

How Many Salespeople Should Really Achieve Their Goal?

By Chad Albrecht, ZS Associates

Recently, a group of seasoned sales compensation professionals was assembled to serve as a sounding board about sales compensation issues for a forthcoming book. The group was asked the question, “If you exactly achieve your national sales goal, what percent of your salespeople should meet their individual sales goals?” Everyone on the board answered with a percentage greater than 50 percent, with the majority of the answers in the 60-percent to 70-percent range. Yet, when asked how many salespeople *actually do* achieve their goal, the answer was closer to 50 percent for all board members.

The disconnect between sales-goal achievement expectations and reality is quite common. In a recent Hewitt Associates study about goal setting, sales executives said, on average, they believe 77 percent of salespeople should achieve their goal. Yet, in the same survey, the raw data showed only 51 percent of salespeople at these same companies actually reached their goal. This virtually mirrors the perceptions held by the board members. Why does this disconnect exist and why does it seem to be so prevalent?

Reasons for Disconnect

There are likely multiple origins of the expectation that a solid majority of salespeople should achieve their goal. One origin is published literature suggesting two-thirds of the salesforce should be at goal. Indeed, a popular book on sales compensa-

tion suggests just that. But the expectation comes from more than books and articles.

It also comes from the fact that salespeople want to win, and the most prevalent measure of winning for salespeople is meeting — and beating — their goal. As a result, sales management wants a solid majority of its salespeople at or above goal to keep them motivated and engaged in their job. Sales managers and executives have a self-serving interest as well. If a solid majority of their salespeople are achieving their goal, then that manager is virtually assured of achieving his or her goal as well.

But is this expectation realistic? Organizations set aggressive company-level financial targets which, in turn, are allocated to the salesforce. The result is challenging national and individual sales goals that may make two-thirds of salespeople at goal an unrealistic target. While every company may strive for a salesforce that is so strong that two-thirds of the salespeople can be counted on to achieve a stretch

QUICK LOOK

- ➔ Most sales managers and sales executives believe about two-thirds of their salespeople should be achieving their sales goal.
- ➔ In a recent survey, raw data showed only about half of salespeople actually reached their goal.
- ➔ Possible resolutions to this disconnect include setting less aggressive company goals, separating individual sales goals from corporate goals or resetting expectations.

goal, rarely does actual performance show that to be true. In the rare cases where it is true, companies often raise expectations over the long run so eventually, it becomes impossible for companies to have two-thirds of salespeople consistently at goal over a long period of time.

For most firms, salesforce performance versus goal is usually depicted by a classic bell-shaped curve with overall performance hovering around 100 percent nationally. (See Figure 1.) When the salesforce is at 100 percent of goal overall, only about one-half of sales-

individual sales goals. For most companies, however, this is not an acceptable option. Firms are under a lot of pressure from Wall Street to set — and achieve — aggressive financial targets. Setting financial targets at any level below this aggressive stretch level will simply not work with the executive suite or with Wall Street.

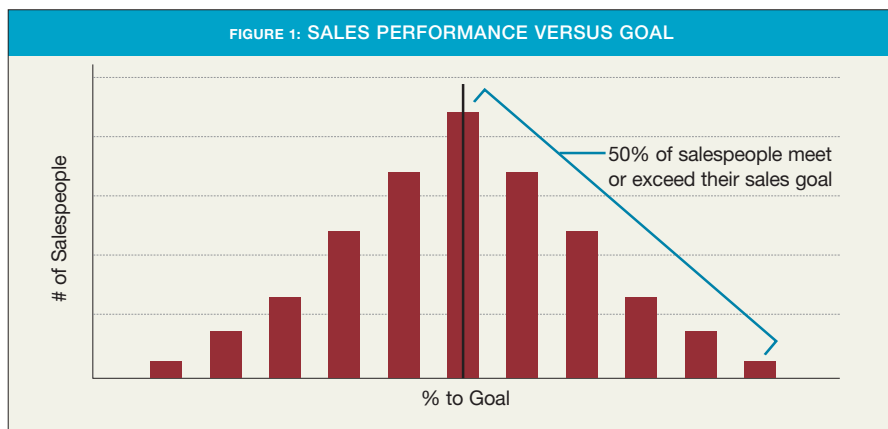
The second option is to set individual sales goals that sum up to less than the national goal. This would also allow a higher percentage of the salesforce to achieve their individual sales goals, and would do so without altering the company financial targets. However,

two-thirds of salespeople *do* have the ability to achieve goal if they work hard enough. However, the concept of having two-thirds of the salesforce at or above goal is simply not consistent with aggressive financial targets and the typical distribution of individual sales performance. The expectation that two-thirds of salespeople should be at goal is simply not realistic for most companies.

Conclusion

Sales managers and sales executives may believe not enough of their salespeople are achieving their goals. This may be based on published literature or simply a desire for a majority of the sales organization to “win.”

But, this may not be realistic. Difficult financial targets combined with the typical distribution of sales performance make this expectation virtually impossible to consistently achieve over a long period of time. Understanding the underlying concepts as to why this is the case will allow those in the sales organization to reset their expectations. WS



people will meet or exceed their sales goal. (In fact, many salesforces have a slight “skew” to the right in their performance distribution, meaning slightly *less* than one-half of salespeople will achieve their goal at 100 percent of national performance.)

What Can be Done?

So can anything be done to better match company expectations — that more salespeople should achieve their goal — with reality? There are three options to consider.

The first option is to have the vice president of sales more involved with the finance and marketing departments in setting national financial goals, to ensure the goals are more achievable. This would increase the probability that a majority of salespeople achieve their

this is likely to be equally unpalatable with senior management, but for a different reason. For most companies this option is an unacceptable de-linking of financial goals and field sales goals. This option also has implications on the cost of the sales-incentive plan as well. Most plans have some version of an accelerated payment once the goal is reached, and if individual goals are artificially low, the plan will begin to pay out more than budgeted at the “true” expected national performance level.

Given the unlikely occurrence of the options above, perhaps the only (if least appealing) option is to change the company’s expectation of the number of salespeople that should achieve goal when the organization is at 100 percent nationally. In theory,

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