Cabot Pharmaceuticals

Managing a Salesperson in a Large Company
Follow up - EMC and OuterBay

- Scott Menzel
  - 15 years in Market Development for EMC
  - Now - Office of CTO

- Case Follow-up
  - Archive market did not play out are planned
    - Customers opted for more cheaper storage
    - “Tuning vs Pruning”
    - So good way to be in archive software without big investment
  - HP Deal for OuterBay
    - +$110 M
    - EMC bid - price strategy; ramped down relationship
  - Howard - Career
    - Eventually” acquired” by EMC
What Is a Salesperson?

- Volume Generator?
- Quantifier of Business Opportunities?
- Source of Market Knowledge?
- Vendor’s Advocate With the Customer?
- Client’s Advocate Within the Vendor’s Organization?
- Product or Solution Coordinator?
- Service Catalyst?
- Team Manager?
- Expense or Asset?
Business Strategy

- Value Proposition
- Distribution
- Market Selection
- Pricing
- Product Policy

Sales-person
Boundary Role Person

Internal
- Other salespeople
- Sales managers
- Product specialists
- Service providers
- Operations support
- Finance, credit, administrative
- Top management

External
- Gatekeepers
- Decision makers
- Customer perceptions of:
  - Needs
  - Our company
  - Our products
  - Our value vs. competition

Selling Organization → Business Strategy → Sales Rep → Procurement Strategy → Buying Organization

Communication: Internal → Business Strategy → External
## What is Sales Management?

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<th>Sales Management Task</th>
<th>Cabot Pharmaceuticals</th>
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<tr>
<td>Recruitment &amp; Selection</td>
<td>“Boy Scout” Criteria; Ignores Selling</td>
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<td>Training</td>
<td>“On-the-Job” + Corporate Philosophy</td>
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<tr>
<td>Supervision</td>
<td>Field Visits by DM (But Span of Control?)</td>
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<tr>
<td>Evaluations</td>
<td>Compliance focused, and behaviorally light</td>
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<td>Compensation</td>
<td>Inconsistent with DM’s Evaluations</td>
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A Sales Management Framework

- Business Strategy and Market Choices
- Market and Customer Characteristics

Sales Tasks

Selling Behaviors

Sales Force Control Systems
- Organizational Structure
- Performance Measurements
- Compensation and Incentives

Sales People
- Experience & Competencies
- Hiring Criteria and Process
- Training and Development

Sales Force Environment
- Sales Management
- Performance Reviews
- Cross-functional Communication

Source: F. Cespedes, Aligning Strategy & Sales (HBR Press, 2014)
So What, Now What?
How Important Is This Anyway?

- Page 2: “Turnover in the Cabot sales force was much lower than the industry average, only about 8%”

  - c. $2 Billion in annual sales and c. 500 sales reps
    = c. $4.0 Million/Rep in sales revenues, on average

  - 500 Reps x 8% Turnover Rate = 40 Reps/Year

    = c. $160 Million in Sales Volume at Risk Annually

Note: Degree of risk depends upon how important you rate relationships vs. unique product or brand in a business
Some Initial Conclusions

- Talent Comes In All Shapes and Sizes . . . Especially in Sales

- BUT ultimately the sales person is NOT an individual contributor; must be seen and managed as an agent of business strategy

- A key function of strategy is to guide field efforts (including selling and marketing programs). That should be made explicit in the strategy and in its performance management implications

- Effective implementation requires an understanding and buy-in to firm goals, choices, and trade-offs. This is a leadership responsibility, not only a Marketing or Sales requirement.
15.387 Entrepreneurial Sales
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