

LUXOR SA: FROM PROFESSIONAL TO MANAGERIAL LEADERSHIP

This case was prepared by Professor Pierre Casse, with the assistance of Béatrice Balthazart, as a basis for class discussion rather than to illustrate either effective or ineffective handling of a business situation. It was updated by Professor David Robertson in August 2008.

It is always painful to make a decision like this, but for the company's sake, we have no choice; we must find a solution to this problem and find it now!

These words, spoken by Mr Johnson, Direct Sales Department Director, referred to the difficult task of making a decision about George Helmer, Area Sales Manager.

It was April 20, 2005 and Mr Johnson had asked the Personnel Director, the Group Marketing Director, and a few other colleagues of LUXOR SA to meet with him to discuss this case in particular as well as the issue in general.

Company Background

LUXOR SA, with administrative headquarters and research laboratories located in Luxembourg, had been established in 1973. It had been one of the first companies to manufacture and sell computers to retailers, using a network of subsidiaries and agents in over 80 countries. The company was organized around some key functions such as R&D, Production, Finance, Human Resources, and Sales. (Refer to *Exhibit 1 for the Overall Organization Chart.*)

In this highly competitive business environment, growth depended on intensive, innovative research and development. Thus the company had always had a policy of investing a significant percentage of its revenue on modernizing its facilities, in research and development activities, and in expanding its worldwide network.

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Profile of a Sales Professional

George Helmer, 56 years old, had joined LUXOR SA in 1992 as a sales representative in the Direct Sales Division of the company, i.e., the division in charge of all the countries where LUXOR had no subsidiaries.

George had had the necessary characteristics to be an outstanding salesman--tenacity, persuasion and verbal skills, excellent contacts with clients. His sales technique was simple but highly efficient, "Meet the potential client, win his trust with informal conversation, let him talk about his business concerns, and then convince him you have the right product for him." Once the client had placed an order, George would keep in touch, become familiar with him through regular visits and small presents. This strategy, based on creating a friendship with the client, often would take a lot of George's time, but the results had been significant. Clients had become faithful and regular customers of the company, and George had soon become one of the best salesmen in his sector, highly appreciated by both the clients and his superiors.

In 1997, he was promoted to Country Sales Manager, responsible for the Netherlands (*refer to Exhibit 2 for the Direct Sales Division Organization Chart*). George had been pleased to accept this promotion, as it gave him the opportunity to enlarge his range of customers and improve his sales performance. And indeed, the Netherlands sector soon registered one of the best sales records in Europe.

Two years later in 1999, George Helmer was promoted again for good services to become Regional Sales Manager for the Western Europe region, in charge of the Benelux countries. George felt honored by this promotion, though sometimes he did miss his former position. Being responsible for three countries meant having to supervise a team of sales representatives and, therefore, fewer opportunities to be in direct contact with clients.

In 2002, George was made Area Sales Manager for Europe, when the position became available. He was then in charge of 12 countries, and George admitted that he had had some difficulties at first. He had sometimes felt snowed under with work but, all in all, considered that he had come through rather well.

He was perceived by his subordinates as an easy-going manager, as having a *laissez-faire* management style. Actually, his subordinates were often on their own, since George was still trying to work in the field visiting clients as much as possible. Concerned mainly with clients and sales performance, he was pragmatic about operational matters. As long as sales records were good in his department, he considered that the other aspects of being a manager, i.e. regarding his team and the company, were minor.

On the whole, George was fully satisfied with his career development, especially as his education had been merely trade school and some crash courses in electronics and computer science. "I owe my position to hard work, loyalty and expertise in the sales field," he would often say to his children, proudly showing them the awards "for excellent sales performance" which he had received in 1996 and 1998.

Everything seemed to be going well until 2003. Then, George Helmer started to encounter some serious difficulties that Mr Johnson felt were caused by the market and company changes made by LUXOR SA at that time.