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Tips and Talk

Setting Sales Goals

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Many companies wait too long to set a quota and others have hired the wrong person at the start regardless of quotas. When you hire a salesperson do you give them a quota immediately or give them a year and see how their pipeline builds? Most companies start a new salesperson by giving them the first 90 days to 6 months without a quota, and then have a quota that increases over the next several months. Federal Government sales usually has a 1 year 6 month sales cycle, so it can be at least a year before business is closed. So, do you just let the salespeople float with no guidance or evaluation? Not on your life!

During the first week, explain to the new salesperson how you use your pipeline, and if you don't use pipelines to track new prospects and opportunities please start now. Even though you don't want a new salesperson to feel instant pressure to close business in the first month, you need to be tracking their efforts to build a pipeline. Otherwise, you could end up like a company that hired me to help them after having a salesperson with a salary of \$120,000 plus commissions, bonuses and an opportunity for profit sharing. They required no pipeline reports so 16 months later they fired the person and had nothing to show for it. Then they did it a second time again for 16 months with again nothing added to the pipeline!

Setting quotas for your sales team and individual contributors is important, but reviewing and managing your pipeline is critical as well to evaluating their likelihood to make quota. It is important to set a reasonable sales goal when setting quotas for the company. When setting individual sales quotas, some companies simply split the increased revenue target they set as a company goal evenly among its salespeople. For example, if the company goal is a 10% increase and it has 5 salespeople, each salesperson will receive a 2% increase over last year's quota.

Other companies set the new quota at a specific percentage over the actual revenue that a salesperson closed. For example, if a salesperson had a quota of \$3 million but closed \$10 million in 2007, the 2008 Quota will be a corresponding percentage over \$10 million. This can sometimes be very challenging if the person simply had an extraordinary year that

started with a full pipeline in 2007 and 2008 is significantly smaller. Sometimes an extremely large deal comes in that is unique for the company and which might never happen again, so setting quotas above last year's actual revenue for a salesperson should be well thought out. If last years Rock Star believes the new quota is not achievable based on their current pipeline, they often quit. Is that what the company really wants? I have seen many companies set quotas like this, increasing turnover and creating a reputation as a company where you can only have one good year and then must move on to make money elsewhere.

Conversely, what happens to the quota of a non-performer if it is based on their poor performance? For example, consider a scenario where the 2007 quota for the salesperson was \$3 million and they only sold \$2 million. If the corresponding quota increase is 10% for everyone, it is not beneficial for the company. The non-performer, however, gets a \$200,000 quota increase to \$2,200,000, which is still below the 2007 goal of \$3 million. At that rate it will be almost 5 years before this person performs at the 2007 expectations. At the same time, the Rock Star who sold \$10 million in 2007 gets a quota increase of \$1 million to a goal of \$11 million. Is this fair? Does this encourage the Rock Star to stay and continuing performing? It certainly encourages the non-performer to stay!

Other companies set quotas on the perceived ability of each team member. For example, the non-performer may receive no quota increase since it was not made last year, so their quota for 2008 remains the same in 2007. For the company to achieve their goals, the Rock Star might get a quota increase of 100% at a quota of \$6 million, that is \$3 million over last year's quota based on the belief that the Rock Star can actually do it. I worked in this situation and after several years winning the President's Club award and being #1 in the company, I got tired of having co-workers not making quota and receiving my own 30% increases over last years performance. Yes, I was told I got the large quota increases because I could do it.

Focusing on attainable goals and managing the pipeline will help your company improve its position for increased success without losing Rainmakers. Encourage everyone to better their best!

For more information on this topic, or to ask a question, please email Nancymccarthy@dcrainmakers.com