LINING UP GOALS

RICHARD HIGHAM and ALAN TIMOTHY continue their series on data-led insights to help achieve impressive sales growth

What's your sales goal? This ought to be a simple question, but answering it thoughtfully could transform the way sales are planned and managed in your business. Setting sales goals is particularly challenging in a rapidly changing world. We've identified four major drivers for this change:

DRIVER 1: achieving high growth in a world that is volatile, uncertain, complex and ambiguous (VUCA)

DRIVER 2: achieving high growth in a low-growth economy

DRIVER 3: changed buying behaviours

DRIVER 4: sales innovation.

Taking these drivers into account will profoundly change the way we set and achieve sales goals.

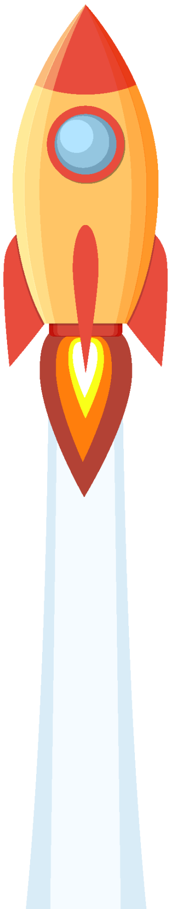
ACHIEVING HIGH GROWTH IN A 'VUCA' WORLD

We have to plan and achieve our goals in a business world that is volatile, uncertain, complex and ambiguous. This so-called 'VUCA' approach is derived from the US military, which recognised that its strategic thinking needed to change. Much military thinking had been based on a predictable, broadly stable set of assumptions (the Russians would invade the West across the North German plains), but the unpredictability of the Vietnam War was followed by the chaos of Iraq and Afghanistan and then the 'War on Terror'. The strategies that had served well in the past simply did not apply in a world that had changed so much.

In the same way, business in general – and sales in particular – must adapt. In a volatile world, change is more rapid, less predictable and more intense. For example, US President Donald Trump seems to be deliberately volatile and the impact on international trade requires flexibility and speed in entering and exiting markets as barriers go down and up.

"We have to plan and achieve our goals in a business world that is volatile, uncertain, complex and ambiguous"

In an uncertain world, we need to build in spare capacity (the business equivalent of a rapid reaction force, not always fully engaged but ready to respond fast to change). We also need to plan sales differently, using emergent strategies rather than classical strategies. Classical sales strategies ask, "What is our goal... how do we achieve it?" and conclude that, "If we execute a good sales plan well we will achieve our sales goals." That approach served sales leaders well 20 years ago – but it will not today. Emergent sales strategies have shorter-term goals within a longer-term framework. While corporate governance may require you to set a sales goal for the year, it may be wiser to set a more detailed sales strategy for the next quarter or half-year, which can then be adapted as circumstances change. For example, as I write this article I am listening to a Dutch flower exporter explaining the effect different customs regimes could have on her UK sales. Asked how she is planning for these scenarios, she replied that it is not possible to have a single plan at the moment. She just knows she will need to be ready to change quickly when the very uncertain future changes. For her, that may mean new markets, new channels,



◁ new distribution, and even new products.

Complexity has a deep and wide-ranging impact on sales. One of our clients is a strategic risk consultancy (www.chora.space) that helps its clients plan for a complex world. The company's view of complexity requires flexible, fast, distributed decision-making, rather than centrally designed decisions set in stone. For sales leaders, this means equipping and empowering salespeople to take quick decisions as close to the customer as possible. It means being able to change plans when situations change and allowing new business and relationship management specialists to seize opportunities against slower-moving competitors. Artificial (or augmented) intelligence is playing a part here, whether in accepting hour-by-hour changes to orders in the soft drinks industry, prioritising key clients in London's private hire car sector, or allocating the right salesperson at the right time to a new business opportunity in property sales. All these responses to sales complexity are happening in businesses right now.

> **"In a VUCA world, we will have to live with sales goals that are in tension, maybe even in conflict"**

The fourth element of VUCA is ambiguity. I recently attended a 'town hall' for a team of corporate bankers in the Middle East. The head of corporates was asked this question: "So, do you want us to be customer-centric and responsive to what our customers say they need, or do you want us to focus on the bank's strategic product mix?" It was a very reasonable question that went to the heart of customer-centric selling. The highly ambiguous answer came back, "Yes"! In a VUCA world, we will have to live with sales goals that are in tension, maybe even in conflict – you need to hit a target for this quarter, but you also only want recurring income. You could gain share of wallet with a key customer by a tactical price move, but you must maintain overall margins. The ability to set sales goals that meet multiple, and sometimes conflicting, business outcomes will be a crucial capability for sales leaders. This capability requires different planning, negotiation and communication skills.

ACHIEVING HIGH GROWTH IN A LOW-GROWTH ECONOMY

The second driver for change in sales goal-setting is the need to achieve high growth in a low growth economy. GDP in both the US and the EU is predicted to be less than 2% in 2019. In the UK it is likely to be significantly lower. If you have a higher growth goal, you will need to achieve it some other way than by 'riding the wave' as many did in the past. The table (bottom left) shows the effect of simply tracking economic growth over several years.

So, what are the implications for setting high-growth sales goals? You could, of course, try and seize market share from your competitors by going head-to-head. But that will almost inevitably require price matching and erosion of margins. Is your business prepared to enter a price war? What does your CFO have to say?

If "buying" market share is not attractive then there are alternative goal-setting options:

1 Identify and develop existing high-growth customers and surrender low-growth customers. Again, look at the impact of holding the same share of wallet with growing customers (top left).

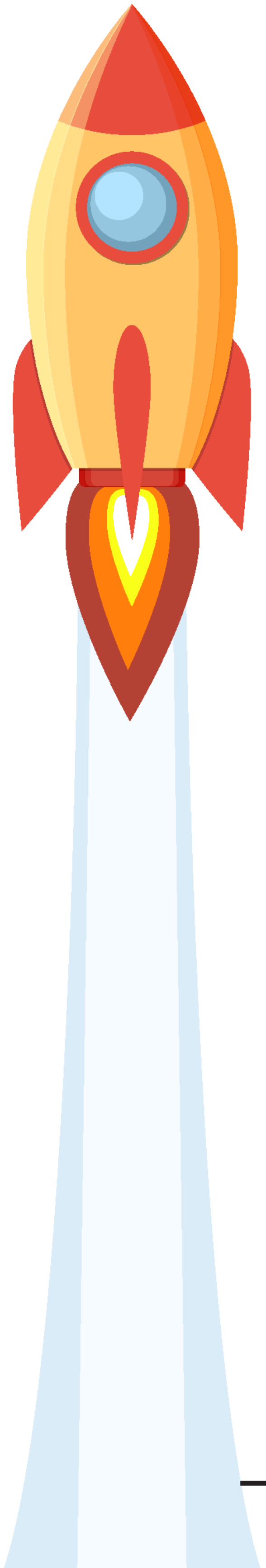
2 Build your strategic account strategy. Data gathered by one of Europe's largest engineering groups over a 10-year period indicated that its strategic accounts out-performed its 'standard' accounts by a factor of 2.4 times. A global bank we worked with saw its trade finance division facing a major dip in trade volumes. While overall it did well to achieve 4% growth in a flat market, its real achievement was achieving over 20% growth from its group of strategic accounts. Much of this success was achieved by the following approach.

CHOOSING GROWING CUSTOMERS

	2017	2018	2019	2020	2021	2022
Sell to customer growing 10%	£100	£110	£121	£132	£145	£160
Sell to customer shrinking 10%	£100	£90	£81	£73	£66	£59

WHEN SALES GROWTH RELIES ON ECONOMIC GROWTH

	2017	2018	2019	2020	2021	2022
IMF projected growth – UK		1.5%	1.6%	1.7%	1.7%	1.7%
IMF projected growth – China		6.6%	6.4%	6.3%	6.0%	5.7%
Tracked sales growth – UK	£100	£102	£103	£105	£107	£108
Tracked sales growth – China	£100	£107	£113	£121	£128	£135



3 Set 'white space' goals. The bank looked for areas (both product and geography) where its customers' needs were not being met but where the bank had actual or potential capability. One country stood out as doing very little business even though all the indicators suggested there should be high levels of activity. This led to a conversation with the group treasurer at HQ, asking if there was any reason for this anomaly. The treasurer said there were genuine requirements and asked who the bank was using as its point of contact. It turned out that the local bank relationship manager was speaking to the wrong contact. Once introduced to the right contact, business levels increased tenfold over two years. Could you explore similar white spaces?

4 Co-innovate. A number of organisations we work with engage in co-innovation with their trusted customers. They recognise the areas where they know they are adding value to the customer. They explore with the customer those areas where the company has strengths, but the customer does not appear to have needs ("Are there any areas of your business where you think these capabilities could be useful to you?"). They then hold an open conversation about how the customer sees them compared with the competition, and look for potential growth by taking direct 'share of available wallet'. All these areas can generate mutually attractive growth. But the real prize is the 'white space' where competitors are absent, but where the customer has potential future needs that could be met by the company if both parties worked together. Co-innovation takes hard work, high levels of trust and mature conversations, for example, about shared intellectual property. But it can deliver radical change in relationship and result.

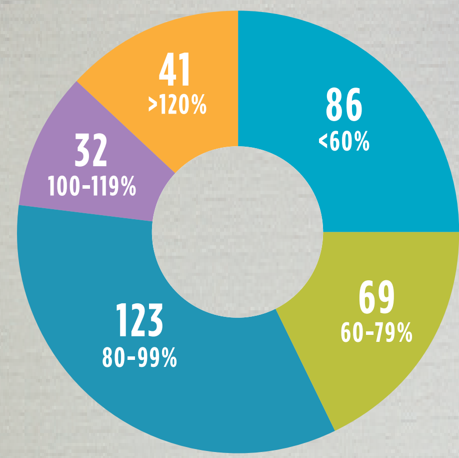
CHANGED BUYING BEHAVIOURS

As you set sales goals for the coming year, consider using one or more of the above approaches to re-engineer sales goal-setting.

The final two drivers for sales change (changed buying behaviours and sales innovation) have less direct impact on sales goal-setting, but will be covered in more detail in future articles. For now, we will just mention two aspects of changed buying behaviours that do have a direct impact:

Shorter-term decision-making. You may have to set shorter-term goals as your customers apply more emergent strategies themselves. They simply may not be able to commit as far ahead as you would like. However, if you can identify those customers and products where long-term planning is possible, this will help your own sales goal-setting.

More people involved in buying decisions. It is estimated (CEB 2017) that companies with 500 employees typically involve 6.8 people in their buying decisions – up from 4.8 in 2014). If this is correct then one of your sales goals should be to actively broaden your spread of contacts in your prospects and customers.



TYPICAL QUOTA ACHIEVEMENT

- **Only 20% of the team achieved target.** This suggests that success is seen as something only for the minority
- **45% achieved under 80%.** Falling significantly short would appear to be an acceptable norm
- **35% are almost there but not quite.** Instead of celebrating, they finish the year as 'failures'
- **55% are in the 60-99% band.** The majority are in a group that could be labelled, "OK, not a real problem – I guess we have to live with it"
- Imagine the effect on motivation and culture if, by more accurate goal-setting, just 50 (14% of the sales team) could have been helped over the line. Of course, the one in four who achieved less than 60% of quota need addressing, and there appear to be some major performance issues, but much of the problem seems to lie in setting the wrong sales goals and not taking into account differences between individuals
- This example compares with a major consultancy we worked with that gave their country managers a KPI of 95% of consultants hitting target. My own view is that this approach is almost always the more effective one.

In a rapidly changing sales world our sales goal-setting needs to change at least as fast. We will leave you with five practical ideas you can use to challenge your current sales goal-setting approach:

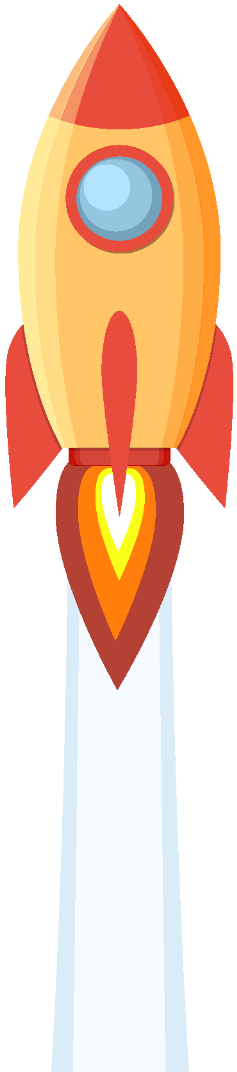
1 Ask yourself what proportion of your sales team you want to achieve their goal or quota? This matters not just for its impact on your sales compensation plan but also for its impact on the long-term result. In his excellent book, *What*

⊲ *your CEO needs to know about sales compensation*, Mark Donnolo of SalesGlobe points out that even in higher-performing sales organisations only 50-70% of sellers hit target. In some companies he has worked with, the goal is only to have 20% hit target. He cites one company with 351 salespeople that he describes as "typical" (see box on page 33).

2 Avoid sales-goal inflation. Mark Donnolo's experience in SalesGlobe is that as much as 5% is added to sales goals between frontline sales management and the CFO. He cites a *Fortune 100* company that was regularly announcing to the markets that it was exceeding its topline sales goals, while across the sales organisation there was a deep sense of failure because all sales goals were being missed. This disconnect produced real cynicism and confusion in the sales organisation. In comparison, we know of one professional service firm that openly distinguishes between 'budget' and 'target'. It is widely understood across the firm that the budget must be hit for the overall wellbeing of the business. The figure is set from the top following consultation with sales management ('top down and bottom up'). However, each individual or account team agrees a sales goal that they believe is achievable. Make sure the sales goal has not been over-inflated.

"As much as 5% is added to sales goals between frontline sales management and the CFO"

3 Communicate clearly and early. The sales team needs to understand what is expected of them and why. They must buy into the sales goals. It is also essential that the goals are in place early enough to make a difference to their activities. We surveyed 84 financial businesses and were surprised to find that only 39% of the organisations communicated sales targets to the salesforce before the new selling year started – and 32% did not have targets in place a month into the new year. One organisation we worked with recognised this problem by starting their selling year two months before the financial year. Their selling cycle was rarely less than two months, so for their financial year beginning on January 1 they had monthly goals as follows: Start of October – 7% of the following year's quota written; start of November – 14%; start of December – 32%; start of January – 37%. It was accepted that if these quotas were not met by these dates, the whole year would be spent in 'catch up' mode, which was in no-one's interests. To achieve this early 'in sell', the sales leaders informed the sales team that, while the final actual quotas would not be confirmed until the January sales conference, they should use working figures early in the selling year.



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4 In changing times, use account and market-based goal-setting rather than legacy goal-setting. Legacy goal-setting involves taking last year's result and using it as the benchmark for the coming year's goals. Typically, it just means adding a random percentage to last year. There are three big problems with this. First, salespeople feel that this year's success is punished by a bigger quota for next year. Often they will 'sandbag' business – holding it back from months 11 and 12 until month 1 of the following year. Certainly, they may avoid closing big, attractive deals in the last quarter. Secondly, it produces a 'dolphin' pattern of success, whereby I over-achieve in year 1 and get a huge target increase in year 2, which means I under-achieve, so I get a smaller quota in year 3, which I over-deliver on, receiving an unachievable target for year 4 – and so on. Finally, in volatile times, stable year-on-year growth is unlikely to happen. It is therefore much better to use the sales equivalent of zero-based budgeting and examine each account or sector for recurring income, incremental income, cross-selling and new business income.

5 Build (or rebuild) trust in sales goal-setting. Many of the problems associated with sales goals arise from low trust. In his excellent book, *The Speed of Trust*, Stephen Covey talks of trust taxes and trust dividends. This is seen clearly when it comes to sales goals. If salespeople do not trust the way goals are set, or if the board does not trust the sales director's goal-setting, then the business will pay a huge trust tax. But if trust levels are high there will be a tremendous trust dividend. Mark Donnolo cites a great example of a sales leader being very open with his sales team as they started the year with a new proposition. He was transparent that he needed to achieve $100m of sales through his team of 15, but he was not going to set specific targets. He simply expressed confidence in their ability to deliver the result and then provided them with the support they needed. Empowered by the high level of trust they had been shown by their leader, the team delivered target-busting sales of $127m.

RESOURCES

We have identified four drivers for changing the way sales goals are set, and provided five suggestions for improving goal-setting. We strongly recommend Mark Donnolo's book, *What your CEO needs to know about sales compensation* (www.salesglobe.com). Many of the diagnostic and goal-setting tools referred to in this article can be explored in greater detail on our website (www.saleslevers.com).

In our forthcoming features in this series on high growth we will move on to exploring ways of analysing sales results, before turning to the themes of achieving sales performance by managing activity, concentration of focus and effectiveness.