



CAN ELIMINATING SALES QUOTAS INCREASE PROFITS?

I was recently asked by task.fm to answer a question received by one of their website visitors. The question was: Can eliminating sales quotas increase profits? It's an excellent question, so I thought I would share my answer here.

Can eliminating sales quotas increase profits?

Absolutely not! It simply won't work in a performance based career. In fact, eliminating quotas would have the exact opposite effect on profits, in much the same way that guaranteeing a sales person a job for life without asking them to produce any sales would be.

A sales quota is an expression of an expectation. It is the same as publishing the hours of work to a salaried employee or the minimum level of production required to an assembly line worker. By assigning a measurable target, the sales organization is clearly defining the minimum level of performance that will be accepted as a condition of employment. Without a quota, the employer is simply stating that sales production really doesn't matter. Sales will drop as a result, and let's face it, without a top line there will not be a bottom line.

The idea of eliminating quotas really stems from the fact that the quota assigned is not the right target in the first place. The thinking is if no one is reaching it, and it is not motivating anyone to achieve more, why bother to keep it? The answer is if you assign the right sales quota, your business will actually grow!

Determining a sales professional's target quota is a heavily debated topic among sales managers. On one end of the spectrum is the belief that quotas should be low enough so the entire sales team achieves it. This results in a feeling of accomplishment, creating a more productive environment. On the other end is the belief that quotas should be set so unreachably high that everyone is always striving to attain them.

Having experienced the two programs in both direct sales and sales management roles, it is believed that the right quota level is somewhere in between. You want your quota high enough that your sales people have to push themselves to reach it, but you don't want it so high it is demoralizing because no one can. Quotas need to be challenging, but achievable. After all, wouldn't having your entire team selling at quota be a nice problem to have as sales manager?

As quotas work best when they are challenging yet achievable, it stands to reason that as time goes by, your target quotas will need to be adjusted. As sales representatives stretch to make this year's quota, it may not be challenging for them to reach the same sales level next year. Therefore, a reasonable percentage increase annually is called for, which also grows your profit proportionately.

One way to set your target quotas is to look at your existing team. What is the average among all of your sales representatives? How many members of your team are above average? At what level are your top producers selling? As a general rule, if 25 percent of your team is at quota or above, your assigned quotas are in the right ball park. If no one is reaching quota, they are simply too high. On the reverse, if everyone is above quota, although this would be a nice problem to have, chances are that your quota is too low.

A more scientific approach to setting target quotas is to analyze the costs of running your business. If you know how much each sales representative must produce to cover your fixed costs and provide you with a



reasonable amount of profit, you can determine your target quota. When we work with our clients in determining the right quota, we actually use an automated sales tool that accurately works the numbers to do this.

Remember, eliminating quotas won't stimulate profits, but taking the time to set the right sales quotas will.

For a complete discussion on how to design and create an effective compensation plan for your sales team, check out [Action Plan For Sales Management Success](#).

Aim Higher!

Susan A. Enns, B2B Sales Connections

Susan A. Enns is managing partner of [B2B Sales Connections](#), an online sales training website with free sales resources, a specialized job board & free resume listing services for business to business sales professionals. She has a proven track record of success, with over 22 years of direct sales, management and executive level business to business experience. Her accomplishments include consecutively being the top sales rep in Canada, managing the top sales branch, and achieving outstanding sales growth in a national channel sales organization.

She has written the Books [Action Plan For Sales Success](#) and [Action Plan For Sales Management Success](#), created numerous automated sales tools, and she writes and edit the company's newsletters. Her work has been published in several locations numerous times and has sold on four separate continents.

Susan has served on the Leadership Executive of the Sales Professionals of Ottawa (SPO) since 2008, and is currently the association's Past President. She has also been a guest lecturer at the School of Business at Algonquin College as well as a guest speaker for SPO. For more information, visit www.b2bsalesconnections.com or contact Susan directly at www.twitter.com/SusanEnns, or www.linkedin.com/in/susanenns.