How Can Managers Best Establish Sales Goals?

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Q: How can asset management executives establish realistic sales goals for their sales professionals when institutional clients and prospects are the focus?

A: With the new year well under way, senior management teams across the country are preparing, or have already released, their business goals for the year ahead. Sales professionals are often frustrated by the seemingly arbitrary process that institutional asset management firms employ when it comes to sales planning.

For example, we recently had a conversation with an emerging manager eager to grow its business. The firm has a strong foundation in place, with experienced professionals, a disciplined investment process, respectable performance and solid infrastructure. After five years in business, the firm had $175 million under management. The CIO believed that his outfit was ripe for growth, but it had to properly position itself to win mainstream searches in its asset class to jumpstart the next stage of the firm's long-term business plan. His research suggested that his firm had to reach $300 million in assets under management to compete more effectively for those mainstream searches. All things considered, we believed his premise was reasonable until he revealed that his firm's sales goal for the year was $125 million.

Remember, after five years in business, the firm had only $175 million. We asked the CIO why he believed it was appropriate to assume that his sales team, whose historical growth rate was a respectable 15%, could achieve – with no additional resources or investment – a 71% growth rate for the year? The reply was complete silence. Clearly, this CIO needed to set aside personal ambition and rethink what his firm was realistically set up to accomplish over the short term.

In addition to setting unrealistic sales targets, another common error is simply extrapolating past results into the future. The oft-heard phrase "past performance is not indicative of future results" also applies to the sales side of the firm. While it may be easy to simply add 20% to last year's new business results, doing so ignores a myriad of macro and micro factors that will likely affect a firm's performance over the course of the year. We understand that setting ambitious, aggressive goals is often imperative, but a careless plan that ignores market realities sets a firm up for disappointment.

From experience, we know that it is critical to set short-term, tactical goals that dovetail with a firm's longterm objectives. When we create sales goals for our investment manager clients, we link the short- and longterm goals together in a way that provides clear and measurable milestones that accurately reflect a firm's progress. We have learned that such an approach allows us to constantly review and refresh both the action plan and our expectations, as needed.

Some of the metrics we use to measure performance are dollars raised, site visits to the manager's office, video conference calls, searches and final presentations.

Most importantly, it is essential to develop sales goals in a collaborative process – they should not be presented as an ultimatum from senior management. Our experience has shown greater success is achieved when the sales team is an integral part of the development of sales goals. We have witnessed countless examples of the resentment that results when a memo from senior management unilaterally dictates the sales quota for the team. It is especially frustrating when senior management leaves it to the sales team to figure out how to hit the target. As we all know, the days of "just see more people" are in the past, as gatekeepers, consultants, intermediaries and investors are busier than ever and more protective of their time.

Asset management firms must approach goal-setting with more forethought and nuance than in the past. Realistic goals will take into account a firm's past performance in the context of current and projected economic conditions, as well as existing infrastructure. They should have tangible short-term milestones that measure progress beyond the simple "dollars added" metric. And perhaps most importantly, it must be a collaborative process involving all of the firm's stakeholders.

Remember, unrealistic, poorly conceived goals do nothing but set a firm up for needless frustration, disappointment and strife. Realistic sales goals, on the other hand, can help to motivate a talented sales team.

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