
From: Rodrigo Costa
Sent: Thursday, May 01, 2003 11:04 AM
To: Joe Williams
Cc: Rodrigo Costa
Subject: FW: PRC compensation plan
Attachments: Proposed comm plan for OEM biz.doc

Joe

do not forward this email.

I'm working with Kevin Johnson on the PRC plans, and I need to provide input asap to him. I want to do this after getting your views, please make your comments to me on email.

thanks

rodrigo

From: Tsun-Yie Alexander Huang
Sent: Wednesday, April 30, 2003 3:42 PM
To: Kevin Johnson
Cc: Rodrigo Costa

You are on the spot of the issue. The team in PRC has carefully evaluated two alternatives you mentioned and come out with proposal in attached Word document. It is more to alternative one that sales has balanced RBI with real quota of Windows client/server OS, both upgrade and bootable. They will get credit from partial WC BOS and full credit of server as long as deals were registered in the Siebel pipeline. Just MBO does not work because sales will strive to meet their quota before they fulfill the rest of MBO. OEM sales will also get credit from Commercial upgrade because most of the PCs have no BOS license either.

I also suggest organization change too in the other mail. I suggest WC BG lead be the real business leader of WC in China. WC product marketing manager and Marcom of PRC OEM all report to WC BG lead. Not only does WC BG lead drive all marketing promotion for both Commercial and OEM in an orchestrated way, but also distribute sales leads to OEM, system builder and commercial team based on the business case. It will resolve most conflict because this team pursue the optimized solution for WC BG they carries all WC quota, both OEM and commercial.

Alexander Huang
Greater China Region

From: Kevin Johnson
Sent: Wednesday, April 30, 2003 11:53 PM

3/14/2005



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To: Tsun-Yie Alexander Huang
Cc: Rodrigo Costa

Thx. At a high level, what are you thinking? My sense is that the problem we are trying to solve is the fact that we have a lot of OEMs shipping naked PCS and we need to increase that. In order to increase that, we need the enterprise selling teams to reinforce to customers to buy preinstalled machines. If that is the case, then we need to goal and incent the sales person to drive customers to demand preinstalled windows in the proposals and selling that they do. This is unique to China and doesn't affect the comp plans for rest of company

There are two alternatives:

- 1) have comp plans where we have a balance of RBI (based just on commercial rev) and an MBO that is aligned with OEM goal of preinstalled bootable operating systems
- 2) have a comp plan that is all MBO (this would be S3 plan) with a goal for commercial rev, a goal for OEM Bootable OS, and other CPE, CSI goals

are those the 2 you are considering?

Rodrigo will help us with this. I spoke to him earlier this week.

Is the priority to get Legend to start shipping pre-installed OS and pay us?

From: Tsun-Yie Alexander Huang
Sent: Wednesday, April 30, 2003 8:47 AM
To: Kevin Johnson

Hi, Kevin,

I have sent out two draft plans of PRC windows client compensation proposal. I have not got feedback from all the team members. I will push again and expect to give you a complete proposal by this Friday. Sorry for the delay.

Alexander Huang
Greater China Region

3/14/2005

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FY04 PRC Compensation Plan Proposal for Commercial and OEM Sales

Objective:

1. Increase Windows Client & Server Revenue in both OEM, COEM and Commercial.
2. Increase OEM legitimate OS attaché rate
3. Improve CPE

Current Issues:

1. Customers do not have IPR concept, and they sometimes abuse the MS EULA by requesting that an upgrade license be used as a full license. Neither OEM vendors nor government has seriously enforced IPR laws and regulations
2. Normally customers' IT budget is split between hardware and software and they tend to use the hardware budget to buy naked PC and software budget to buy a combination of software including office and BOS etc.
3. Customers have not fully accepted Windows Pro and need to be pushed by dedicated sales and TS to spec-in Windows XP PRO. For this reason, OEM vendors often choose to sell naked PC, windows 98 or even pre-install pirated Windows XP.
4. Due to the reason that the sale of Windows Client need to go through OEM channel which will be an extra effort for commercial sales More importantly, commercial sales will not get any credit from OEM that sells Windows Clients no matter how big an effort they've put in it, they would rather push the sale of other software except Windows OS.

All these resulted in the dramatic decline in our OEM XP Pro business in FY03 and our Windows client upgrade is almost nothing in H2 of FY03.

Resolution in the beginning of H2:

A program was introduced starting in H2 to reward the EPG sales who pass any Windows Client opportunities to OEM and put effort in closing the deals. But as the reward was merely monetary, it did not generate enough incentive to help the OEM business.

Resolution with current compensation plan framework:

1. S1 Plan: Currently, EPG sales are on S1 plan whose incentive compensation is totally dependant on the revenue generated from their named accounts. Any related revenue not directly generated from these accounts (like the OEM revenue) will not be credited to them at all. In addition, as the plan is designed to bundle all server and non-server products into two categories and the compensation is only dependent on the total server, non-server and total revenue, windows client as one of the non-server products is not emphasized and can easily be replaced by other non-server products in the attainment toward the non-server quota.
2. S3 plan: if we move EPG sales to S3 plan and measure them by a team revenue attainment against a team plan, it won't fix the problems we have in S2 plan.

New Compensation Proposal:

Based on the above analysis, we propose a new compensation model for both EPG and OEM Sales. It applies to the EPG named accounts with sales opportunities identified by both EPG and OEM in the following two scenarios.

1. For sale in Windows Client upgrade,

The order may be placed by either EPG or OEM channel and as long as OEM has the opportunity identified before the EPG account manager identifies the same opportunity in Siebel, EPG account manager will get 2/3 of total revenue and OEM will get 1/3 of total revenue. This rule also applies to the legalization of existing PCs;

2. For sales in New PC pre-installed Windows Client

All New PC pre-installed Windows Client orders must be placed through OEM channels. EPG account managers who know about this opportunity should input the relevant information in Siebel and pass the information to OEM Sales and help close the deal. When the deal is closed, OEM will get 2/3 of the total revenue credit and the account manager will get 1/3 of total credit.

In addition, we propose to separate windows client from total non-server and make it a third category, against which a minimum attainment percentage need to be fulfilled before they can get over 100% on-target RBI.

Disciplinary actions will be imposed on EPG or OEM account managers who don't disclose relevant opportunity information to the other for their own personal benefit, which ranges from reducing their revenue credit to termination.

Requirement:

Pipeline information regarding the opportunities of the potential sales should be already input by EPG account managers in Siebel and OEM account managers for them to get the credit.

Benefit:

For EPG account managers, as they will get revenue credit from new PC pre-installed Windows OS, they will put effort in maximizing the windows client revenue. This will increase the Windows Client business opportunities which will in turn benefit OEM. Overall, the company will benefit from this program with the potential growth in OEM business

Action Items:

1. A website will be built for OEM to input and track its pipelines data.
2. EPG account managers are required to input accurate and timely opportunities information in Siebel.
3. All pipeline information in Siebel should be made available to OEM.
4. Management has the discretion of determining which pipeline information gets in the system first and how accurate and relevant it is.