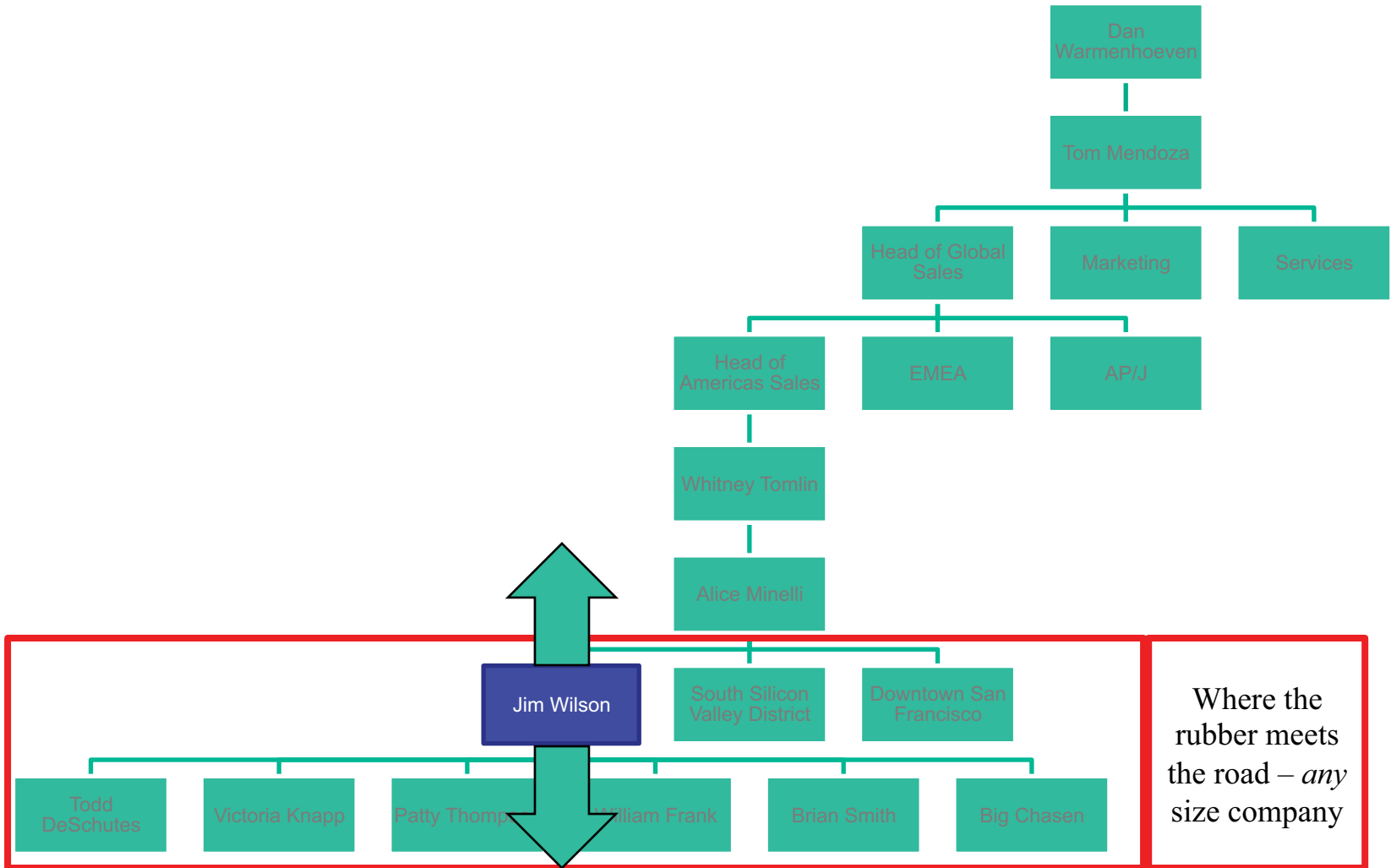


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The District Manager

Who is Jim Wilson, and what does his world look like?
- Compensation, Organization, Levers of Control

Where Jim “Lives”: Org Chart



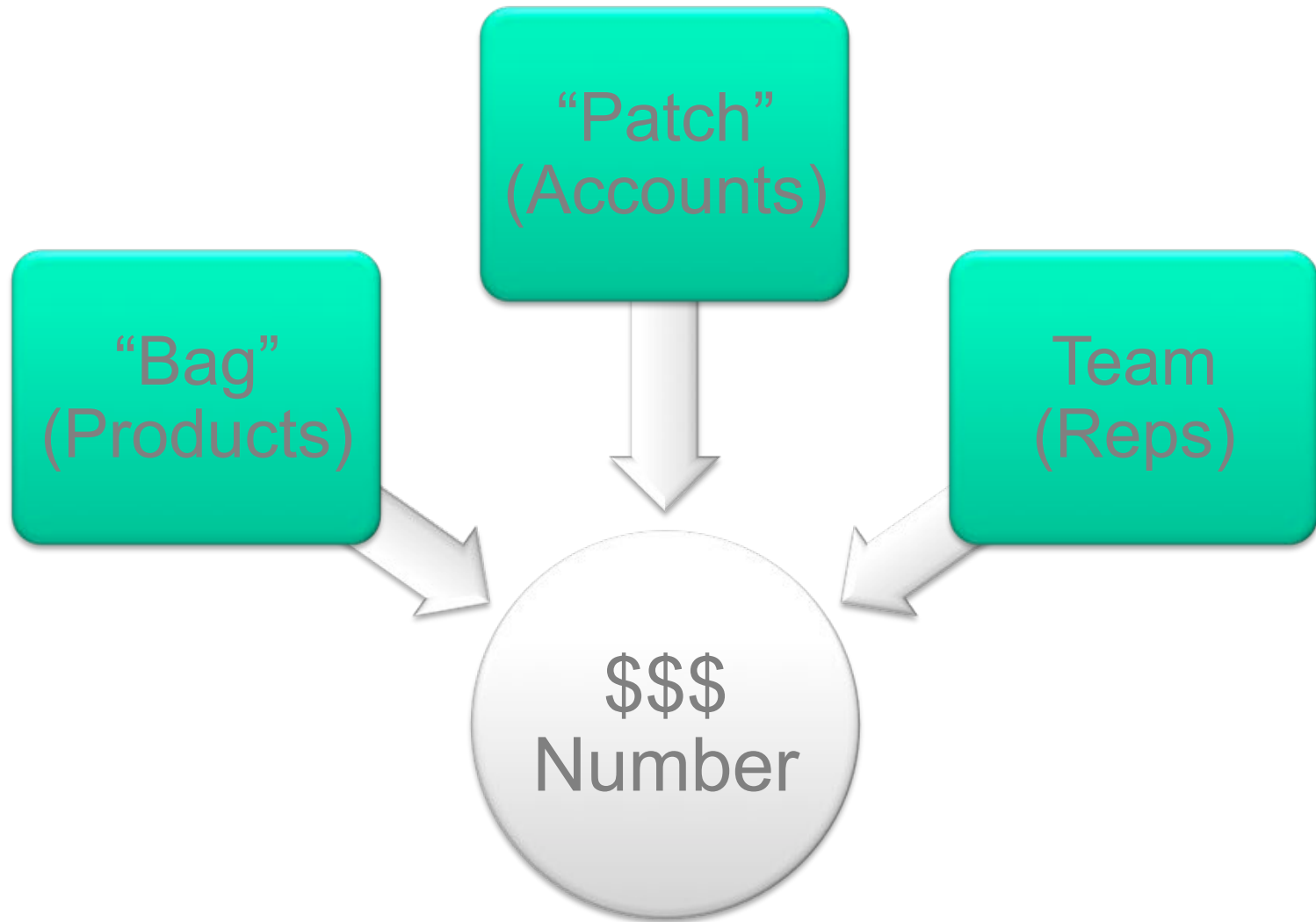
How Jim “Eats”: Comp Plan

- Base Salary \$150,000

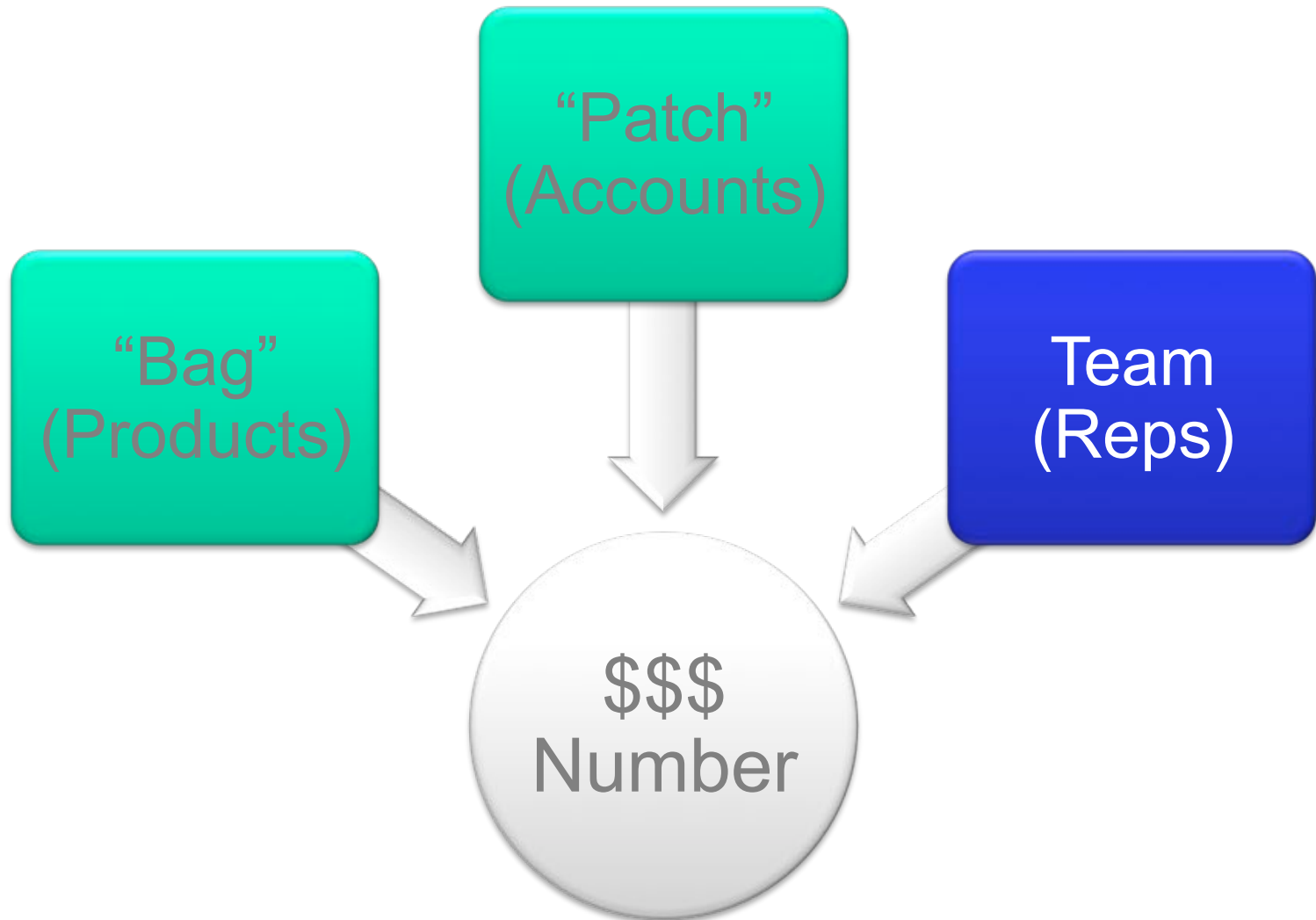
- Base + Variable (OTE) \$300,000
 - ▶ 10% Above Target (\$35M) \$330,000
 - ▶ 10% Below Target (\$29M) \$285,000
 - ▶ 50% Below Target (\$16M) ~~\$225,000~~

Terminated

The Essence of Jim's World



The Essence of Jim's World



What Should Jim Do?

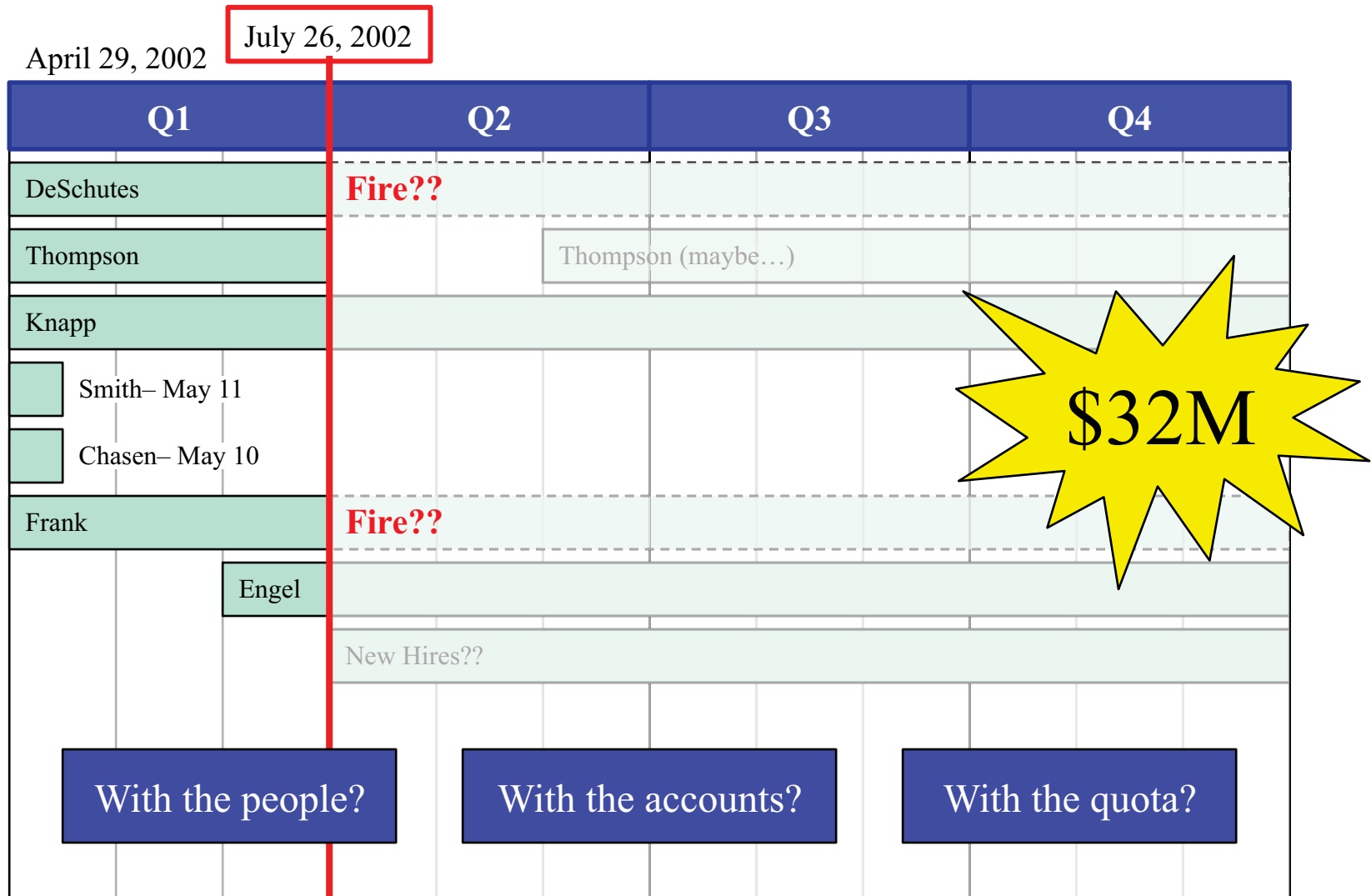


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The District Manager's Team

What's going on, and how do we fix it?

- Managing The Team, Managing Up, Priorities

Managing Down: The Team

- Build the team
 - ▶ Improve individual performance
 - ▶ Replace poor performers
- Map team to accounts: coverage model
- Stay on top of the business
- Sell what's on the truck

Stay On Top of The Business

- Options?
 - ▶ Replay what your reps tell you
 - Jim Wilson: “I expected them...to always give me the straight scoop – especially when news was not good.”
 - ▶ Inspect closely and apply “judgment”
 - ▶ Figure it out for yourself by going directly to the largest opportunities

- Why is this hard?

Sell What's On The Truck: *New Products*

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Why is it hard to get reps to focus on new products – options for a DM?



New Products

- Why is this hard to do?
 - ▶ Value prop is less clear
 - ▶ Harder work to evangelize new product
 - ▶ Incentives not aligned
 - Company benefits from sales of new product, but rep is disproportionately rewarded for sales of existing product in terms of return on effort
- What can the DM do?
 - ▶ Change compensation plan? Not likely.
 - ▶ Intrinsic rewards (appreciation, recognition, security, belonging, encouragement)
 - ▶ Coach on selling process to increase response
 - ▶ Mobilize resources in support of new products
 - Sales engineers

Mapping Accounts to Reps

- Strategies?
 - ▶ Best on best – agree?
 - ▶ Spread the wealth/pain?
- Considerations?
- Why is this hard?

Mapping Accounts to Reps

- Strategies
 - ▶ Geographic proximity – coverage
 - ▶ Vertical market affiliation – talk the talk
 - ▶ Advantaged relationships – I know a guy
 - ▶ Type – farming vs. hunting
- The big problem with “best reps on biggest opportunities”
 - ▶ Performance concentration over time



Improving Individual Performance

- Would you ever put a rep on an improvement plan? Why or why not?

- What do you think of the NetApp improvement plan?



Improvement Plans

- Why put a rep on an improvement plan?
 - ▶ Signal of inadequate performance; makes it easy to terminate rep for cause
 - Don't you already have cause? Low sales! Out you go!!
 - ▶ Way of rationing management attention
 - ▶ Motivation

- Why not? Why might you hesitate to put someone on a program?
 - ▶ Branded as a low performer; leads to self-fulfilling prophecy

Replacing Poor Performers

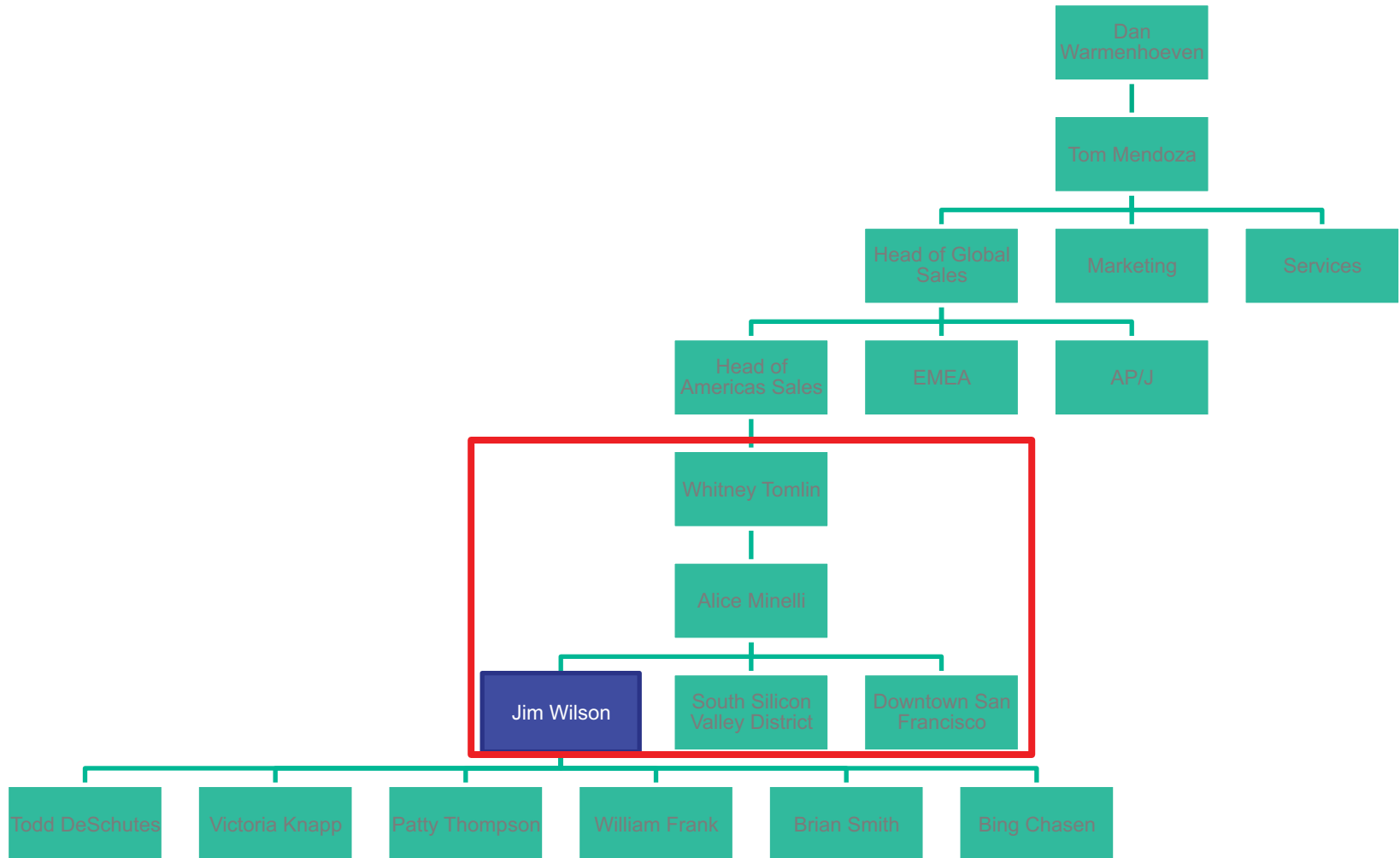
- What are the issues?
- When would you, when wouldn't you?
- Who, specifically, in this case?
 - ▶ DeSchutes?
 - ▶ Frank?
 - ▶ Thompson?

The Math of Rep Replacement

- What are costs of keeping marginal rep?
 - ▶ Poor district performance puts DM's job in jeopardy!
 - ▶ Culture of success is undermined
 - ▶ Opportunity cost of having a great rep in place
 - ▶ Opportunity cost of DM's time; could be spending it to help improve the performance of another rep

- What's the break even on replacement?
 - ▶ Assume marginal rep is doing 60% of quota
 - ▶ Assume you can hire *instantly*; productivity curve for new rep is 0%, 50%, 100%, 100%
 - ▶ Keep marginal rep: .6Q .6Q .6Q .6Q = 2.4Q
 - ▶ Hire a new rep: 0Q .5Q 1Q 1Q = 2.5Q
 - ▶ Break even in fourth quarter after hiring new rep
 - If marginal rep is at 80%, takes until sixth quarter to B/E!

Managing Up: The Company



How Hard Is It To Work This?

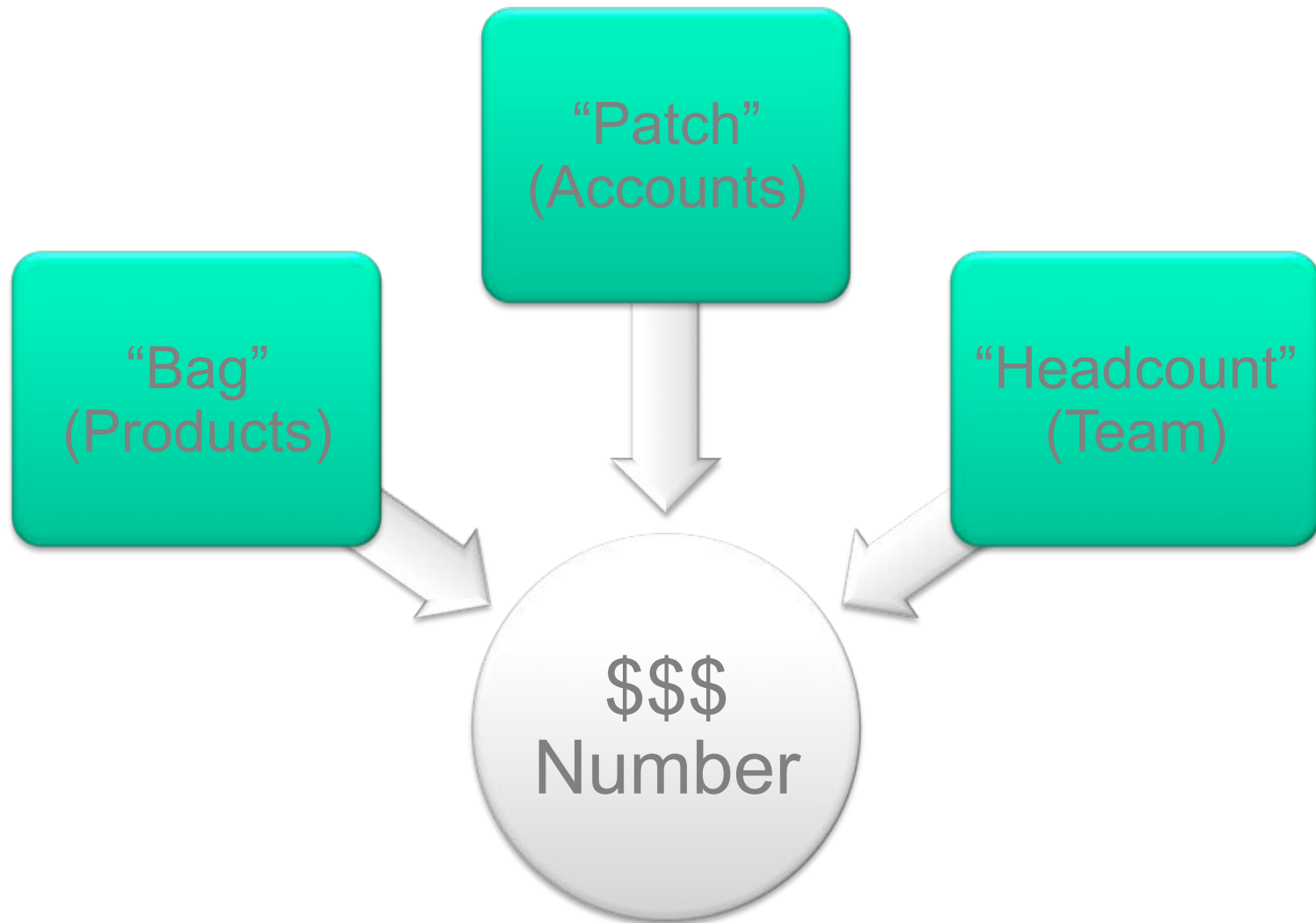




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First Things First

What does Jim HAVE to do?
- 3 Actions to Initiate by Friday



What could Jim Wilson do?

1. Lead from the front/know the business
 - ▶ Meet with biggest opportunities personally
 - ▶ Prioritize leads and direct closing activity
2. Change his management “system”:
 - ▶ Require attendance at meetings
 - ▶ Stop the “I only get involved when reps ask for help”
– know your team – not all the same
 - ▶ Inspect the business personally/periodically
3. Understand the game – have a game plan
 - ▶ Make the number first
 - ▶ Make it pretty second (right mix of new products, balanced productivity)



Going into the year...

Rep	Q1	Q2	Q3	Q4	Total
DeSchutes	1.8	2.0	2.3	2.9	9.0
Thompson	1.3	1.4	1.7	2.1	6.5
Knapp	1.3	1.4	1.7	2.1	6.5
Smith	0.8	0.9	1.0	1.3	4.0
Chasen	0.8	0.9	1.0	1.3	4.0
Frank	0.8	0.9	1.0	1.3	4.0
Total	5.8	7.5	8.7	11.0	34.0



One month into the year...

Rep	Q1	Q2	Q3	Q4	Total
DeSchutes	1.8	2.0	2.3	2.9	9.0
Thompson	1.3	X	1.7	2.1	5.1
Knapp	1.3	1.4	1.7	2.1	6.5
Smith	0.8	X	X	X	X
Chasen	0.8	X	X	X	X
Frank	0.8	0.9	1.0	1.3	4.0
Engel	1.3	1.4	1.7	2.1	6.5
Total	8.1	5.7	8.5	10.4	31.0

Two down, Two to Go?

Rep	Q1	Q2	Q3	Q4	Total
DeSchutes		2.0	2.3	2.9	9.0
Thompson	1.3	X	1.7	2.1	5.1
Knapp	1.3	1.4	1.7	2.1	6.5
Smith	0.8	X	X	X	X
Chasen	0.8	X	X	X	X
Frank		0.9	1.0	1.3	4.0
Engel	1.3	1.4	1.7	2.1	6.5
Total	8.1	5.7	8.5	10.4	31.0



Q2-Q4 2003 North SV District

Rep	Q2	Q3	Q4	Total
DeSchutes	2.0	2.3	2.9	9.0
Thompson	1.3	1.7	2.1	6.5
Knapp	1.4	1.7	2.1	6.5
Frank	0.9	1.0	1.3	4.0
Engel	1.4	1.7	2.1	6.5
Total	5.7	8.5	10.4	31.0
Wilson (Buffer)	7.5	8.8	10.9	34.0
Co plan	7.1	8.4	10.4	32.4



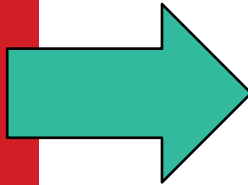
Q2-Q4 2003 North SV District

Rep	Q2	Q3	Q4	Total
DeSchutes	2.0	2.3	2.9	9.0
Thompson	X (1.3)	1.7	2.1	5.2
Knapp	2.0	1.7	2.1	7.1
Frank	0.9	1.0	1.3	4.0
Engel	2.0	1.7	2.1	7.1
Total	6.9 (0.2)	8.5	10.4	32.2
Wilson (Buffer)	7.5	8.8	10.9	34.0
Co plan	7.1	8.4	10.4	32.4



Q2-Q4 2003 North SV District

Rep	Q2	Q3	Q4	Total
DeSchutes	2.0	2.3	2.9	9.0
Thompson	X	1.7	2.1	6.5
Knapp	2.0	1.7	2.1	6.5
Frank	0.9	1.0	0.0	2.7
Engel	2.0	1.7	2.1	6.5
TBH	0	0	1.0	1.0
TBH	0	0	1.0	1.0
Total	6.9 (0.2)	8.5	11.2	33.0
Wilson (Buffer)	7.5	8.8	10.9	34.0
Co plan	7.1	8.4	10.4	32.4



Hiring Freeze

What Would I Do?

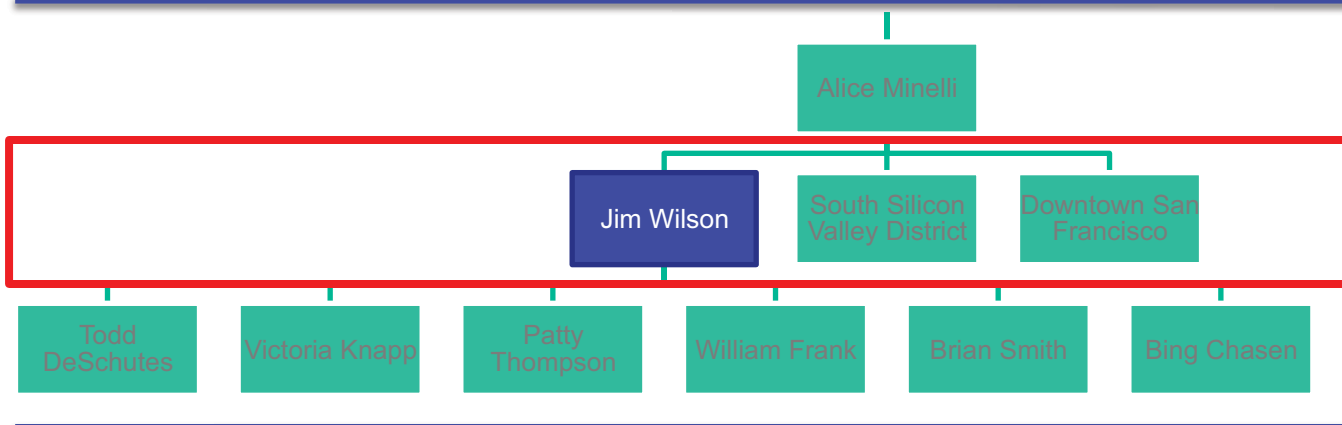
Piece it together and make the number

1. Get help with DeSchutes, but don't shoot him (if you even can)
2. Try to save Thompson's Q2 by covering personally
 - ▶ Stay really close to her during the 60 day sabbatical
3. Redistribute Smith's and Chasen's producing accounts between Engel, DeSchutes, Thompson, Knapp and yourself (Wilson)
 - ▶ Try to get someone hired to replace Smith
4. Get Frank mapped to the farming accounts that fit his personality/skills
 - ▶ Try to get someone hired to hunt the other ones

First Line Sales Management



NetApp™



One of the hardest jobs in the company
and
One of the most critical jobs in the company

\$\$ Customers \$\$



Key Takeaways

- First line sales management is where “the rubber meets the road”
 - ▶ Managing individual contributors with a number to make
 - Building a team, managing egos/issues/aspirations
 - Let the hunters hunt and let the farmers farm
 - ▶ Translating corporate goals and objectives into sales
 - New product introduction
- The value of performance improvement plans in sales is unclear
 - ▶ Set territory, establish quota, train and coach
- Underperforming reps must ultimately be replaced – you are only as good as your team and you cannot do it all
- There is a very real cost to rep replacement which is measured by the time it takes for new reps to ramp
 - ▶ Consider the math versus “the number”

15.387 - Technology Sales and Sales Management

“The District Manager”



What to do with DeSchutes?

- Reasons for firing?
 - ▶ Crossed the line from customer advocacy to taking advantage of NetApp
 - ▶ Insubordinate (went over the head of DM and RD)
 - ▶ Devious (agreed to apply new price; then wrote unofficial letter promising old discount)
 - ▶ Financial. Only getting 7% gross margins on these sales! Losing money!
- Reasons against firing?
 - ▶ Pragmatic. Hes your #1 rep!
 - ▶ Chemistry. What does this do to the morale of this dwindling sales district?

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15.387 Entrepreneurial Sales
Spring 2015

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