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HBR CASE STUDY

Is it too late to save
Goldstone?

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When a New Manager Stumbles, Who's at Fault?

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Everything was fine until Paul MacKinley, my manager at the Minneapolis, Minnesota, branch of Bulwark Securities, waved me down in the parking lot. It was June 1995. He was standing directly in the bright sun, so I had to squint to make out his features. "Goldstone," he said, "there's a management slot opening up in the Framingham, Massachusetts, branch."

I parked the car and found him ten minutes later, hunched over a spreadsheet. MacKinley cared about the bottom line, you had to give him that. He was fond of saying, Just do your job and don't saddle me with lawsuits. He looked up at me. "If my memory serves me right, Goldstone [he never called me Rafferty], you've got an M.B.A. from Kellogg, eight years under your belt as a sales rep, and you've been at play in the fields of management, so to speak."

"Uh-huh, I've been coordinator of the Centu-

lion Graphics account, I was Frank Arnold's mentor, and I was a member of the task force for improving sales calls."

MacKinley nodded. "Management's where it's at—power, prestige, money. Are you 40 yet?"

"Thirty-eight."

"Good, young enough to want it bad, and too young to know better."

My father used to say leaders are born, not made. I'd wanted to test his theory for a long time—find out what it was like to take charge. For some time, I had resented MacKinley hounding me about quotas and compliance; after all, I'd been one of the top three reps, averaging \$300,000 per year. I dreamt of having MANAGER on my door. My view back in 1995 was this: I understand sales and the Bulwark line of products. I understand reps. That's all it takes.

That night, my wife, Jane, said that she

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wasn't sure it was a good thing for us or for Jamie, our son. I remember her exact words. *I don't want to be married to a 45-year-old heart patient.* I tried to bring her around by telling her that Framingham was my hoop dream, maybe my only chance to make the move into management. I could try out my own management philosophy: Do unto the reps as you would have done unto you. She said we didn't need the hassle. I told her it wouldn't be any hassle—branch manager was nothing more than being lead sales rep, only with more sway and liability. The numbers'll be a cakewalk.

I think often of the image of management I had eight months ago, an image I talked about only to Jane. It's always there, a searing reminder. It's still the only image of management that I like, the only one in which I can picture myself. It's amazing I could have been so wrong.

I signed my new contract on June 30, and on July 17 they flew me and 11 other green dreamers out to Bulwark headquarters in San Francisco for five days of management orientation. It was college all over again. Three hundred pages of theory: strategic analysis, product positioning, performance evaluation, diagnosing personnel problems, setting expectations, delegating, coaching, feedback. A marketing guy told us that customers had been clamoring for better quality and service. Spinnaker Invest, our major competitor in the full-service market, had already jumped on the bandwagon, and now Bulwark was repositioning itself as well. He said corporate expected us to unleash our new investment products like the Assurance Funds and, most important, the Plus Service Account. I remember thinking, Great, I'll be spending more time on the key accounts.

On the last afternoon, Bulwark's CEO, Christopher Woodbone, made an appearance. He bestowed on each of us a five-pound policy manual with our names embossed in one-carat gold. When he shook my hand, he gave me a grave look and said, "Apply it scrupulously, follow the Bulwark Commandments, and you won't be kicking off from the end zone." Afterward there was an exchange of cards. Jim Slake, head of human resources, clapped me on the back and told me to call him anytime. I had met him during the interview process; he had said the same thing then. He also told me his only management handicap was that he couldn't tell a teaspoon from a tee shot. I said,

"I don't play golf, so I don't have to worry about my handicap." It seemed funny at the time.

I spent the last two weeks in Minneapolis messing with details—prepping the guys who would be taking on my accounts, bickering with the real estate agent who was selling our house, arguing with the Country Properties lady who would be showing us around the suburbs west of Boston. Then we pulled up stakes and took a few days off to settle in. Finally, I drove over to my new office. It took me the entire weekend of August 26 and 27 to set it up. When I was a rep, my desk was strewn with scraps of paper, forms, a Rolodex, pictures of my kid, pictures by my kid, a cactus, I didn't care. Now the placement of everything seemed so momentous. The desk was a gargantuan problem. I finally settled on facing it out the window. For head-to-heads, I bought a conference table and four Wassily chairs. I parked the policy manual and the other five pounds of training stuff on my shelf. (Every time I look at it, I wonder if anybody ever uses it. Reading policy manuals doesn't prepare you for real-life jams. And what was I supposed to say in the middle of a conversation with a sales associate—"Excuse me, let me look this up in the manual so I can find out the politically correct way to respond to you"?)

A few days later, I got a card from MacKinley. Good luck, Goldstone. *My commandments: 50% people development, 30% sales and product leadership, 30% administrative compliance. Right—110%.* I had no idea what he meant.

On Wednesday, August 30, Gloria Ludlow dropped in. She's my regional director. We exchanged chitchat for about 20 minutes, then she declared, "I'm not going to ask questions on expenses: You can do whatever you want, but you'll be accountable. You're not being evaluated on how well you produce. It's all in how your reps do."

I told her the reps were already cracking jokes about the Plus Service Account. They weren't exactly enamored of the investment counseling part. Her reply? "You sell Woodbone's policy, you hit quota." I didn't want to contradict her, but I just couldn't stop myself from blurting out that reps sell what they know, and I'd rather not shove the PSA down their throats. She raised an eyebrow. "Rafferty, call me if you need to talk. Don't wait until there's a crisis." I thought, What crisis?

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My first official day was Tuesday, September 5. I was so nervous in the morning that I just filed papers, joked around with the support staff, and asked the reps to come by one by one in the afternoon.

Around 1 o'clock, right in the middle of my egg salad, my youngest rep, Juba Puckett, came in. I told her I'd read her updates and thought she should change her strategy for the Cummaquid account. It felt like my first ten minutes of real management. I was smiling like a banshee until she pointed out that I had egg on my tie.

The rest of the afternoon, I asked the reps questions about their goals, ambitions, product ideas, suggestions. Exactly what I always wished MacKinley'd asked me. Three reps wanted to know how I'd pulled off my promotion, a few said they just wanted to be left alone to do their jobs, others really wanted to know my expectations. The interviews went okay, except that as the afternoon dragged on, it dawned on me that I'd seen them all as clones of myself—my motivations, my talents. No way was I prepared for their individuality.

At around 5:30, Bill Durkee came by and apologized for his falling sales. He was having problems at home. Durkee's a real nice guy: On the secretaries' birthdays, he brings them orchids that he breeds in his garage. I told him it's tough to balance work with family. When his lips started quivering, I went into a big brother act. "Bill, you know you can come by anytime." He thanked me profusely and shook my hand.

The first weeks whizzed by. It was like driving late at night in a rainstorm, and suddenly you realize you have no memory of the last ten miles. I was poring over the details of the Plus Service Account. (For the reps, the program meant changing how they helped clients with assets of less than \$5,000.) At orientation, Slake had recommended that we hold off on the first sales meeting until we'd gotten the feel of the branch. I had this gnawing feeling it was time to show them who was in charge, so I called the first one for Thursday, September 28. I'll never forget that day.

I started with the new commandments: profit, service, compliance. I told them about a minor skirmish I'd had with legal—Puckett had had some problems, so I'd chewed out one of the junior lawyers. It was spooky: They were all staring at me, and a few were actually tak-

ing notes. Ten minutes into my sermon, Tony Skrow shouldered into the room.

Take Brando's voice, Nicholson's laugh, add a pinch of Donald Trump, and you've got Tony Skrow. The top performer. He'd been so good for 15 years that there had been rumors, never substantiated, that he was churning his accounts.

He stood at the door, and for a half minute or so, the only sound was his huffing. I was about to repeat my spiel about easing off on our sales pressure when he launched his first strike at me.

He said, "Hey, I'm into traditional investment management. I'm about as interested in insurance, tax minimization, retirement annuities, real estate—except my own, of course—as I am in Tofutti. I don't make \$400,000 a year advising Granny Clampett what to buy with the \$5,000 life savings she's got in a tomato can."

While Skrow bellowed on, I heard Durkee and Puckett giggling like a couple of delinquent high schoolers in the corner by the drinking fountain. I had a feeling they'd checked up on me, and they knew I was only the second or third performer in Minneapolis.

I cleared my throat. "Not everybody's interested in money and personal gain." Skrow crouched down like Joe Louis and rasped, "I don't like money, actually, but it quiets my nerves."

I pointed out that whether he liked it or not, Bulwark was moving into service. Skrow boomed, "And profit. Without us heavy producers, the company would be nowhere."

I knew I had to do something to counter the damage, so I sent a survey to the reps. One hundred percent checked the box: Manager Should Spend More Time with Me. In the space for comments, they wrote that I shouldn't peer over their shoulders about compliance. Thirty percent were satisfied with my direction; 35% were neutral; 35% wanted more. How was I supposed to deal with that? In San Francisco, they'd told us to set sales and team-leader agendas. I began to wish that Jim Slake and his whole human resources department were working down the hall.

By Columbus Day, 30 reps were vying for most of my time, and the rest was being eaten up by system crashes, conflagrations between reps, and head-on collisions with clients. I felt like I was drowning in waves of potentially rel-

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evant information. I found myself making notes on strategic plans at the dinner table and reading budgets at 3 A.M.

One Friday at about 5:30, I really felt like calling somebody. Someone who could help me sort this out. Gloria Ludlow seemed like a natural choice. I picked up the phone. She had years of experience and MacKinley'd told me she was on the way up, express. Still, she was an unknown. She set the quotas. She had her own agenda. And this didn't feel like "keeping her informed." I put the phone back in its cradle and left.

To get control of my days, I bought a deluxe master planner. The owner's manual says, *Don't let irrelevant people and topics interrupt your schedule. Get control of your time. And yourself.* The very next day, between 7:10 and 5:55, I had 41 disjointed conversations that lasted anywhere from ten seconds to 20 minutes. Walking from my desk to the men's room, the only place I seemed to get any peace, I played conversation tag—a pregnant wife, a herniated disk, Durkee's problem client in London, the new training program for the Assurance funds, a malfunctioning keyboard, a call to the guys in Tucson about a loan. My assistant tried to prioritize my time. Too big a job.

Since July, corporate had come up with a wide array of new products. I was raised on stocks and bonds, and now we were talking about derivatives, trusts, even precious metals. My one area of expertise was rapidly becoming my greatest area of ignorance. If you'd asked me, I couldn't have told you where Bulwark should be going with new products. We had reps' meetings every Wednesday, and I felt more and more ignorant at each one. When Skrow deigned to show up, he asked nitpicky questions about new products that only Durkee could answer.

The Friday before Veterans Day, one of our lowest-producing reps quit. Talk about luck. I knew the top rep at Spinnaker, our main competitor, and I lured him away with the promise of his own corner office, wrenched from finance, which was having turnover problems. I could tell the other reps were ticked off—Skrow in particular, though he didn't say anything.

The morning after my quarterlies came in, Ludlow called me. "Goldstone," she said, "you're under quota." As if I didn't know I'd gone over on my expense ratios. I told her sales

were off, reps were doing long hours, a thousand a week. Her answer? "No excuses, Goldstone."

Then she went over every little credit and debit with a fine-tooth comb, talking cut, cut, cut. I wanted to tell her that if we don't bring in the sales, the costs are BS. But in the end, I just said that my brokers didn't like having the Plus Service Account crammed down their throats. She said, "Your reps are your problem, your quotas are mine." I didn't say anything, and she must have sensed panic. After a pause, I heard, "Look, Rafferty, why don't you sign up for one of the employee development programs. It's usually two half-day seminars. You'll see how other managers handle their loads." "Sure," I said, but when I hung up, I was thinking that's just what I need—a whole day out of the office, wasted.

Ten minutes later, when I had just started working on some expense forms for corporate that were already a month overdue, Durkee came into my office and started blubbering. He was working incredible hours. He sat in the front row at every sales meeting with his blue Eagle notebook. He could quote the PSA stuff verbatim. Customers loved him. He never bulldozed them. Problem was, they never called back and he never sold. I really felt sorry for the guy. He's got two kids, a mortgage, a sick father, debt, and a wife, sort of, and I'm supposed to tell him he's just not made to be a broker.

Boy, was I relieved when he left.

Ludlow called the next day to remind me she'd had complaints from corporate—I wasn't getting my expense forms in on time. I told her I was going to be on quota second quarter because I was doing the forms meticulously.

"From now on, I want them meticulous *and* on time," she shot back. "Have you signed up for a training seminar?"

"Sure."

I filled the gray space between Christmas Eve and New Year's with paperwork—forms for legal I'd gotten behind on and the first performance appraisals I'd scheduled for early in the new year.

I needed to talk to someone about Durkee, but I didn't want to go back to Ludlow. I signed up for a seminar. One full day, the second Monday in January, in New Haven, Connecticut. It was basically a pep talk. Consultants hired by corporate. The expert reminded us to

You need a steel rod in your backbone to be a rep, but it's nothing compared to management.

read our manuals. We role-played some, but none of the parts matched Durkee's situation—or mine, for that matter. I talked to two managers from Philadelphia and one from Atlanta. They sympathized. I sympathized. It was touchy-feely. It didn't help solve my problems.

On February 5, Ludlow and I flew out to corporate.

I figured it was a chance to talk with Jim Slake about Skrow and Durkee and explain my first-quarter figures to the financial guys. Instead, I got third degree. What are you doing to keep your people up to speed? What's the size of the market going to be? What did you want your share to be? What kind of expenses can you maintain and still be competitive? What's your projected return on investment? I felt like I was running my own \$50 million business. I guess I did all right because they said they were looking forward to my five-year plan and half-year results—in two weeks.

After my presentation, Ludlow and I killed an hour in the Faulty Propeller, a bookstore and coffee shop she knew near the wharf. I had been an English major at the University of Michigan, and the more I looked around and sipped at my double espresso, the more I wondered why I'd ever gone into finance.

I wanted to talk about a new sales idea I had, a mailing to our best clients with a personal letter from me. She didn't want any of that. She wanted to talk about my organizational agenda, hiring and firing, training and motivating my people. She said my priority should be developing my people, then maintaining a higher level of customer satisfaction. She pointed out that it's tough to manage someone who has been in the business longer than you have. She said that when someone has personal problems, you need to listen, but you also need to try to get that person to separate work from home; sometimes work can be a haven. She wrapped it up by asking if the seminar had been helpful. I said it had been, but it had eaten into my time. "Well, we'd all like to have more time, wouldn't we?" When I figured out time management, I should clue her in.

We touched down in Boston in an early-morning sleet storm. When I got to the office, I had a sour expression on my face. One of the reps out front asked if I'd been sucking on a lemon or were the numbers that bad? By lunch, people were talking about overtime and no bonuses.

Early in the afternoon, Puckett appeared and asked how to handle the Middlesex account. I explained over and over that she needed to get them into the Plus Service Account program and balance their biotech stocks with something a little more stable like munis, but she just wasn't getting it. She kept saying they wanted the growth funds. I kept saying they didn't understand the advantages of the PSA, and besides, if the market dipped, they'd be all over us for not covering their risk. I got dizzy and my face felt like it had caught fire. I led her to my desk, sat down, and called Thorpe, their investment officer. Within ten minutes, I'd sold my first PSA, opening balance 40 grand.

Puckett asked why I was still on customer calls with her and said she really resented it. I told her I was just trying to help. Her voice rose. "Maybe I'm not the best rep on the floor, but I'm not incompetent." I told her I wasn't suggesting that, just showing her a method. She got really steamed. She clenched her jaw and said, "If you want to be the rep for this account, you can have it." She chucked the file on my desk and stormed out of the room.

I wanted to jump through one of those little windows on my computer's screen saver.

I dashed after her and whisked her back into my office. And that's when I lost my cool. I plunked her into a chair and started hollering. "You're lucky I'm helping at all."

Her chin started to quiver and then she started to cry. I went on: "I covered when you couldn't handle that hassle with legal. Why are you worried? The Middlesex sale goes on your account, even though I made it."

The rest is a blur. It wasn't me.

I always figured you had to have a steel reinforcing rod in your backbone and the skin of an alligator to be a rep, but it's nothing compared to management. You've got to keep your cool, you've got to find it, keep it, protect it. Your cool is about all you've got.

Two days later, I made quota for the second quarter. Win one. Puckett terminated her contract. Lose one. She wrote, "PS—thanks for the motivation. I always wanted to work at Spinnaker!"

Last Friday, February 23, I met with Ludlow. She'd called to say that we needed to give some serious consideration to my performance. I'd been expecting it.

She got right to the point. "I picture the

Ludlow gave me one week to figure out what to do about my performance.

story of your first six months as a jagged line. You've had your successes. Reached quota second quarter, hired Vance away from Spinaker. But there's no point in pulling punches, it's a downward slope. You lost Puckett, you're probably going to lose Skrow, you should have lost Durkee. You're late with forms and there was that fight with legal. I'm up to my ears. I just don't see how I can do any more for you, Rafferty." I asked her what she expected me to do. She gave me until March 1 to figure out what to do about my performance. One week.

Last night, I called MacKinley. He had a plan: two hours a week on improving relations with San Francisco; two more hours starting up regular relationships with the other guys in the Boston area. But politics just isn't my thing. He told me to capitalize on my on-the-job experience. That's like trying to learn from

a stomach ulcer. Who's got the time for self-analysis? I'm worn out.

If I stay, I've got to do something about Durkee and Skrow, replace Puckett. Durkee's a tragedy looking for a final act. Skrow's the reason I'm making my quotas. Breaking in a new sales rep is the last thing I need. I can't call MacKinley every morning. I've read the lit, I've got to manage Ludlow.

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