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HOW MANAGERS CAN INSPIRE TOP REPS

September 2005

Get them into shape

Managing poor performers more effectively

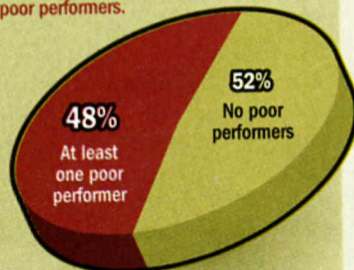
by Rayna Herman and Rick Rosenthal

District managers struggle with managing poor performers, investing significant amounts of time over many months in their attempts to effect change. This article identifies the barriers DMs face in trying to improve a representative's poor performance and describes effective tactics for managing poor performers.

Figure 1

Bad apples

Almost half of DMs manage poor performers.



Source: Health Strategies Group, 2005

Poor-performing reps decrease sales

In our recent research involving 1,200 district managers across the industry, we defined a poor performer as a representative who does not fulfill basic job requirements. Almost half of pharmaceutical district managers have at least one poor performer in their district (see figure 1). A \$3 million territory performing at 60% goal attainment costs the organization \$100,000 every month in lost sales. Not surprisingly, districts with poor performers achieve significantly lower sales goal attainment than districts without them (figures 2 and 3). Consequently, both the company and the DM have an interest in effectively managing poor performers.

In the best circumstances, the poor performer responds to the DM's coaching, improves his performance and begins to meet the job requirements. Half of performance issues resolve in this way. In other cases, the representative makes only half-hearted efforts, cannot improve or resists the DM's coaching, and performance remains poor. Fifty percent of poor performers end up leaving their employers, 39% through voluntary resignation and 11% through formal termination of employment.

What is the potential gain from better management of poor performers? Managing poor performers can be a long, drawn-out process. District managers spend an average of three months resolving a significant performance issue. During this time, they work the equivalent of an extra day per month – primarily coaching and developing the poor performer.

Faster resolution, whether by turnaround, resignation or termination, yields benefits. Managers in our study who resolved their most recent significant performance issue in four weeks or less had significantly higher sales goal attainment than DMs who did not (figure 4).

Barriers to managing poor performers

Not all performance issues are easy to resolve. The following are some difficulties managers encounter when trying to assess the performance of their reps.

Difficulties in measuring performance. Poor-performing representatives sometimes benefit from other factors that make them appear to be performing better than they are. For example, a territory's population may be growing rapidly, driving volume that is not due to the representative's efforts. A "growth over base" measurement system can also make small increases appear to be large improvements. District managers can overcome this barrier by giving their field ride observations as much weight as territory performance on sales reports. When representatives fail to demon-

Diagnosis

Poor performers in your territory are bringing down the rest of your sales team.

Prescription

There are tactics managers can employ to help even the poorest salespeople improve.

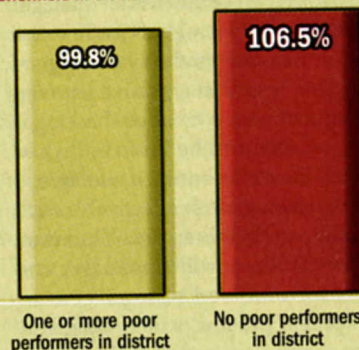
strate key skills and behaviors during field rides, DM observations alone justify action plans for improvement.

Difficulties in separating individual contributions within a pod. The presence of multiple pod members selling the same products to the same customers makes it difficult and time-consuming to assess individual contributions. Given the competition for a DM's attention, it can take several months for a DM to collect enough material to confidently take action if he does not recognize the activity as a priority. District managers can overcome this problem by assigning unique and measurable objectives to each pod member. As in the previous example, DMs must also trust their field ride observations. When one pod member consistently receives less office access, conducts shorter calls, does fewer programs and lunches, and has lower call and sample volume, those observations are sufficient to sep-

Figure 2

The cost

Average sales goal attainment by number of poor performers in district

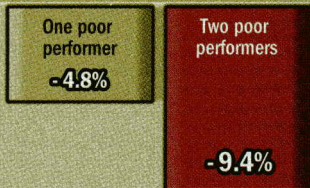


Source: Health Strategies Group, 2005

Figure 3

Poor performers

Each poor performer reduces district sales goal attainment.



Source: Health Strategies Group, 2005

improvements. They must communicate clear and fair consequences for poor performance. Occasionally, DMs may benefit from having a colleague review their sales numbers or coaching reports and hearing an outsider's assessment.

Effective tactics

District managers take many steps to confront poor performance. Effective DMs use the following tactics to resolve performance issues quickly:

Direct conversation/verbal warning. The DM states the problem clearly and tells the representative exactly what needs to change. For example, the DM might say, "I'm concerned about the poor business trends in your territory. It's critical that you immediately spend time improving your product knowledge. If these trends continue, you will be on probation, which includes the loss of your bonus."

Peer mentor. District managers who assign mentors to all their poor performers have significantly higher sales than DMs who use this approach inconsistently. The assignment of a peer mentor must take place early in the performance management process. It is not an effective tactic when the situation has become adversarial.

Action plan. Resolution of poor performance frequently results from the DM documenting clear feedback and requirements for specific actions that include measurable objectives and target dates. Consulting with HR, the regional manager and more experienced DMs can help DMs develop a strong action plan.

HR performance improvement plan. This approach typically follows unsuccessful attempts with some or all of the previous steps. The district manager should have HR review all communication with the poor performer for clarity and appropriateness. The DM's written communication with the poor performer must clearly describe the consequences of continued poor performance.

Managing poor performers is difficult.

arate his contribution from his peers'.

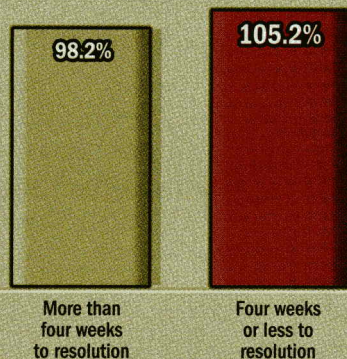
Insufficient knowledge of performance management. Many DMs, particularly newer DMs, do not know how to execute their company's performance management process. Months can go by before the DM initiates a human resources or legal consultation, and often the DM must "start over" because his previous documentation was inadequate. Even tenured DMs only occasionally engage in significant performance management. They too experience a "what to do and how to do it" barrier, particularly when company processes change. Company training can overcome this barrier, but in the absence of formal training, DMs should contact their HR department to find out who can support them in dealing with difficult performance issues. Establishing a relationship with a contact in HR lowers the barrier to engaging them in the future. DMs should seek advice from their regional manager and from peers who have recently managed a poor performer.

Emotions and wishful thinking. Good DMs bond with their representatives, and the lines between coach, counselor and supervisor may blur. Empathy with a poor performer can make a DM too generous with second chances, too flexible with timelines or overly accepting of mediocre performance. As a result, DMs may cling longer than they should to the hope that performance will improve. This is particularly true when the DM hired the representative and the poor performance may reflect on the DM's hiring or coaching acumen. To guard against this, DMs must set time limits for behavior changes and skill

Figure 4

Quick resolution

Managers who resolved their most recent significant performance issue in four weeks or less had significantly higher sales goal attainment than DMs who did not.



Source: Health Strategies Group, 2005

Despite barriers, effective DMs confront poor performers and strive for the fastest possible resolution. The benefits of resolving poor performance include: financial savings, more time to help the rest of the team and improvement in patients' lives. Poor performers may not provide information, services or resources to their customers in a way that encourages appropriate confidence in their company's treatments. Improvement increases the likelihood that physicians will have a full range of choices to optimally treat the patient.

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