

Improving  
PERFORMANCE | through  
self-selected  
GOALS

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## INTRODUCTION

Take a quick look at any non-fiction best-selling book list and you're sure to find at least one title devoted to success...success in business, education, personal relationships or health and fitness. Almost without exception, the common thread running through all these "seeking success" books is the importance of setting personal goals. The value of goal setting has been measured, documented and espoused in self-help programs ranging from weight-control and addictions to achieving financial security. The topic has far-reaching interest in the academic community as well. Hundreds of academic studies have confirmed the efficacy of goal setting, demonstrating just how important goals are in improving performance.

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## THE VALUE OF SETTING GOALS

It is important to identify what an effective goal is. Goals that lead to measureable results are self-selected and time-specific. “Do your best” is not a goal and does not embody any specific commitment. However, a plan to lose five pounds by one’s birthday is a goal, as long as the individual believes they can achieve it and maintains focus throughout the weight-loss process. A corporate objective, handed down to individuals, is not a personal goal unless the receiver accepts it as a goal. The most effective goals are individual and are self-generated.

### **Goals: The Emotional Connection**

In the late 19th century, Italian economist Vilfredo Pareto delineated what is commonly called the “80/20 Principle.” He determined that 80% of the wealth in any society is owned by 20% of the citizens. This concept is commonly translated to business today: that 80% of sales are made by 20% of the sales representatives.



## WHAT IS A GOAL?

Compensation plans over the years have not countermanded Pareto’s thesis because of their top-down nature. Where quotas and objectives are mandated by management, most sales people will not improve their performance to take full advantage of the earning opportunity. They will not change because they have no emotional connection to the opportunity and because they did not participate in choosing the goal. It is unfortunate, but probably inevitable, that the 80/20 Principle will not change where quotas and bonus plans are concerned. However, it need not be the case with other incentives.

### **The Use of Goal Setting in Business**

The most common use of goal setting in business is in the establishment of quotas, incentive plans, and compensation bonuses. As a rule, such goals are established unilaterally by management. And, because the process is top-down, with little or no opportunity for negotiation or dialogue, these goals are often rejected or ignored, and thus have little or no impact on individual performance and effort level. The end result is that, at the end of the year, fewer than 35% of salespeople typically reach their assigned quota.

## GoalQuest® METHODOLOGY

### A Proven Design for Success

BI WORLDWIDE, a leader in performance improvement for over 60 years, has developed and patented an incentive methodology that implements goal setting within a direct or indirect sales channel. The system, called GoalQuest®, integrates proven goal-setting principles and an interactive website to

...When given the opportunity, most people will set higher goals for themselves and will be more committed to the goals they set.

capture individual goals selected by those enrolled in an incentive program. Once launched, website operation is controlled by proprietary software that tracks performance, prepares reports, communicates progress and issues rewards for goal attainment.

### Engaging More of Your Sales Team

Many companies traditionally offer incentives with flat payouts and no requirement for participants to strive for specific goals. The same rules and rewards are offered both to the top salesperson and the rookie. This makes the goals for newer salespeople seem impossible and they mentally “check out” of the program. The inevitable result is that only the top 10% or so of the sales team actually provides any incremental effort and productivity.

For ten years GoalQuest results have shown that implementing a personal goal-setting incentive results in the engagement of many more salespeople at all levels of productivity. Top, middle and lower performers all become engaged to create incremental results. Results have also shown that, when given the opportunity, most people will set higher goals for themselves, and will be more committed to the goals they set.

Only the participants themselves can assess the possibilities and decide the extent to which they're willing to tap into their energies. So it's logical that, when given the opportunity to participate in setting their own goals and reward levels, they are more likely to become engaged.

GoalQuest drives performance by engaging the emotions of participants through personal commitment to a goal. This model challenges the 80/20 Principle because participants are engaged through the power of personal choice.

### **With GoalQuest it's "All-or-Nothing"**

The GoalQuest design uses an all-or-nothing achievement structure. This approach is already used by most companies in one way or another.

Any company that offers a travel program for top performers already utilizes this tool. For example, performers who qualify can earn a trip to Hawaii. Falling short of the qualifying level means no reward, and exceeding it does not enhance the reward: it's still just Hawaii.



### **Risk Versus Reward**

GoalQuest methodology depends on two key operatives: risk and reward. With GoalQuest, the risk of falling short of the self-selected goal is to earn no reward.

Without this risk, program participants would be unlikely to strive to perform at or above the level they've selected. If they earned a small award for every sale they made rather than earning a large award when they achieved their goal, they would begin to tire before the end of the program and many would become satisfied with the "earnings to date." When that happens the incremental effort stops. In a GoalQuest program the participant's earnings are zero until the self-selected goal is attained.

Participants who might otherwise aim low realize that doing so will dramatically reduce their earnings if they succeed in achieving higher results.

One might expect participants to sandbag or shoot low when selecting a goal since failure to achieve a higher goal means earning no reward at all. In reality this does not occur because the value of the rewards increases dramatically as the risk increases.

In the over 600 GoalQuest programs operated to date, approximately two-thirds of the participants have selected one of the two higher level goal choices. Participants who might otherwise aim low realize that doing so will dramatically reduce their earnings if they succeed in achieving higher results.



GoalQuest®  
...at a glance

	Required Performance	Achievement Reward
Level 3	<b>Baseline +30%</b>	<b>120 AwardperQs</b>
Level 2	<b>Baseline +20%</b>	<b>60 AwardperQs</b>
Level 1	<b>Baseline +10%</b>	<b>20 AwardperQs</b>
Baseline	<b>Baseline Productivity</b>	<b>No Award</b>

## GoalQuest Design Basics

In a GoalQuest program, participants are required to select a personal goal from three pre-determined “levels” enumerated in the program rules. See ‘GoalQuest...at a Glance’ graphic.

Goals are always incremental to a “baseline level” that represents the individual’s personal run rate (baseline) or expected sales for the coming period. Associated with each selectable goal is a reward value offered for achievement of that goal. Reward payouts escalate

rapidly as the goal difficulty increases. This adds to the attractiveness of the higher goal levels and provides the motivation to select a riskier goal.

### Increase Engagement by Leveling the Playing Field

An all-important key to effective incentive design is being realistic when determining the basis for individual baselines. Effective baselines represent the most realistic level of sales that a salesperson would achieve if no incentive program were operated during the designated period. Because it is impossible to determine future results, historical actual results are the most commonly used baselines.

All-or-nothing imperative: hit and earn—no consolation awards

Results for the same quarter last year or the average 90-day sales by individual are typical baselines. Historic results may be adjusted up or down to reflect market or company trends. Regardless of the specific method used, the final individual baselines should be the realistic best estimate of future productivity.

When realistic baselines are used for an incentive program they have the impact of “leveling the playing field of opportunity” to a large degree. Top, middle and lower-third salespeople are presented with goals that reflect their personal situation and offer the opportunity to earn more for producing more. In short,

baselines bring everyone into the game. New salespeople, who often feel left out at a time that is critical to their career, have a chance to receive the recognition and rewards they crave in their new position.

### **Goal Levels Represent Results Above Expectations**

Once personal baselines are established, three goal levels requiring incrementally greater growth are defined. Goals may be stated as a percentage, dollar or unit increase over baseline. Effective goals are attainable stretch goals that represent realistic growth. An attempt to solve a sales deficit by constructing unrealistically high goals only serves to frustrate participants and creates a backlash of resentment rather than a wave of excitement.



### **Worth the Effort?**

The other half of the risk-reward equation is the value you're offering for increasing sales results. Reward values must be directly related to the annual income levels of the participants and the length of the incentive program. The database of GoalQuest participant results has allowed BI WORLDWIDE to develop a specific equation that points to the most efficient level of rewards for any given audience. Substantially lower rewards fail to motivate the full sales force and rewards in excess of the guidelines just lower your program ROI without netting additional sales.

Risk vs. Reward:  
rewards for highest goals must be substantially higher than those for lower goals

Here is an example of a risk-reward performance plan:

Self-selected Goal	Risk	Reward
<b>Personal baseline plus 100 units</b>	<b>HIGH</b>	<b>1,200 AwardperQs</b>
<b>Personal baseline plus 75 units</b>	<b>MODERATE</b>	<b>600 AwardperQs</b>
<b>Personal baseline plus 50 units</b>	<b>LOW</b>	<b>200 AwardperQs</b>

# IMPROVING SALES TEAM ENGAGEMENT

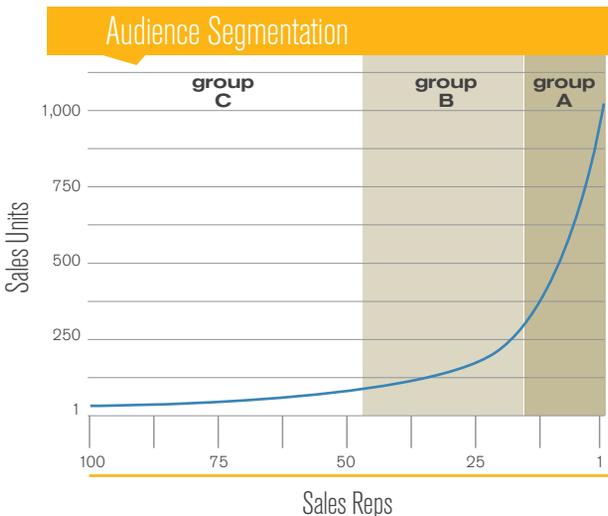
## One Size May Not Fit All

Baselines, realistic goals and appropriate rewards are often enough to assure strong results and a great overall program. But, with some sales teams, there is another dynamic that will limit program results if not addressed.

If the difference in sales run rates (baselines) from the high producers to the lower one-third of producers is dramatic (at least 10-to-1), the “field-leveling” impact of baselines may not be enough to present each salesperson with fair and motivating goals and have those goals be profitable and fair to the company.

The GoalQuest approach to this issue is the design's ability to segment a sales audience into two or more groups by baseline. Each segment is presented with its own set of goals, similar to the other groups, but with incremental goals adjusted for the average performance level within the group. This is the final design ingredient that helps every member of the sales group become engaged.

The chart below shows a sample of audience segmentation. The curve shown represents the stack-ranked actual sales level of participants using the baseline period. Natural breaks in volume, represented by sharp slope changes, suggest possible locations to segment the audience.



## Goal Selection and Achievement Results

The most popular goal choice is goal level 3 (the most challenging goal). Of all GoalQuest participants, those selecting level 3 are also the most likely ones to achieve their goal.

Sound illogical? At first blush it is. But consider that these salespeople were shooting for

rewards 2-6 times the value of those selecting lower levels. In actual programs over 40% of those selecting level 3 achieved or exceeded it!

Success at goal levels 1 and 2 is well above that of typical incentive programs as well. Over 35% of those selecting lower levels have achieved their goals. In total, approximately 41% of all participants have achieved their goals...and remember that all of the goals in a GoalQuest program are incremental to personal run rates (baselines). These results clearly show that the 80/20 "rule" can be overcome using the GoalQuest incentive design.

So what about those who missed their goals? We've learned two important facts from our GoalQuest experiences:

1. Non-achievers rarely blame the company or the program administrator for their failure. In post-program focus groups non-achievers consistently made statements like "I guess I was too aggressive in selecting my goal." In essence this shows that self-selected goals really do create a higher level of ownership and commitment. Since they selected the goal they take the responsibility for not achieving it.
2. Even non-achievers benefit. Because most companies offer additional compensation for incremental sales, those non-achievers who were able to increase sales but fell short of their self-selected goals still saw increased earnings. Perhaps even more important is that they showed themselves and their company that they could stretch their personal "envelope."



### **Involving Sales Managers**

Recognizing the impact sales managers have on results it's always a good idea to have them assisting their team in achieving personal goals. Equally important is making sure that they are not involved in suggesting goal selections for their salespeople.

When a salesperson selects a personal goal it increases engagement. But if their sales manager is part of the selection process the goal becomes the manager's instead of the salesperson's and much of the engagement is lost. We often suggest to sponsors that they don't release the manager rules structure until after the goal selection period is over so that sales reps are not influenced by their managers.

Managers can select personal goals for their office, district or region level in a GoalQuest program. Alternatively, we often stack-rank manager performance and award the top producers. This approach injects a competitive ingredient into the program, but only at the managerial level.

### **What Happens After the Program Ends?**

Post-program sales levels do not immediately drop to the pre-program level. This extends the period of sales growth.

We often are asked what happens to sales levels after the program ends and the goal achievers receive their awards. Do sales return to their former pre-incentive levels or remain at the higher program levels?

Usually we see an eventual return to the pre-program sales level plus a small increase. The related question is, of course, “how quickly do they decline?” We continue to gather data to identify the slope of the post-program sales curve. We have identified the factors that we believe impact the slope. Factors diminishing the slope (slowing the sales decline) include longer sales cycles, greater levels of technical knowledge by the seller and buyer, higher unit price and higher product differentiation. In other words, if your sales team sells expensive, unique and technical products, the momentum created during the GoalQuest program will continue much longer than if the sales profile was significantly different.

### **Can We Run GoalQuest Programs Back to Back?**

All incentive programs, including GoalQuest, have to address issues when they are planned to be operated one after another. Most commonly the central question has to do with salespeople “timing” orders to their own advantage. Often the best way to address this is to change the focus of the incentive from program to program so that timing of orders has no benefit. If this isn't possible, we recommend a 30-day gap between programs to “flush out” any lagging orders. Lastly, if a gap is not practical, we'd suggest a “fast finish bonus” that pays extra for orders coming in at the end of a program, thereby making it more valuable to turn them in rather than holding them for the next quarter's program.

## WHERE GoalQuest FITS BEST

### Right Audience, Right Timing

GoalQuest isn't intended to fit every situation. In some market or sales situations, it simply isn't practical to have participants set goals. In order to set aggressive goals, each participant must have a mental picture of just how much he or she can stretch personal performance.

If the program focus is on a completely new product with no track record, or if the selling environment is in a state of flux, participants will have little confidence in what goal to select. In these cases participants may become overly conservative in a goal-setting rules format.

At the same time, GoalQuest has worked extremely well with some groups not considered to be "traditional" sales groups. For instance, call center teams working in customer support may have the opportunity to increase service sales due to their frequent customer contact. Many of these employees enjoy the opportunity to earn awards and will step up to the challenge in a self-selected goal incentive.



### Incentive Program Realities

GoalQuest embodies many best practices proven over the years. Any incentive program, GoalQuest or not, succeeds or fails on these realities:

- ✔ Maximum sales lift only happens when everyone has a fair chance to earn an award. If you design a program with a maximum of 10 winners you won't have more than about 15 salespeople believing they have a shot.
- ✔ Offer the widest choice of awards you can and you'll attract the most interest. We're all different and we all have different wants and desires.
- ✔ Every salesperson wants to succeed and be recognized. The better your incentive rules address the middle players, the harder they'll try to increase results.
- ✔ Keeping incentive programs focused on a few products rather than many leads to more effective planning on how the goals will be achieved.

- ✔ Reward values are most effective when tied to program length and participant income levels. Minimal reward values lead to minimal or no effort.

GoalQuest is an effective solution for many incentive opportunities.

## IS GoalQuest RIGHT FOR YOUR TEAM?

GoalQuest is an effective solution for many incentive opportunities. However, to deliver maximum results these conditions should apply:

- ✔ The sales cycle length is 90 days or less
- ✔ All-or-nothing reward structure is acceptable
- ✔ Participants are measured and have the knowledge and skills to succeed
- ✔ Risk taking is acceptable within the corporate culture
- ✔ Participants have sufficient information to forecast goals
- ✔ Rewards meet the established GoalQuest guidelines

### **We Support Your Success**

Even the most exciting program structure can fail to reach its full potential if participants are not engaged through compelling communications and frequent, accurate feedback. This is even more critical in the highly-focused, short-term GoalQuest environment.

With just 90 days or less to perform, participants must be clear on the program rules, goal choices, and rewards. And they must receive, or be able to access, timely and accurate feedback on their personal performance to fully impact the program goals. An effective GoalQuest program includes a comprehensive communications plan that includes:

- ✔ A program theme
- ✔ A high-impact program announcement
- ✔ On-going communication to reiterate the message and let participants know how they are progressing towards their goals

That which can be measured  
can be improved.

At the GoalQuest website each participant may browse the online catalog of available rewards and even select a particular item as their personal target. If participants are part of several

GoalQuest programs, we maintain an online bank account for them to make reward purchases even easier.

Finally, every GoalQuest program has a BI WORLDWIDE Account Manager assigned. The Account Manager is responsible for day-to-day program management.

## IT'S YOUR MOVE

If you're interested or curious about how well GoalQuest would work with your sales channel, just contact the BI WORLDWIDE Business Development Director who sent you this booklet. BI WORLDWIDE has GoalQuest-specific product managers who will ask for information about your products and sales team to provide an initial GoalQuest design. As part of this design they will produce:

- ✓ A recommended rules structure with goals and rewards
- ✓ An estimate of sales lift in units or dollars
- ✓ An estimate of how many participants will achieve their goals and what the estimated awards cost would be
- ✓ An estimate of the overall program ROI



“Goals help you channel  
your energy into action.”

Les Brown

Once this initial design is complete your BI WORLDWIDE Business Development Director will work with you and the product manager to refine it to meet your specific needs.

### **Recommended Reading on Goal Setting:**

Appelbaum, Steven H. "Self-efficacy as a mediator of goal setting and performance: some human resource applications." *Journal of Managerial Psychology* 11 (1996): 33-48.

Cowan, Howard B. "Maintain or regain your peak selling performance." *Selling* (August 2001): 1.

Faten, Moussa M. "Determinants and process of the choice of goal difficulty." *Group & Organization Management* 21 (1996): 414-439.

Hollensbe, Elaine C. and James P. Guthrie. "Group Pay-For-Performance Plans: The Role of Spontaneous Goal Setting." *Academy of Management Review* 25 (2000): 864.

Kivetz, Ran, Urminsky, Oleg and Zheng, Yuhuang "The Goal-Gradient Hypothesis Resurrected: Purchase Acceleration, Illusionary Goal Progress, and Customer Retention." *American Marketing Association* (2006)

Klein, H. J. "Further Evidence on the Relationship between Goal Setting and Expectancy Theories." *Organizational Behavior and Human Decision Processes* 49 (1991): 230-257.

Latham, G.P. and E.A. Locke. "Self Regulation through Goal Setting." *Organizational Behavior and Human Decision Processes* 50 (1991): 212-247.

Wright, P.M., "An Examination of the Relationships Among Monetary Incentives, Goal Level, Commitment, and Performance." *Journal of Management* Vol. 18 No. 4 (1992): 667-693.24.

### **For More Information on BI WORLDWIDE:**

- Visit our website at: [BIWORLDWIDE.com](http://BIWORLDWIDE.com)
- Call us at: 952-835-4800
- To obtain a copy of an informative white paper on the effectiveness of individual goal setting by Dr. Timothy J. McCarthy, Ph.D., write to us:

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