

# The Art and Science of Quota Setting

August 23, 2017



STRATEGY



TRAINING

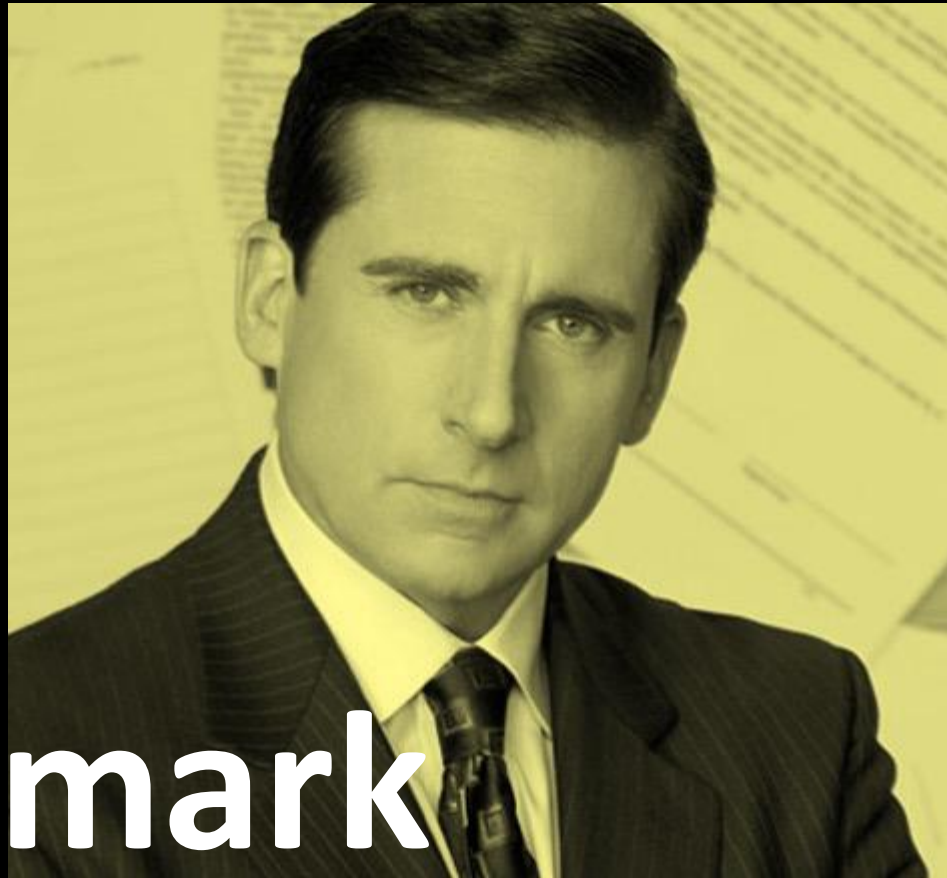


COMPENSATION

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**COMCAST**  
**BUSINESS**



**mark**

- SalesGlobe Managing Partner
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- Sales Effectiveness Expert



**alan**

- Sr. Director, Incentive Compensation
- Survived Hostile Incentive Environments
- Lethal with an Abacus

## A Bit About Us



### Advisory and Consulting Services

- Sales Strategy and Organization
- Account Strategy and Planning
- Incentive Compensation and Quotas



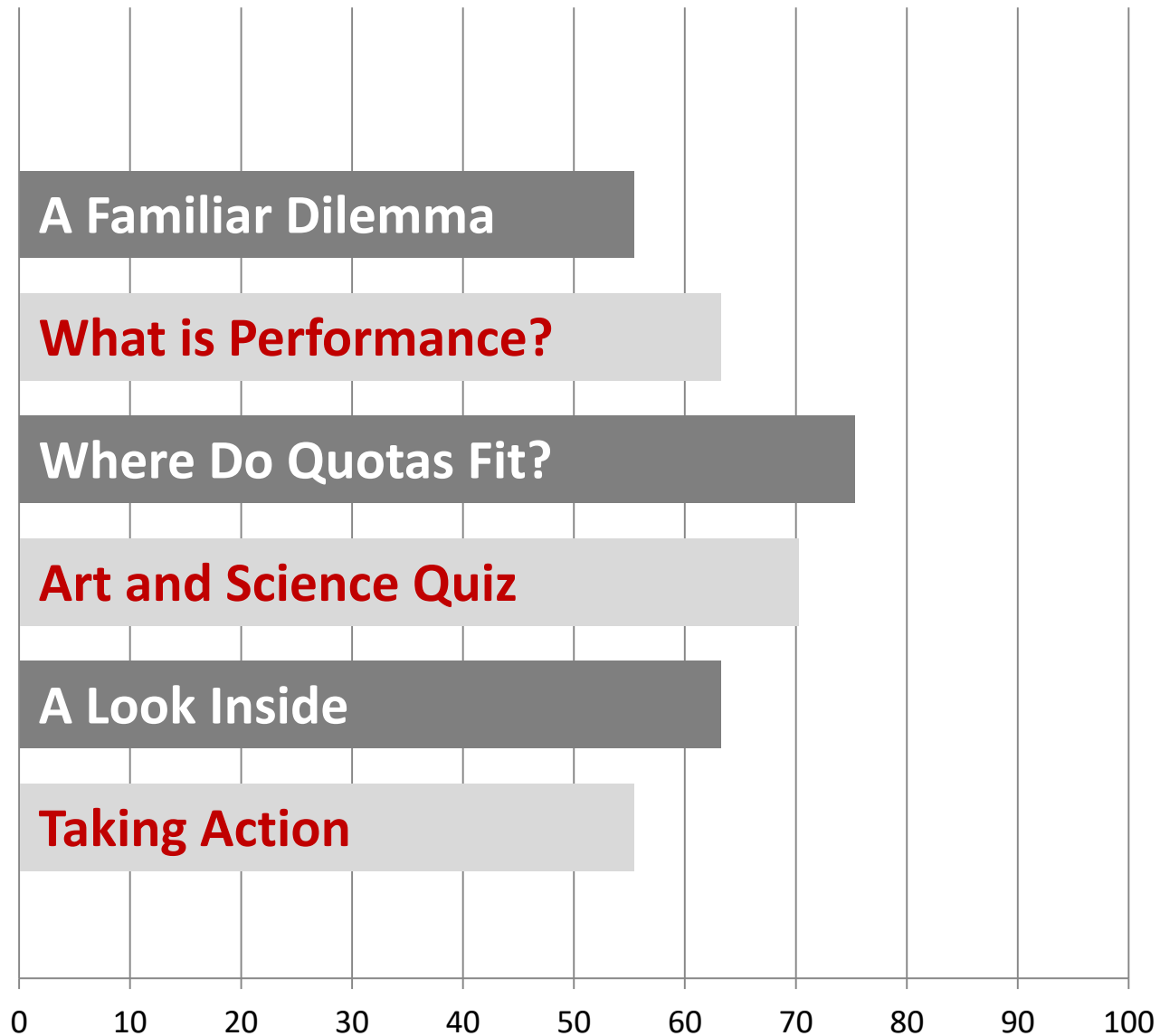
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# today

## Topics



# A Familiar Dilemma

- Some burdened with an “unattainable goal”.



# What's Your Number?

- Others on Easy Street.



# What's Your Number?

- A win-lose scenario focused on why that **ONE** number is too high



*How do we get beyond the **number** and get to higher performance?*

**What's the Problem?**

## Within Sales Comp, Quotas Are a Big Challenge

*“You hit your quota and get rewarded with a bigger quota next year. It’s not related to opportunity.”*

*“Our highest earners aren’t necessarily our highest performers. We can’t attract and retain the right talent.”*

*“Our plan promotes behaviors that are different than our strategy.”*

*“The plan doesn’t support solution selling. It drives an aggressive sales process and we need to be more consultative.”*

*“Our reps aren’t hitting their objectives in this economic environment. We need to keep them focused.”*



*“I’m not clear on exactly how I’m paid. I just hope the check is right.”*

# What is Performance?



# ISSUES

## Top Quota Challenges

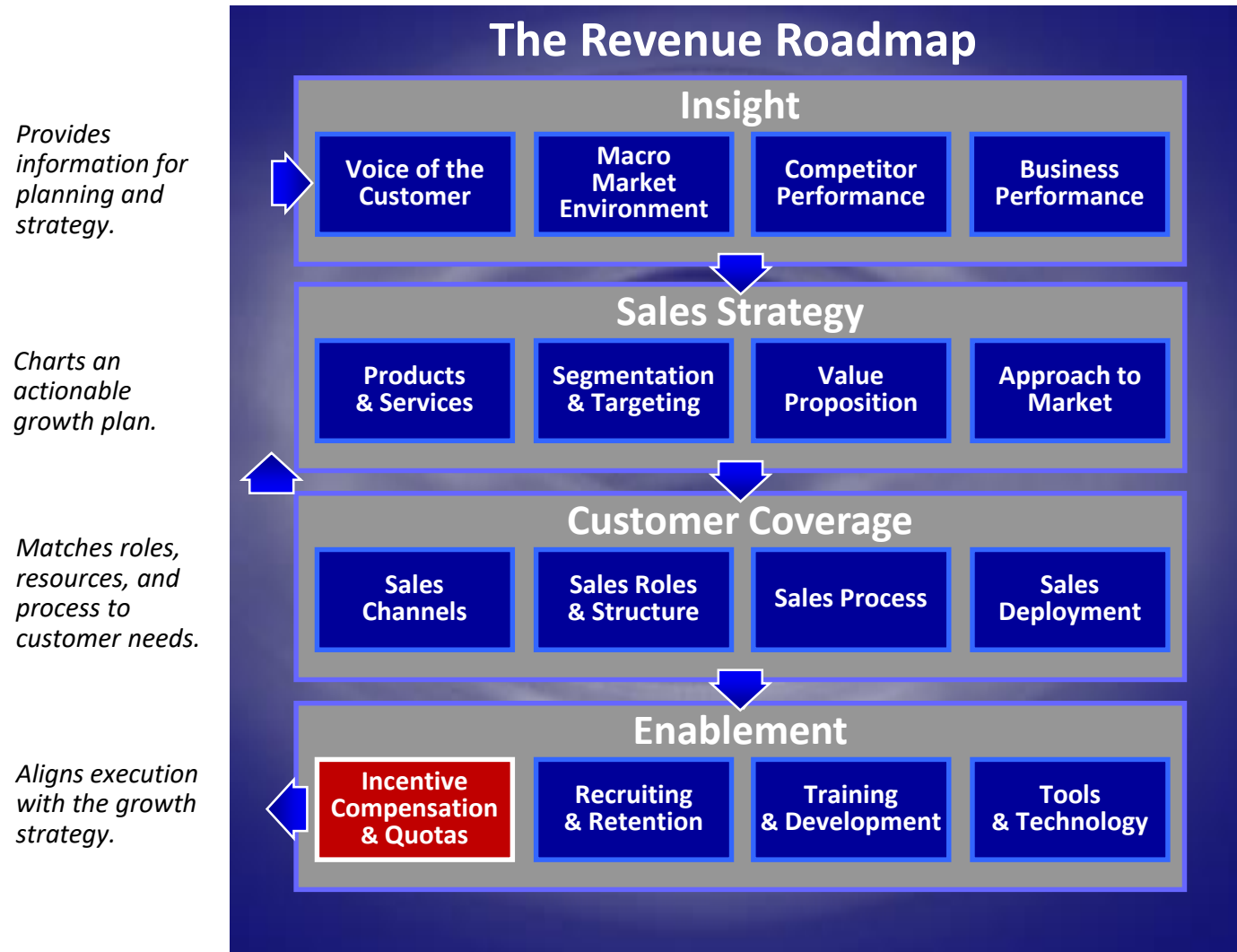


**Transparency**

***Many Challenges are People and Process Related.***

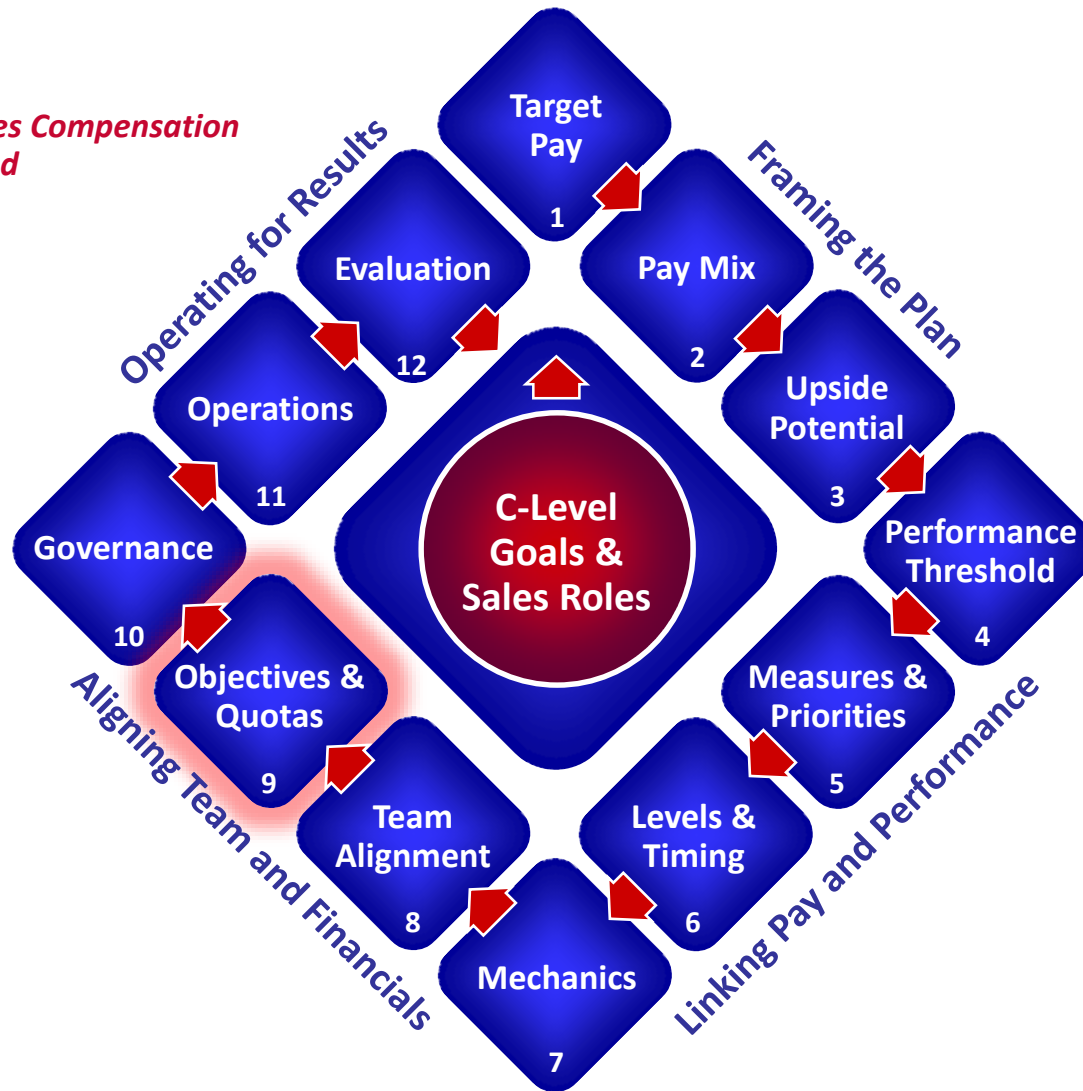
**Where Do Quotas Fit?**

# Strategic Context: The Revenue Roadmap

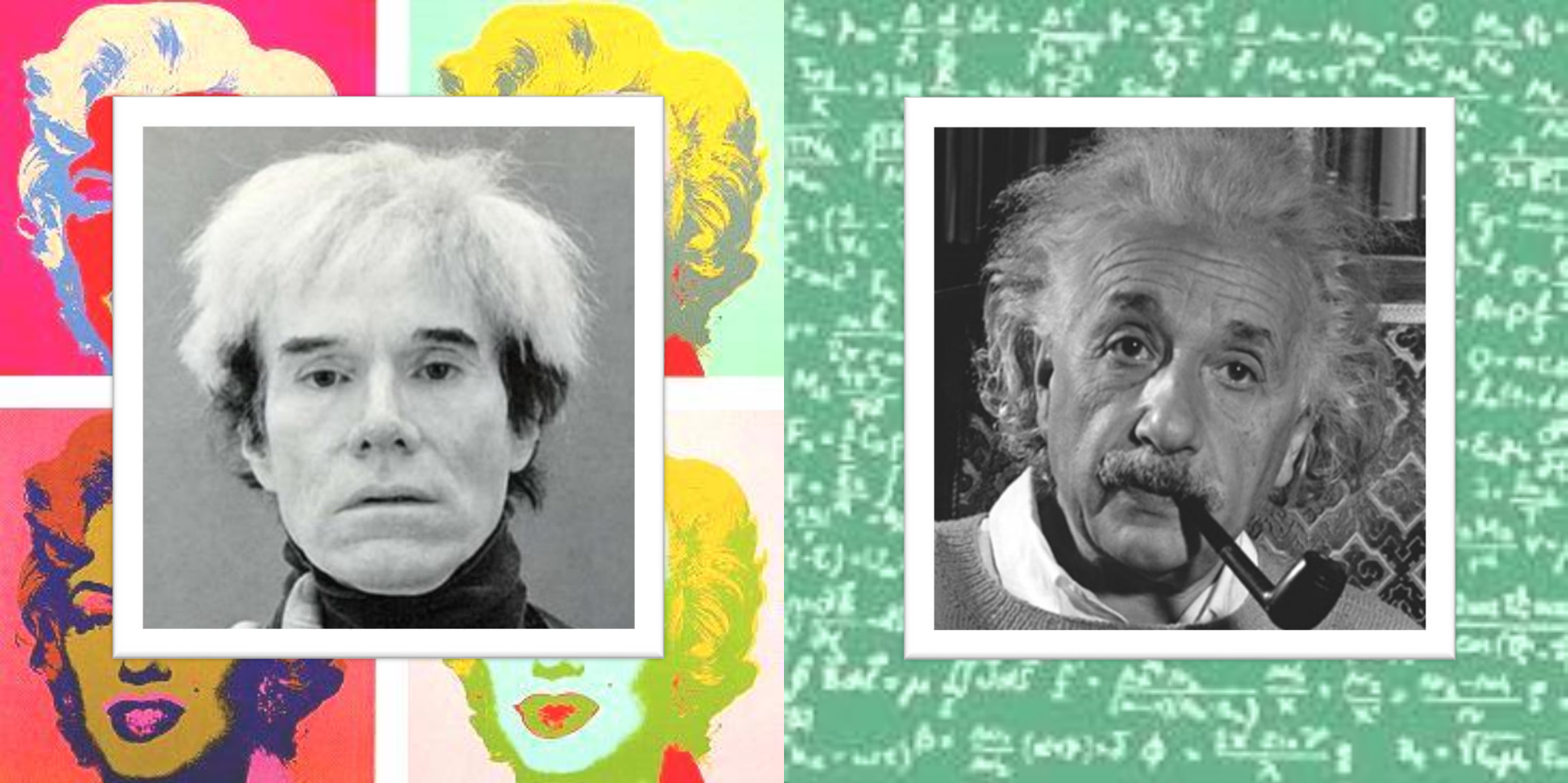


# Quotas- A Critical Link in Sales Compensation

*The Sales Compensation Diamond*



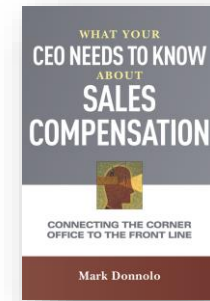
Please read "What Your CEO Needs to Know About Sales Compensation" for further information.



## Art and Science Quiz

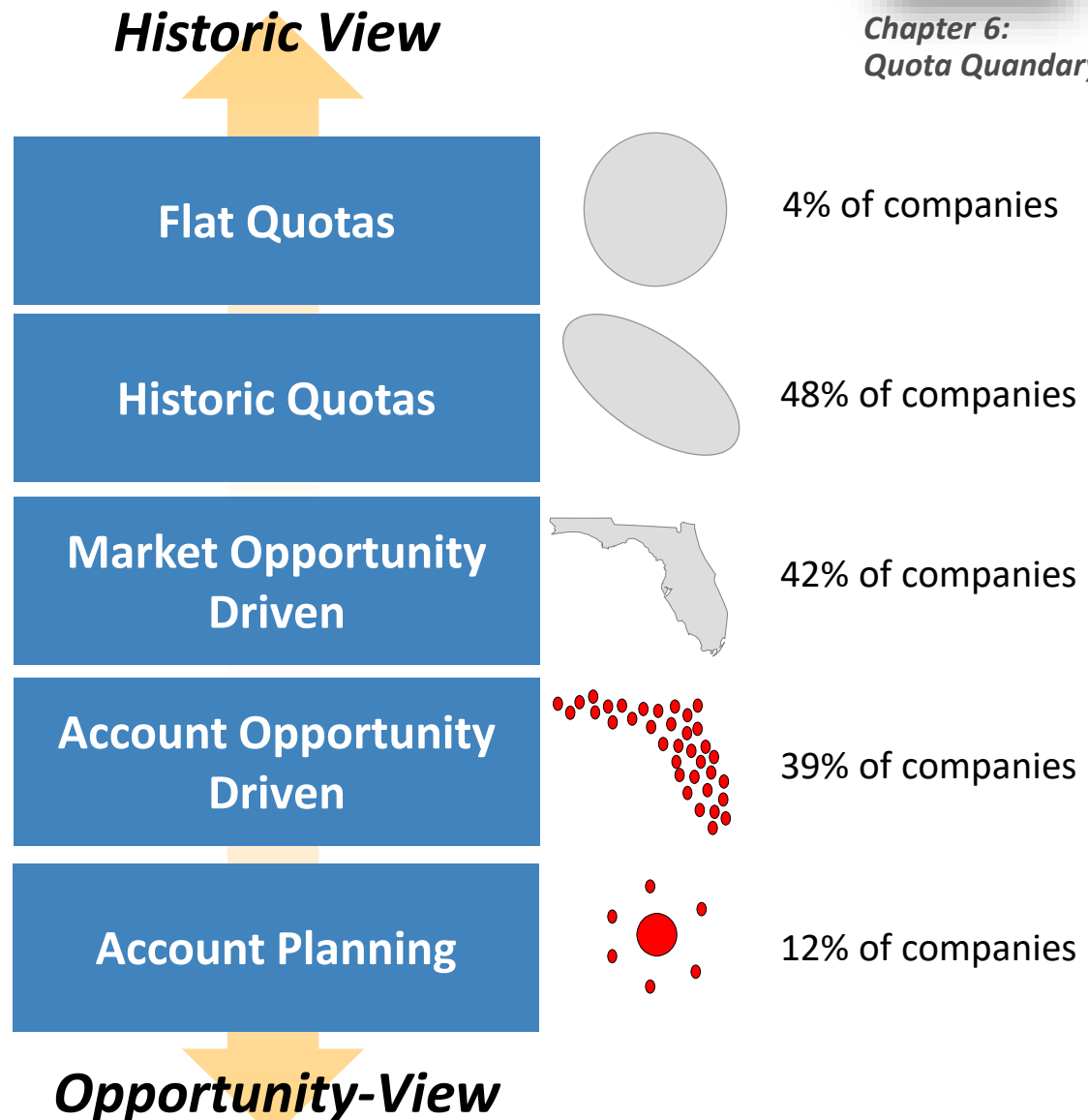
What Quota Methods Do You Use Most?

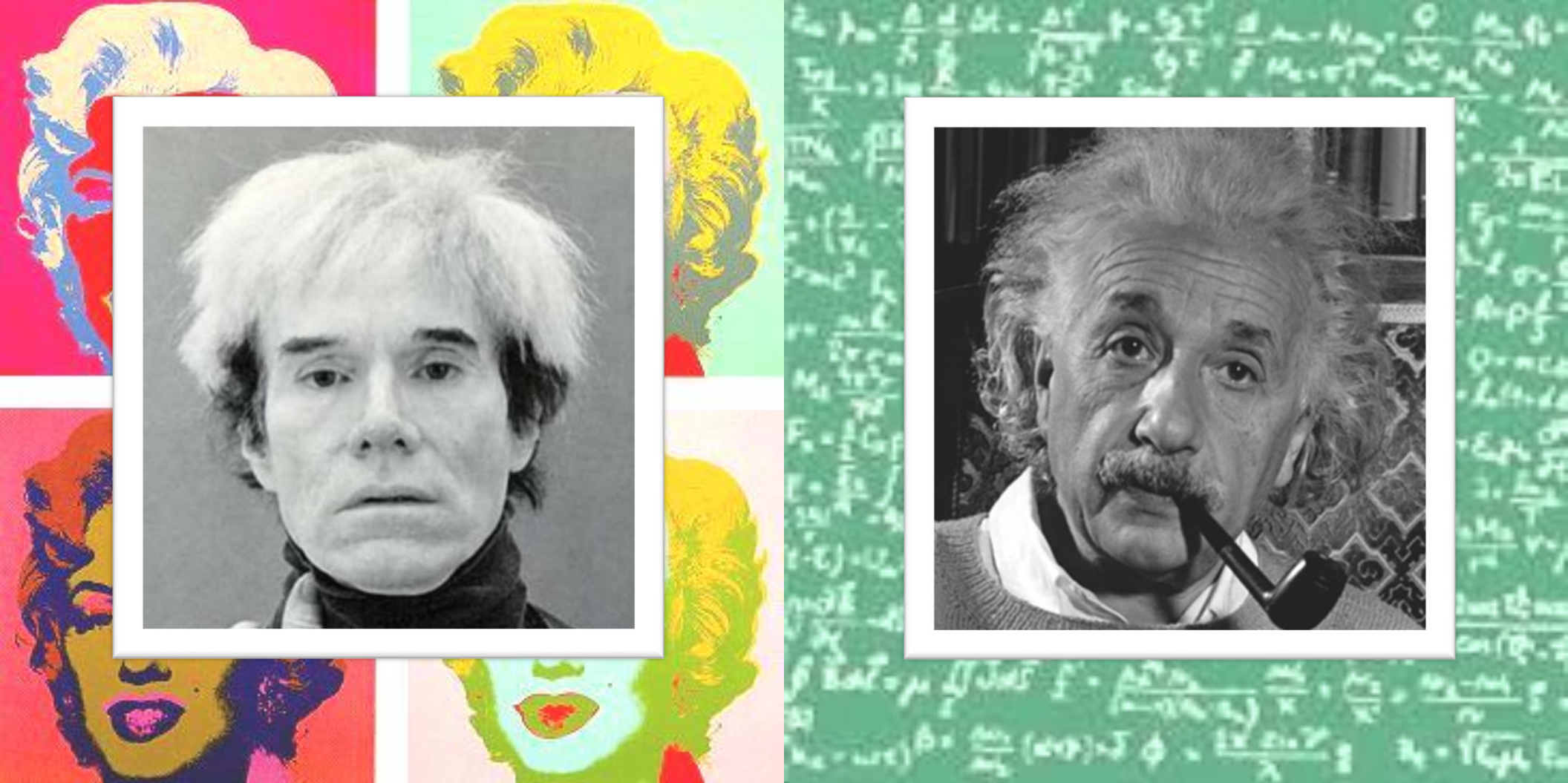
## What Methods Do Companies Use?



Chapter 6:  
Quota Quandary

- Assumes All Opportunities and Resources are Equal
- Assumes History Predicts the Future
- Correlates Predictors of Potential
- Considers Pipeline and Market Variations
- Uses a Living Account Planning Process to Set Goals and Coach to the Plan





## Art and Science Quiz

What Percent of Your Reps Are At Quota?

## Quota Attainment Distribution

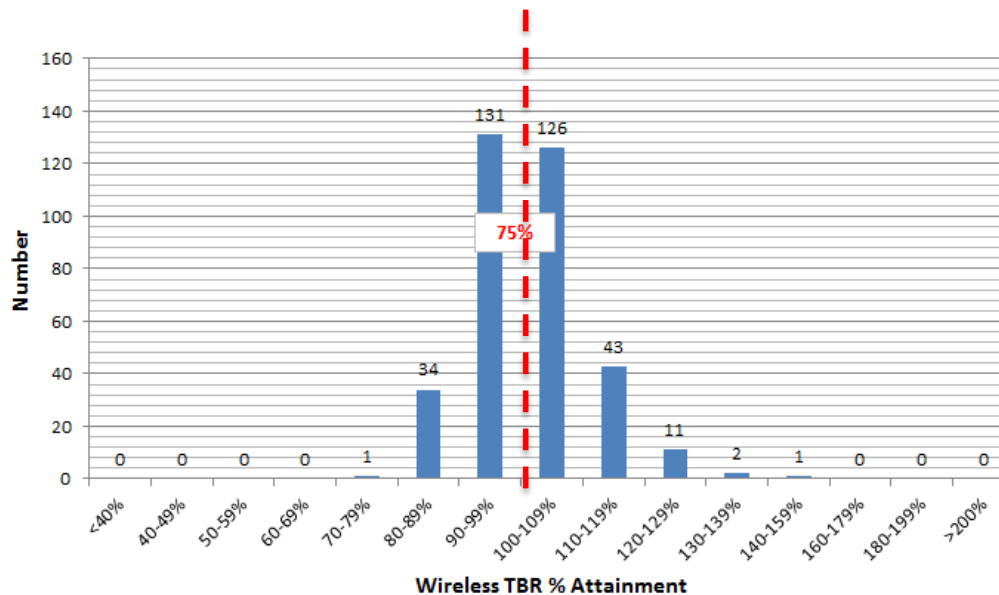
We want 50% to 70% at or above quota.

### Why?

- Business Plan Predictability
- Management of CCOS and Accelerators
- Motivation... A Culture of Winners

### What We're Looking For

- Predictable distribution
- Motivational distribution

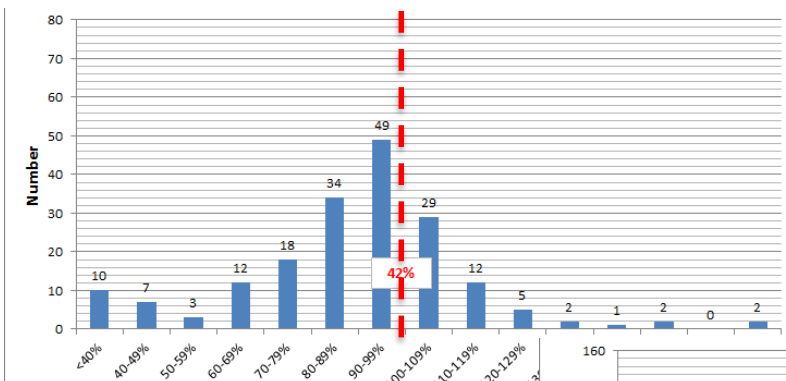


# attainment

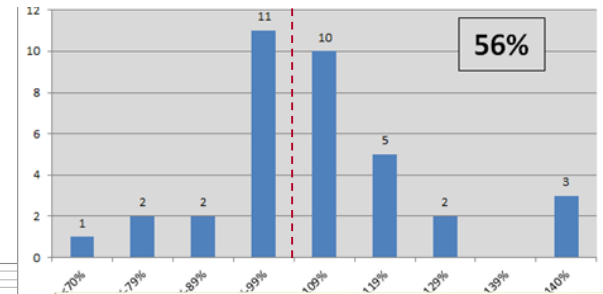
## What Does Good Look Like?

Success comes in several forms. The keys are:

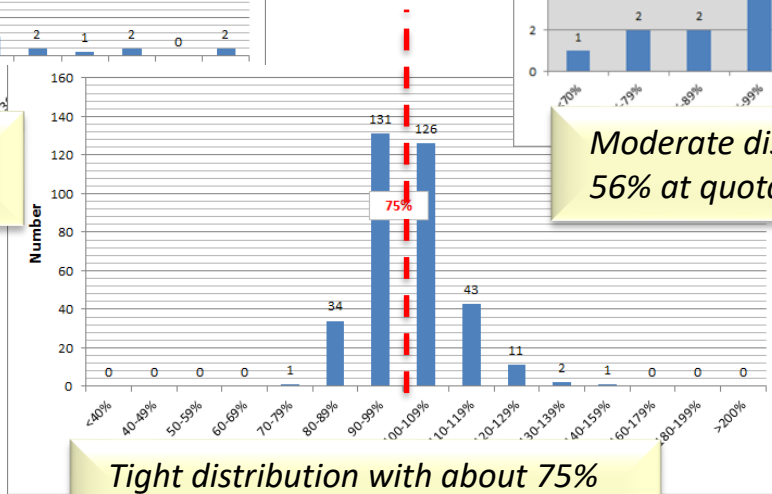
- Strong team attainment
- ROI through business performance
- Motivation per the comp plan design



Broad distribution with about 42% at quota. An issue.



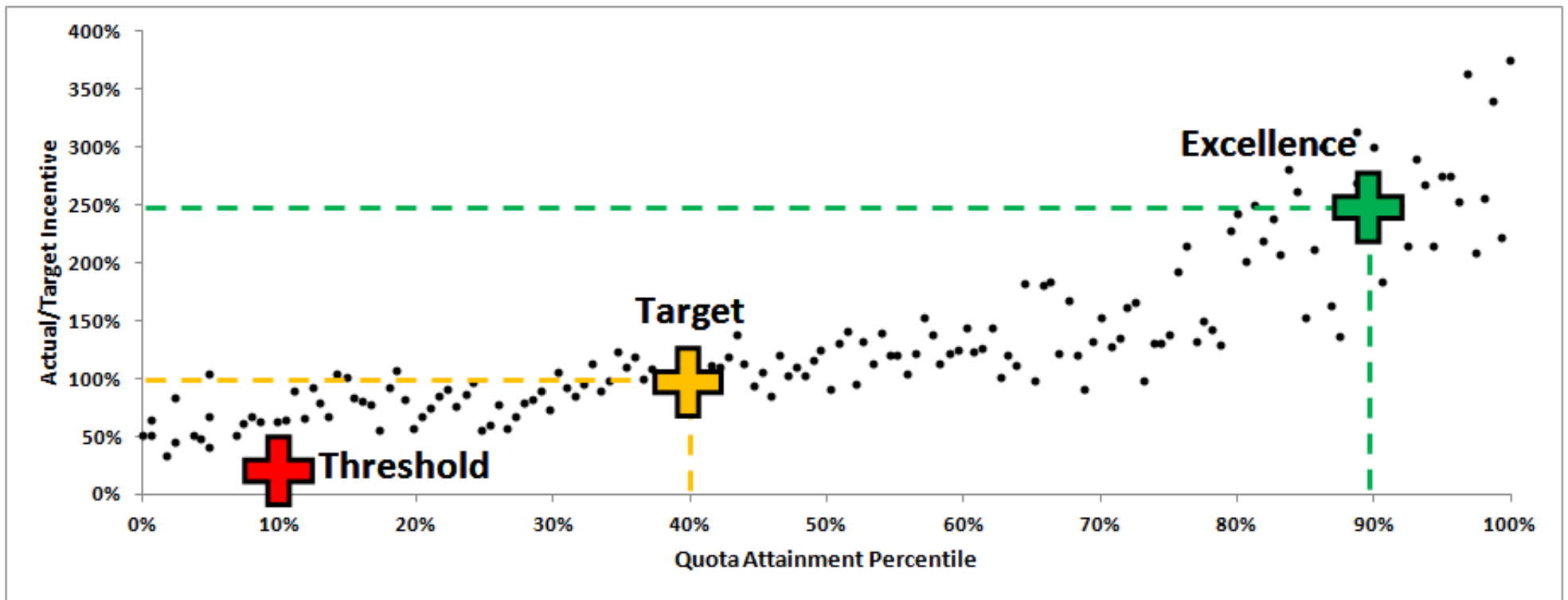
Moderate distribution with about 56% at quota.



Tight distribution with about 75% at quota.

# Upside

## The Reverse Robin Hood



# threshold

## The Bus Protocol

What is the Typical Type of Sale?	Annuity	<b>Slow Ramp from First Dollar</b>	<b>High Threshold</b>
	Event	<b>Pay from First Dollar</b>	<b>Moderate Threshold</b>
		None	Full Quota
What Portion of Quota Would Recur Without the Rep?			



**Sales and Finance**  
*A Love Story*



# Situation

- **Telecom and Technology Company**
- **SMB Accounts up to Major Accounts.**
- **Tough Quotas**
- **Powerful Finance Team**
- **Sales Challenged to Perform, Pay Competitively, Manage Retention**

## The Business Lifecycle

### Launch a B2B Channel

- + Launch (small) salesforce
- + Large territories
- + Low market share
- + Low hanging fruit
- + Little to no competition

= **Plenty of opportunity**

### Established Company

- + Larger salesforce
- + Additional Direct and Indirect sales channels
- + Intentional channel conflict
- + More products to sell
- + Mid-level market penetration
- + Shrinking territories
- + Established brand

= **Potentially less opportunity**



# challenge

## We'd Like to Lower Quota

### ■ The HR/Comp perspective will focus on the importance of the *right* quota

- ▶ Avoid dissatisfaction with the comp plan (due to unachievable quotas)
- ▶ Manage rep churn
- ▶ Lack of integrity in comp plan
- ▶ Motivate the core reps and retention of top performers

### ■ Finance may have a *different* response

- ▶ You want to pay more comp for the same performance?
- ▶ Worse – we might pay the same for less productivity??
- ▶ Will my cost of acquisition increase?
- ▶ We have been successful under the current quota. Why would I *lower* quota to *Increase* productivity



# solutions

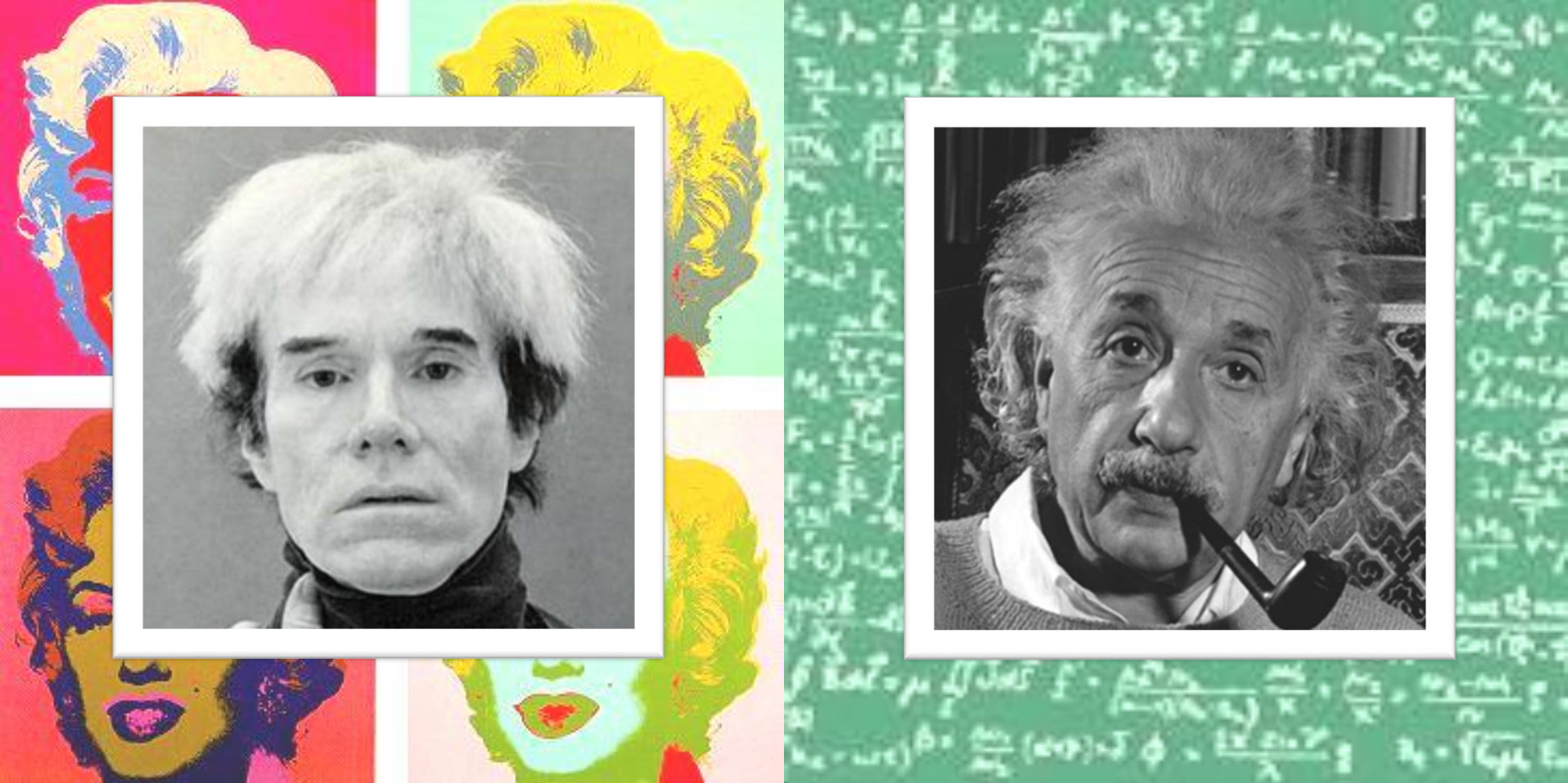
## The Pursuit of Sales Happiness

### How can we overcome the “Finance Conundrum”?

- **Secure Sr. leadership buy-in on the importance of plan integrity**
  - ▶ “40% of reps hit quota... that doesn’t sound healthy”
- **Highlight the importance of participation to quota & plan**
- **Speak to Finance in their language**
  - ▶ Show the cost of losing a rep and having a vacant territory
  - ▶ Evaluate the productivity lift needed to cover the cost of lower quotas
  - ▶ Demonstrate that lower quotas do not just pay more to low performers, but they also positively impact top reps

*And if they don't buy it... there's always next year!*

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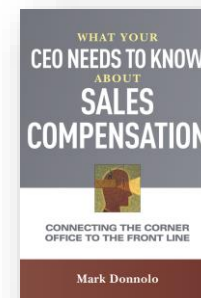
## Art and Science Quiz

How Would You Address this Big Deal Situation?

# Really? What Would You Do?

**We recently received the following quandary from a chief sales officer:**

*“I’m leading a sales organization that is about to sign a mega deal services contract. It blows out our sales commission plan and will probably need some good back-up detail or comparables where large transactions have paid significant commissions to the sales team. Finding comparables and history has been difficult. **Our sales plan currently has a cap set at \$750K.** Amounts above the cap are paid according to management discretion. **In this case, the amount above the cap is \$6M.** Signing this customer is a watershed event for the company, and the sales executive targeted this company and had facilitated the entire sales cycle for two and a half years. Others were certainly involved, but now **I’m in a difficult position of keeping the individual and convincing the company with such a large discretionary number.**”*



## **Chapter 5: Big Deals**

# questions

## 8 Questions

Ask the following questions:

1. Is the sale **highly valued** by the company?
2. Did it have a **disproportionate positive impact on company** results for the year?
3. Was this an opportunity that was **in progress and documented** during the course of the sales process, rather than a fluke that came in over the transom without notice?
4. Did the rep have **significant influence** on closing the sale rather than being the recipient of a lottery ticket or the beneficiary of a team that actually drove the sale?
5. Is the potential payout **within compensation guidelines**?
6. Does the potential **payout support the culture** and create a hero story that will motivate others?
7. Would the incentive for this level of revenue fall within the **acceptable compensation cost of sale** and not create concern if it wasn't all paid to just one person?
8. **Fight or flight?** If "yes" to most, one payment or over time?

Y

N

Now

Over Time

# Getting It Right: 5 Success Factors for Better Quotas

1. **See beyond a single number.** Value the process and give quotas the attention that sales comp gets.
2. **Remember the people.** Make sure the process is clear and field input is reflected in the process.
3. **Involve the right team.** Players change from comp to quotas. Help the team, including Finance, to move beyond financial requirements and improve its market-orientation around potential.
4. **Don't get lost in the legacy.** The “way we've always done it” can limit our thinking.
5. **Move beyond history.** Purely historic approaches can create porpoise patterns and performance penalties.

## Thanks... Now Take Action!

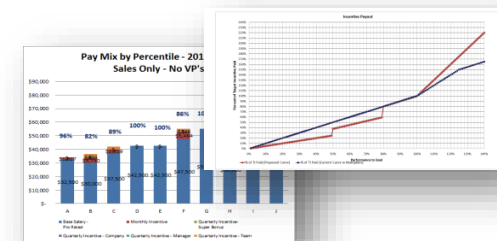
### 1. Read the Book to Align Your Team

Amazon.com, BarnesandNoble.com



### 2. Sales Comp Workshop

One Day to Better Comp and Quotas



### 3. Get Your Sales Comp Report Card

WhatYourCEONeedsToKnow.com

Questions and Counsel:

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# Thanks!



# Appendix



# Sales Performance... Our Sole Focus

SalesGlobe is a thought-leading sales innovation firm that works with clients to combine analytics and creative principles to develop new approaches that give them a competitive advantage.



A few publications from SalesGlobe.



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We work with our clients to get ROI through attainment of financial and strategic objectives. Our work includes:

- **Sales Strategy and Transformation.** Undertaking significant strategic and organizational changes across multiple sales effectiveness disciplines.
- **Account Segmentation and Team Alignment.** Identification of growth opportunities, definition of optimal segments, and deployment of the sales team to accounts.
- **Voice of the Customer Insight.** Understanding customer expectations, company performance, competitor performance, and developing strategies to address gaps
- **Sales Process Optimization.** Development of the sales process and customer engagement model that incorporates sales roles and interaction points.
- **Sales Organization Design.** Sales role and organization structure development to align with the sales process and engagement model.
- **Sales Operations Improvement and Management.** Optimizing and operating the critical support and sales enablement roles for your organization.
- **Sales Capacity Planning.** Improving performance for sales time allocation and sales workload to increase team productivity.
- **Talent Assessment.** Optimal talent and skills definition, individual-level capability evaluation, and organization change planning.
- **Strategic Account Planning.** Account level growth strategy with the sales teams, supported by a living account planning process.
- **Sales Compensation.** Incentive program design and implementation to motivate and align the sales team and customer-facing roles to the organization's C-level goals.
- **Quota Setting.** Market-based goal setting to allocate the overall company sales plan and improve team and business performance.
- **Technology Readiness.** Assessment, requirements definition, and support to implement sales technology platforms that enable the organization.

# biography

## Mark Donnolo



Mark is a founder and managing partner of SalesGlobe, a thought-leading sales innovation firm that works with clients to combine analytics and creative principles to develop new approaches that give them a competitive advantage. SalesGlobe works in areas that include sales strategy, sales organization design, sales training, and incentive compensation. Mark's work spans several industries including technology, communications and media, business services, healthcare, manufacturing, staffing, and financial services.

Mark is also a founder and managing partner with the SalesGlobe Forum, a community of senior sales executives that provides a environment for addressing critical growth issues, sharing best practices among members in a confidential environment, hearing outside speakers, and building business relationships with peers in non-competitive businesses. The Forum operates with professorial guidance from Georgia Tech's College of Management and SMU's Cox School of Business.

He was a Senior Vice President with MarketBridge, leading the firm's Sales Effectiveness Practice. He was also a Partner and Senior Vice President with Sibson Consulting, where he was on the firm's management team and led its Sales & Marketing Effectiveness Practice. Previously, he was a Vice President with The Alexander Group and a consultant with Siegel & Gale/Saatchi & Saatchi, an international marketing and advertising firm. Mark also launched CoalTek, an emerging clean energy technology company with operations internationally, including China. He co-founded and was CEO of Biltmore Communications, and was President of InfraStream, a venture-funded VoIP service provider.

Mark holds an MBA from the University of North Carolina at Chapel Hill and a BFA from The University of the Arts in Philadelphia.

Mark speaks on sales and marketing topics and has been published in publications that include *Fortune*, *Sales & Marketing Management*, *Selling Power*, *Telephony*, *Investment Property*, *Telecommunications*, *Velocity*, *Workspan*, *American Way*, and *Marketing News*.

He is the author of the books "The Innovative Sale", "What Your CEO Needs to Know About Sales Compensation", and "Essential Account Planning"

Mark serves on the Board of Trustees of The University of the Arts, founded in 1876 as the Philadelphia Museum and School of Industrial Art, now the country's first visual and performing arts university.