

Chapter 7: Setting Goals and Managing the Performance of the Salesforce

INTRODUCING THE CHAPTER

This chapter helps students understand how goals and metrics play a key role in leading a sales organization. The chapter explains the inter-relationships between goals, quotas, benchmarks, and targets. Students will learn about input- or activity-based goals as well as output- or outcome-based goals. The chapter explains the role of the CRM and pipeline analysis for understanding where behaviors might not be driving the desired outcomes. To ensure that students understand that sales is about both quantity and quality results, there is a rich discussion about customer experience (CX), customer satisfaction (C-Sat), and the net promoter score (NPS). The chapter also discusses the process for setting goals that are meaningful for shaping individual, unit, and organizational results.

Chapter Objectives

After completing this chapter, students should be able to:

- Describe how organizations and their managers use goals to guide and control the efforts of their salesforces.
- Summarize the elements of an effective goal.
- Determine when different outcome and behavioral sales goals should be used.
- Identify informational resources used for making effective decisions about goals.
- Apply goal-setting theory in order to improve managerial and motivational practices.

Chapter Outline

- I. Why Are Sales Goals Important to an Organization?
- II. Using Goals to Manage the Performance of Individuals, Teams, and Firms
- III. Different Types of Goals
- IV. Choosing the Right Metrics to Track for Goals
- V. Choosing the Right Time Period to Track
- VI. What About Almost Meeting a Goal?
- VII. Should Salespeople Be Involved in Setting Their Own Goals?
- VIII. When Is a Sale a Sale?
- IX. Should Everyone Achieve Their Sales Goals?
- X. Can Sales Goals Be Changed or Altered?
- XI. What Happens When Salespeople Don't Achieve Their Sales Goals?
- XII. The Process of Setting Good Goals
- XIII. Managing Your Career
- XIV. Summary

MANAGING YOUR CAREER

Asking students to reflect on three goals – all taking place at different levels – is a good way to open discussion of this material on goal setting. Ask students to identify a goal related to this class, a goal related to their college experience, and a career goal for post college. Discuss how actionable the various goals are that students share and ways in which the goal statements can be improved.

SUPPLEMENTAL VIDEOS DISCUSSION SUGGESTIONS

Why the Secret to Success is Setting the Right Goals (John Doerr): John begins the video with the provocative statement that real leaders set meaningful and audacious goals. Such goals must have purpose and include a compelling why. Like the speaker challenges the audience, the instructor can challenge students to write down their values, their key objectives, and their key results as it relates to their college experience. Then, engage in a discussion around their individual perspectives.

How to Rescue a Struggling Salesperson (Victor Antonio): Victor explains that salespeople, like all human beings, know logically what they need to do and they understand the emotional issue associated with not doing what they need to do. The challenge associated with reaching goals for salespeople and others is not having a clearly laid out plan. Have students work in small groups to create an implementation plan for one specific goal as it relates to this class. Then have each team share with the entire class.

3 Questions to Ask Yourself About Everything You Do (Stacey Abrams): Politician Stacey Abrams (first black governor in the US) explains that jumping from the “what” to the “do” is meaningless if you don’t know “why.” Use this video as an opportunity to engage your students as citizens. Ask them to share examples of politicians who provide strong rationale (why) for the actions that they are proposing or supporting.

QUESTIONS AND PROBLEMS

- 1. What does Mitch Bettis mean exactly when he asks himself: How do we reach for one rung higher on the ladder? Do you agree with what he considers to be the most important performance metric?**

This phrase also means: how does the organization grow? I agree with Mitch who says that the most important metric is activity – an activity focus is crucial for people new to their roles. As one becomes more experienced, the quality of the activity or strategy being enacted can become more important than sheer activity.

- 2. Alicia is a sales manager who prefers to use input measures for goals. Jai, another sales manager, prefers to use output measures. Summarize the advantages and disadvantages of both approaches. What products and services will work best for each type of goal measure and why?**

Input-based goals or what might be called activity-based goals are the observable behaviors that a salesperson makes. The advantage of using input- or activity-based goals is these are directly controllable by the salesperson. Another advantage is that sales managers can easily access these types of metrics in the company’s CRM system which makes it relatively easy to assess the representatives in the sales unit. A key disadvantage of activity-based goals is that the quality of the activity can vary across salespeople. Therefore, activity-based goals do not tell the whole story.

Output-based goals are the selling-related results a sales representative is expected to achieve. A key advantage to this approach is that sales dollars and units sold can be easily counted. Salespeople can easily understand what these numbers mean – to them for their compensation and to the company. However, output-based goals do not accurately reflect the effort needed to produce the sale. These output-based measures may set up a situation where salespeople minimize important behaviors, like providing good customer service.

3. Customer service receives a lot of lip service and press, but when it comes down to using it as a sales goal, it presents some problems. Recently firms have developed customer experience (CX) metrics. What are they, and do you think they are a fair measurement method?

CX metrics relates to how customers perceive their interactions with a brand, such as their interactions with sales professionals. As such, these metrics represent a summary view of the collective experiences of customers. They are a fair representation at a global level but may not be as fair at the individual response level. The Net Promotor Score (NPS) is easy to use, however the company must follow up with respondents to dig deeper and understand the “why” behind the score.

4. Madison, Wisconsin, is frequently cited as one of the “Best Places to Live” in the United States. Due to the city’s great publicity, it and surrounding areas have experienced a significant amount of growth. As a sales manager, you knew the time would come when there would be more potential clients in Madison than your present salesforce can handle. Your organization has authorized splitting its two Madison sales territories under your supervision into four. What types of goals do you think would be the most important to focus on given the situation?

The goals that need to be considered when splitting the two territories into four territories include the sales volume and profitability. In addition to these two goals, it might also be important to consider either customer density and/or industry segments.

5. The sales goal for one of the regions you manage has been set at \$6.3 million for this year. There are three sales representatives in the region: Luis, who is one month out of training; Nathan, who has five years of experience and is considered an average performer; and Taylor, who has 12 years of experience and is a top performer. Set three goal levels for each representative and explain your rationale for each.

Taylor might be assigned a goal of \$3.3M due to her experience and performance track record. Nathan might be given a goal of \$2M and Luis, a goal of \$1M. Luis’ goals will be communicated as \$250,000 per quarter because research shows that shorter, more frequent time periods help low-performing or new sales reps with goal attainment. Taylor would be given the annualized goal since a short-time horizon on a goal set can prompt a high-performing salesperson to sell more opportunistically than strategically.

6. A number of factors can impact a salesperson’s ability to achieve his or her goal. What are some of these factors?

Some of the factors that impact a salesperson’s ability to achieve goals include: poor skills, lack of motivation, flawed sales projections, changes in the firms marketing mix, promotional campaigns that don’t produce expected results, distribution or supply chain delays, environmental factors that impact demand, new competitors, and changes in the way firms do business.

- 7. Do you prefer courses with many graded assignments or those with only one or two? The same situations could be said to exist in sales. As a sales representative, which end of the continuum would you prefer? As a sales manager, which end would you prefer? In each case, explain your rationale.**

Many graded assignments because they provide greater opportunity to excel. However, as a sales manager it is easier to monitor only one or two items. So, the salesperson and sales manager — like the student and the professor — benefit from different ends of the continuum.

- 8. Do “all or nothing” goals work? What problems do you think a sales manager might encounter by rewarding salespeople who only partially meet their goals?**

Not really because this approach to goal-setting prompts people to discredit the other 95% of actions that they might have done correctly. However, companies do use a threshold level that a salesperson needs to achieve in order to validate an employment contract. That type of approaches ensure that the salesperson covers the expenses (automobile, insurance, legal, etc.) that are expended to employ the person. Rewarding students who only partially reach their goals might encourage salespeople to quit when things get difficult or when they “earn enough” to make it that period.

- 9. Industry studies show that most companies only expect 60 to 70 percent of their sales representatives to achieve their goals. Shouldn’t everyone be able to reach their sales goals? Explain your rationale.**

If goals are unrealistic, such goals can lead to pessimistic outcome expectations for salespeople. However, goals should have an aspirational element to them so that salespeople are motivated to work hard to make an impact. Somewhat difficult, but not overly difficult, goals lead to higher levels of performance.

- 10. As a sales manager, you know that goal setting can be motivational for sales representatives if their goals are set correctly. What are the characteristics of well-set goals?**

Well-set goals are difficult, but not overly difficult, goals because they lead to higher levels of performance. And, goals that are specific and difficult lead to higher levels of effort than do goals that are difficult but very general. A framework to remember strong qualities for goals is the acronym, SMART, which means that goals are specific, measurable, achievable, realistic, and time-based.

ROLE PLAY

Brickyard Healthcare

As one student adopts the role of Mary, ask that student to identify the changes that might have transpired in Mary’s life which might be impacting her complacency (where she now settles for being in the middle of the pack, rather than at the top -of-the-leaderboard where she used to be. For the student taking on the role of Charles, who is Mary’s manager, ask that student to put Mitch Bettis’ recommendations into practice in the role play. Specifically, ask the student playing Charles to engage Mary with a conversation about connecting her performance to the greater good of the organization.

ANSWERS FOR CHAPTER CASELETS

Caselet 7.1: Pony Express Bank Needs Higher Profits

Case Questions:

1. What drives a firm like Pony Express Bank to adopt a new sales strategy?

All firm managers want to increase sales and profits to increase their stock prices, receive higher bonuses, and to please Wall Street. The question is: what is the best strategy to employ to increase sales and profits? In this situation, Pony Express Bank executives decided that a sales-focused strategy was the best way to increase sales. Perhaps their thinking was that if sales were increased to current clients by 10-20 percent, then profits would also increase by 20 percent. What perhaps was not well thought out was whether the customers actually needed or wanted a high-pressure sales effort to convince them to adopt additional bank products? If a client conservatively manages his money, there is little or no need to enroll in over-draft protection, take out a personal loan, or establish a home-equity line of credit. There is a fine line between offering bank services that clearly benefit a client and pushing services that are not needed and result in higher cost and no clear benefit to the client.

2. Was the new program well thought out? Why or why not?

One could argue the program to push bank services toward existing customers was not evaluated from all perspectives. Yes, the bank is in business to make a profit and the customer service personnel work to earn a salary, but no one seemed to ask about long-term client satisfaction or the potential push back from the CRM department. The same can be said for how PEB clients would react to the new program. When adopting any new sales strategy, managers are wise to consider the response from all constituents — both internal and external.

3. What major problems are associated with the sales strategy?

One of the major shortcomings of the strategy is that it is a sales strategy. Looking at different approaches this one emanates from management viewing the sales team role as being able to generate additional sales by working harder and pressuring customers to buy more. Little thought appears to have been given to how the client will benefit and how this strategy will enhance the bank's brand. Certainly, all firms should look for potential business when dealing with existing clients. A CRM expert should ask where the clients have their credit cards and whether it would make more sense to combine their financial accounts together, especially if they could receive lower interest rates, higher rebates, or other benefits. Clients are likely to appreciate a CRM agent trying to save them time, money, or worry. Conversely, if the client feels the CRM agent is simply trying to move them into higher cost accounts and services, this approach will likely backfire on the firm. And, once clients lose trust in a bank, for any reason, they are more likely to move all their accounts.

4. What factors must be considered when setting quotas?

Quotas, like goals, must be SMART (Specific, Measurable, Attainable, Realistic, & Timely). Upper management likely considered their goals to be SMART, if sales met their goals of signing up clients for more services. The sales team was given specific goals that were measurable and for a specific time

period. No one would argue that the sales team did not know they were supposed to increase sales to existing customers by 10 percent over the next 12 months. The rub comes when the sales team sees goals imposed upon them that they view to be unrealistic and unattainable.

When adopting such a strategy, management should monitor closely the number of attempts at cross-selling, the number of conversions, and objections clients gave for declining cross-selling efforts. If the same general objections surface repeatedly, then management must offer the sales team a rejoinder for the objection. Management should have known through monitoring that clients were complaining about being enrolled for unwanted services and one way to monitor for fraud is to measure the number of cancelled services by the time the service was in effect. Said differently, if services were being cancelled after 1-2 months, then upper-level management would want to know why this was occurring.

5. What actions would you take if you were Roberta's supervisor?

It is unlikely that we will ever know the reasons unethical behavior occurred, but here is a plausible scenario. First, the sales team was mandated to cross-sell unattainable numbers of additional bank services to existing clients. Second, no one explained what the benefit was for the clients because there was likely little benefit, just higher fees and service charges leading to higher bank profitability! Third, when the bank told the sales team to either make quota or find another job, agents began to take shortcuts and act unethically. Considering the article this case is based upon, over 5,300 sales reps and their managers were caught cheating and were fired! Fourth, the bank got into trouble with the federal government for fraud and the negative publicity diminished their brand. As a result, bank managers were fired and/or forced out. Lastly, the bank is more likely to lose clients and sales due to the actions of the sales team that were a result of poor strategy and poor implementation by the bank's managers.

Caselet 7.2: Tough Times During the Pandemic

Case Questions:

1. How do company goals impact sales rep goals and actions?

Company goals have direct impact on sales representatives' goals and the actions they need to execute to achieve those goals. Many companies utilize a combination of input (activity based) and output (outcome) goals that sales management assign to individual sales representatives. An example of this would include number of customer contacts, number of new client meetings and presentations, as well as sales volume, sales margins, new accounts secured and accounts lost. If the salesforce is not making their goals, the company is going to fall short of achieving their goals.

2. How does a personal situation affect a sales representative's goals and, in turn, the person's company?

A company would have to be pretty heartless not to consider personal situations of their sales representatives. Fortunately, most companies are understanding of issues such as those faced by Jamie. Economic situations are going to impact all members of the situation, but some consideration needs to be made when an individual's situation deals with personal setbacks. These setbacks, however, cannot be long term, as some remedy for the sales representative needs to be accomplished.

3. What advice should you give Jamie on immediate versus long-term sales and his relationship with the potential new client?

As a sales manager you might want to first be sure that Jamie is fully aware of all company benefits that he is entitled to and may provide him with some financial and time-saving relief.

Jamie's company's business is not based on a transactional approach but more of an integrative approach. Achieving a short-term goal that destroys the ability to form a long-lasting relationship will ultimately lead to failure. Involve the students in how they would feel as the buyer in this situation in both situations.

4. How important for future business is building client relationships?

There are two old adages that comes to mind about client relationships, "You are only as good as your word" or "You are only as good as your last sale". Different levels of client relationships were discussed earlier in the text. If you want to have a growing relationship you know that it must be a win-win situation for all parties.

OTHER IN-CLASS EXERCISES

Creating Goals for Career Success

Have students work in pairs to develop goals and action plans for securing 15 interviews for either an internship or a full-time position. Ask them to first set their output goals and then work backwards into activity goals.