

## Establish “Quota Principles” to Guide Your Quota-Setting Process

It’s funny: Nobody thinks their company does a fantastic job of setting quotas, yet everybody has an opinion about how it should be done. There are several methodologies for setting quotas, and each has its strengths and weaknesses in different circumstances. But that’s a topic for a different time. The point here is that if you want quotas that have consistency and credibility from year to year, it’s helpful to make some decisions about how you are going to do it, so you don’t either blindly follow a methodology that isn’t working or throw everything open to debate each year.

This is where Quota Principles come in. They are guidelines that make the process more efficient, as well as more credible. Below are some good questions to ask as you set about putting together your quota principles.

Questions to Ask	Why You Should Ask Them
Should there be a minimum quota?	<ul style="list-style-type: none"><li>○ If the quota is too low, you might not make an adequate return even if quota is achieved.</li><li>○ On the other hand, you may want to make an investment for the future, for example, to expand into new markets.</li></ul>
Should there be a maximum quota?	Depending on sales capacity (e.g., time required), it may be that there is a level of quota that is unattainable, or unfair to your top performers.
How much over-allocation, if any, is warranted?	Over-allocation means that the sum of the quotas of the salespeople is higher than that of their managers. Many companies over-allocate quotas to account for turnover or simply to protect their managers. This can be justified but too much over-allocation destroys the credibility of the quotas. In most cases, total over-allocation should not exceed 5-7% overall.
What information should we use to allocate quotas?	<p>You want to make sure you are using all the data and input that may enhance the accuracy and fairness of the quotas. For example, in terms of data, you should at least consider:</p> <ul style="list-style-type: none"><li>○ Past performance<ul style="list-style-type: none"><li>▪ Overall results</li><li>▪ Results by product/segment</li></ul></li><li>○ Territory potential<ul style="list-style-type: none"><li>▪ Industry data (number and size of prospective accounts, market growth rates)</li><li>▪ Publicly available data (population, business indexes)</li></ul></li><li>○ Pipeline data</li></ul>
Who should be involved in setting quotas and what should be the process and timing?	If you leave certain groups out of the process, you won’t have all the information you need, and without a defined process and timing, quotas will come out too late.

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Under what circumstances should quotas be adjusted (after the fact)?	As a rule, adjusting quotas after they have been set is a bad idea and undermines their credibility. But there are circumstances (e.g., mass underpayment due to unexpected circumstances) that warrant adjustment. If you don't have some idea in advance about what should trigger an adjustment, and how the adjustment will be implemented, the process will be hasty, delayed, or both.

Pretty much every sales organization has quotas, even if compensation is not linked to quota attainment. They will be more consistent, credible, and efficiently developed if guided by a set of quota principles.

Elliot Scott, Owner and Managing Director, Elliot Scott Consulting LLC  
[www.escottco.com](http://www.escottco.com)