**SMARTtools for Leaders™**

**Focused Interview for the role:** VP of Sales

**Candidate:** Karen Tan **Interviewer:** Sheryl Grossman

**Date:** 9/15/2016 **Recommendation:** Unsure

**Rating and Comments (A,B,C):** B

**Area of Focus for This Interview:** Profit Margin

**Summary:** I’m not sure how strong she is in the other areas of the scorecard. But in this one area of profit margin, she is a B. Karen admits to pricing customer deals too low, just to win the business. And her CEO has talked with her about this.

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| **STRENGTHS** | **RISKS** |
| 1. On profit margin, she does eventually crank up the price on customer deals, so the multi-year margin is fine.
2. Long-term, the profit margin of her business unit is excellent, 28% on a goal of 20%. (And our target is 25%). However, it takes her a couple years to get a client to target pricing.
3. Excellent focus on high-margin client prospects. She seems to know the ones who can handle a price increase.
 | 1. Year 1 of any customer deal, she prices so low, it falls below target profit margin.
2. Her boss in her current job has told her to “stop giving away the store” she said.
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| **SUCCESSES** |
| ***The purpose of this interview is to talk about [area of focus for this interview]. Let’s talk about some examples when you have succeeded in this area. What was the situation? What did you do? What were the results?*** | * In recent years, I’m really proud that on a goal of increasing sales from $72m to $140m, we beat that and grew it to over $200m. The gross margin is 28% on a goal of 20%.
* How? I think it’s really about picking the right customers. We have a very simple way of prioritizing customers by need, size, business challenge, geography, and access to decision makers. This helps us put time into the high-margin prospects, and avoid low-margin prospects.
* Two jobs ago, we 5x’d Softcorp’s software business from $10m to $50m on a goal of $20m within 3 years. The gross margin there grew from a very low 12% to over the 20% target.
* Before that, I worked at Salesforce.com in college, and I was selling stuff with no eye for margin. (laughs)
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| **FAILURES/LESSONS LEARNED** |
| ***Let’s talk about some examples of when you did not succeed in this area. What was the situation, what did you do, what were the results?*** | * In my current job, the CEO Gerry really didn’t like how I priced the deal with Disney. He thought I caved on price. But I understood the political dynamic and I realized that we needed to prove ourselves before charging the target price level and achieving the target margin. But still I got called out in a senior leadership meeting for “giving away the store.” They were not really mad, but they were concerned. What happened? We got Disney! And a year later, we took their pricing up to where it should be.
* I did have one bad customer situation. Arizona Power bought at the introductory pricing level, and I thought I could get them up to target pricing in a year, but when I tried, they threw us out. Like, bye bye. No second chances. So I miscalculated their elasticity of demand and it was a bad day. I remember being in the parking lot after the meeting in which they dumped us, sweating and dreading picking up my phone to tell my CEO. Oh well, you win some and you lose some.
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