EMPLOYING AGILE REWARD STRATEGIES FOR A VOLATILE WORLD
GUIDED DECISION-MAKING

Consider these principles:

- Leaders should lead by example.
- Be direct. Treat people like adults.
- Be balanced with labor cost reductions.
- Remember this situation is temporary.
- “Best practice” is what’s best for you.

Employee well-being is the top priority.
Workforce Rewards

Many organizations are focused on helping their employees and customers with immediate safety and security needs, recognizing the immediate and short-term financial impacts for their businesses:

- Establishing an approach to ensure a safe work environment for employees and customers.
- Providing guidance on good hygiene practices, social interaction/distance practices, and employee information updates.
- Determining how to close offices, stores, and other facilities and adopt work-from-home, or other alternative work arrangements.
- Dealing with customer cancellations and delays in delivering product and services.
A framework to managing labor costs

01 Make needed changes to support labor continuity and business realities.

02 Develop multi-pronged approach.

03 Assess impact of cost management opportunity with employee relations risk.

04 Implement and communicate with care and empathy.
Executive Compensation: Be pro-active

Form Renumeration and Compensation Committees to quickly agree if there is a need for immediate, decisive actions. Committees should seek to understand the impact of 2020 plans already in place, and those about to be implemented.

<table>
<thead>
<tr>
<th>2020 PLANS IN PLACE</th>
<th>2020 PLANS NOT YET IN PLACE</th>
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<tbody>
<tr>
<td>The Committee should monitor this fluid situation, be ready to make course correction(s) during the year, and look ahead to potential changes for 2021.</td>
<td>If nothing has been disclosed, the Committee should consider eliminating executive salary increases.</td>
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Incentive plans

SHORT-TERM:

- Establish adjusted financial goals.
- Shorten incentive plan measurement periods.
- Widen incentive plan payout curves.

LONG-TERM:
Monitor results

The Compensation Committee needs to monitor the current situation closely. There are four ways to do this most efficiently:

- Immediate Committee notification of peer group changes
- Realizable pay analysis
- Monte Carlo simulations on goal attainment
- Equity usage analysis

Organizations might consider doing each of these at least quarterly.
Sales Compensation:
Get organized and anticipate the sales team’s needs

Consider these protocols:

1. Set up an incentive compensation relief team to include HR Leads, Operations Leads, Sales Leads and Finance. This team will manage decisions and review cases on an as needed basis. Obviously, this team needs to be sanctioned by senior leadership and build the business case for expenditures and remediation efforts.

2. Identify affected sales roles or channels that need relief. The whole organization should be considered if the impact of the crisis is felt throughout the organization. If not, specific triggers should be established to identify employees or business development agents in need.

3. Determine policies and methods best suited for your sales organization to ensure the most impact to future sales and the sales resources that will deliver them.
Get organized and anticipate the sales team’s needs:

- Set up an incentive compensation relief team.
- Determine policies and methods best suited for your sales organization.
- Identify affected sales roles or channels that need relief.
Temporarily adjust sales compensation design

1. Increase ramp times and periods for new sales reps.
2. Redefine acceptable performance levels.
3. Provide non-recoverable draws (guaranteed earnings) for a predetermined amount of time.
4. Lower threshold performance levels on primary sales compensation measures.
5. Provide special incentives and spot awards (use cash versus non-cash awards) to sales reps for continued business development efforts.
6. Provide quota relief on new business or revenue measures.
7. Shift incentive measures to customer relationship, service, quality.
8. Shift incentive measures to activity-based measures.
9. Shift sales reps focus to retention, usage, and consumption efforts on previously sold products and services.
10. Lower target excellence levels for top performers.
11. Increase accelerated payment levels.
12. Remove performance linkages on multiple measures.
13. Move from billed or collected revenue to new contracts and new logos.
14. Review your measurement and payout periods to ensure they are well aligned with the current environment.
15. Provide a stay bonus if there is a creditable threat of sales reps leaving.
Thank you