

Quota Allocation Process Redesign for a Top Cybersecurity Solutions Provider

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The Situation



This high tech software and services provider had limited

rigor in its quota allocation methodology. It was a simplistic, one-size-fits-all approach regardless of segment, channel or sales role. Sales and finance were not timely in landing on a final number causing quotas to roll-out late. Regional sales managers had virtually no input or involvement in the goal-setting process.

The Challenge

Breaking into new territories and countries needed increased consideration about the difficulty level, as well as more marketing support, better on-the-ground presence, and more emphasis on in-country support with fluent-speaking staff. Because a lot of the big accounts are US-based, it becomes much more difficult to achieve goals with the remainder of eligible accounts. The company needed to establish a role-specific allocation methodology to drive greater accuracy in quota setting (high historic variability in attainments) and accountability.

The Solution

To provide the best service to this company, the Alexander Group implemented a Modified Fair Share methodology for the regional sales manager role (primary seller). The Modified Fair Share reallocated individual quotas to align with opportunity and increase overall allocated quota. Methodology training was provided and the quota allocation worksheet for the vice president's use and refinement was completed. The company also replaced the one-size-fits-all approach and increased actual allocated quota. They implemented new quota adjustment factors: established performance factors and weights to effectively adjust individual quotas.

Quota Adjustment Factors:

Established performance factors and weights to effectively adjust individual quotas

| FACTORS | ASSUMPTIONS | PERFORMANCE RANGES | IMPACT ON QUOTA | FACTOR WEIGHT |
|--------------------------------|---|--|-----------------|---------------|
| Historical Sales Performance | Territories with high sales performance in the past should perform well in the future all else being equal | 1. Less than 70% to goal OR 2. Any one or more of the following: • New Hire • New Territory • Backfill of existing territory | Decrease | -5% |
| | | 70%-120% of goal | No Change | - |
| | | Greater than 120% to goal | Increase | +5% |
| Experience / Time in Territory | It is easier to attain sales in territories where the individual has account and buyer knowledge and experience | Less than 12 months | Decrease | -5% |
| | | 12-24 months | No Change | - |
| | | Greater than 24 months | Increase | +5% |
| Management Input | Management forward looking expectation for territory based on pipeline, account knowledge, etc. | Weaker than average territory potential | Decrease | -5% |
| | | Average territory potential | No Change | - |
| | | Stronger than average territory potential | Increase | +5% |

The Benefit

With the assistance of the Alexander Group, the company saw improvements in seller buy-in due to a clear approach. With improved quota roll-out timing, salespeople receive their sales quotas on the first day of the new fiscal year or date of hire. The company also improved quota allocation by seller based on territory potential and historical contribution.

Modified Fair Share: Reallocated individual quotas to align with opportunity—increase overall allocated quota

| SALES REP | 2012 SALES | % OF 2012 REGION SALES | MAJOR ONE-TIME ADJUSTMENTS | REVISED 2012 SALES | 2013 REGION QUOTA | REVISED % OF 2012 REGION SALES | 2013 FAIR SHARE QUOTA |
|---------------|---------------------|------------------------|----------------------------|---------------------|---------------------|--------------------------------|-----------------------|
| John | \$5,000,000 | 27% | (\$500,000) | \$4,500,000 | \$22,000,000 | → 25% | = \$5,530,726 |
| Mary | \$8,000,000 | 43% | \$0 | \$8,000,000 | \$22,000,000 | → 45% | = \$9,832,402 |
| Victor | \$5,500,000 | 30% | (100,000) | \$5,400,000 | \$22,000,000 | → 30% | = \$6,636,872 |
| Region | \$18,500,000 | 100% | (\$600,000) | \$17,900,000 | \$22,000,000 | 100% | \$22,000,000 |

| SALES REP | 2013 FAIR SHARE QUOTA | MODIFYING FACTORS | MANAGERS ASSESSMENT | MAJOR ONE-TIME ADJUSTMENTS | 2013 MODIFIED FAIR SHARE QUOTAS |
|---------------|-----------------------|-------------------|---------------------|----------------------------|-----------------------------------|
| John | \$5,530,726 | Opportunity | Low | -5% | \$5,807,262 (+5%) |
| | | Relationships | High | +5% | |
| | | Experience | High | +5% | |
| Mary | \$9,832,402 | Opportunity | Medium | No Change | \$10,324,022 (+5%) |
| | | Relationships | Medium | No Change | |
| | | Experience | High | +5% | |
| Victor | \$6,636,872 | Opportunity | Medium | No Change | \$6,636,872 (no change) |
| | | Relationships | Medium | No Change | |
| | | Experience | Medium | No Change | |
| Region | \$22,000,000 | - | - | - | \$22,768,156 |
| | | | | | NET CHANGE + \$768,156 |