



# Sales Compensation in a COVID-19 World

## The Big Story

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We are seeing the economic impact of the COVID-19 pandemic on businesses worldwide. From Wall Street to Main Street, every industry has been touched. The crisis has sent companies into a tailspin—grappling with everything from rethinking go-to-market plans to relocating operations to employee homes. In some cases, businesses have been shut down altogether. The pandemic has prompted widespread cost and risk mitigation measures across the globe that include reduction and elimination of variable costs, as lost opportunities are being realized and customers continue to negotiate pricing and contracts.

### THE BIG STORY

SalesGlobe in partnership with WorldatWork, conducted a global survey of more than 350 companies to understand what they are doing to respond to their customers (the external view), to communicate to the sales team (the internal view), and to manage incentive compensation. We will take each one of these key areas and break down what your peers have said and what we believe companies can do now to navigate these unknown waters.

### The Big Story



### CUSTOMERS

At the time of the survey, half of the respondents said their sales strategy had shifted from selling to helping their customers. Understanding the current state and how they can help and remain relevant has been key. To bring this story to life, here are a few strategies we have heard about during SalesGlobe’s weekly round table.

- A global technology company successfully relocated more than 8,000 employees from offices into their homes in less than one full working week. They discovered that their global technical team is quite adept at relocating operations securely, safely, and quickly. So they began to offer this as a service to their clients.
- A large software company’s service — based on flat fee plus usage aimed at the B2C retail, restaurant and hospitality — saw its “usage” was at a record low. Their

customers could not even afford the flat fee, as operations had slowed down significantly or completely stopped. Rather than renegotiating payment terms, leadership offered to waive all fees in exchange for contract extensions for the same time period as fees are waived.

Salespeople are checking in with customers to see how they are faring in this environment and asking what they can do to help. Although you might not have an answer for their business issues, you can benefit your customers by listening and sharing what you are hearing in the marketplace and what your own company is doing. Now more than ever, any information that you can bring to the table is welcome and valued. Asking your customers how their business is changing and engaging them in conversations that can help them rethink their business is helpful. This is a great time to think about your strategy. What do you want to be to your customers? Why will they want to do business with you? How do you want to be seen in the marketplace?

## COMPENSATION

In our survey, only 15% of respondents said they were actually doing anything to change incentive compensation or quotas for the sales organization. Here is what companies are doing to manage cost and risk mitigation effectively:

- Salary decreases up to 50% and some deferral for executives and senior level personnel
- Across the board salary decreases of 10-20%
- Temporary cessation of 401K matching programs
- Possible changes in corporate bonus programs based on company performance
- Headcount reductions. Most of the companies we are talking with are using the following logic to support headcount reductions:
  1. Performance focused on the 10<sup>th</sup> percentile
  2. Tenure
  3. Temporary furloughs for nonessential jobs
  4. Across the board cuts if necessary once the other three factors have been considered.

As companies begin to look at the incentive compensation plans, we know they are focusing primarily on three areas:

- Adjusting quotas
- Adjusting performance measures
- Lowering plan thresholds.

Here are a few considerations for you to think about as your own organization may be looking at these areas internally and trying to determine what to do.

**Quotas.** The first thing companies think about is how they can lower the goal and still manage their cost of sales appropriately. For those with an annual goal, breaking this down into discrete quarters is one method that can help by providing better visibility into market opportunity. Another consideration is changing quota seasonality. Pushing the quota back into Q3 or Q4 while reserving the right to make adjustments and communicating that to the team is key. Right

now the challenge with forecasting and reforecasting is that in many cases companies can't commit to a long-term quota goal because it's difficult to see around the curve.

**Compensation.** For many companies, there is no clear path to attaining performance measures this year. Some are considering putting in place practices that might not have been relevant pre-COVID-19:

- Milestone achievement and activity based on actions that the team can take today that will bring them closer to building pipeline. This could include needs analysis leading to prototypes or demos, contract negotiations, and revenue beyond the curve. It's a great time to get a head start on account planning. Take a hard look at your customer segments, buyers, and competitors to see how the current crisis is impacting your sales landscape.
- Paying for revenue beyond the curve. For companies that cannot pay today or are not currently using your services, some organizations are paying for contract extensions while giving relief today and providing incentives to customers for renewals beyond the curve.

Whatever actions you choose to take, remember that everything has an associated cost, and some of the decisions mentioned here can be costly to your organization. Before jumping in and making mechanical changes to your plan, gain leadership alignment on your compensation philosophy and have a good handle on what your decisions will cost you in terms of dollars and organizational impact. What is it you expect from your team, and how will they participate in helping you through this crisis? There is no right answer, only the one that is best for you and your organization. Your choices range from building goodwill and keeping the team whole to having them put some skin in the game to help you through the recovery. Just remember that how you treat your team today and how well you communicate your intentions will impact how the team will respond once we have surpassed the crisis and things have settled into the new norm.

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