Quotas!

Design Thinking
to Solve Your Biggest
Sales Challenge

Mark Donnolo

Quotas!

Design Thinking to Solve Your Biggest Sales Challenge

Mark Donnolo

atd
PRESS

Praise for This Book

"Donnolo addresses quotas as the keystone to a total revenue approach for companies. Applying the principles of design thinking to this system leads to better results, more motivated teams, and less friction."

David Kenny, CEO, Nielsen

"One of the realities of the modern sales organization is the fact that quotas are never fully solved. Companies eagerly spend untold millions to create plans and set quotas for reps... only to then throw them out shortly after putting them in place. Maybe it's time to consider a different approach-That's exactly what Mark Donnolo has done in this remarkable book. He tackles this seemingly intractable challenge by taking a completely different approach—one rooted in design thinking—to show how any organization can (and should) replace their current quota approach with one that actually does what it's designed to do: motivate and engage all sellers to reach their highest levels of performance."

Matt Dixon, Co-Author, *The Challenger Sale and The Challenger Customer*

"This is a timely topic. Goal setting is an extremely challenging concept due to historical performance, opportunity, maturity, nature of services, broader market dynamics, and team sizes. This book incorporates all of these elements and finally helps you connect the art and science of quota setting."

Rick Trainor, CEO Business Services, LexisNexis Risk Solutions

"A brilliantly written book that eclipses all others. Instead of focusing only on the number, Donnolo challenges the thinking process of the sales leader. Sales Design Thinking is a revolutionary approach to solve the sales organization's real challenge by engaging both brain hemispheres. This book will help you solve your quota problem!"

Gerhard Gschwandtner, CEO, Selling Power

"In this thorough guide, Mark Donnolo offers a step-by-step approach for bringing order to the chaos of quota setting. His novel application of design thinking to this thorny problem works to provide a coherent framework for structuring the quota setting effort, and to generate valuable insight for overcoming the many difficulties that make quota setting so challenging."

Robert Kelly, Chairman, Sales Management Association

"Quotas! Design Thinking to Solve Your Biggest Sales Challenge provides today's sales managers with actionable strategies they can immediately use to help them set challenging sales quotas in a fast-paced, highly-charged environment. Cleverly designed and written, it will provoke new thinking about quota-setting and will quickly become the gold standard for the next generation of high-achieving sales organizations."

Stephen J. Bistritz, Ed.D., Co-Author, *Selling to the C-Suite*

*To my mom, Christina Donnolo, who has always
encouraged me to pursue my goals.
She's still trying to figure out what I really do.*

Contents

Introduction

It had been one of our busiest holiday seasons in years; now it was late spring and we weren't hitting our numbers. I was driving the team, but they seemed distracted and weren't getting results. Their attention was elsewhere. Over the past several months I had clicked through the checklist of options for building their capabilities. We had gone through some refresher training. I instructed, I demonstrated, and then I had them practice the activities that lead to success. We'd grown really close over six years. I was confident that Isabel and Olivia had the talent to meet the expectations I had for them. I had a lot invested in those two. They were loyal to the organization, and I hated the idea of giving them the sack. I preferred to develop them rather than trade them out. Not to mention, if I were to let them go, their mother would have been furious. While we were having dinner in the kitchen with our two daughters, she reminded me that this was no time for a coaching session because it was a school night.

Nevertheless, we had household work to allocate. Since the girls had recently turned six and eight, it was important that we have weekly objectives. I had created a scorecard with performance measures: cleaning the kitchen, making beds, feeding three cats and two dogs, brushing teeth. And I had an Allowance Incentive Program (the AIP as I branded it) tied to each measure on a weighted point system with accelerators for over-achievement. There was plenty of upside for making a few more beds and feeding a few more cats. I thought, "Maybe I'm setting their goals too high. I could use some benchmarks. Perhaps I could tap into a group of parents at school and get some comparable productivity numbers from

their kids, then calibrate our quotas to the 75th percentile of that group." After a long internal struggle, I realized setting their goals and getting them to perform was about more than the spreadsheets. It was also about looking in the mirror and understanding my young daughters and their capabilities. I know I'm not alone among parents who bring their work home. Looking for the answer in the analytics and benchmarks can be tempting for a sales leader, but, as I learned firsthand, quota setting is a challenge that goes far beyond the numbers.

❖ ❖ ❖

In my 30 years of working with sales leaders, one of the biggest issues I've seen year after year in company after company is setting effective quotas. According to our research at SalesGlobe, 61 percent of companies say that setting and managing effective quotas is one of their top three sales effectiveness challenges. Ineffective quota setting can limit the company's ability to hit its business plan. Quota challenges can affect the ability of the sales organization to reach its goals and target compensation, lead to higher turnover, hinder the company's ability to attract top talent, and lower the sales organization's motivation. Quota setting and management is a topic that is often discussed from board rooms to the front line. However, most companies have yet to fully solve the problem.

Sales leadership knows it has to give the sales organization a goal each year that it might not be able to reach, and bridge the gap between what the company wants and what reps can accomplish. And frontline sales reps often end up with quotas they think are unfair or ridiculous and that jeopardize their ability to make a living. Each year, the tension and dysfunction continue. Many companies rationalize the problem and continue on this path for years, never coming to a solution. Without a solution, quota challenges continue in the form of company sales performance challenges through goal under-attainment, cost challenges from

sporadic rep performance that results in misalignment of pay with performance, and people challenges with recruiting and turnover problems. For companies dealing with quota challenges, these must be solved to ensure the long-term health of the business.

Few organizations understand how to set quotas that reflect real market opportunity and sales capacity with enough transparency to motivate the reps. For many organizations, setting effective quotas is elusive because they try to solve the quota problem with the same time-worn approaches or avoid the problem altogether. The sales organization continues to shoulder the burden of misallocated numbers that affect the sales team and the company. Rather than battling with who gets the number, solving the quota problem requires new thinking to break down the challenge into its components and apply a problem-solving approach that engages the organization.

This is a book about quotas. But more importantly, this is a book about problem solving for quotas. It would be easy to write down everything we have learned about quotas from every organization we've worked with, but it is far more valuable to lay out an approach to solving the quota problem that any organization can apply. This book addresses challenges that affect every company in nearly every country. It is for the C-suite, sales leadership, sales operations, and frontline sales. It addresses sales leaders' needs to set effective quotas as well as sales representatives' needs to get a fair quota for themselves. And it looks at quotas in a new light, beginning with understanding your quota challenge, the story behind it, and applying Sales Design Thinking™—a five-step, iterative problem-solving process—to solve it. To that end, I'll provide some design thinking methods specific to sales along with some guiding principles.

To provide insight for our problem solving, our team conducted research that included interviews, surveys, and work with more than 140 companies. From this research, we found that quota setting is one

of the top sales effectiveness challenges for most companies. It is also the top sales compensation challenge for most companies. We found most companies struggle not only with the data but also with the people dynamics and processes required to effectively set and manage quotas. But most significantly, we found a pattern of success for companies that are effective with quotas that includes the interaction of people, market opportunity, and sales capacity. I've included the results of this research throughout the book as part of the overall narrative.

As managing partner of SalesGlobe, a sales effectiveness consulting firm that serves Global 1000 clients, I've worked through these challenges and methods with companies around the world. As a former designer, my natural approach is to use design thinking to take apart a problem, look at components in a different way, and come up with new alternatives to solving it.

Chapter 1 begins with a look at the trouble with quotas. Setting and managing quotas is one of the top sales effectiveness issues, along with creating an effective sales strategy and sales process, and I examine a number of the analytical and human facets of quota challenges.

In chapter 2, I look at Sales Design Thinking, a method I've used over the years that helps to reframe the problem and redefine the Challenge Question. We can then disaggregate that challenge and begin to solve for the components of the quota problem. Sales Design Thinking gets to the critical "why" behind the problem and enables us to come up with a range of divergent solutions rather than follow the same old path of what we've done before or what competitors are doing that may not solve the true problem.

With the foundation of Sales Design Thinking, we move into chapter 3, which is about understanding the story behind the problem. For a lot of people, this begins a whole new way of approaching quotas. By understanding the story, we can dig much deeper into the root causes that can

suggest potential solutions. From the story, we can also create a solution vision that projects the characteristics a great solution may have.

In chapter 4, I describe the first of the three major components of the Quota Success Model: people. People are at the center of solving the quota problem because most quota challenges involve leadership or user issues around clear process or comprehension. I describe the different functions in the organization that are involved in quota setting as well as their type of involvement and the dynamics between those groups.

Chapter 5 examines the next major component of the Quota Success Model: understanding market opportunity. Market opportunity sets the stage for what's available to us within our addressable market. It's driven by factors such as the segments that we focus on, the products that we offer, and our macroeconomic environment.

To round out the Quota Success Model, in chapter 6 I dive into the workings of sales capacity. This often-overlooked component defines what your organization can accomplish in going after its market opportunity. Sales capacity is driven by factors including role definition, headcount, talent level, focus, and workload. By putting together the three components of people, market opportunity, and sales capacity, you have the framework to solve the quota problem for any organization.

In the next three chapters, I detail a range of options to consider in your problem-solving process. In chapter 7, I reflect on history as a quota method. While historical quota-setting methods alone don't provide the best solution for most companies in fast-forward mode, they can provide useful input when applied with other forward-looking indicators.

Sales potential methods are the subject of chapter 8. I describe methods that consider potential at the account level and at the market level, both with variations that are data robust and variations that work when accurate market data aren't readily available.

In chapter 9, I focus on account planning as a method for quotas. While account planning is usually used just for creating an action plan, it can also be a valuable source of detailed, account-specific information on multiyear and single-year goals.

With the quota solution finally developed, in chapter 10 I turn to the topic of making change. Organizations can easily miss the importance of well-planned and executed communications and change management when undertaking a transition as consequential as quota setting. In this chapter I look at articulating the "why" behind the change, understanding the organization's change readiness and capability, and creating your campaign.

Since I apply a question-based design thinking approach throughout the book, I include in the appendix my 10 favorite quota questions and analytics, Powerful Questions and Analytics for Understanding Your Story. These will give you insight as you begin your work.

I've truly enjoyed writing this book and providing some thinking on quota setting that you can apply to get new results. I hope that you find it valuable and that it puts you on a path of discovery on your quota problem-solving journey.

CHAPTER 1

The Trouble With Quotas

It was raining, which added to the mood of the dreary morning as my body reminded me that it was only 1:30 a.m. in the States. I swung open the door of the black cab and sprinted into Victoria Station to catch the 7:10 a.m. train. I had about an hour's ride, enough time to prepare for my meeting. Our client, a global network technology company, had been struggling to hit its numbers. Once a high flyer with double-digit annual growth, in recent years it had looked more like a plane going down.

I thought about how appropriate our meeting location was. The town of Aldershot tempers the typical charm that Americans feel when we visit the UK. Before the mid-19th century, the region was a desolate place with a small population. During the Crimean War, Aldershot found its purpose as a military town—and the rest is history. Stepping off the train that rain-soaked morning, the British Army barracks seemed to complement the corporate office parks that would be the scene of today's battle.

At the company's EMEA (Europe, the Middle East, and Africa) headquarters, we had to referee the face-off between Alan, the director of EMEA sales, and global headquarters back in New York, which had just levied a quota on the EMEA theater. The growth number, driven by finance, went far beyond what the EMEA sales leader thought was possible. "This looks like a goal from about seven years ago when the market was hot," Alan began. "We were the only theater that beat our

number last year and what did we get rewarded with? A bigger quota! They have no idea what they're asking us to do. If we agree to this, I'll be made redundant by next year, guaranteed!" Alan was clearly heating up. He was looking for an out—for a way to push back on a number that was going to kill his team's motivation and its compensation.

Only a week earlier, I'd had a similar conversation in New York about the unrealistic expectations the company was putting on all its theaters worldwide. Finance was feeling pressure from the CEO, who was feeling pressure from investors. The company hadn't been performing like it had several years back due to factors that included heavier competition, more demanding customers, an increasingly saturated market, and an economy that had slowed. Nevertheless, the CEO had to have his number and finance was going to help him get it.

During the back and forth between headquarters, the Americas, EMEA, and Asia Pacific theater leaders—as well as the country leaders within the theaters—the conversations were all about the number. Everyone had taken a position in one of two camps: either "This is what we must have" or "Here is why we can't do what's being asked of us." And yet, as we put some deeper work into it with each of the leaders, we found that the answer wasn't the number. The answer was what went into the number. It was about the quota-setting approach, the assumptions, and the people. The company had grown accustomed to imposing a big number on the sales organization during the high-growth times. But as the market got tougher, this imposition only created disbelief, resentment, and underperformance in the sales organization.

Something had to change.

Quota Tension Points

Among the range of challenges we deal with in sales organizations, one keeps rising to the surface: setting effective quotas. In the simplest

terms, quotas are the connection between the company's growth goal and the individual growth goal for each sales person. Without a quota, the sales person has no ownership of the larger company business plan and no accountability for their role in its success or failure.

Companies put a lot of time and energy into the development of their sales strategies and programs for the coming year. But when they get to the end of the planning and design cycle, close to the fourth quarter, they've used up so much of their time and resources that typically you'll hear, "OK, we're going to set quotas next week, and we'll be ready to go." They don't give it the attention needed.

Another challenge is that the players change with quota setting. Most sales program development involves the sales organization, the sales operations organization, human resources, and marketing. To some degree, the finance organization is also involved; they will be asked to validate the financials to ensure they're acceptable. But, when it comes to quota setting, finance tends to take a larger role. For many organizations, the number will come from the C-suite, supported by the board of directors and investors, and will be picked up by the finance organization—usually the CFO—and then presented, or pushed, to the sales organization. The sales organization is the recipient of a colossal sales quota expectation, which then has to be allocated to the sales teams, business units, theaters, regions, sales management, and front line.

The finance organization isn't traditionally oriented toward sales and may not be particularly knowledgeable about what sales does. It may even see the sales team as a necessary evil and sales compensation as an expense to manage and reduce. Obviously, this is not how the sales organization sees itself. Jana Schmidt, CEO of Harland Clarke, describes the relationship. "The two tension points are the sales team, who wants to have the lowest targets possible, and the finance team, who is looking for something fair, but something that is in alignment with helping the

company really grow. Finance has a lot of visibility into how much you're paying people, and how much they are being paid for the results they're delivering. As leaders, we have to take the impartial and balanced view. Sales has to have a chance to be their best."

The Top Sales Effectiveness Challenges: Where Do Quotas Fit?

Of course, quota setting isn't a stand-alone practice. It interacts with a number of sales effectiveness disciplines. If these related disciplines aren't clearly defined or aligned, they can ripple into issues that show in poor organization quota attainment. Let's look at some of the other top sales effectiveness challenges and their connection to quotas cited in our survey by companies across industries (Figure 1-1).

Figure 1-1. The Top Sales Effectiveness Challenges

Setting and Managing Effective Quotas	61%
Developing an Actionable Sales Strategy	48%
Implementing an Effective Sales Process	45%
Hiring and Retaining Top Talent	31%
Coaching and Developing the Team	27%
Aligning Sales Compensation With the Strategy	25%
Integrating Organizations From Mergers and Acquisitions	25%

Developing an Actionable Sales Strategy

About half of the companies surveyed had challenges with translating business strategy into a sales strategy. When we talk about sales strategy, the conversations can get broad and complex. But, simply put, the sales strategy is just an action plan for the organization to achieve its sales goals. That action plan includes decisions around what types of markets and customers we'll target, our value proposition to each segment, and our coverage model, which includes the channels, roles, rules of engagement, and territories. All those decisions ultimately tie back to shaping the sales strategy and priorities around markets, offers, and financials from the chief sales officer through to each role that controls a piece of those priorities in direct sales, channel sales, and service.

Implementing an Effective Sales Process

Forty-five percent of companies see the sales process as a top challenge. Within the sales coverage model, the sales process defines how each role involved in originating, developing, and servicing customers and opportunities works and also how those roles work together. The sales process must be built to reflect the customer's buying process and deliver the desired customer experience (rather than becoming an internally driven process); key to this is defining the rules of engagement between roles. Mapping the roles and rules of engagement cleanly on paper doesn't mean that people will actually operate the same way. For example, the hand-off engagement point between a new business developer and a current account manager can vary dramatically depending on how long the business developer continues to receive quota credit for the new sale. Credit the business developer for all or most of the total contract value of the sale up front, and they'll be off to the next new customer opportunity. Space the quota crediting out for a year and they'll stay highly engaged with the account

manager and customer to maximize their revenue quota credit. Establishing the right goals, and crediting for the performance measures each role controls, drives the right behaviors in the field.

Hiring and Retaining Top Talent

A-players are the lifeblood of any sales organization, but almost a third of companies see hiring and retaining top talent as a key challenge. The issues include understanding and defining the optimal capability profile for each role ("Are we hiring people with the right sales DNA for the job? Do we have the right inventory of DNA in our organization now? And if not, what are we doing about it?"), communicating the right employee value proposition to the market (including pay, job content, career path, culture, and company affiliation), and fulfilling that value proposition. Effective quotas play a role by providing realistic, market-based goals that are attainable with expected performance and can be overachieved with high performance.

Coaching and Developing the Team

For any sales strategy to be effective, the organization has to be disciplined about following the right practices and habits. Twenty-seven percent of companies are challenged with coaching and developing their teams, which is the teaching and reinforcement mechanism to convert strategy into consistent action and results. For many organizations, the practice of coaching is not formally taught to managers, who are expected to learn it through observation. As a result, coaching is a vulnerability point. Quotas should create goal congruence between levels in the sales organization from the front line through managers and directors, aligning them on the same priorities. Some types of goals for managers, such as having a targeted portion of their reps who reach their quotas, can highlight to managers the importance of coaching and

developing their teams. To this point, in the average company, only about 42 percent of reps attain or exceed their quotas compared to the best practice of 50 percent to 70 percent, so there is a lot of opportunity for managers. Paired with leadership development programs, quotas can work as a coaching enabler.

Aligning Sales Compensation With the Strategy

Sales compensation is a hot topic for most companies and a top-three issue for about a quarter of them. The sales compensation plan connects the strategy to the actions of the sales organization and should represent the company goals that each role influences or controls. Sales compensation challenges include paying competitively, creating adequate upside opportunity to attract top performers, aligning pay mix and measures with each role, and keeping it all simple enough to communicate clearly and drive the right behaviors. Even the best sales compensation plan design that encapsulates all these elements will fall flat without effective quotas that link performance to pay.

Integrating Organizations From Mergers and Acquisitions

In economies both robust and lean, M&A presents companies with opportunities to create stronger, combined organizations. Since about half of our work at SalesGlobe is in M&A sales organization integrations, we see the challenges that go along with them. For the companies that cite this as an issue (about a quarter), following the vision that drove the merger or acquisition is difficult because bringing together two or more sales strategies, sales organization structures, sales talent pools, incentive compensation programs, and quota methodologies requires heavy lifting. On top of that, many organizations that are coming together don't have matching cultures. For example, merging two organizations—one with a strong sales culture and the other with a strong

finance culture—can create conflict and ongoing resentment. Quotas that represent the integrated market opportunity and sales capacity of the combined organizations are critical to planning for and attaining the benefits originally envisioned with the merger or acquisition.
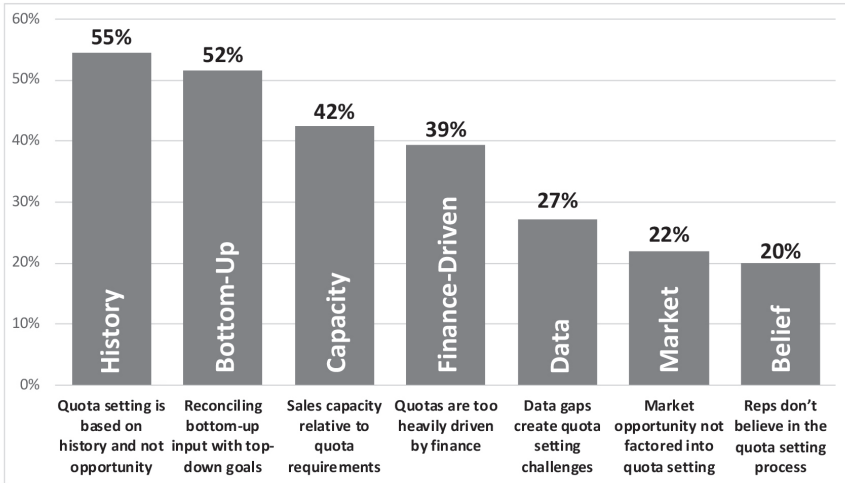
The Top Issues Behind Quota Setting

Contrary to what you might believe, quotas aren't all about the numbers, and the top quota challenges aren't all about the math. Quota problems are usually a combination of the people, the process, and the analytics. If you're all about the numbers, it's time to look at your people and process skills. It generally takes a cross-functional effort between sales, finance, operations, marketing, and senior leadership to define and operate the right quota-setting approach. And because finance tends to take a prominent role in quota setting (switching places with sales, which usually leads the sales compensation design), the organizational dynamics change. We'll explore more about these roles in chapter 4.

First, let's take a deeper look at some of the top issues behind quota setting (Figure 1-2):

- history doesn't predict the future
- reconciling bottom-up input
- not considering sales capacity
- driven by finance
- data gaps
- missing market opportunity
- no belief in the process.

Figure 1-2. The Top Quota Challenges

Bar chart showing quota challenges:
- History — 55% — Quota setting is based on history and not opportunity
- Bottom-Up — 52% — Reconciling bottom-up input with top-down goals
- Capacity — 42% — Sales capacity relative to quota requirements
- Finance-Driven — 39% — Quotas are too heavily driven by finance
- Data — 27% — Data gaps create quota setting challenges
- Market — 22% — Market opportunity not factored into quota setting
- Belief — 20% — Reps don't believe in the quota setting process

Quota Qualm: Do Quotas Demotivate Cabbies?

Why is it harder to catch a taxicab in New York City on a rainy day than on a sunny day? You're probably thinking, "That's easy. Because more people ride cabs when it rains." The problem is one of demand. Right? Well, it turns out that it's actually a problem of supply too. According to researchers from Carnegie Mellon and the University of Chicago, when it rains, cabbies tend to meet their daily quotas faster—and then they go home. Apparently, they may not be motivated to do much more than meet their quota. Not only are there more riders on rainy days, but there are also fewer cabs! A *Harvard Business Review* paper looked at the phenomenon and commented, "If NYC taxi drivers used a longer time horizon (perhaps weekly or monthly), kept track of indicators of increased demand (e.g., rain or special events), and ignored their typical daily goal, they could increase their overall wages, decrease the overall time they spend working, and improve the welfare of drenched New Yorkers." When you put hard end-points on quotas, such as days, months, or quarters, you tend to get gaming behaviors to determine whether to keep selling or to push demand to the next period, like the cabbies. Give your organization the right timing and enough upside earning potential to keep them achieving beyond the quota.

History Doesn't Predict the Future

Many companies use history as a predictor of the future, mostly because it's easy to do and it seems logical. Sixty-five percent of companies in our survey use historical quota-setting methods for at least one of their sales channels, and 55 percent of companies also see the limitations of historical methods as a top quota challenge. This method causes us to look in the rear-view mirror to set our goals for the future. The typical historical approach takes the sales representative's performance, looking either at the past growth rate or the growth rate over a period of years, and applies this to where they stand right now. If a rep sold $5 million and historically grew their account base by 10 percent annually, we might simply apply that 10 percent to the $5 million, and that number would be an approximation of next year's activity.

One of the issues here is that history creates the situation where, if you did well, you're probably going to get a quota increase, and if you didn't do well, you'll get a smaller goal based on your historical performance.

Here's a real-life example of this very situation: A retirement services company we worked with was heavily focused on historical quota setting. This typically resulted in a single number, which could be well defended by history, but not necessarily by changes in the company or the market. There were frequent arguments about the number's accuracy—and even fights breaking out among the sales team and management. As we helped them to break the number apart and build it up again, they began to see that history was just one component of quota setting. There were other indicators of potential as well, such as the number of people employed by the customer organization who need retirement services and various industry data around market opportunity. They broke down those indicators and layered their new understanding on top of the historical data. Soon, sales and management were having conversations

about all the indicators of potential, not just the historical numbers. This company didn't have to abandon its favorite method. But it did begin to see history as a first phase to help them on their journey.

Reconciling Bottom-Up Input

Usually, the big goals for the business are established by senior leadership and then allocated to the organization. As you'll see in chapter 5, these top-down goals should incorporate bottom-up intelligence either in establishing the overall goal or in calibrating the allocation of quotas across the organization to increase the accuracy of quotas. Bottom-up input can be a valuable method for building effective quotas, but it's not always realistic. According to Todd Abbott, executive vice president of sales and marketing at global telecommunications giant Mitel, "Bottom-up is not practical in a transactional business. It makes much more sense when your business is installed-base and large accounts with a long sales cycle." He concludes, "So, it really depends on the business, and what the mix of the business is." In about 52 percent of companies, reconciling input from the bottom up and top down is a key quota issue, which can involve a lack of reconciliation process and a lack of reliable field-level data on the market or sales capacity.

Not Considering Sales Capacity

Forty-two percent of organizations describe challenges with incorporating sales capacity into quota setting. Sales capacity, as we'll see in chapter 6, counterbalances market opportunity to identify what the sales organization is capable of producing. Sales capacity considers obvious factors such as headcount and average productivity for each role. Below that, sales capacity is driven by factors that include focus of sales time, sales workload, close rates, and talent.

Driven by Finance

Thirty-nine percent of companies point the finger at finance. Before any finance readers get defensive, most executives that we interviewed and have worked with over the years acknowledge the critical role finance plays in driving sales planning and quota setting. But many also describe a need for finance to become more market sensitive by aligning with the sales and marketing organizations to better understand market segments, customers, and sales capacity. It sounds like finance has an open invitation in most companies to conduct some customer sales call ride-alongs with the reps. We'll look at the people aspect of quota setting in chapter 4.

Data Gaps

Data is a top challenge for 27 percent of companies. We hear comments like, "We just don't have forward-looking information on the market, our customers, our product trends, or growth rates, so we can't set goals that consider future opportunities." This was a great excuse years ago, but with the proliferation of information available about companies, markets, and purchasing indicators, we are now data rich and information poor. Most companies have an abundance of data but don't know what to do with it. They don't leverage it to get usable, valuable insight, which they could then apply to sales planning and quota setting.

Teams amass terabytes of data, then begin the process of data cleansing, matching, and alignment from multiple databases. They look at the data and pronounce it garbage. "But it's missing information for data fields," they declare. "There's no employee count, no purchase history—and I'm not sure the information's believable." Pretty soon, the exercise becomes an extended data improvement project rather than a way to capture some useful information for making logic-based assumptions. Coupled with the "garbage data trap" is data paralysis, where the team

is hypnotized by complexity. Rather than simplifying the approach and looking for the major elements and themes that will help the organization move ahead, the team spins in an endless loop of complexity. Meanwhile, everyone else quietly steps away and goes back to the old methods.

Missing Market Opportunity

About 22 percent of companies are challenged with incorporating market opportunity in quota setting. As I mentioned, market opportunity sits opposite sales capacity in a balanced approach to quotas. While market opportunity estimation may conjure images of data-intensive sales potential estimation, there are a number of ways to approach it, from applying market modifiers to territory information to conducting pipeline estimates to full-out market heat mapping. The key to incorporating market opportunity into quota setting is to find a method that's understood and accepted by the organization, simple enough to scale, and accurate enough to represent the opportunities in and differences between territories. We'll delve into some market opportunity methods in chapters 7 and 8.

No Belief in the Process

Sometimes quota setting is conducted in a rudimentary way or lacks a clear process. Management may take a big number, spread it across the organization (in what's known as the peanut butter method), and allocate it down to each level in the same way. It's more of a fill-in-the-blank exercise than thoughtful planning; unfortunately, it can result in a lack of belief in the process, cited by about 20 percent of companies.

We worked with a leading wireless telecom company that had an approach few believed in and an apparent lack of process. Its method was to look at historical information and then spread the quota across the markets without regard to the variations in the markets. Then they

allowed managers to respond by registering exceptions to these goals, stating why they couldn't be achieved. On the surface, there appeared to be little process and little trust. But upon further examination we discovered a back-and-forth string of emails between finance, sales leaders, and sales management that showed signs that there was an actual process supported by undocumented institutional knowledge. Once we found it, we formalized it, made it more market based, and communicated it. The organization was able to mobilize around that process because they finally could see it and understand it. After a few successful operating cycles, they began to believe in it.

Quotas are psychological as well as analytical. If I think that the quota I've been given is unrealistic or too challenging, I might not take ownership of it because it was just handed to me. However, if I believe in the process, if I'm engaged in it, and if I understand how that process works, the psychology will be different: I'll see the quota as more attainable, and my chances of reaching it become greater. Even if the sales reps aren't directly involved, their belief in the process's integrity and its fairness is essential to their ownership of their quota.

Five Points to Consider

For most companies, quota setting is one of the biggest challenges that, when faced, often leads to a number of sub-challenges. On the one hand, take comfort in knowing that you're not alone. You share the pain with a lot of other great organizations. On the other hand, that doesn't help you solve the problem. It also doesn't help you understand your own company's issues or its root causes. In order for us to begin the journey of effective quota setting and attaining those quotas, you have to start with some self-reflection as a business—understanding what your issues are around quota setting. In the next chapter, we'll talk about how to identify your problem and see how it evolved over time, so that you can

diagnose the root causes and build the right solution for your business. In the meantime, here are five points to consider:

- Quota challenges often are not stand-alone issues but are connected with other sales effectiveness issues.
- To better understand your quota issue, determine whether it is related to a misalignment in upstream disciplines like clear sales strategy, sales process, or sales role definition.
- Look at how your quota issue may be related to other enablement disciplines that include sales compensation, sales talent, or supporting technology.
- Don't assume that your quota issue is about the numbers. Look at the people and process parts of quota setting and quota management.
- If your organization is struggling to set and achieve quotas, it may be attributable to a lack of method, process, or engagement of the organization.

About the Author

Mark is founder and managing partner of SalesGlobe, a leading sales effectiveness consulting and innovation firm. In addition to this book, Mark is the author of The Innovative Sale, What Your CEO Needs to Know About Sales Compensation and Essential Account Planning.

For more than 25 years, Mark has worked with Global 1000 organizations on strategies to grow revenue. His experience spans multiple industries including technology, telecommunications, business services, manufacturing, financial services, and healthcare. Mark holds an MBA from the University of North Carolina at Chapel Hill and a BFA from The University of the Arts in Philadelphia. He has served on the Alumni Council for Kenan-Flagler Business School and Board of Trustees for the University of the Arts.

Get your copy of *Quotas!*
Order on Amazon today