

May 15, 2020

Managing Your Sales Incentive Plans through a Global Crisis

The COVID-19 pandemic continues to severely impact the global economy as the world stays locked down. Countries are continuing to mandate quarantines and social distancing practices to contain the pandemic. The impact and magnitude of this crisis on the economy has created great uncertainty. A question many companies are struggling with today is how to handle their sales force, especially since the majority of these employees earn their living through incentives and commissions.

It is important to recognize that although we are weathering the same storm, not everyone is in the same boat. Sales team members who rely on face-to-face interaction and extensive travel had their world flipped upside down as it came to a startling halt. The ability to foster relationships, generate new leads, and demo products is limited to phone, emails, and video chats. Other sales team members are falling into windfall situations selling products in high demand industries, such as sanitizers, cleaning equipment, and personal protection equipment. Both circumstances can cause the sales incentive plans to deliver pay at levels that were not planned and require a review of plan designs.

Assets and Business Strategy

Before diving into revamping a sales incentive plan, it's important to first think about the overall business strategy. How has the crisis impacted your company and is it time to re-pivot the strategy? In addition, it is important to check-in on the most important assets of any company, its people. Below are questions to consider:

- How has demand for our products changed?
- Do you have a pulse on your talent?
- Is the company providing the right tools and technology to maximize employee potential?
- Are we structured properly support the “new” environment?

- How has the crisis impacted employees mentally?
- Are channels of communication open and transparent?

Sales Incentive Plans

Once you review the business strategy and determined the “new normal”, it would then be an appropriate time to redesign or tweak the sales plan to ensure that it continues to align with the overall strategy. It is clear that in more cases than not, sales forces are taking financial hits. According to recently published surveys, it is expected that over 70% of companies expect COVID-19 to negatively impact on sellers’ pay by at least 5%. Companies need to determine how they want to intervene and adjust their employee’s potential earnings.

Some key avenues to explore are:

- Paying draws to make sales employees “whole” or “partially whole” so they do not suffer from a financial hardship;
- Using historical performance measures and results rather than current year sales;
- Reducing quotas based on a revised business outlook;
- Enhancing rewards through team goals rather than an individual focus;
- Adding sales performance incentive funds (“SPIFs”) where possible;
- Addressing windfall or bluebird situations, where the terms and provisions of incentive plans do not adequately reflect the possibility of unusual situations, such as the COVID19 pandemic, that may result in excessive and unwarranted payments due to sales team members;

- Ensuring high performers have the opportunity to earn previous pay levels and provide retention elements into their pay mix as they may be poached by competitors; and
- Pausing a sales plan completely and allow for discretionary payments based on business development activities.

We are living in a world where there is more uncertainty than ever, but we must hope that there is a turn around the corner. When the economy starts to come back, companies who are proactive at retaining their sales talent will come out of this stronger and on top.

Questions? Please contact Jen Givens at Jen.Givens@findley.com or 216-875-1944 or Tom Hurley at Tom.Hurley@findley.com or 419.327.4143