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# Managing Sales Compensation Amidst Growing Economic Uncertainty and Volatility

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*As the humanitarian and economic impacts of COVID-19 continue to grow, organizations are actively reevaluating their business plans and sales targets. Below, our experts share insights on the warning signs to look for, along with short-term actions you can take to relieve pressure.*

Around the world, the rapidly evolving COVID-19 pandemic is upending the best-laid plans of sales leaders. Employees, customers and prospects alike are all adjusting to significant disruptions in their professional and personal lives. Adding to this challenge is the fact that the ultimate scale and duration of this pandemic is still unknown, which makes it difficult to assess how best to adjust sales compensation plans and targets.

Unfortunately, while a slowdown in sales productivity due to the COVID-19 pandemic is inevitable, the pressure on sales forces to produce results has never been greater. These pressures include the need for sales team members to address their own personal challenges, while still driving revenue and also supporting customers who have never needed more help and guidance. As a result, organizations are quickly looking for sales compensation solutions to help them offer reasonable downside earnings protection to salespeople, while also protecting company cash flow.

Importantly, we must also remember the COVID-19 pandemic presents unique challenges for every industry, with varying degrees of impact across geographies. This is not a one-size-fits-all crisis. For example, in some cases, field salespeople simply cannot work, either due to government orders to stay at home, or because their customers have asked for a suspension of sales activities (e.g., as is the case for hospitals and healthcare providers). Every company must analyze the breadth and depth of the specific challenges they face, including whether meaningful local market variations exist.

In this article, we examine the warning signs sales leaders can look for as they analyze the specific conditions of their organization, along with the levers they can pull to help manage the impact of COVID-19 on their sales forces while also protecting the bottom line.

## Warning Signs

If your organization is experiencing any number of the warning signs cited below, then it is worth considering adjustments to your sales compensation plan and/or quota assignments, especially if your sales incentive program is tied to goal achievement.

- **Do your leading indicator metrics show a decline in sales force activity?**  
In this environment, if you wait for results from lagging performance indicators (i.e., end of period results), it is too late. Focusing on key leading indicators, such as pipeline activity, new leads, meetings (or video conferences or calls for the time being), lead-to-opportunity conversion, pipeline weighted value, proposal submissions, win rates and time to close, is key at this time. These metrics will yield crucial insights into the health of the market.
- **Are aggregate revenue and/or profit measures well below quota?**  
If first quarter sales results, before the full economic toll of COVID-19 will hit much of Europe and North America, are far below forecasts, this is a clear sign that something is amiss. Confirm that your first quarter underperformance is a true aberration from prior year results and not a deeper problem with quota expectations.
- **Are you observing an increase in quota adjustment requests?**  
Watch for a significant spike in the volume of requests, particularly from historically strong performers. This is a clear sign of unease in the sales population.
- **Do you observe too few sales reps performing at quota?**  
A typical performance distribution will see 55% to 60% of the sales force perform at or above quota. To gauge performance, look at either stack ranking sales people based on individual quota achievement or create a performance distribution that compares year-to-date performance with the same period from the prior year.
- **Do you observe too many sales reps performing below threshold?**  
The threshold (i.e., the minimum performance level required to earn any incentive) is typically modeled for the expectation that 90% to 95% of the sales force will exceed that level. Be wary of 25% or more of the sales force performing below threshold.

We all know sales compensation management requires leaders to actively monitor results, but in this environment, being proactive about leading indicators vs. waiting for regular reporting on periodic results is key for evaluating whether sales compensation plan changes might be needed.

## Short-Term Changes to Consider

Now that we've discussed warning signs that should spring sales leaders into action, how do you know what steps are appropriate for the challenges at hand? While it is generally not advisable to make changes to a sales compensation plan within a plan year, updates may be necessary to keep a sales force engaged and motivated during these extraordinary times. The short-term solutions highlighted below must be considered in the context of a given organization's current approach to sales incentives. The most effective short-term solutions will help your sales organization stay focused and incentivize sales reps to continue selling and working toward their goals.

Potential short-term solutions include:

- Extend ramp times for new hires (including incentive draws, earning guarantees and/or reduced performance expectations);
- Offer temporary non-recoverable incentive draws or earnings guarantees (mitigate a portion of incentive loss due to performance shortfalls);
- Shift from annual goals to short-term goals; note, you may need to revise performance expectations to accommodate shorter measurement periods;
- Reduce minimum performance threshold levels on primary sales measures to make it easier for reps to get “in the money”;
- Adjust the payout curve to either mitigate exposure or provide additional rewards;
- Index the territory quota achievement around either the national number or the median performer; performance level shifts to 100% of quota while maintaining the same performance distribution around it (this assumes that all territories have equal access to the market/customers);
- Shift a portion of the target incentive away from territory performance to a broader measure of team performance (e.g., regional or national) to reduce volatility at the territory level;
- Shift a portion of the target incentive to activity-based measures to keep reps engaged on productive pipeline-building activities;
- Reallocate budgeted funds from recognition programs and sales contests;
- Implement quota relief by adjusting goals in current performance periods and reallocating them for later periods (this assumes that an uptick in quota that will be seen in later performance periods); and
- Consider a retention bonus for reps who are contemplating a move to a lesser-impacted industry or company.

To help determine the right adjustments or solutions to implement, establish a strong governance framework that includes a dedicated cross-functional team with the responsibility to review, approve, document and communicate all changes. Test the potential impact of the proposed changes to both individual salespeople and to the company through a thorough impact analysis of various performance and payout scenarios.

## Next Steps

Regardless of the course of action you choose to take, it is important to actively communicate management’s expectations and support. Whether or not sales compensation plan or quota changes are made, visible and vocal sales leadership is crucial in tough economic times. Be clear with performance expectations. Regularly communicate management’s commitment to leading the team through uncertainty. If the plan is changed, over-communicate the rationale for the change and the objectives for the sales team, as well as for the sales compensation plan itself, for both the near-term and the balance of the plan year ahead.

## Additional Resources from Aon

For more information about how businesses are responding to the current pandemic, including stakeholder communication, health and benefits impacts and business continuity planning, please see Aon's COVID-19 Response Site [here](#).

To download complimentary results of our pulse survey on Navigating the Impact of COVID-19 on Workplace and Rewards Practices in North America and Europe, please [click here](#).

For more information about how total rewards are being impacted by COVID-19 across all industries, see our recent article [Considerations for Your Total Rewards Strategy in Response to COVID-19](#).

Finally, to learn more about effectively managing sales compensation in the face of economic uncertainty, please reach out to one of the authors or write to [rewards-solutions@aon.com](mailto:rewards-solutions@aon.com).

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