

## BEST PRACTICES FOR MANAGING SPM SOLUTIONS DURING THE COVID-19 PANDEMIC

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During times of economic uncertainty, companies often recalibrate their sales strategies, requiring changes be made to sales compensation plans and quotas. Since the changes often include multiple approaches (e.g. commission rate adjustments, quota modifications, guarantees), the administrative team will be mobilized to support the discussions around changes and ultimately implement the required changes in the Sales Performance Management (SPM) or Incentive Compensation Management (ICM) system.

While it is impossible to predict what the future holds, there are a number of best practices to consider that will allow you to not only support the design and strategy discussions but also to execute the resulting changes in a thoughtful manner. **Here are our top five best practices:**

### 1 | ASSEMBLE THE CORRECT PROJECT TEAM & A REALISTIC TIMELINE

When preparing to implement changes to your ICM system, be sure to engage all the relevant stakeholders. A project can be significantly delayed without the correct people at the table when planning begins. Here are stakeholders to consider including in the conversation:

- Sales leaders
- Legal
- Compensation administrators
- Testing resources
- Payroll team/Accounting
- Product vendor/Consultants
- Information Technology
  - System admin
  - Database admin
  - Development team

To help assemble the best team, take time to anticipate and think through questions that may come up during this process, and make sure you have the right people at the table to deliver answers that sufficiently address the needs of all business units.

With any changes to an SPM solution, it will take time to model the changes (and provide feedback), configure the system, and ultimately test and promote your changes to the production environment. Too often, teams consider this type of work as “making minor adjustments” and as such won’t develop a project plan that ensures realistic timelines can be set with the sales organization. Once you have your team assembled and understand directionally what changes will be made, it is highly recommended to develop a formal project plan that includes enough time to adequately complete each step in the process.

## 2 | LOOK BEFORE YOU LEAP WITH MODELING & FORECASTING

If the executive team is considering changes to the sales strategy or sales goals, it is important to be prepared to support or lead these discussions. As best-of-breed SPM solutions provide the ability to model plans and quotas (to assess the impact across scenarios), it is important to start preparing your test or modeling environment with data and various scenarios so that you can effectively identify the best approach to address the anticipated challenges.

With changes put in place, it is imperative to have the tools available to test and revise forecasts and to model alternative concepts that align with the changing business landscape. This is often not feasible in a production environment where the clock is always ticking to generate up-to-date sales and compensation numbers for your sales teams to track their progress. One approach to use here is to simply leverage and maintain the testing and QA environment as a place to model out sales scenarios on a go-forward basis. This should result in an easy transition once all your plan changes are in place since all the proper people should already be engaged to prepare the environment for this purpose.



### **AS YOU MAKE THE TRANSITION, BE SURE TO CONSIDER THESE QUESTIONS:**

- Will you still need the environment for continued testing and other activities unrelated to the changes recently made?
- Are you able to load all the same data feeds into your modeling environment as you load into production?
- Who is responsible for forecasting and modeling? Are there people already supporting this effort?
- How will you make use of the information you gain from forecasting?

**Ideally your environment is able to help answer the following questions as you develop various scenarios for the purpose of modeling:**

- What is the anticipated impact on our cost of sales?
- How do these changes impact our top, bottom, and average performers?
- When should we make these changes to ensure the best result?
- What is the impact if we reverse or soften these changes before end of year?
- Will the changes influence any year-over-year measures?
- How do these changes impact other incentive components?
- Will the plan continue to function properly with temporary changes?
- Does system-generated reporting properly display the impact of changes?
- Are there existing caps or minimum earnings that need to be adjusted in conjunction with these changes?

## 3 | LEVERAGING GUARANTEES, DRAWS & SPIFs

While some experts argue that there is a good chance that sales will rebound and potentially make up for the slow months, there will undoubtedly be a heavy interest in exploring ways to support sales reps during a sharp downturn in the market. One approach to this situation is to use guarantees, draws, SPIFs, and manual payments. Many ICM systems already have the ability to support guarantees and draws and simply need to be enabled or modified to meet the current need. Leveraging this approach will require a full understanding of the functional capabilities of your

SPM solution, and it is recommended that any changes be made in a test environment before implementation into production. Please also note that making use of date-effectiveness features will allow you to assign changes to specific pay periods as needed.

As a backup to using draws and/or guarantees, nearly all ICM systems provide the means for manual payments. This approach enables you to implement changes very quickly and without the need for complex modeling or testing that might be required if changes are made to targets, quotas, or core sales plan components. It is important to note that the adjustments can still be loaded and tracked within your ICM solution for audit purposes in the future. Utilizing your ICM application to pay these adjustments gives the team the ability to report and track any changes made and, ideally, display these changes to the sales reps through the solution reports. This approach allows for a relatively quick turnaround time and can usually be supported by existing administrative staff, which makes it an appealing approach during time-sensitive situations.



#### **QUESTIONS TO ASK WHEN CONSIDERING THIS APPROACH INCLUDE:**

- Does your system already have guarantees and draws? (Consideration: With some exceptions, guarantees and draws require purpose-built rule configurations according to your organization's business logic.)
- Are your draws recoverable or non-recoverable, and what approach will be used here? (Consideration: Recoverable draws are a good choice if sales are expected to rebound; they can be forgiven in part or in full if the expected rebound fails to materialize.)
- Does your existing data provide the information needed to calculate the SPIFs being considered?
- Does system-generated reporting display these compensation elements? What will be displayed, and does it need to be modified for clarity?
- How do these plan elements incorporate into the existing system?
- If these are new additions to the system, do they properly integrate into payout files?
- If any salesperson ends up in the red due to the structure of your compensation plans, will those amounts be recoverable or forgiven? Can your system support that?

## **4 | DON'T NEGLECT PROPER TESTING AND MIGRATION PROCEDURES**

In spite of the inevitable pressure for quick implementation of changes, it is important not to rush to the finish line without ensuring everything has been thoroughly tested and all the proper steps are taken to ensure successful migration.

Even in unstable business climates, changes to pay systems should still be treated with the same respect and caution as any system change. Failure to follow normal procedure here could cause additional uncertainty at a time when pervasive uncertainty is already taking its toll. Experience shows that the most successful implementations put as much effort into developing a comprehensive testing strategy as in preparing the initial requirements and design. Unless testing is a priority, projects will suffer from bottlenecks that delay the critical changes or worse, faulty configuration and code go into production.

Make use of your lower (non-production) environments to test your changes before applying them in production (PRD).

### If you have only two environments (PRD and non-prod):

- Make sure your non-prod environment has a current copy of the production plans for which you need to test changes.
- If necessary, work with your vendor's support team to perform a restore (with or without production data) from PRD to the lower environment.

### If you have more than two environments:

- Initially test all changes in the lowest (usually DEV) environment.
- Use a middle environment (usually TST) to validate migration of the changes to a PRD-like environment after they have been unit tested in the lowest environment. Additional UAT may be performed in this environment.
- When testing has passed, promote changes from the testing/QA environment into production.



### SOME TESTING AND MIGRATION-RELATED QUESTIONS TO ASK AS YOU PREPARE TO IMPLEMENT COMPENSATION PLAN CHANGES:

- Have you considered enlisting the support of product experts outside of your organization to help coach and even lead the testing and migration?
- Do you have enough environments available to implement and test the changes?
- What existing projects are under development that may interfere with the changes being proposed?
- Does your project team have the required access to implement and test the plan changes?
- Have you been careful to fully document the changes being put in place from a technical perspective?
- Are you able to transition this effort in the case that a critical team member becomes unavailable for a period of time?

Be ready to revisit and revise your testing strategy as development is under way. There are always unforeseen issues that arise as the project progresses, and they will need to be accounted for during testing.

## 5 | PLAN FOR THE FUTURE

It is hard to predict how long a downturn will last, so it is critical to plan for the future. You may consider developing longer-term options for keeping your sales force engaged and creating value for the organization. Given this uncertainty, we know that companies may start to shift their sales focus (e.g. account development rather than account acquisition) necessitating much larger changes to your ICM configurations.

Although it is unlikely that such large changes are required immediately, it is wise to anticipate those discussions and start assessing your solution's ability to support changes along with how long it will take to configure, test, and deploy.



## TO ENSURE YOUR ORGANIZATION IS PREPARED WHEN THE CHANGES ARE NEEDED, ANSWER THE FOLLOWING QUESTIONS:

- Does your ICM system already have the appropriate data to support the structural changes?
- Have you engaged with your ICM product vendor to ensure support staff is available?
- Do you have a dedicated project team ready to take ownership?
- Do your IT and ICM administrative staff have the bandwidth to undertake these additional pressures?
- Can your existing compensation system support these changes, or do you need to upgrade to a more comprehensive application?

Given the nature of this crisis, the unfortunate reality is that your organization may need to terminate or lay off staff. Regardless of the circumstances, continue to follow the normal procedure that was originally put into place in your ICM system, even when additional staffing-related changes and requirements are being considered. Because there were probably a number of legal requirements surrounding terminations, your ICM system would have been set up to account for all these requirements, helping to ensure that nothing is missed.

It is also advised to verify that there are not any out-of-the-ordinary, government-required legal or regulatory changes in response to this crisis that need to be accounted for.

## CONCLUSION

As your sales organization makes moves to address potential challenges in this uncertain situation, remember the saying: "Cooler heads prevail." If you treat this project with the same rigorous approach as you would any enhancement or plan change, you will position your organization for a successful transition.

### Key points to remember are:

- Investigate approaches that are the easiest to implement and have the desired impact.
- Make sure you have the right people engaged.
- Carefully plan and document your requirements and technical design.
- Create a testing strategy early, and routinely revisit the strategy to revise as necessary.
- Give your teams the environments and resources they need to succeed.
- Create reasonable timelines for development and testing.
- Carefully track and document your migrations as you deploy key elements into production.
- Be ready to revisit the outcomes and prepare for more changes down the road.
- Consider procedures for terminations during these special circumstances.

## ADDITIONAL RESOURCES

For additional COVID-19 related resources, we have shared some links below that are helpful. These resources will help answer questions and provide guidance related to SPM/ICM best practices during the pandemic:

***A Sales Compensation Response to COVID-19*** by Joseph DiMisa, Korn Ferry Hay Group

***Revenue Leaders Actions for Disruptive Times*** by Alexander Group

***Leading Through COVID-19: Addressing Your Real Sales Challenges*** by Mark Donnolo and Michelle Seger, SalesGlobe

***COVID-19: Should You Protect Sellers' Pay?*** By David Cichelli, Alexander Group

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