

Business Best Practices for Surviving a

GLOBAL ECONOMIC

CRISIS



PHOENIX 2.0
IT WITHOUT THE DRAMA



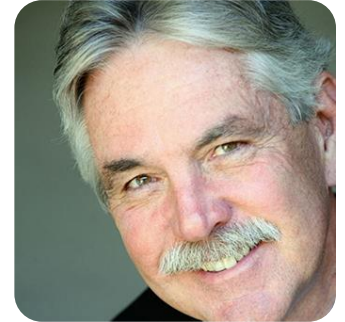
**9 Experts Share Actionable Tips Across Sales,
Operations, HR, Finance, Marketing, IT and Security**

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Introduction

By Don McMahan
President, FlyCloud Consulting, Inc.



This timely collection of best practices in a COVID-19 world is the collective wisdom of some of the best mid-market professionals I have the pleasure of knowing and working with in the San Francisco Bay Area. This team of experts have all been practicing in their respective areas from 10-35+ years and have, of course, accumulated an impressive level of expertise across a broad range of companies, from startups to the enterprise, and industry experiences ranging from low tech to high tech.

This team first assembled mid-year for a series of COVID-related webinars* and now all that great advice is available in both video and eBook formats. These are people I would highly recommend to any company.



*From the *America Is Going Back to Work* [webinar series](#) hosted by FlyCloud Consulting

It is not surprising to any of us as we finish out the year that the challenges we faced in March are still with us now and will carry well into 2021. Although the vaccine is just starting to roll out, businesses are still susceptible to the effects of the pandemic, including the *end of business*. As we all know, the daily news continues to talk about the thousands of restaurants closing as an example of a high visibility sector. The rest of us are conveniently lumped into the general effects of the catastrophe on the economy.

If you want to be in the fortunate group of healthy business survivors, I suggest reading this from cover to cover.

We hope you enjoy the collective wisdom and advice in this eBook and find actionable ideas to help you through. All of us are available for more information on anything you may want to know in navigating these troubled waters.

Thanks for taking the time to let us share our best practices with you.

Special Thanks:

This project would not have been possible without the excellent creative direction and editing from Emily Robertson of Videre Creative Services. She has provided the adult supervision this team needed to deliver both the webinar series and final product of this eBook. Emily is one of the most talented all-around marketing resources I have had the pleasure to work with. A big thanks from myself and the whole team for her dogged support and guidance on this project. Videre Creative specializes in digital marketing with an emphasis on video. I recommend Emily and her company to anyone with a website or project that just needs to be better.

Securing Your Salespeople and Their Productivity

*By Alex Rayter
Phoenix 2.0, Inc.*



**8-Point Security System and
Ways to Cut IT Costs**

Setting the Stage: The Phoenix 2.0 IT Perspective



Phoenix 2.0 is an IT services company that works with:

- Small businesses
- Lower-middle market companies
- Nonprofits
- Law firms
- Large, fast growing startups
- Departments within enterprises that have internal IT folks - we come in and augment their staff

Because we're regularly in touch with most if not all of your employees, we have an intimate vendor relationship. In a normal business environment, we come to the office. Now we're supporting more clients in their homes (we were actually doing quite a bit of that before).

IT has a very unique purview; it's pervasive across the organization. Since in March of 2020 there was this mad scramble to get people set up to work from home. And everybody's home is not set up to de facto become an office. We had to procure a lot of devices and turn up licenses on software. Hence instead of supporting a handful of corporate locations, we're now supporting dozens.

On top that, the proliferation of things like Phishing emails, Ransomware and security breaches, which was already a concern prior to COVID, has increased exponentially. You have people working in the home, out of an environment that has no cyber security built into it. They're potentially using devices that were not meant to be used in a work context and they're using home Internet connections that have no security either.

All of this has exacerbated IT issues and exponentially increased IT workload.

If you look at all the wisdom coming out of the IT and cybersecurity industry, various white papers etc., there seems to be a consensus of about six to 10 different things you can do to significantly remove a lot of the cyber risk off the table and keep your workforce secure –all in furtherance of productivity and positive business outcomes.

Regarding the costs for these things: they're priced the way that Software-as-a-Service and Cloud services are priced, meaning a few dollars a user a month is typically what you can expect. By a few, it means ~\$5 to \$15 per mailbox, per user/ per month etc. And that can add up quickly, but it also doesn't require a large upfront investment.

How do you keep people productive, and to do it in a *cost effective* manner?

1. Mobile Connectivity

It's kind of a fallacy that people are now just working from home. The reality is, people are still very mobile.

For example, our team is still doing office visits and now also doing home visits, so they need Internet connectivity when they're out on the road. Similarly, your employees who are in hotels or traveling rely on coffee shop or hotel WiFi, which is not secure. Sometimes it's simply unavailable or too slow.

This is not a recipe for success.

Recommendation: A mobile hotspot - a dedicated, carrier-supplied device (i.e. Verizon, AT&T) that provides an ad hoc wireless access point.

Turnup Time: 2-7 days + shipping

Rough Pricing: \$25-50/user MRC+
device & activation NRC (non-
recurring cost) (\$100+)



2. VPN

43%

Surveyed IT professionals
who list VPN-related issues as their largest concern

The next important thing is VPN. We've all seen this word, why is it important? With the California Consumer Privacy Act and a lot of other data privacy and security regulations, e.g. GDPR, there are now a lot of mandates that are being prescribed legally for data security and privacy.

We have clients that are not in regulated industries that are now being told by their clients to go through a security audit. Data privacy and security are a top concern. VPN allows for encryption of connections and data, a key cyber security control.

Recommendation: A Cloud VPN delivered through a firewall that allows users to securely connect to data center applications over the public, unsecured Internet.

Turnup Time: Days, up to a week or two

Rough Pricing: A few dollars/user/month + a couple hundred for the main site

3. Email Security

Email is considered the keys to the kingdom. The reason is, if bad guys get into your email inbox, (they may be able to do that because you're using the same password in multiple places and that password has been compromised in another breach, they buy it on the Darkweb, and now use it to get access to your inbox), they can now:

Now they try to use that password. They can lock you out of other things. They can:

- Turn off multi factor authentication or intercept the second factor
- Send password reset prompts for your other systems (e.g. bank) to themselves
- Redirect emails
- Send out emails from your inbox to people in the organization, which will look like they're coming from you, asking for a wire transfer

35,000

Suspicious Domains
related to COVID-19 set
up on
March 16, 2020

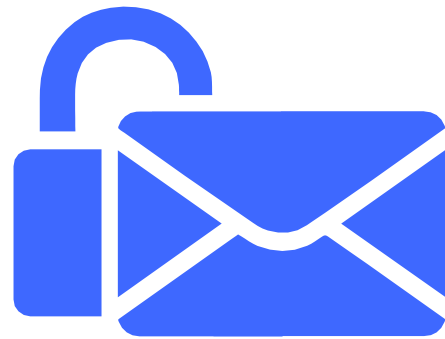
*We see this happen all the time.
Email is sacred - both corporate and personal.*

3. Email Security (continued)

We help clients protect emails by recommending secure email gateways. They provide pre-delivery protection by blocking email-based threats before they reach your inbox. This is accomplished by scanning all incoming, outbound, and internal email communications -including attachments and URLs -for signs of malicious or harmful content.

Threats include:

- Spam
- Viruses
- Malware
- Denial of service attacks (DDoS)
- Phishing
- Business email compromise



Recommendation: Email Security Gateway

Turnup Time: A few days

Rough Pricing: A few dollars/month

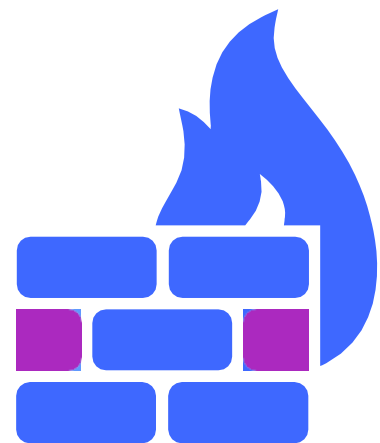
4. Endpoint Protection

As you're either downloading traffic to your device or you're uploading traffic (accessing files, sharing emails, sending documents, filling out forms, etc.), you want to have endpoint protection on your local machine.

Endpoint security is an umbrella term that encompasses varying products, starting with legacy antivirus software like McAfee, Norton, and Symantec. These days, the market has bifurcated into acronyms like NGAV (next-gen antivirus), EDR (endpoint detection and response), and EPP (endpoint protection platform).

At their core, all of these solutions aim to detect and block malicious attacks or software on user's devices, primarily desktops and laptops.

For example, if things get in your inbox or you click on a link and launch an executable program that is malicious, it will attempt to install itself on your local machine and cause further havoc from there. e.g. encrypt your local file share and hold it for ransom. Endpoint protection can typically intercede and prevent that from happening.



Endpoint protection can typically intercede and prevent that from happening. Or after the fact, it can be helpful in cleaning some of the malware out.

4. Endpoint Protection (continued)

When an organization has a cyber incident which rises to the level of being a breach or privacy violation (e.g. data is corrupted, exfiltrated, or is potentially seen by malicious threat actors).

Recovering from that includes:

- Notifying your cyber insurance carrier, if you have one
- Notifying a data security and privacy law firm to potentially figure out what the legal ramifications are
- Hiring a forensics cyber security firm to figure out how the breach happened in the first place
- Cleaning the issue out / removing malicious code
- Restoring data
- Getting the victims credit monitoring
- Protecting yourself from class action by breach victims

4. Endpoint Protection (continued)

Up to
50%

What's at Risk?

Days, weeks and possibly months of 20-50% operating capacity. That could translate to hundreds of thousands of dollars lost.

All of that usually adds up to days and weeks of operating at ~20 to 50% operating capacity because you're so hampered by the damage that's been done. The costs go easily into the six figures depending on the size and scope of the organization. Seven figure breaches are now commonplace.

When we talk to clients about reducing cyber risk, we give some common examples: e.g. if you have highly probable risk event of a high impact severity – like a six-figure loss and several weeks of low productivity – it's something that you need to hedge against? If it's not something you're sure you could recover from with a reasonable amount of effort, i.e. it could be fatal - it's worth considering the risk as unacceptable and getting protection.

Turnup Time: A few days to a week

Rough Pricing: A few dollars/user/month

5. Device Encryption And Management

In PC and Mac laptops, there are utilities like BitLocker and FileVault that are included for free in the professional versions of the operating system, i.e. you can ***turn on hard drive encryption at no cost.***

Encrypting the hard drive on a laptop is key if you're moving around. If you leave it in an Uber or in the hotel room, somebody can pull the data off that hard drive. If the contents of the drive are encrypted, that's virtually impossible.

If the hard drive is encrypted, there's a second factor of authentication that needs to happen that they won't typically have. It's an added layer of protection and it's free.

Some users that are more savvy can probably do self-service with a lot of these things. However, there are times when you may need a little bit of intervention from IT experts and it's a good idea to have a reputable firm on standby.

Turnup Time: Immediate

Rough Pricing: Free

6. Home ISP and Network Protection

To avoid the issue of battling over home bandwidth between working parents and kids that are doing remote learning, we recommend a second internet connection at home.



Comcast, AT&T, Sonic and other providers are now offering business class services in the home. They send out a router that has more secure firmware and functionality built into it. Providers typically allow for more symmetry on the speeds and other kinds of traffic-shaping capabilities that are not available in residential service.

Business Class Internet Services: An expense that's approved for business, so it's easier for you to get reimbursement from an employer.

Turnup Time: 1-3 weeks

Rough Pricing: \$150-500/mo

7. Conferencing and Voice

Instead of traditional corporate-based office phone systems – i.e. a desk phone connected to a phone server in a closet – consider voice over IP and CCaaS (Contact Center as-a-Service). With these new voice offerings, you can get either a soft phone client or a laptop.

Zendesk, 8x8, and RingCentral are good examples. The company sends you a phone that you can plug in and that phone broadcasts your corporate phone number. It's not using the residential home phone line and it's not your cell phone; it looks like a unified communication service that's got one central phone number - your work number.

It's very easy. There's a low minimum for how many seats you need to buy. Nonprofits may be able to get some seats for free. The providers have risen to the occasion and been very flexible with pricing.

They understand that everybody's struggling and trying to be productive.

Turnup Time: 1-2 days for conferencing, 2-5 days for voice/PBX



Rough Pricing: \$10-20 for video conferencing, \$15-25 for voice/PBX; contact IT consultant for significant promotions (i.e. free for three months)

8. Security Awareness Training

Security awareness training is really important. It's the precursor to all these aforementioned things. If users are aware of what phishing emails are, what they look like, what a ransomware attack is, and what social engineering is, they can do a better job of advocating on their own behalf to their employer about what they need to feel safe and be productive.

There's some good free training online. Obviously, the paid stuff is better, because you can roll it out to the whole company in a programmatic way and measure progress. It helps build a culture of not only awareness, but team purpose. Information is gamified, people compete, they win prizes.

52%

IT Departments that list lack of end-user security awareness as the weakest link

What we see with our clients is that once they get an email that comes in and looks suspicious, they will give a heads up to everybody else in the company. People become kind of cyber guardians. And so that's obviously what you want in any company culture.

Turnup Time: 1-2 days

Rough Pricing: A few dollars/user/month

5 Way to Cut IT Costs

During this time, it's imperative to cut costs and preserve cash. One of the areas where this is possible to do quickly is IT. Here are six actions you can take and *see savings within 30-60 days*.



Clean up mailboxes
& software licenses



Review telecom
bills & contracts



Adjust office
Internet
bandwidth and
voice services



Review other IT-
related contracts



Replace hard
drives & upgrade
RAM instead of
buying new
machines



Conduct a print
cost audit, adjust
equipment
leases

Please consult your IT provider or call us for assistance.

Managing Comp Plans & Sales Teams for Growth

*By Don McMahan
FlyCloud Consulting*



**How to Manage Compensation
Plans and Sales Teams in a Crisis**

Maintaining Sales During COVID-19

When talking about sales management, it's always been helpful for me to review a classic book, *The Art of War*, by Sun Tzu. I love this book and those of you who have not read it, should.

“ In the midst of chaos,
there is also opportunity.”
-Sun-Tzu

I've read it multiple times and it's amazing, something that was written more than 2500 years ago has so much relevance today if we apply the basic lessons laid out in the 13 chapters and originally written on bamboo strips.

Wikipedia answers the question, why was it written?

The Art of War (Sunzi bingfa) is a 5th-century BCE military treatise written by the Chinese strategist Sun-Tzu (aka Sunzi or Sun Wu). Covering all aspects of warfare, it seeks to advise commanders on how to prepare, mobilize, attack, defend, and treat the vanquished.

The *New Normal*

More recent advice from a global research paper by McKinsey & Company predicted early this year (before we really knew how global and dramatic the impact of COVID-19 would be) that, “The next normal will look unlike any in the years preceding the coronavirus, the pandemic that changed everything”

“The next normal will look unlike any in the years preceding the coronavirus, the pandemic that changed everything.”

- *McKinsey & Company*

Before long we were all talking about the *New Normal* and now we are living that reality.

As predicted by the McKinsey report in the global analysis about the impact of COVID-19 from a business as well as a health perspective, it will require companies to *plan, to adapt, to survive and prosper in the new normal*. A sad fact: it will never be 2019 ever again.

Company COVID-19 Strategy – Why You Need One

A March 2020 Research Project by McKinsey & Company

Companies need to think and act across five horizons.

The five horizons



1
Resolve

Address the immediate challenges that COVID-19 represents to institution's workforce, customers, technology, and business partners



2
Resilience

Address near-term cash-management challenges and broader resiliency issues during virus-related shutdowns and economic knock-on effects



3
Return

Create detailed plan to return business to scale quickly as COVID-19 situation evolves and knock-on effects become clearer



4
Reimagination

Reimagine the next normal: what a discontinuous shift looks like and implications for how institutions should reinvent



5
Reform

Be clear about how regulatory and competitive environments in industry may shift

McKinsey
& Company

Urgently Addressing the *New Normal*

These are the big issues affecting sales, or as the Traction folks call them, the big “rocks.” What's urgent? Urgent issues need your attention first, and then it's all about adapting to these issues affecting your company.

All the management pundits agree, you must have a company strategy to grow or even survive the next six months. Right behind the plan, everyone needs a personnel strategy for sales, along with budgetary plans for sales, marketing and especially an IT support plan and budget to successfully run a remote workforce.

One of the McKinsey charts speaks to the progression of this process, from resolve to resilience, return, reimagination and reform (adapting).

The companies that take the time to do the planning and can reimagine their business in this *New Normal*, as well as understand how to evolve and change will be the winners in this radically new business environment.

Do You Have the Right Team for the *New Normal*?

All companies will have a mix of people who can make the turn and those who cannot.

- 1. Triage**
Quickly figure out who can play and who cannot. Some people will not be effective in a world with more Zoom calls vs traditional FTF selling. You cannot train your way out of this.
- 2. Repurpose**
Will some of them be effective in new roles? Need to determine this quickly. Time is not your friend.

One of the key concerns and a common theme amongst most of the sales management professionals I've met with is the hard fact that *the team you have that was successful in the old world may not be the team that you need going forward.*

All companies will find that they have some members of the sales team who are and can be effective in a new, Zoom-dominated world. And they are also going to discover that some people are just not comfortable, nor well suited for the small screen instead of a traditional face-to-face sales situation. I am mostly talking about sales of course, but it will affect other positions, as well.

Triage in Sales

As uncomfortable as it is, we need to talk about triage in this business climate with the reduced revenues you have. You don't have a lot of time to make bad choices. You've got to quickly figure out who can play and who cannot. It's ideal (if possible) to reassign those better suited for other positions than to engage in downsizing.



Your planning may create new roles you did not have before, like the guy behind the curtain making sure all the Zoom group meetings go off as planned. Best practices for larger Zoom group meetings includes a support person so the presenter or presenters can focus on the content and engaging the audience – not trying to figure out how to make the breakout rooms work.

As you take a hard look at the team, you need to be realistic about how far training or re-training can take you. One of the hardest lessons I've learned over the years, and the most significant discovery for me as the VP of Sales for both smaller and global organizations, is that you cannot train your way out of some of these situations.

I used to believe I could take “C” players and move them up to an “A” level with enough time and effort. It was only after failing more than once and empirically proving to myself that although I thought I was the greatest young sales manager in the world, it didn't often work.

When I changed my strategy and I started hiring “B” players only , I discovered I could take them up to an “A” level player. Things changed dramatically, and I've had a much more successful hiring history after making that change.

The lesson is, *be realistic about both the time and the amount of improvement you can make* with team members who may not have the inherent ability to perform the job you need them to do.



The good news is we have a variety of tools to perform more in-depth assessments to figure out what is the best position for your team members. The DISC assessment is very popular, but for salespeople I find **the Wiley and Company PXT Assessment** more accurate to predict successful behavior for most sales positions.

Wiley has been providing research for 200 years and the PXT is a great comparative tool for both hiring and managing teams and roles. We did not have these great tools back in the day, but now that we do, use them and make your decisions as quickly as you can.

Get the right team on the right track.

Tactical Issues for Sales Organizations

Sales Compensation

Sales teams with much of their compensation based on steeply declining revenues are an immediate issue for companies.



Unhappy Salespeople Will Walk

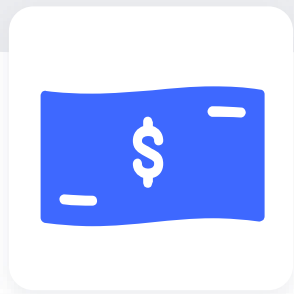
This is at great expense to the company in both lost opportunity and direct replacement costs.

Morale is as infectious as COVID-19

Once it starts downhill because the company is slow to react to the new reality of this –COVID-19 market, it can spread to adjacent departments.



Sales Compensation



If You Only Fix One Thing, Fix Sales Compensation

Sales compensation is one of my favorite subjects and one I happen to be an expert in. If you only had time to fix one thing in any company and get the best results, sales compensation is the tool.

Over the years I have become very adept at developing new comp plans and proving how this one thing can drive results and predictably often across all sizes of companies. Not everyone in a company enjoys or knows how to do it.

HR typically has little experience and even many sales leaders have not been that involved, depending on their company. HR is often happy to have the help, so my involvement is welcome.

Sales Compensation Is Strategic

If you are among the many companies in this COVID-19 crisis suffering a serious downturn in your revenues, then sales compensation has become a strategic issue for you. If the company revenues are off by 50% then the sales team would also find themselves in the same situation.

Unhappy Salespeople Will Walk

If you don't address the quota and the compensation plan to be in line with the reality of your new revenue volume, then you're going to see salespeople leaving.

Guess who leaves first? It won't be the lower performing reps. Your best salespeople will be first out the door because they have options, and plenty of opportunity.

It is going on all over, because this type of market creates a lot of churn. A young salesperson I talked to recently told me that his company, a high-tech company, had not changed the comp plan by a dollar. They've already lost several salespeople with more on deck. And the reality is, it's going to be very difficult to find replacements in the "A" player tier for the foreseeable future.



Team & Company Morale

Sometimes it's better if people *do* leave. Whether you have made enough of an adjustment to the comp plan or none, you do not want a group of unhappy salespeople dealing with your customers and bringing the morale of the team down.



Morale issues can be as infectious as the coronavirus and spread even more quickly. Unless management takes immediate steps to address the source of their discontent, it becomes a death spiral for the organization.

Companies need to look at the cost of turnover when hesitating to implement a **Crisis Compensation Plan**. When you add the lost sales, the recruiting cost, training costs, and suddenly, the modified compensation plan doesn't look so bad after all.

The key is to be out in front of it and talking to your employees and your sales team, especially to let them know you are going to do something about it.



The key to the revenue crisis is to have at least a transition comp plan for some period. Generally we are seeing plans that will run for the rest of the year. I offer a program called *The Crisis Sales Comp Plan*, which allows adjustments to be made not only quickly, but thoughtfully, as well.

The wrong thing to do is deliver a “knee jerk” plan, one that simply reduces quotas with no regard to what that means to the bottom line. I have already seen a couple of these in the field, and some of the reps see it as a paid holiday. There are more creative and strategic ways that you can rebuild that compensation and get more out of it.

Whatever plan you do decide to move forward with, remember that you need to communicate your intentions immediately to keep the resumes from flowing out of your team while they wonder what the company is going to do. Involve the team in various scenarios you are considering, and you will be surprised at their creativity and enthusiasm to be part of your planning process.

Color this idea “urgent” because people are absolutely moving around right now and as the economy heats up, that's going to accelerate.

Budget Constraints

Consider new share of sales & marketing budgets based on your new strategy.

- Sales headcount & roles x-outside vs y-inside.
- Marketing investments will be different post COVID-19.
- Will require some real-world testing – the 1st plan will not be your final plan.

Remember the famous Latin proverb:



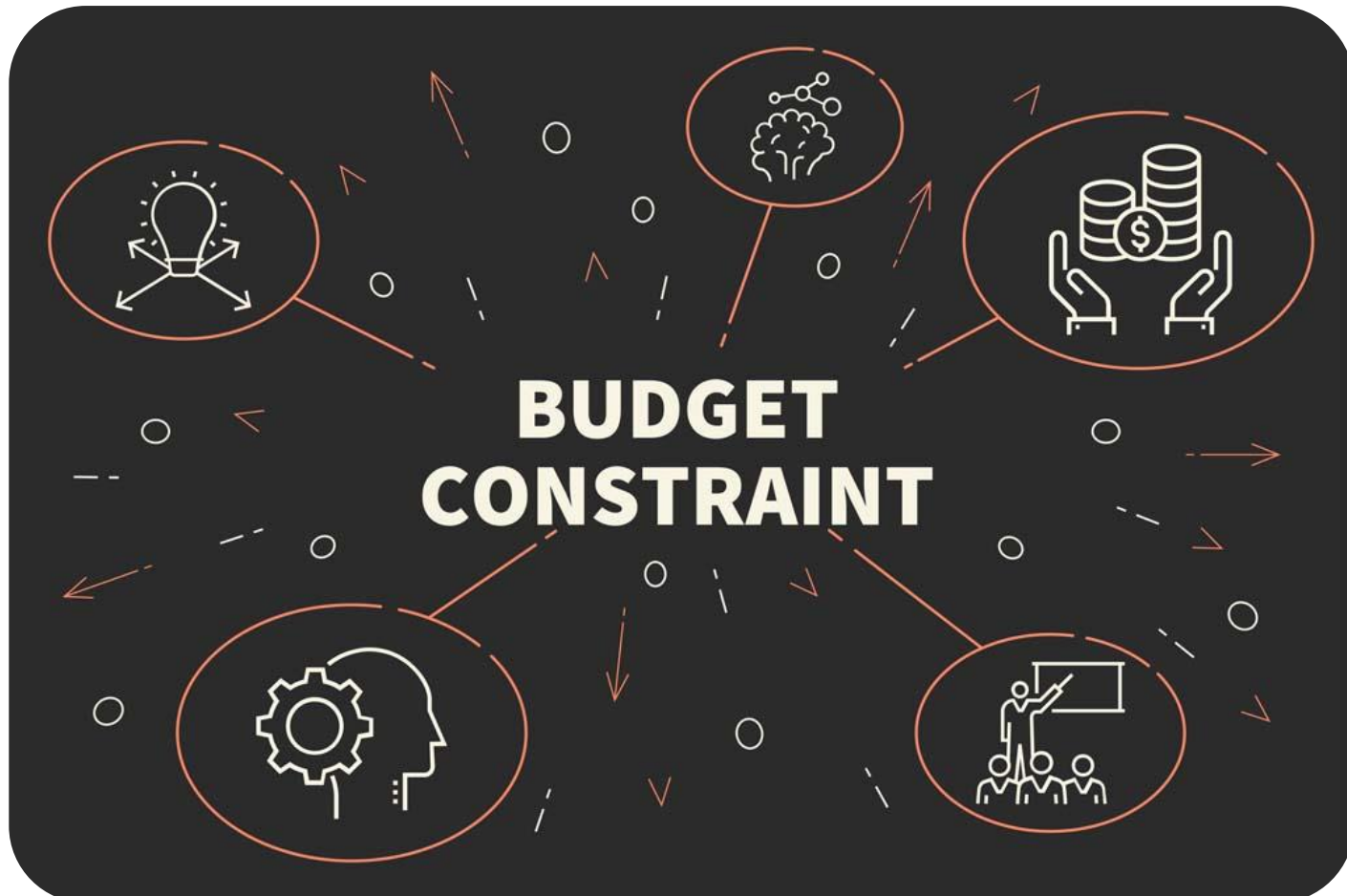
Fortis Fortuna Adiuvat
Fortune Favors the Bold

Obviously, with less revenue you're going to have to look very hard at all your budgets, including sales. In this *New Normal*, I recommend companies look at both the sales and marketing budgets as one budget. I know the marketing folks are always happy to hear this, but I've always embraced *marketing as a key to effective sales*.

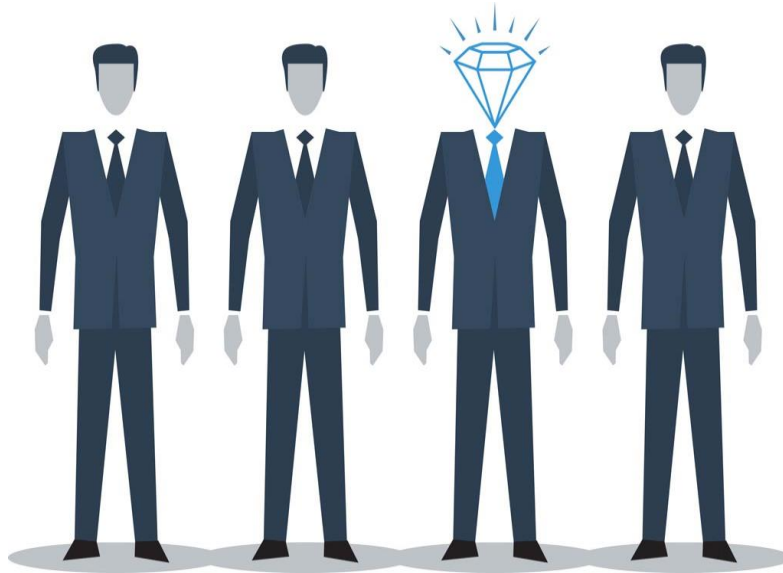
If you don't have a great marketing program, it makes sales even more difficult than it already is. There is widespread consensus among sales and marketing management I have spoken to that in this environment, change is needed in many areas, and especially in the value of marketing in a shrinking market.

We're going to see a shift where some of the budget money that was strapped to sales is going to be reallocated (or should be if you cannot fund otherwise) into new marketing efforts.

Onscreen selling, messaging, and branding all become more important: to deliver effective sales presentations for these remote meetings that will entirely replace face-to-face selling for at least a while, and likely into next year, as well.



Sales Headcount



You will need to decide how many outside and how many inside salespeople this new COVID-19 world requires. You may have hybrids, for those effective at both, and you should have inside, for those who are only effective in that role.

The crisis calls for a complete review of the mix and the number of reps. Consider the rep doing mostly Zoom presentations: that rep can now cover a lot more geography since they are saving hours of commute time – their goals and metrics need to incorporate that.

We will still have skilled outside salespeople, but the calculus has changed on how often and where they should be using that valuable time. Even in the pandemic, I know salespeople now in different parts of the country and industries still doing face-to-face calls. Old ways die hard as they say...

Marketing Investments

Another area that appears to have a broad consensus among business leaders in my network is that it's time to “go big or go home.” There is widespread agreement that the winners in this market are going to be predatory. The successful and forward-thinking companies are going to take out some of the weaker players.

Companies need to make a strategic decision about their marketing. As counterintuitive as it may seem to you, *this is not the time to cut your marketing budget*. If you want to be a winner in this chaotic market, you will need to step up and write the check.

The winners are going to get the talent and the business. Companies must decide who they want to be.

Are you planning for a post-COVID world? If you're not, you're likely to be bait for the big predators that are going to get bigger and bigger. Planning for all the possible scenarios is an exercise the winners have either gone through or plan to go through.



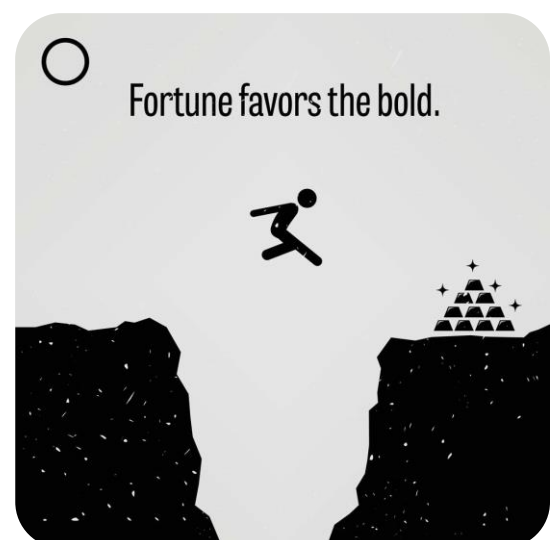
Contingency Plan

One of the new offerings from my national organization, Sales Xceleration (our nationwide network of fractional VPs of Sales), is an engagement called *The Sales Recovery Plan*. This program is essentially a two-week planning exercise where we host a series of workshops and model various outcomes for your company.

You build contingency plans for each one of those so whichever situations evolves for your organization, you pull that one off the shelf (so to speak) and start the implementation you have already mapped out. This approach is very similar to what the military does with their regular war games exercise using various likely scenarios for situations around the world.

Although the stakes are not as serious as avoiding WWII, it is apparent that planning is important. Just like the military, by using real-world testing, you'll see the gaps in your plan and can adjust. You can't wait for your plan to be perfect. Go ahead, test it, see how it goes, and then adjust.

If it's not the right plan, relaunch a revised version until you've got it right. Remember the old Latin proverb, "*Fortis Fortuna Adiuvat*" (or "Fortune Favors the Bold"). We expect that proverb to be a mantra for success in this crazy market.



IT Infrastructure (Logistics for Sales & Marketing)

All the IT folks just got a promotion. How important is it that Zoom works, the security works and everything plays as you expect it to for your fourth Zoom presentation of the day?

When companies are having to scale up their online presence immediately and across the organization, little details emerge about mundane subjects such as the bandwidth and security of your internet plans. Does everyone on the team have the tools? Do they have the sound and lighting – everything they need?

You suddenly realize your entire company's success hinges on the quality of internet connections for everyone now working remotely from home.

Now we can understand why I am calling the IT department the logistics team. Anyone who reads a bit of history will know when it comes to war, battles and wars are often determined by who has the best logistics. Tanks will not roll without fuel; soldiers cannot fight without food.

Here is an interesting quote on the importance of logistics, which shows it was not much fun to be on Alexander the Great's logistics team. He said, "If the campaign fails, they're the first ones I will slay."

Everyone should note that the outsourced model for IT Support is well represented in our **SF Bay area Provisor Network**. Companies do not need to have their own IT staff to make all this technology do what we expect it to.

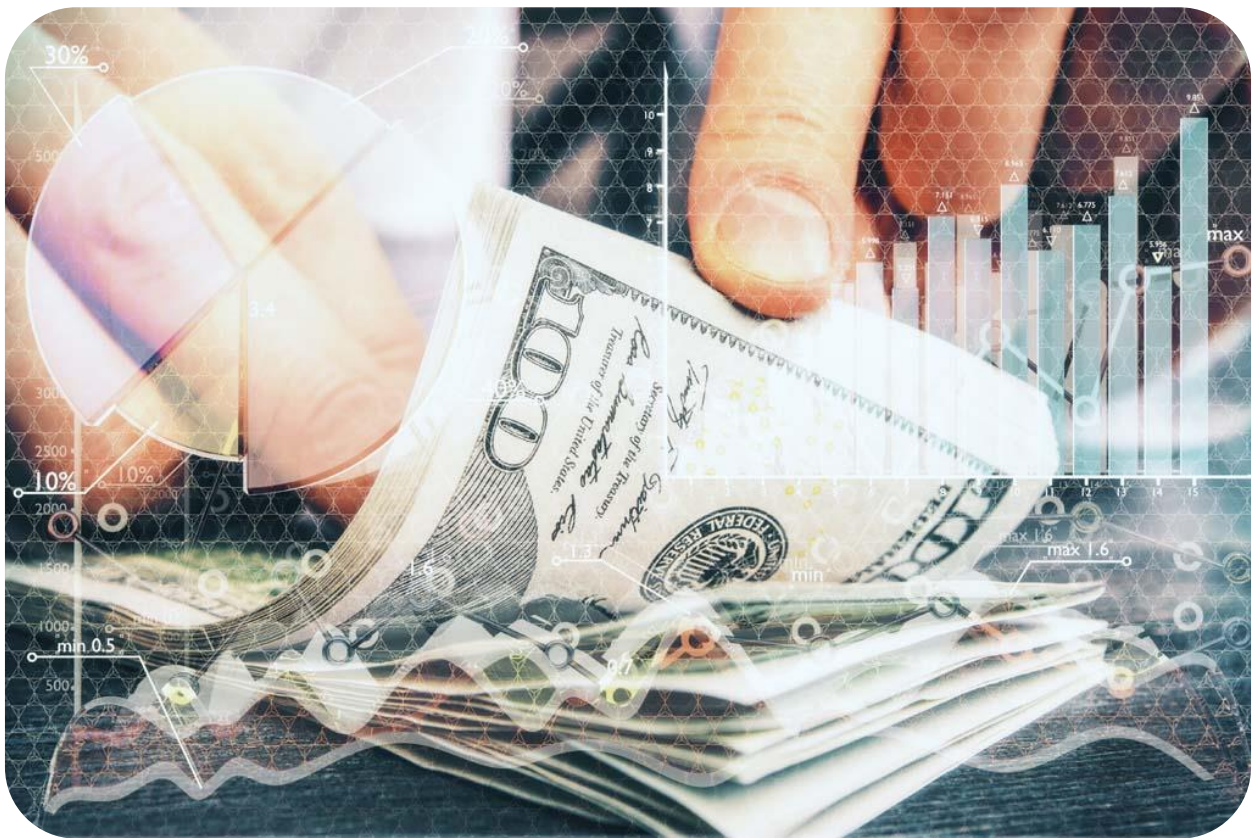
We have a couple of the best-in-class providers represented in this eBook. Alex Rayter of Phoenix 2.0 can be found in his chapter and in the Meet the Experts section.

Remember, the companies who will win are those who plan, address their sales team and compensation challenges, go big on marketing, and appreciate the value of their IT organization. Welcome to the *New Normal*...



Cash Management and Financial Landmines

By Rolf Neuweiler
a2z CFO, LLC



Strategies to Manage Crucial Cash
Flow and Avoid Financial Landmines

Update Budgets and Business Plans

It's All About Cash Triage

To survive any crisis – that is to survive in a new business environment – those who adapt fast win. So on the financial side, what you need to do immediately “to win” is update your budgets and your business plans to meet your new challenges. Your pre-COVID-19 budgets and plans are probably out of date, if not obsolete.

You will need to take a hard and detailed look at your business to understand your cash flows and survive the current crisis. If you don't have cash, you're probably going to have a very difficult time, or an impossible time. It's time to turn the focus back to core basics.





The Big Picture: Issues Affecting the Company

Let's go back to your core businesses and find out what's working for you? What works well? What works in this environment? It may be the time to add new business lines or shed them.

Some examples of companies that we've seen in the paper, like Tesla, are starting to make PPE equipment as well as their cars and perhaps even scaling their cars back while they develop these new business lines.

Closely related to budgets and business plans is your accounting. Your accounting department is going to have to change. It's not going to be as important to get the financial statements absolutely accurate; it's more important to get them timely. Thirty days may not be a fast enough turnaround time frame, but that's something you'll have to work out with your accountants and your business leaders. How fast do you need the information and what are the relevant key performance indicators?

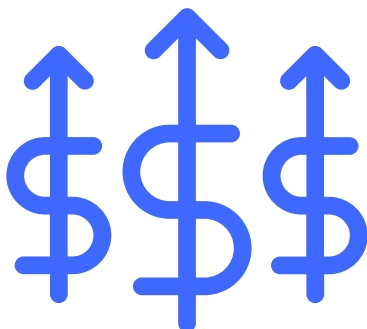
When you decide what the key performance indicators are, add them into this new normal. What products and services and operations are you going to keep? What are the direct costs associated with them?

Income Statement Health

It's All about Essentials

Be specific about what's directly related to this virus crisis versus what's going to be normal and the new normal going forward.

For example, now, you might have additional information technology costs. You may have home offices. You may have mandatory sick leave that you didn't have in the past. What kind of expenditures can be reduced or deferred? Do you need everything you've been paying for?



Cash flow is paramount. Look at all your sources of cash. Did you receive government loans? If so, are you staying in compliance with them so you get the most loan forgiveness possible? What's your banking relationship like? Can you get additional funding? Do you have lines of credits already available? Is there time to go out and get some more capital or find new investors?

Is It Time to Get Out?

One thought that I'd like to put out there just for people who are contemplating selling. Pre-COVID, some people planned to exit their business in a year or two. Perhaps now's the time to bail out, get what you can, and not go through a three to five-year recovery.

On an individual basis, I have personal friends that are thinking about early retirement.



Like a lot of disasters and economic depressions, this too will pass – even though it's going to be difficult. A good business plan, good budgeting, and clean financials that are relevant and timely are all critical to helping you get through this economic upheaval.

A well-thought-out plan will go a long way to navigate through these unusual times.

What Is Your Company's Financial Health?

It's time to reassess your company's financial health. The best way to do that is review your balance sheet and income statement closely. Your revenue is always important.

What are your new business lines? What's going to continue? What's going to go away? Also, employee costs. For most companies, that is the larger expense of all their expenses. These two areas need to be gone through very thoroughly and revised for not only getting through the current crisis, but have different scenarios of how your business is going to come out of COVID and what your new normal might look like.

Other Expenses

Do you need all your services or supplies? Can you cancel some? Do you have current services you don't need anymore? Now is a great time to review your insurance policies. Do you have business interruption insurance? Have you contacted your agent to see if it will cover any of your lost revenue? Companies are getting a lot of pushback on what the definition of business interruption is.



Balance Sheet Health

It's All About Essentials

It's a great time to go through and review all your balance sheet accounts with your accountant and tax accountant. We already discussed cash. How much do you have? What's your projected cash balances? Will you run out of cash?

Maintaining cash flow is going to be critical. Prioritize collecting all the cash you can immediately.

Accounts receivable:

Your customers, how are they doing?
Are the ones that paid regularly now not open for business, and will they pay at all? When *will* they pay? Once again, prioritize your customers and collect from them as soon as possible. Follow through.



Fixed Assets, Investments and Other:

Do you have large equipment purchases that you're going to perhaps be able to delay or you don't need at all? Can they be canceled? Is there equipment that's no longer relevant in your business and can you sell them to generate additional cash?

Work/Life Balance



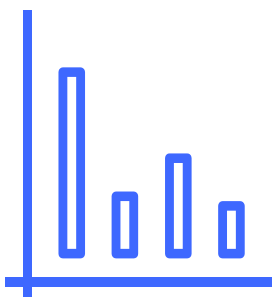
For the long term or near future, a lot of employees are probably going to prefer working from home. This can save you a lot of money. This is a new business cost to support remote workers. You need to reimburse them for home-office costs, but you'll probably save money by not renting expensive office space for them.

Accounts Payable and other Liabilities



Call your vendors. Call your banker. Let them know what's going on. Are you going to make all your loan commitments and covenants? Are you going to make your payments? Can you start negotiating terms? **Preserve cash. You want to bring it in as fast as you can and let it go out as slowly as possible to extend your lifeline through this crisis.**

Clean Up Your Balance Sheet



Talk to your accountants. Talk to your tax accountant. Review all the things that you think are of value. Are they continuing to be of value or do you need to write them off? You might have to review your accounting expenses. You should reflect the current situation so you know exactly where you stand.

Communication

It's All about Communication

Talk to your accountants and tax professionals. See how you can speed up your accounting processes to get timely and relevant information.

Information doesn't need to be exact, but timely. That's what you can do at year-end when you need to do your tax reporting. With some businesses, their financial statements are three, six, or nine months late. That's going to be way too late in a crisis like this.

Be prepared to negotiate. Your customers are going to negotiate with *you*. You need to negotiate with your vendors.

By building strong relationships with suppliers, customers and your employees, you will go a long way to finding the resources and help you need so everybody can survive this crisis together.

Managing Your Most Valuable Assets (Your People)

*By Franka Winchester
Pacific Crest Group*



How to Manage Your Most Valuable Assets,
from Crisis to Success

“The most dangerous, damaging infectious disease is hysteria. So what we’re trying to do is make sure that we have a compassionate, human response to a crisis that’s happening, that we do so all the while maintaining the safety of the public. That’s what we have done time and again.”

- *San Antonio Mayor Ron Nirenberg*

The COVID-19 pandemic: it's a human predicament and it goes right to the core of every individual on this planet. It challenges us to handle fears and emotions that no other financial or political turmoil comes close to.

I picked this quote because I like what this says: "The most dangerous, damaging infectious disease is hysteria. And so what we're trying to do is to make sure that we have a compassionate human response to a crisis that's happening."

I thought it was very relevant to what we do and I think we can already see in many of the responses of people how people react to each other, and how this environment has helped us to connect more with people.

Workforce Planning



The initial phase of workforce planning is focused on potentially rehiring laid off staff or to fully bringing back partially furloughed employees.

If you applied or received Payroll Protection Program money, make sure you track your payroll and your eligible expenses properly to be able to make that portion of that loan forgiven. If you don't bring your employees back, you lose out on that opportunity. One key point to remember is that there's a salary limit of \$100k for highly compensated employees.

The second phase is the right staffing for recovery and growth. How has your business shifted in the short term and what talent do you need for the next vision of your growth? Do you have the right people for the business moving forward?

Future thinking and planning is crucial here, even with the many unknowns ahead. The unemployment labor pool is high. Lots of people are out of work and have the opportunity for a job change.

Recruiting, Hiring, & Termination

Recruiting and hiring was challenging enough before COVID and now employers need to adapt and leverage tools to conduct effective remote recruiting and hiring. Remote recruiting is different.

What can you do, as an organization, to stand out and to attract new, or keep your current, talent?

Keep in mind that the majority of communication between humans is non-verbal. Body language gives cues. Use video calls to see candidates – it's the best second option to an in-person interview.

Look at your systems and see what you can improve. This is a good time to create new onboarding practices in your current virtual world, such as a solid cloud-based onboarding process. Be aware that some of the regulations have relaxed. As an example, the I-9 form verifications don't have to be done in person anymore.

Also keep in mind that proper classification of employees is still a very important piece. Know what your risks are in hiring 1099 contractors and note the [new AB5 laws](#) that went into effect on January 1st, 2020.

And, if necessary, terminations can be done remotely but plan and prepare well. You need a strategy around the company's property, documents, drives, and a plan to collect personal belongings. How will you deliver the final paycheck for a forecast

Best practice is to do the termination in the morning, then deliver the check through a courier later that day.

Company Culture



What is your company culture now that working from home is the norm?

What are you focusing on to build a strong, motivated, and connected workforce?

And how are you and your voice dealing with your emotions?

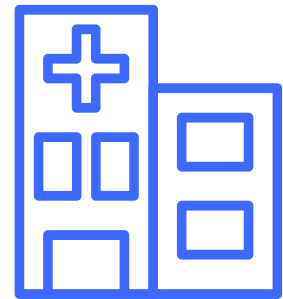
There are many ways to practice gratitude, meditation, exercise, or other stress release methods to stay mentally healthy, positive, and focused. I suggest strong and frequent communication with your team is crucial at this time.

Be sure to keep everyone informed of your plans, updates, and next steps. Figure out if daily calls or weekly happy hours are the best way for your team to feel connected to each other.

Employee Management

What has changed in relation to employee management? **As of April 1, 2020, be aware that you have the responsibility as an employer to offer a policy for emergency pay, sick and family leave.**

It gives up to 80 hours of sick pay and an additional 10 weeks at two-thirds of the regular pay to employees who either can't work or tele-work due to coronavirus, or who don't have childcare available because schools and childcare centers are closed.



If you run into a situation with employees that are not productive or inappropriate, dealing with corrective action while working from home is an even more crucial and delicate step.

Document your conversations and create a plan for action, correction, or possible termination. The exposure for employment action is greater now due to unknowns and interpretations.

Make sure you are confident of the plan and steps of the termination before you take action. This is a very critical point in time, so consult with your HR professional or lawyer before you do so.

Planning for COVID at Work

How do you prepare for a health scare or a potential death of an employee or family member due to coronavirus? What process will you follow if that happens?

Make sure you have communicated the emergency sick and family leave law specific to COVID-19 to your employees and then check out the [CDC website](#). It has many resources on this topic.

And when you phase back into working at your physical office location, what potential issues and new sanitary processes do you need to plan for?

Each county has written orders for specifics in each industry.

As an example, we had a client just going back to work this week in construction. They're allowed to start working again but they have very strict guidelines to follow, such as daily questionnaires that each employee has to fill out before starting on their job site.



Use Downtime Wisely

Now, if there is downtime from your regular business functions, this is a good time to focus on two things:

- 1.** Improve skills and training staff by working from home. This is a great way to build up your team for future build of the organization.
- 2.** Look at your internal systems and processes and move forward with technology advances or products that may be new to your business. Career development of your team will keep the motivation and energy high. Find online resources and coursework that improves skills and knowledge that benefit the employee and, ultimately, your organization.



Compensation & Benefits

When it comes to compensation, there are many different scenarios of pay. If you have furloughed or temporarily laid off employees, create a plan to communicate it clearly so your employees can more effectively plan their own financial situation. Show empathy and care and offer your help to them to manage their financial situation during this crisis.



What are you doing to monitor and track the hours worked for your work from home employees? Pay close attention to wage and hour compliance laws during COVID-19. As an example, you will still be responsible for paying overtime for any hourly employees.

Again, if you have received Payroll Protection Program funds, make sure that you follow the guidelines and track expenses carefully for maximum forgiveness. It's important to work with your payroll company to track this properly, and to keep reports and documents ready to submit for your SBA lender.

Note that the payroll protection program is completely separate from the tax credit you get from the emergency paid sick and family leave.

Compliance

Now is the time to look at your policies and create new ones.

As business goes back to the office, new orders around social distancing, protection, hygiene, and testing all play a big role in being compliant and protecting your employees.

Don't forget about the new [postal requirements for the CARES Act of April 2020](#).

Look at your current handbook policies on remote work policies, commuting benefits, time tracking, company's property at home, and workplace sanitation.

Even as your business goes back to work, it will not go back the way it was for a long time.



Sales Management Through Change

*By Don McMahan
FlyCloud Consulting*



“What if we don’t change at all ...
and something magical just happens?”

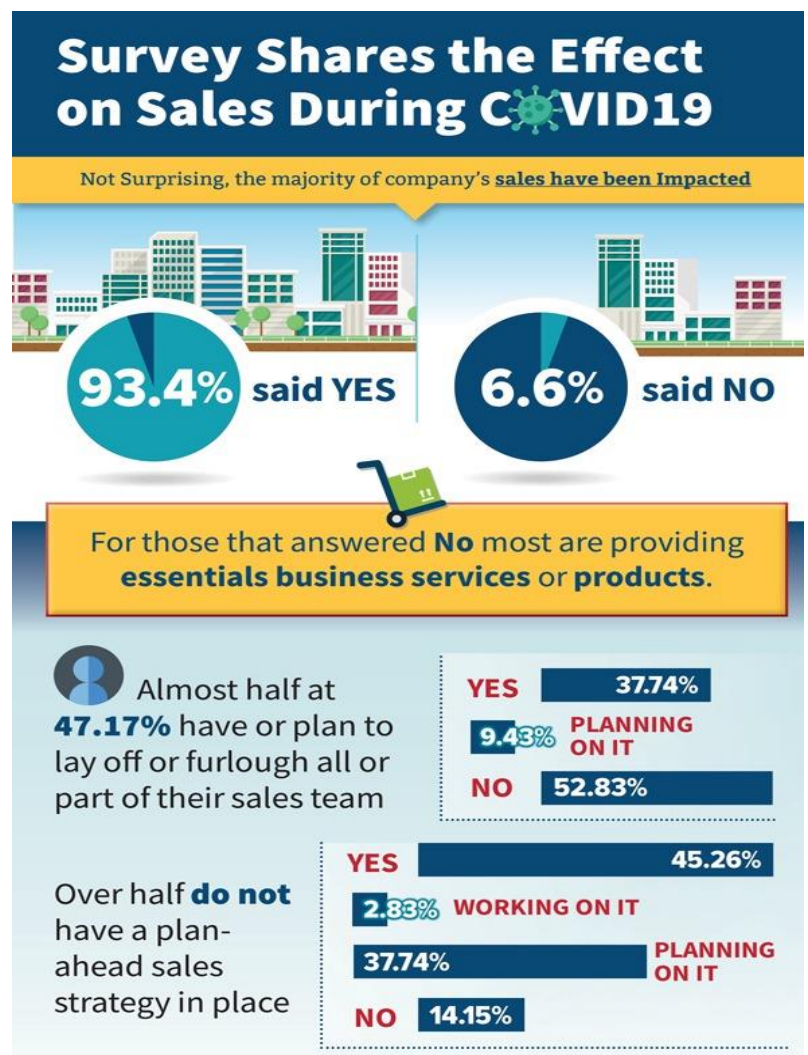
It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.

- Charles Darwin

We all know that Charles Darwin is famous because most people often quote his major axiom that “only the strongest survive,” but there was more to his key discovery. He actually said, “It is not the strongest of the species that survive, nor the most intelligent, but the *one most responsive to change.*”

I’m going to help you be one of those companies that is more responsive to change, show you why that is important, and how you can be one of the fortunate few who do.

To the right is information from a recent national study, from Sales Xceleration, my national team, that *found almost 94% of the companies had noticeable impact to their revenue as a result of COVID-19.*

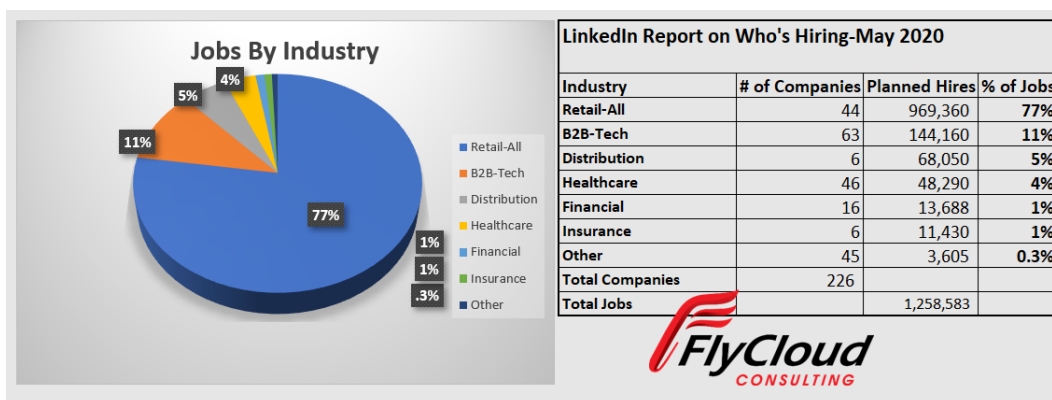


47% of the companies surveyed indicated they were laying off or planning to lay off workers. And even with the dire outlook they faced, more than half of the companies did not have a plan to deal with the crisis.

This poll was done in April 2020 when clearly the crisis was going to be with us for a while. I find it surprising this many companies didn't think they had to address this serious global issue.

Have a look at this summary of hiring trends during the same period from LinkedIn. They posted a jobs report with a lot of numbers on who was hiring. I condensed for you to see where those jobs were coming from.

Hiring Study by LinkedIn Shows Where Expected Early Recovery Will Start



As an early indicator and maybe where we'll see recoveries first, not surprising that retail (which included a lot of different companies) was top of the list at 77%. B2B technology was number two at 11% followed by distribution and healthcare.

The data is encouraging overall, and this is just one report – a snapshot from mid-May of 2020 – that shows despite how bad things are, **companies are hiring**. The report portends good things for everybody and at some point, America will be going back to work.

Sales Management Challenges

As we discuss the challenges of a COVID-19 environment, I'm going to talk about six key things on the sales side of your business, and at the top of that list of course, you must have a plan.

Sales in a COVID-19 World: 6 Key Actions to Take Now

- 1.** You must have a new sales plan - the world has changed.
- 2.** Triage the team - who can play, who needs a job.
- 3.** New job descriptions/comp plans – specifics on skill sets, testing online effectiveness.
- 4.** New playbook for sales, new sales process, new metrics.
- 5.** New roles for both sales and marketing.
- 6.** Training and support.

You Need a New Plan – The Rules Have Changed



Your *Plan* will need to include one of the toughest actions of triage on your team. You need to decide who can play and who needs a new job. And along with that comes new job descriptions, comp plans, specifics on skill sets, and testing online effectiveness. There's a lot underneath that title.

Along with this will come a new playbook for sales, including a new sales process and new metrics, given the realities of a lot of remote presentations.

Look at number 5, there's going to be new roles for both sales and marketing. A key thing at the end will be new training and support, not just sales – all your customer-facing positions need a refresh.

So plan and imagine this: you're a coach for a football team and at halftime, all your running backs come down with COVID, they can't go back out for the second half of the game...

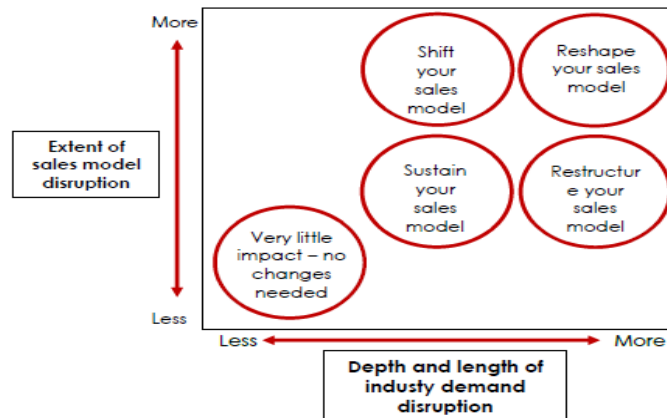
So you had a playbook for the whole game. The first half playbook has to be thrown out and now you're going out for the second half and you've only got a passing game. And the bad news: the other team knows you only have a passing game.

You'll need to move players around. You'll need to change the cadence of your team. You'll need some trick plays.

This is very similar to the environment we're in. Things have changed dramatically. This is one of the things that has been a common theme among the group sessions of business leaders I've attended (and I belong to a lot of networking groups, so we get a big picture, 50,000-foot view.)

The fact is you're going to have a lot of people who need to change jobs and roles. It's a big challenge and how companies deal with it will make the difference in the winners and losers. Those that have a plan, have a better chance of surviving.





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This is part of our *Sales Xceleration Recovery Sales Plan*, a quick look to give you an idea of how we model this. In the workshop, we look at the impact levels and possible scenarios, and the potential impact for each level. Go to the top of the chart, more impact. And then again, down at the bottom – the timeline – how long is it going to last and the changes you must make.

So of course the bigger the changes, the bigger shifts you must make. And the longer the timeline it's going to impact that. In your planning and what we do in the workshop, is we model three different scenarios: good, better, best, or worst, then build contingency plans around those scenarios.

The smart companies that are thinking ahead – that want to win – are going to build these plans, and they are going to model it and look at the various scenarios before they find themselves in model B. Planning is key.

It's a lot more effective if you can plan ahead of time rather than trying to deal with it in real-time. Planning is key. Not just sales, but the whole company.

The *New Plan* must consider the amount of disruption of your current model, as well as the length of time for the disruption.

Triage the Team. Who Will Be Effective in the *New Normal*. Who Will Not?

Triaging the team is the tough one. Who's going to be effective in the *New Normal*? Who's not?

Let's face it, you'll have some salespeople that are probably media and social selling savvy. They do great presentations. And you have people that are more old school and perhaps not as comfortable with the video conferencing technology and presenting on the small screen.

At this point, it's going to be tough. You're going to have old Joe, who's been a great guy. He's been with you for years, but if he can't turn the corner and give the compelling presentation, spending a lot of remote time and be effective, you're going to have to make some changes.

How do you assess the team? We start with the basics. We still use a variety of tools. At Sales Xceleration, we use the PXT Assessment product by Wiley. They've been providing research for about 200 years (really!). I was amazed to discover that history of research.



Assess the Team First, Individuals Second

The key thing is to start with the assessment of the whole team as a baseline. At this point you begin to dig a little deeper to see, you build on to do other things, to see how effective they are online and in role playing sessions.

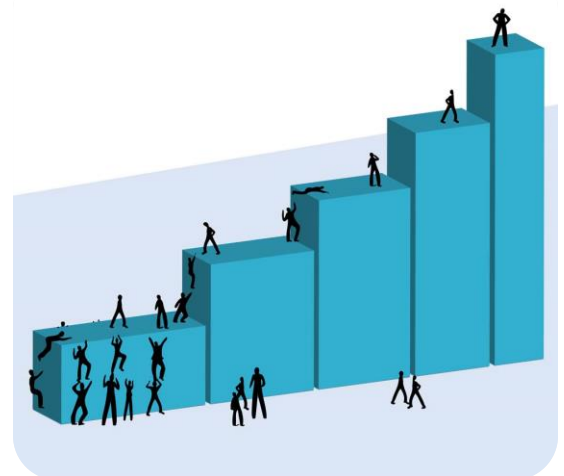
There are a variety of ways to continue the assessments. Some companies are doing a contest every week with groups of the sales reps and they're being scored. The winner gets \$400 every week (2nd place gets a set of steak knives).

Repurpose Roles

The companies doing some weekly contests and ongoing live assessments are rewarding the reps for being the most effective presenter. After the role-playing sessions and scoring, ranking the team, it's time for management to get together and say, look, revenue is down 30%, you guys saw the numbers. We can't afford the same head count we had before.

At this point, you have to start making choices. Ideally if you have some on the team with skills that fit some of your other roles, it's a great decision for both the employee and the company to move them into a role they are better suited for.

If that is not possible, you will need to do what some of my HR friends call, "Helping them be successful somewhere else."





Social Selling

The forward-looking organizations begin to look at social media expertise. It has become ever more important in a remote work environment. I found it surprising that there's a lack of more tools to measure this.

Out of necessity, I built my own tool to evaluate and score LinkedIn performance as part of my sales rep evaluation, some of the stealthy VP stuff I do, where I score people with what is publicly available. I've built a matrix using weighted values for different components of a salesperson's LinkedIn profile that has been surprisingly accurate and not far off how the LI tool scores.

It's pretty darn accurate. When I run the numbers on teams and rank them on this LinkedIn survey, it compares very closely to how they're ranking in sales standings in the company.

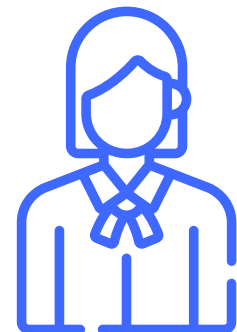
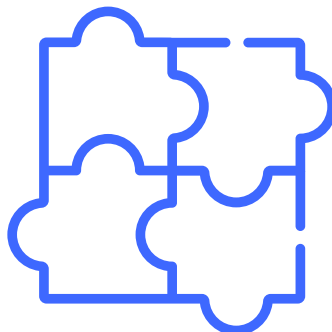
There's at least one other scoring tool called the Social Selling Index. It's a free survey and available on the web and with Sales Navigator. The problem with the SSI is you cannot use it on reps without their help. I must get them to take it and send me a screenshot. That's why I built my own.

Hiring the Right Players

When you're in survival mode, you've got to make your decisions quickly. You don't have time to bring your C players up to A players. I didn't believe that for many years. I was a young sales manager, I thought I could solve any problem. I used to hire people and think, "I can bring them up." Finally after I empirically proved it to myself over several hires, I finally said, "No, you can't."

That reality forced me to change my hiring strategy, which made me a much more successful sales manager. I just stopped hiring people down below that 50% mark. I finally accepted the fact that I could not bring C players or even B- players up to the performance level the position required. Now I know better, I cannot bring them up, so I hire accordingly.

You must understand the reality, that training can only do so much. In addition to that new hiring strategy comes your new job descriptions and the new Sales Comp Plans, especially if your revenue is off dramatically. It is all part of the new job descriptions and this new planning process for the reality of a COVID-19 world.



What Else Should You Do?

Clearly, you've got to do something. You've got to change the metrics on what new activities your sales team is now tasked with. In the old pre-COVID-19 world you used different metrics, a lot of companies measured some activity levels in the old world but now you need to measure other actions.



It's a new world. They may cover more real estate, for example. They've lost all that commute time, which is a good thing, which means there should be more time available to talk to customers.

Changes in the Process

The other interesting thing people are reporting is that the decision makers are not off on vacation. You're going to find less of them who are out playing golf, and your team is going to find them in the office more often (If they are doing what they should be doing).

The opportunity is there for those who know how to leverage the platform. They should be able to have meaningful conversations and more of them. Successful companies are rebuilding all of their metrics as well as making the commensurate changes to the CRM for accurate tracking of the new strategy.

Remember this rule, you get completely different behaviors when the sales team knows you are watching versus knows you are not watching.

Strength in Numbers: Why Sales Compensation Matters

When you get the right people, with the right skill sets, focused on the right opportunities, motivated, with of course the right comp plan, you get sales effectiveness. The complete formula will drive the results you need as the end of the process.



So all of these wheels need to mesh and they really have to be rebuilt from what you were doing before. *We're no longer in a 2019 world, and we're not going back there, perhaps ever.*

That is also a pretty common agreement among the business leaders I have listened to. It's never going to be just like it was, so as much as we don't like that, we have to deal with it.

Along with the new reality comes a new sales process. Clearly the old sales process no longer works. You've got to document every step of the sales process. Your first sales process won't be your last; it should be an iterative process of finding what works and sticking with that.



**14.5
million**

Or approximately
10% of the U.S.
labor force, who are
employed as
salespeople

(Bureau of Labor Statistics
[BLS] 2017).

People in the Right Seat Motivated by the Right Comp Plan



You'll measure it, you'll tune it, you'll change it again. You'll build a new playbook for sales that include all the metrics and all the things that you know are important. The marketing and management teams have gotten together to say, "Hey, this is what's working for us now in this new environment."

At the end of this, after you've tried several different scenarios, you're going to come up with what will probably be your longer-term plan.

Now, hopefully when I talk about some of these changes, just like we're going through phase one and phase two, you're going to get back to somewhat of a normal cadence later on, but I think indications are, it's probably summer of 2021. Between now and then, you're going to be operating under radically different rules than you were before.

Know Your Liability

There's still going to be some face-to-face selling. For many companies that is still going on now, albeit at a reduced level compared to 2019.

One of the clients I have helped has a field-based team of reps who need to show up and talk about skid steer attachments for Bobcats. They call on dealers and they rely on face-to-face for much of their work, and you know what? They are having a record year, in spite of a new mix of more phone time along with their traditional model of onsite dealer visits.

That company, of course, must be aware of their new potential liability. They should not be telling the reps, "Hey, before the COVID thing your metric was X, we want you guys making this many dealer calls a week." If the rep gets COVID because you told him to go out there to keep up the same level of calls as 2019, then it's a big liability for the company.

One of the attorneys on a call I was on explained how it seems the CDC guidelines assume that if someone catches COVID, they caught it at work. There's a lot of changes around labor law and more language in the funding proposals trying to get passed in Washington, which would protect companies from unreasonable liability from COVID-related events.

Consult with your HR team or company that supports you to craft the most legal and practical policies. If the default is anyone working for you caught COVID at work, that's tough as an employer. You really must be careful in what you direct people to do, so that you don't put them at risk.

New Roles for Both Sales & Marketing

Marketing gets a promotion in this *New Normal*, and they're all happy about that. Marketing becomes more important since the quality of your messaging, your branding, and your online presence are all amplified in this small screen world.

Imagine that now all your salespeople are television stars. Everybody's on screen all the time. The presentation, the quality, the sound, the lighting and everything behind it, along with the messaging and consistency, needs to be as good as it can be (or at least noticeably better than your competition).

This is where marketing is going to be a big help. You will need to adopt *Best Practices*. One relatively simple example is when you do group meetings, there should be somebody behind the curtain, running those big meetings.

You'll probably have new roles in a company where that person is there, making sure everything works, turning this and that thing off. It's helpful to have that support for larger group meetings or webinars. Our ProVisors group does that. Depending on your volume of presentations or how many big group meetings you're having, it may take multiple people to be that support crew.

The Key to Finding the Right Fit

You may find that you've got some people very good with Zoom, or whatever teleconferencing platform you use, then perhaps you'll be able to have just outside people that just do outside sales calls. And again, with fewer outside calls, that person, maybe they cover California, maybe they're going to cover the Western region. All they do is the outside stuff, because they're good at it.

The balance of inside and outside resources depends on your own company's needs. It depends on who you're selling to. You are basically looking at a white sheet of paper, deciding how you're going to do this. One thing is certain, it's going to be different than how you operated in 2019.



The key to making all this work, once you've done all that, is training for the A players (again, not to be confused with trying to bring the C players up).

You're going to have new tools, you're going to have new best practices. You're going to want to make sure the team is sharp. You're going to have a lot of training to make sure everybody knows how to use all the tools.



IT Support

IT support also becomes critically important. It's not a great idea to host 100 people doing group meetings without thinking about bandwidth, security issues and all the issues that come with the increased volume of users and time spent online. You do not want your team out there trying to do the presentations when they get choppy video or lose connectivity.

Best practices will be the norm for the companies that are going to win. The idea is to look bigger than you are, but you need to be spot on with all of that. Support from IT becomes ever more important. You're going to budget for more IT, you're going to budget for more marketing.

Probably some of those funds are going to come from Sales. You probably won't have as many outside salespeople as you had before, shifting some of those funds into other areas that have now become more strategic.

Again, big changes all throughout the company. This is a high-level view of where you need to be going, what you need to be thinking about.

Remember my partners and I at Sales Xceleration have a product for fixing your sales plan as a workshop, as one solution. I often do specialized workshops just on sales compensation and am happy to schedule an onsite or remote engagement if you suspect you need to make some major changes.

The key to thrive, of course, is to accept the reality that this new world of COVID-19 will require often dramatic changes and your company must embrace that fact to be successful.



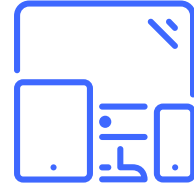
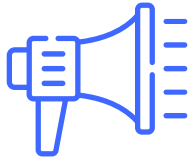
Messaging & Content

*By Karl Pontau
Squash and Stretch
Productions*



How to Communicate with Your Ideal Clients

Setting the Stage: Messaging in the COVID Era



Your marketing content and messages need to change and adapt to the changes COVID has had on the economy.

It was already important before, but now it's *absolutely essential* to form really strong connections with your audience. People are feeling disconnected physically as their lives are really disrupted.

A lot of things have changed. I'm going to cover some of the ways that you and your clients can update messaging and content to *stay ahead of the curve*.

Messaging: Resonate with Your Audience

Instead of trying to sell right now, a great message to share is:

- Why your business exists
- What your values are
- What you're doing to actually help people in your community - help your clients, help your employees - to navigate these difficult times



It is really important to have a lot of empathy, show that you understand where your clients are, then meet them there and show them how you're there to support them.

Strong, emotional messaging is key. We make decisions based on emotions, it's the Limbic system of our brain. So if your messaging is using a lot of emotional language and evoking a lot of those sorts of thoughts and feelings when they see your content, that's really powerful.

Messaging: Then & Now

Before COVID started, people were looking for nice-to-haves and very me-focused messaging. Now it's the exact opposite, where it's very we-focused.

One way to think of it: now people are looking for **painkillers, not vitamins.**

People need to know how your business and your services can help them solve their problems *immediately*. Because there's an overall feeling of lack of control and lack of certainty in the world, if you can include in your messaging how working with you and using your services can give people that sense of control, certainty, ownership of their life again, that is a really powerful message that will resonate.

Even more than before, opening a dialogue with your ideal clients is very effective. Just start conversations with people and use formats like YouTube where people can leave comments or send suggestions. They want to feel the businesses that they're doing business with really care for them more than just on the transactional level.

So giving people an opportunity to give feedback and support is really powerful when building these relationships.

Messaging: Working in COVID-Specific Messaging

Now safety is a huge priority for people. Their health and safety is top of mind pretty much every day. So it's really important for your messaging to include:

1. How easy it is to get started with you
2. What people's expectations should be when they're working with you

Show in your messaging and content how you're taking care of your health and your team's health, the safety of your office (as people might have to go to it) or things you're doing to mitigate the situation. These are things that people really want to see from the businesses they're going to be using.

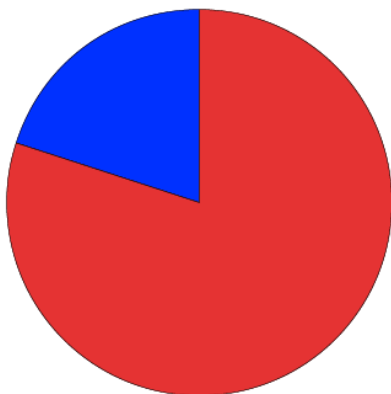
It might seem like a weird thing. It's not necessarily on topic for what your business does, but just including some of that in your messaging is really, really powerful. Something that will put people's minds at ease and make them feel safe when they're considering working with you. Which will go a long way towards making your business model attractive to your ideal clients.

Content: Deliver Your Message



Video and animation were really, really influential before, and now they're totally essential for really connecting with your ideal clients and generating interest and business.

Adding video animation to your marketing can increase the effectiveness of websites, social media, SEO, email – all the things people are doing online. Using these tools can then lead to higher levels of understanding and connection with your messaging because it engages more of the brain.



Using Video on a landing page can increase conversions by 80%

- Unbounce

Content: Video

With video, people hear the audio and see the visuals. Again, it's that emotional connection that is really effective.

Using stories of your business or people you've helped, or how you've been adapting to the current situation, can generate these deep, emotional connections with people that are really powerful – and *essential* for staying top of mind and getting people to follow your calls to action.





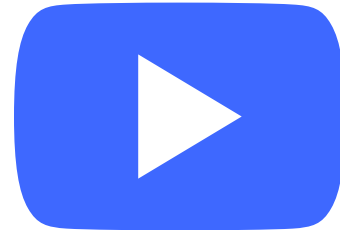
Even though it's difficult to get a professional crew to come film at a business, there are still a lot of great opportunities for using video in your marketing right now. Especially because the focus isn't on transactional stuff as much as it is sharing company culture.

Even if your team is working remotely, have them do selfie videos and talk about the messages we've been reviewing – what you are doing to stay healthy and safe and take care of people. The more casual style is appealing to people because it shows that you understand how they are feeling, you're in a similar situation, and it builds a level of trust and connection.

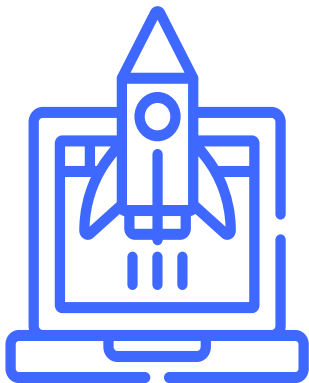
Do avoid talking head videos, though. After a few minutes it gets boring seeing someone talking on the screen without any other visuals to support them. To make your videos a little more interesting, film other things (i.e. you working) and then edit them later (or have someone edit them for you).

Content: Create a Channel

YouTube is the second most used search engine out there right now. And so it's not enough to just post one video and get results.



Creating a channel and posting regularly with a lot of content that people come to expect and can turn to when they don't have answers or need help with whatever your business does is a great way to build brand presence. You reach subject matter expert status online and it can offer some free help to people.



That'll build that connection and the idea that people want to reciprocate or use you more because you've given them some help in the first place. Video is really great for those sorts of things.

And you already have the technology for the most part on your phone, or there's some apps you can get that do the editing yourself, if you want to try and do that. Or plenty of people can help you with the editing and they don't have to be physically next to you. So some great options there.

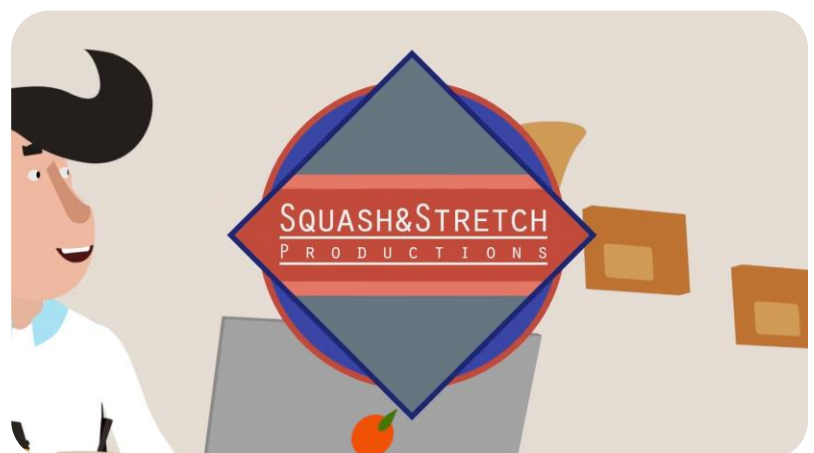
Content: Animation

Animation really excels at explaining complex concepts that are hard to film. Because of the social distancing, it's hard to film a customer journey and how you're helping people right now. And so using animation to show visuals and processes is really great.

You can also use animation to tell the stories of clients you've helped in the past: what they were experiencing before they worked with you, what it was like to work with you, and then what it was like afterwards. How much you helped them is really powerful right now.

Using animation and video throughout your marketing and sales funnels is a great way to increase their effectiveness and get people from the top of the funnel all the way through, and to close business.

Incorporating this content with the right messaging and stories into your marketing efforts is a great way to get more of your ideal clients and less of the ones you'd rather not have to deal with.



Quality

Content is no longer King.

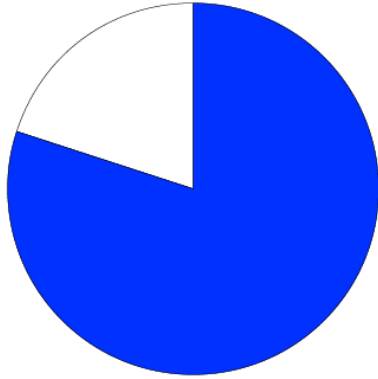
The last point is the importance of quality. So much content is being posted online these days – the last that I heard was every minute, there's 500 hours of content uploaded to YouTube. Posting anything of any quality isn't good enough anymore.

People just have such short attention spans that to really have your content get you the results you want, it needs to be:

- Customized
- High quality
- Unique to your brand and your messaging

The new marketing monarch as I call it, is Integration. You have high quality content that speaks directly to your narrow target market and shows how your skills and your knowledge integrate into their lives and solve key problems that they have, improving the quality of their lives.

Integration is the new marketing monarch.



80% of people who watched a video were convinced to buy a product or service

- motionartsmedia.net

Motion Arts Media reports that 80% of people who watched a video were convinced to buy a product or service. It is really effective, but it is about having *high quality content*.

It's absolutely worth it to invest up front for this sort of content. Another stat: **85% of people want more quality videos from brands**. People have seen a lot of the low quality stuff and it doesn't work anymore.

Think about it this way: if you're trying to get your business from here to there, you can either invest in the right content with the right messaging upfront and reach your goals and grow your business, OR you can go a cheaper route paying less up front and not get the results you need. You lose out later on the time and basically pay for the lack of results in the loss of revenue or the stagnation of your business.

Quality: Food for Thought



Imagine your business is a steak and you want people to eat your steak. You can either present it to them on a nice plate with sides in a restaurant, or on a trash can lid in an alley. It's the same steak, but no one's eating off the trash can lid.

So when you're thinking about creating content for your business or for your client's businesses, it's really worth doing the higher end and customized content. That'll get you a lot bigger ROI from the marketing efforts online. And fortunately, it will pay for itself fairly quickly with how much more people are online now.

Quality: It Counts

Even if you're doing something that's selfie-style video with your phone, **planning out your content is really important.** Have a consistent structure to your videos so that people know what to expect when they're watching your content.



Also take the time to research who is your specific target audience so that when you're creating the content, you know exactly:

- Who you're aiming for
- Where they are
- What they care about
- What your goals are with the campaign

As you're going through it – making content, doing posts, and collecting feedback – get some analytics and see what people are responding to the most (it will change over time.)

"Story, as it turns out, was crucial to our evolution, more so than opposable thumbs, opposable thumbs, let us hang on. Story told us what to hang on to."

- Lisa Cron, *Wired for Story*

Managing Remote Sales Teams

*By Don McMahan
FlyCloud Consulting*



What You Need to Know to Effectively Manage
Salespeople Performing More Remote Work

Checklist: Sales Management in the Post-COVID-19 World

1. Crisis Recovery Plan Developed
2. Comp Plans Should Have Been Changed
3. New Metrics In Place for Sales with Emphasis on Social Media Acumen, Online Skills
4. More Marketing Support & Integration with Sales

We're going to be talking about checklists, the big rocks. A **Crisis Recovery Plan** is on top of the list. If you don't have one, you should. Sales Compensation plans are right up there with it. If you haven't adjusted those comp plans for your sales team already, you need to be thinking about it now.

We are seeing many organizations that have suffered major impact to their revenue in a short period of time. Everyone with a sales force needs to understand that if the revenue (and the quotas) are no longer aligned, then you've got to do something about your comp plans immediately, or watch the sales team go out the door.

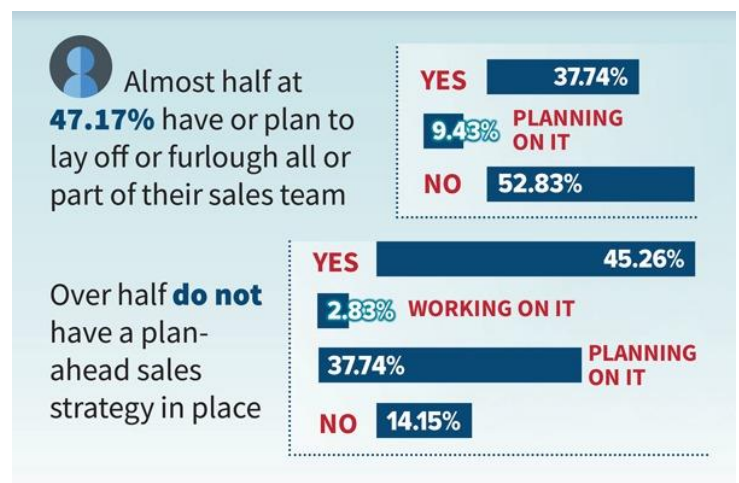
A mostly remote sales team will also call for new metrics for how the teams are operating. Not just sales, but other people in the company performing most of their work in a remote setting.

I will be discussing some very specific tools and other best practices you can use that will make your team more effective.

And lastly, but not least important, is a growing need for more marketing support and integration with sales. We'll review that in greater detail later.

Setting the Stage: Effects on Sales During COVID-19

My national company with a nationwide team of Fractional VPs of Sales, Sales Xceleration, did a survey across several hundred large and small companies, where *almost 94% of the companies had seen a major impact to their revenue.*



Why Is a New Plan Important?



Almost half of the companies surveyed said they were planning to furlough or lay off a part of their sales team. What was also interesting, was the fact that 55% of those companies surveyed did not have a *Plan-Ahead Sales Strategy* in place, and that's obviously where they will struggle.

It comes as no surprise that some of the biggest challenges companies are faced with, is a significant loss of revenue, as well as a declining sales pipeline. The pandemic has also created major supply chain issues for many organizations, as well as logistical and human resource issues, which everyone has to address related to the inability to travel, and of course, employee safety.

All of these are new challenges and issues that require some planning. It's time to have a look at why you need a plan to get through this crisis.

A COVID-19 Recovery Plan

“Those Who Fail To Plan Have Planned To Fail”

COVID-19 Has Created a Dramatic Shift in Business Realities:

- Revenue loss for a majority of companies
- Limits on face-to-face meetings, dependence on Zoom
- Challenges with large office space for employee’s health
- Logistical challenges for IT & management to keep remote workers productive

Successful companies are modeling the various scenarios with plans for extended business impacts of COVID-19, shorter or longer-term assumptions, and what the company will need to do to survive.

It’s very timely to consider the old adage, "Those who fail to plan have planned to fail." The COVID-19 pandemic has created a dramatic shift in business realities for everyone. I think most of us will agree, we're not going to see 2019 business-as-usual, perhaps ever again.

There is going to be a new comfort level with people being able to perform their job on Zoom and other video conferencing platforms. Some of my colleagues in Southern California have said, "Hey, if I don't have to spend two hours on the freeway and that client is happy to take a Zoom meeting with me, I'm going to do that."

So clearly it works some of the time. It doesn't necessarily work all the time, however, depending on the product or service you are selling. Most of the sales leaders I know agree that you still need that facetime when you can get it, but it's certainly going to change the calculus of the sales process and it will absolutely be changing how and when we travel for business.

Office Space

Many companies have suddenly found themselves with a lot of empty office space. Consider the situation if you're a big company with a big lease and lots of office space, and now you may have only 10% of your employees that want or need to work there.

Some of the biggest companies out there have changed their policies, making that office time optional, mostly of course over the very real concern for the health of their employees. We are already seeing that a lot of people across many companies are going to take advantage of that major change in policy.

Of course, there are some that can't. Certainly those in manufacturing or service positions that cannot be done remotely, but it's a major financial issue for many organizations where they cannot easily get out of a large and longer-term leases. A big question is what are they going to do with all their extra real estate?



In Santa Rosa in Sonoma County, a story in the *Press Democrat* was about some of those companies starting to go back to what was old and is now becoming new again: the executive office space. Some of those companies with excess space are subletting as smaller, remote offices for professionals who may need to get out of the house.

So you may be able to work at home, but maybe you don't have a great environment to work at home. You may have a barking dog, you may have kids, or like my son, you may have roosters that crow at all hours.



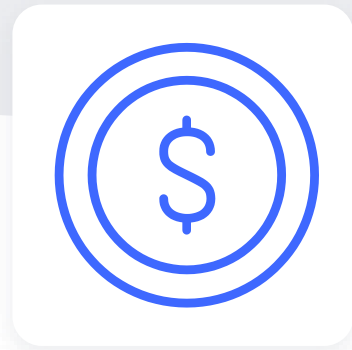
If you have the option or the need, and companies are making it available, there will be a trend to have remote workspace in the suburbs. It would not be surprising to see this as a growing and popular option for many professionals who prefer to leave the dog (and kids) at home for some quiet time to work.

Consider the Possibilities

Logistical challenges for IT need to be in the planning process. The best practices for most companies that we talk about in a workshop on this is really modeling the possibilities. It's small, medium, large, or other. It's either not going to be a big problem for a long time or it's not going to be a bigger problem at all.

You need to look at the assumptions of what you think is going to happen in your business and then plan accordingly. It's a lot easier to have the plans built before you find yourself in the middle of a catastrophe than it is to be doing it at that time. Therefore, planning is essential.

Why Is Comp Important?



What about compensation? Why is sales compensation so important? There's another survey we did with CEOs in our recent SX survey. The question was, "Are you getting the results and behavior from your sales reps you want and expect?" 16% of the respondents answered "No," over half of them said "Somewhat," and only 30% said "Yes." it absolutely drives behavior of your sales team.

I joke all the time, but there's a lot of truth in it: *"Salespeople are coin-operated."* They're going to do what you pay them to do.

So when you get into this new environment, you may need to pay them to do different things. You need to be addressing the short-term (this is not necessarily a long-term plan). A short-term Crisis Comp Plan should at least address the next six months as a starting point, since we have limited visibility on what will happen after that.



Is Your Organization's Compensation Plan(s) Bringing The
Desired Results & Behavior
From Your Sales Reps?*

16%
SAID NO

The sales team seems to focus on products/customers/verticals that are different than what Management would like.

54%
SAID SOMEWHAT

The sales team focuses some of their time in ways that are consistent with Management's objectives, but not fully.

30%
SAID YES

The sales team is focusing their time in ways that are consistent with Management's objectives.



Sales Xceleration survey

Sales Compensation

Comp Plans Should Have Changed

- New quotas and a Transition Plan - in writing and signed
- Account and territory assignments will change
- Metrics - key is measuring account/customer-facing activities
- Need to integrate accountability for all customer-facing activities

At this point, you should have already addressed quotas and have a transition plan completed and signed by your sales team, to make sure everyone is clear on the objectives and direction.

We find a lot of companies – in fact, over 80% of the clients we work with nationally - don't put compensation plans in writing. If you do not get your plans properly documented, in writing and signed by the entire team, you are setting yourself up for potential HR issues downstream.

Make sure the team understands the new plan, what it is, and what it *isn't*. We highly encourage this level of transparency for the greatest chance of success in a world turned upside down with COVID-19.



New Metrics for a New World

Sales Needs to Be Measured with New Metrics, *in Addition to Sales Revenue*

- **Telephony** – Tools like *RingCentral* Automatically Track Calls and log them into Salesforce or other CRMs (no manual entries)
- **Video Conferencing** – *Zoom* and others have reporting
- **Social Media Acumen** – Sales Navigator is rich with reporting tools, like the SSI (Social Selling Index, User Reports & More)

The pandemic will likely result in account and territory assignment changes. You may find that now with more online activity you will need fewer reps with bigger territories where they don't have to do all the driving they may have had before. It is another set of new realities you need to plan for and staff accordingly.

The pandemic should be driving changes in your metrics. This means everything around customer-facing activities. Some of the same metrics that you've used in the past, but it's not just going to be just about the revenue. It's going to be about a number of activities that *lead up to* the revenue.

As you make these changes, you must maintain accountability. It must be built into the comp plan. We often find that some management have ideas, they want the team to do this or do that, but there's no accountability or there's no pain if they don't do it. And again, back to, "They'll do what you pay them to do."

“Trust, but verify.”

- President Ronald Reagan at the 1987 INF negotiations in Geneva using an old Russian proverb they could understand

I believe that Ronald Reagan's motto, "Trust, but verify." is quite useful in building these plans. It was an old Russian proverb that he used in some of the negotiations with the Russians about limiting development of nuclear weapons- something we can all understand.

So, “I trust the sales team, but I want to verify what they're doing.” I prefer systems that don't require manual entry, don't rely on the honor system to tell me what's happened on an activity. I use systems that make it automatic (and verifiable).

RingCentral

Best practices for myself and other fractional VPs of Sales include built-in telephony like RingCentral. One of my favorites, it's a great tool if you haven't used it. It replaces the old PBX system many companies are still using. It's all cloud- based and automatically backed up in almost real-time.



What's nice about it is that the rep has both a mobile app and a desktop app; a nice solution since when they make calls, it automatically logs it into the customer profile of your CRM. That's huge because reps hate to do data entry, and the more data entry you expect them to do, the less accurate it's going to be.

It also provides daily call volume and detail reporting for everyone on the system, an invaluable tool for management to manage both productivity and workload.

RingCentral also works well with Salesforce. When a customer calls in and you're in the office, if that customer is in your CRM, it pops up a window on the screen. The rep knows exactly who's calling and they don't have to go look up the account, they can simply make notes and then it goes right into the profile.

This image shows one of their standard CSV file reports. You import into Excel where you can massage the data. This is just a sample of the type of reporting you get. It becomes very clear who's working as expected and who is not.

Ring Central Log Report-Sales Only April 1-May 12 2019							
Name	Ext	Total Call	Avg. Calls/Day	# Inbound	# Outbound	% Missed (w/VM)	Avg. Handle Time
Zig Zigler	21	348	8.09	71	277	56.34	00:03:12
Dale Carnegie	22	84	1.95	21	63	52.38	00:04:32
Grant Cardone	23	277	6.44	114	163	42.11	00:02:08
Marc Benioff	24	299	6.95	150	149	10.67	00:01:16
Steve Jobs	25	351	8.16	199	152	9.05	00:00:54
Totals for Sales		1359	6.32	555	804		

I installed this with a client last year, where we had an inside team and they didn't quite know how many hours a week they spent on the phone (which was surprising). In my discovery work I always ask, "How many calls can you make in a week?" They didn't know. The phone system they had was an old PBX with no call data by extension and did not provide even basic departmental reporting.

Once we put this in, it really changed the behavior of the inside team. It became crystal clear who was spending the time on the phone. RingCentral allows you to look at the amount of time on the phone by user, as well as the quality of phone time. Once you have the data, you can understand whether they are making a lot of outbound calls or are inundated with inbound calls.

You can set the metrics to define how long they need to be on the phone to call it a quality call, for example. It's a great tool, especially with the integration with Salesforce or other CRMs, to get an accurate picture of your sales team activity that does not require any manual data entry.

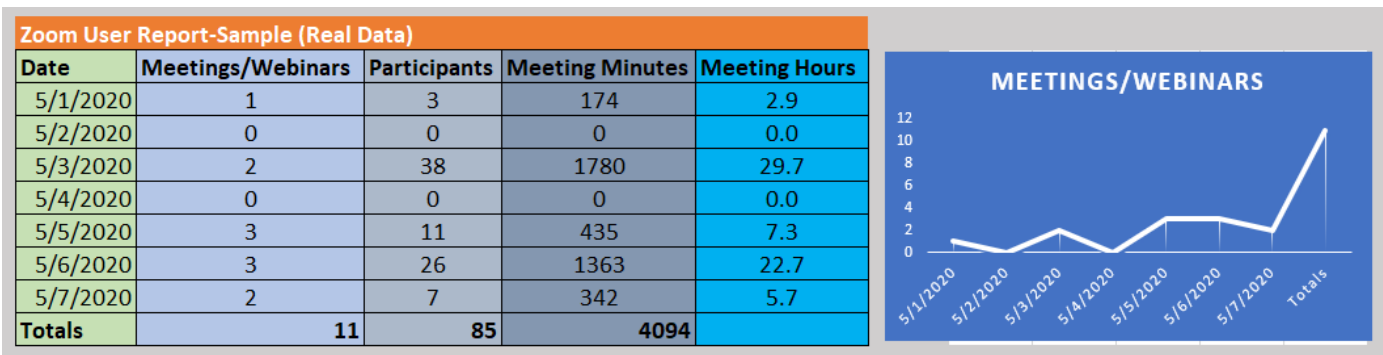
Zoom

For video conferencing, Zoom is hard to beat. Zoom's not the only video conferencing solution, but it certainly is the one most people are familiar with and the most popular. It has great reporting features and plenty of options. As you expect, you need to be able to measure



how much Zoom time reps are putting in. You can't manage what you can't measure. I'll show you a couple of examples.

Zoom provides details for both Zoom meetings and Zoom webinars and gives you reports that you can run any day. You can also graph them for trending over time.



When you look at the team and you build those expectations, what do you want them to do? How many Zoom meetings per week should they have? How many one-on-one Zoom meetings, but there should also be group meetings and you must set expectations and have the tools to track the results. As an effective sales manager, I would set the group meetings where you've got management present and there would be goals for executive Zoom meetings with key decision-makers. You measure that and see how they're performing.

Once you've decided what the important metrics are, and you have a way of measuring it that they can't alter, this is what comes out of the system. When you are reliably getting real data on a daily or even hourly basis, it really changes the conversation and it will most certainly improve performance. This is another best practice and how you drive your revenue.

Sales Navigator

Social media acumen becomes even more important. Your team is spending more time online and it's important for them to be using best practices and to be as effective as they can be. One of our favorite tools, a must-have for B2B sales team, is Sales Navigator from LinkedIn. We're going to have a closer look at that as well, and what we call the *Social Selling Index*, their tool to measure your team's effectiveness online.

Sales Navigator is sort of like LinkedIn on steroids – about \$800 a year for a single license (team editions also available with some great management tools).

Navigator offers extended search tools, more InMail's (ability to connect with prospects not in your 1st tier network), and the ability to sort and save results of searches as leads for further engagement.



Sales Navigator metrics shows that the reps that are using this effectively are doing dramatically better than those who are not.



Why is it important to find the right people?

+39%

Sales reps who exceed quota engage on LinkedIn with their prospects **39% more than other sales professionals**

+45%

Reps that exceed quota saved **45% more leads** than those that don't

+69%

Sales reps who viewed the profiles of at least 10 people at each of their accounts were **69% more likely to exceed quota**

Creative & Custom Analytics

I have developed my own tool that I use for LinkedIn analysis in comparing Sales Rep's performance, and it's consistent that those who are effective and active on LinkedIn, connecting with their world and sharing and collaborating, will do better in their performance to quota.

The correlation between online effectiveness and sales rankings in a team is remarkably close. It really makes a difference in the final results you need the team to achieve.

In evaluating LI engagement, you'll find that *effective salespeople have 500+ contacts* (that is the max LinkedIn shows on their profile, regardless of the total they have). If you find a salesperson and they have less than 500 contacts, they're not optimizing LinkedIn and social selling.

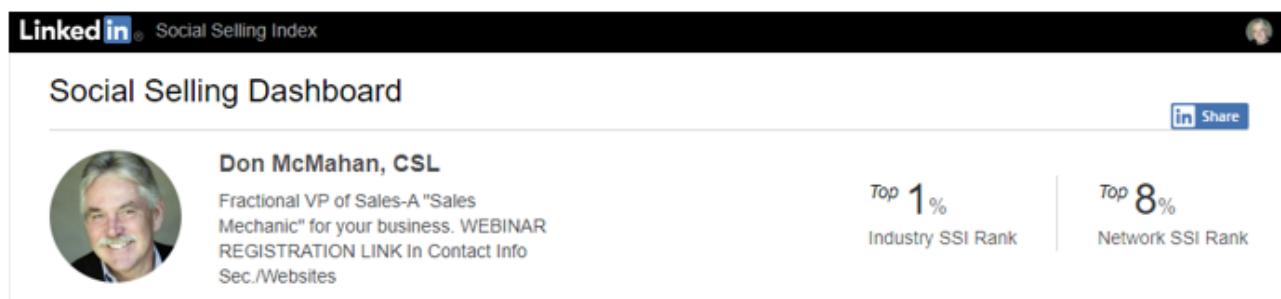
This may not be the baseline for non-sales positions, but for sales it is the baseline I and other sales leaders use. There are other clues in the public profile of social media effectiveness that can also be used, all part of my own analysis of what I can view publicly. Secrets I only share with clients.

Social Selling Index

A great LinkedIn tool but only available to the user themselves, is *the Social Selling Index*. Any user can run it themselves with [this link](#). It is also a standard feature of Sales Navigator.

The tool gives you a ranking for both your position and in your industry. Because it has insight to all a user's activities, it can do this comparative analysis that the rest of us cannot do without that level of total access.

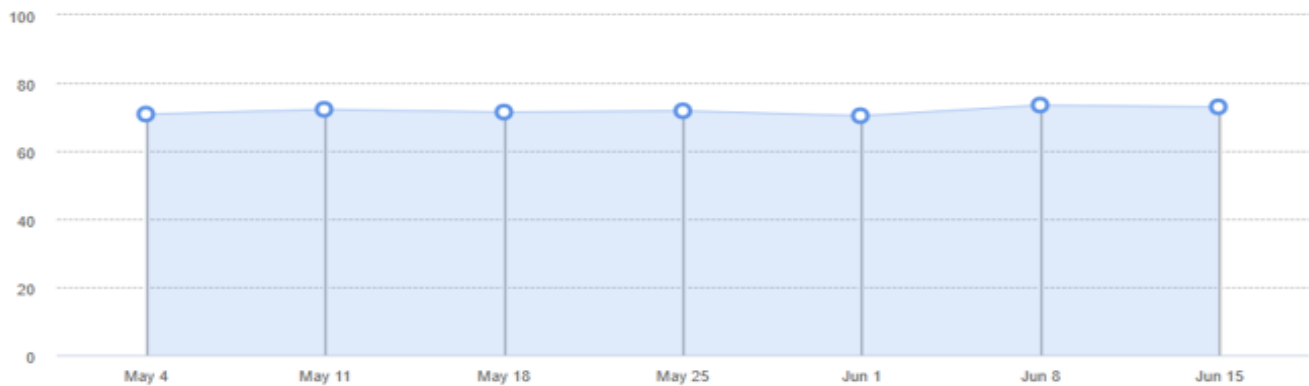
It looks at everything that's being done in your network. This profile happens to be mine. I could improve it if spent a lot of time on it, but I do rank in the top 1% of the industry and top 8% in my network.



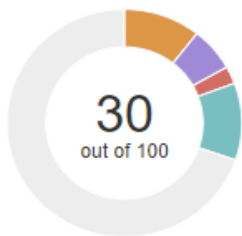
Social Selling Index – Today

Your Social Selling Index (SSI) measures how effective you are at establishing your professional brand, finding the right people, engaging with insights, and building relationships. It is updated daily. [Learn more](#)





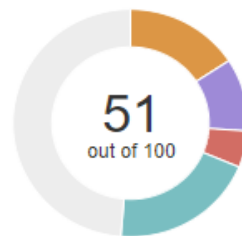
People in your Industry



Sales professionals in the Management Consulting industry have an **average SSI of 30**. You rank in the **top 1%**

⊖ Unchanged since last week

People in your Network



People in your network have an **average SSI of 51**. You rank in the **top 8%**

⬇️ Down 1% since last week

It gives you some comparisons as to how you're doing with the rest of the market. It gives you a weekly tracker, shows you how people in the industry are doing. Again, great numbers and I'm doing okay. But, if you have Navigator as the team product, if you've got 5 to 10 reps, for example, then as a manager, you can see these across the team, and you get to see real-time changes.

It's a nice tool if you've got a big enough team to have Navigator across the board and helpful to have the visibility on the dashboard. I often request reps to run the tool and email me the screenshot for review, since that is the only way to see it if they are not on your team in a team edition. I use it as one of many evaluation tools when considering new sales candidates for a client's team.

Marketing



Let's talk a bit about the value of marketing in a COVID-19 world. We have seen the need and the value of marketing increase during these turbulent times. I've been telling the marketing folks I know that they have moved into the front seat with sales.

We're going to depend on marketing more than ever in a world where most of your team is essentially selling as if they are on TV. Imagine that now you've got everybody working from home, and suddenly, you've lost control of a big part of your brand. Your team is presenting from who knows what kind of office now.

Those home offices have become part of your company brand to your clients, so how are you going to consistently present the quality of customer facing activities without a new plan that involves the marketing team? Companies cannot assume that their brand is going to be represented consistently without spending some time and effort on all that remote activity.

Some of the tools many successful companies are using include role-playing sessions to test both the content and the quality of the remote presentation experience. Record the sessions and review together like a football team looking at "tape."

Marketing is going to need to work closely with sales to make sure that your company presents the best face forward with both your clients and your prospects in what most experts agree is going to be a mostly virtual sales environment for many months to come.

Companies should also be planning for an increased marketing and remote worker budget. Unless you want your brand represented by a guy's old beat-up office chair, lighting that looks like it's an interview with someone in the witness protection program, and scratchy sound or poor video quality, you're also going to have to spend some money to make sure that your brand is effectively communicated in this new world.

The minimum investment for remote reps includes a quality microphone (like Snowball), separate webcam from the laptop (Logitech), improved lighting such as ring lights, and a green backdrop for the best "virtual" background quality. A decent setup is around \$200 and well worth the investment.



Besides the presentation accessories, I highly suggest a new, quality office chair specified for 6+ hours a day for both health and productivity of not only sales reps, but all remote workers.

A successful transition to more remote presentations will require new tools, as well as new content. Ideally there should be more collaboration between sales, marketing, and IT, as well. The quality and security of home office internet becomes part of the branding for companies in putting their best and most professional foot forward.

When your reps go online with that big webinar, you want to make sure everything's working. Having IT onboard early is essential to success in all this remote activity.

Then it's "lights, camera, action!"

Streamlining Organizational and Operations Systems

By Belle Walker

Bellevue Consulting

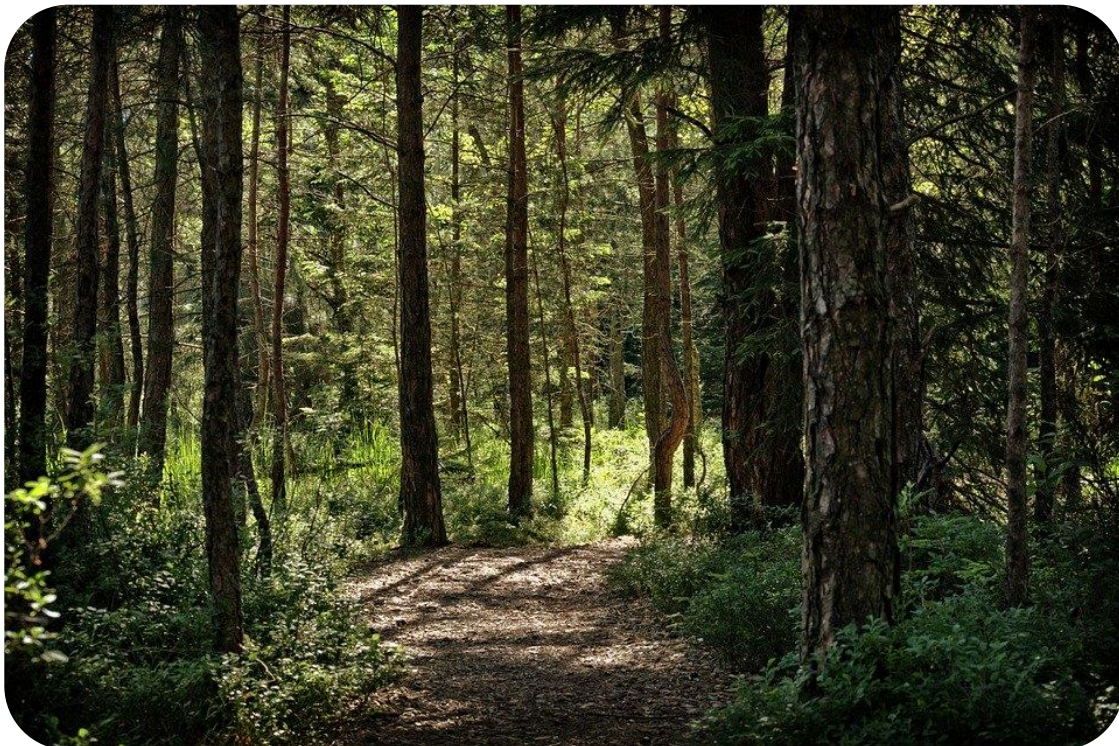


Preparing Your Team for the New Normal

Leadership and Systems Thinking

You often hear people talk about the forest and the trees as a metaphor to describe being deep into the details or staying at a very high level and maintaining a broad perspective. Systems thinking is the intersection of the two and requires practitioners to find the balancing point between the forest and the trees.

If a large tree falls, you will have a hole that appears in the canopy that impacts the broader ecosystem – especially if many large trees fall over at the same time. *Systems thinking means understanding the potential impact of individual trees on the entire forest.*



Broad Systems Thinking for Organizations



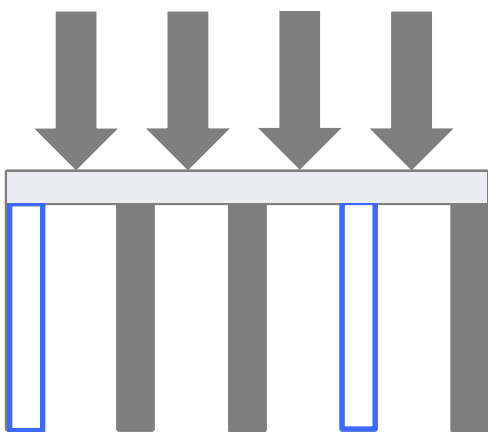
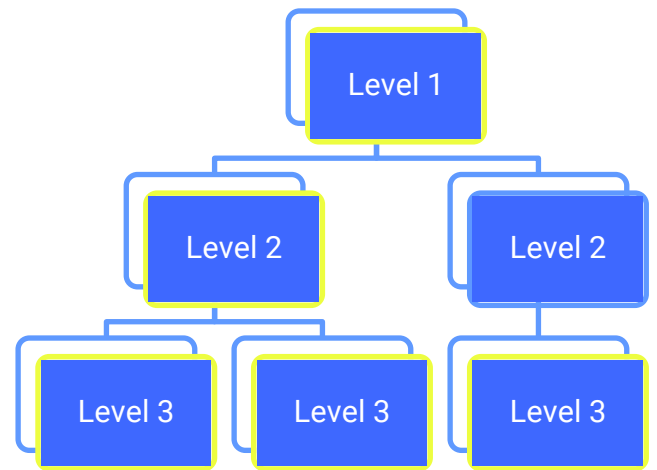
So how does Systems Thinking apply in the context of organizations? Most companies have a vision or a North Star that they are trying to achieve. They focus their attention, energy, and goals around that North Star, but they also need to build the systems that will comprise their ways of working for the company.

Examples of these systems include organizational structures, incentive plans, program governance models, and more. When you first build these systems, they point right at the current North Star. But over time, reality has a way of changing focus and goals tend to shift. This movement can cause a split between where your systems are focused and where the current goals are.

Often, companies forget to adjust their systems. To avoid this split, leaders need to be aware that changing an organization's focus may also require updates to internal systems to support the new goals. This means rethinking and adjusting as often as necessary to maintain, or recapture, alignment as the goals continue to evolve.

Interlocking Systems in Organizations

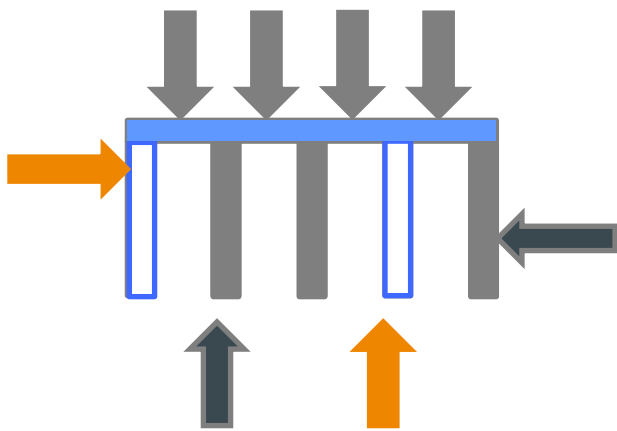
Let's dig a little more into some of these specific systems, starting with organizational structures. All companies have organizational structures and most of these structures can be envisioned as pyramidal hierarchies. Tools like PowerPoint even make this structure the default visualization option.



But how teams interact often looks very different. For example, you can have a team where the manager functions as a filter, taking in repetitive, predictable tasks and distributing them across the members of the team. The team members, in this case, would be working independently and only coordinating through their manager.

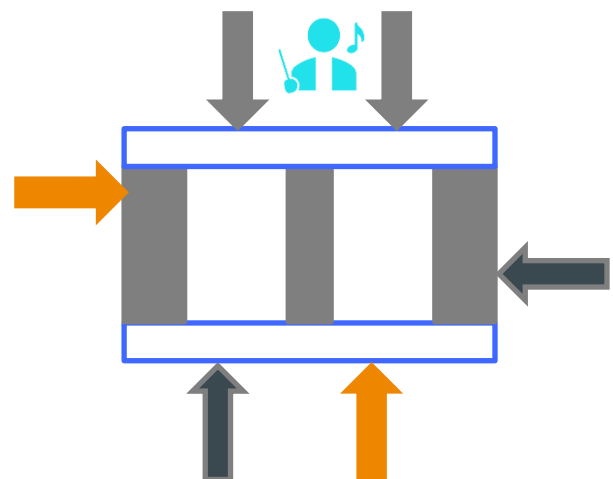
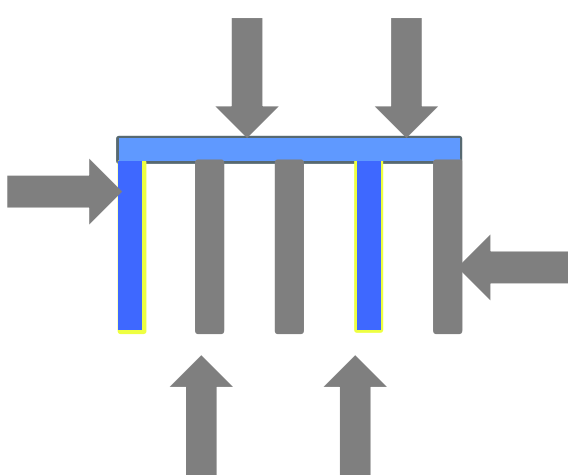
Case Study

I had a team working for me a few years ago that functioned exactly this way. The work was very predictable, so the manager was able to distribute specific items across the different team members. Some of the more senior members took a few more of the tasks but they were all largely independent, loosely affiliated employees.



Over time, however, the work that they were being asked to do changed. Instead of being repetitive and predictable, requests started coming from multiple directions and included several different types of tasks.

With this new set of requests, the structure became very unstable as it was very difficult for the manager to catch and distribute all the work. The team members were overloaded and unable to rely on each other for support. To address the issues, we had to step back and think about how the team might organize themselves to be more effective in this new context.

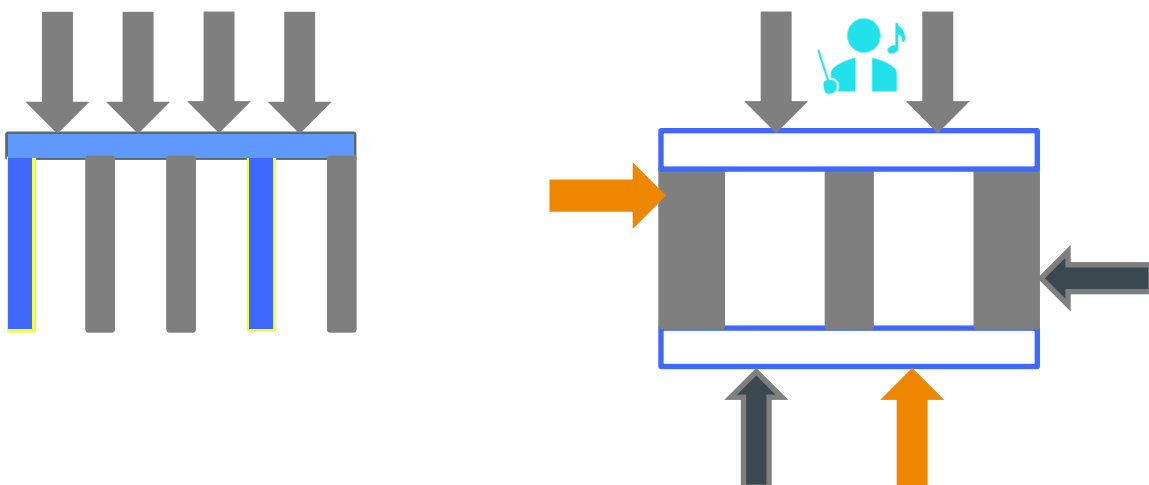


We started by looking at the more senior team members and whether they needed to remain independently vertical, or whether they could start to support the team from a more horizontal perspective. We realized that they could help to distribute the work and provide technical expertise to the more junior members.

The result was that the more junior members ended up sandwiched in between the more senior folks, giving them extra stability. Everyone coordinated more tightly, which was much more stable in the new environment.

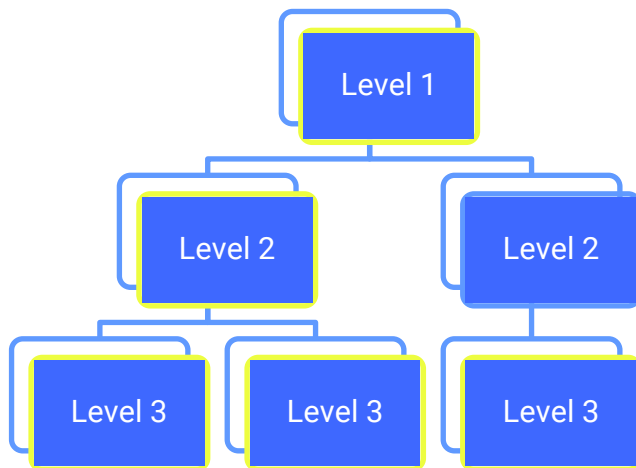
In the more interlocked version, the manager ended up transitioning from an active member of the team to more of a maestro, coordinating from a more abstract perspective or patching cracks where needed.

Because this story is about a team evolving from largely independent work to tightly coupled norms, it might be tempting to think that the tightly coupled model is “better” or “more correct.” The truth, however, is that both structures can be very effective. *What is most important is maintaining awareness of the context in which the team is operating and then matching the structure to the team’s need.*



Multiple Stakeholder Scenario

To emphasize this point, consider a team that has predictable, straightforward tasks and is organized into the interconnected model. You could have just as much pain as our independent structure had in the multiple stakeholders scenario because these interdependencies require careful coordination across the team and offer more opportunities for interpersonal conflict.



In this situation, the team structure is over-engineered for the situation. Once more, *it is the alignment between structure and context that outweighs the benefits of any particular option.*

Connected Systems

But org charts are only one system that impacts people within an organization. Another common system is performance incentives. Many companies design their incentive plans around some combination of individual performance and collective performance. Those elements are combined to determine the final bonus.

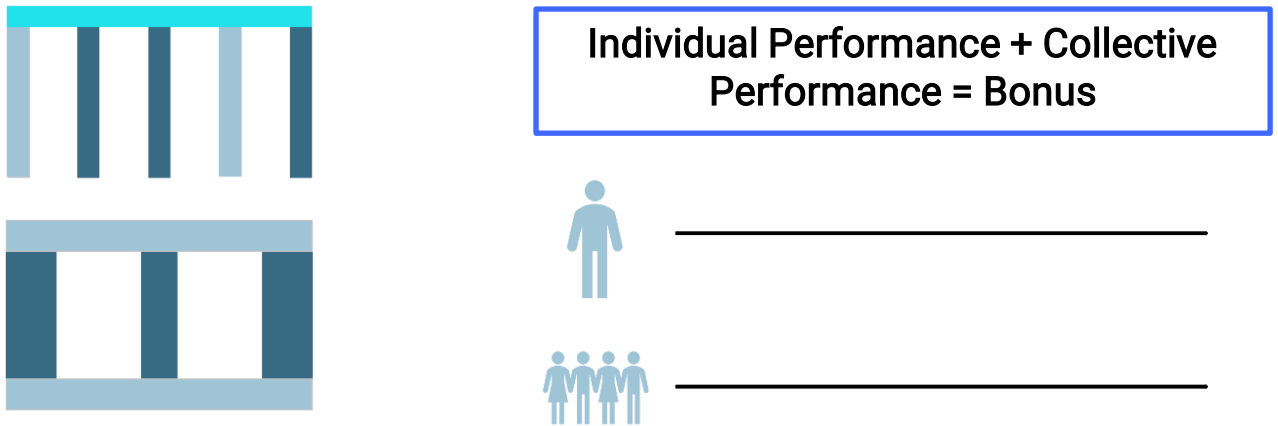
**Individual Performance +
Collective Performance = Bonus**



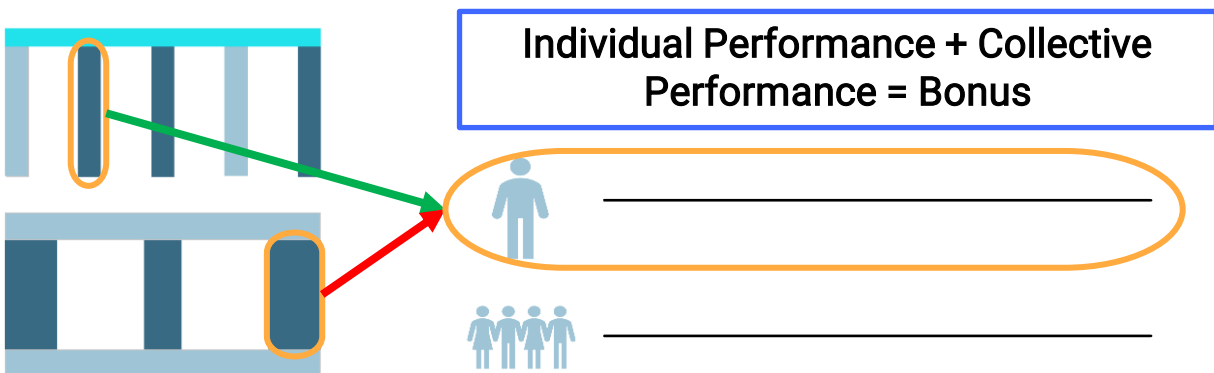


Depending on the company, there may be a very heavy emphasis on the individual performance or there might be a heavier emphasis on the collective performance.

As with the org charts, there is no single, perfect answer that will apply for every company; the broader context must be considered. When structuring incentive plans, for example, understanding how your team collaborates (or works independently) can be a crucial factor in designing an effective system.



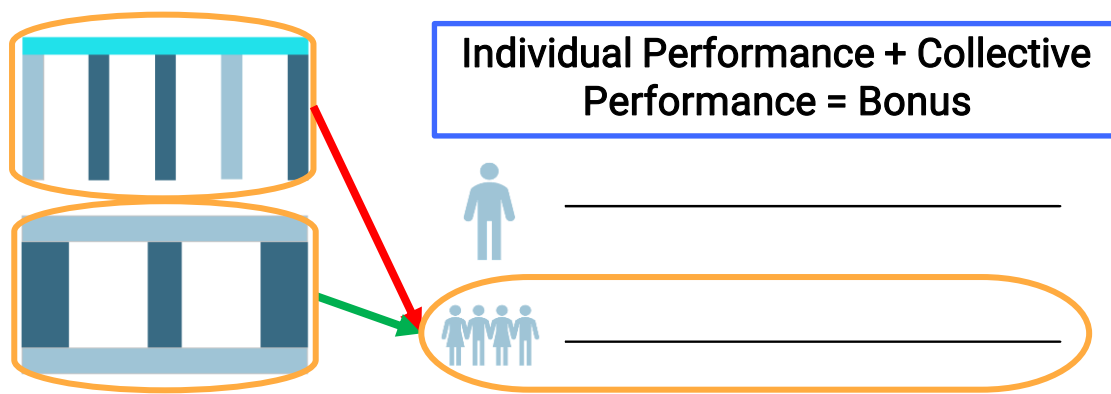
If you consider an incentive plan that places heavy emphasis on individual performance over collective performance, a team that operates mostly independently will likely be quite happy. Members of these teams have a lot of control over their individual performance.



Although they have less control over the collective performance, they would be minimally impacted if that collective performance goes poorly.

A team member on the more interconnected team, however, will find their performance assessments heavily interlocked with the rest of the team. It is very difficult for them to identify and measure their own performance separate from the entire organization. This is going to be a frustrating fit with an incentive model that emphasizes the individual contribution.

Of course, the reverse is also true. If you try to incentivize based on the collective performance, individual team members on the more independent team are going to become frustrated when they have very little control over anything beyond their specific scope.



A team that is highly interlocked, however, will do very well in this structure.

Once again, the question is less about which choice is “better” and more about making sure that you are balancing the individual systems and how they relate to each other.

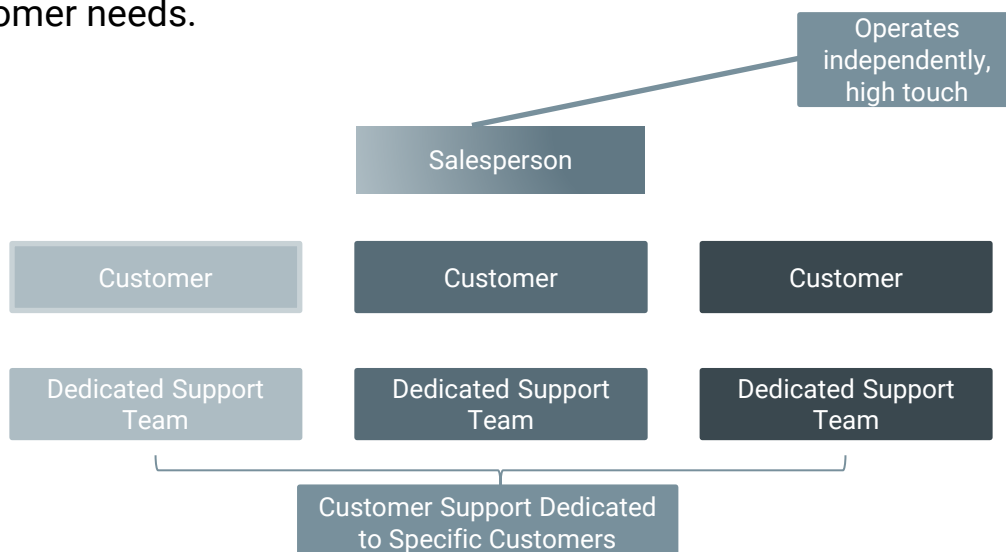
B2B → B2C Pivot

Turning now to a more immediately relevant example, many companies have recently had to pivot their business models from business-to-business (B2B) to business-to-consumer (B2C).

B2B

In a business-to-business environment, companies generally have several large customers that are quite distinct from each other. There are often salespeople who work independently but who are very high touch with the customers that they support.

In addition, B2B companies often have dedicated support teams for customer service. This makes customer support highly aligned with individual clients. These teams coordinate closely within the team and loosely across teams to support large customer needs.



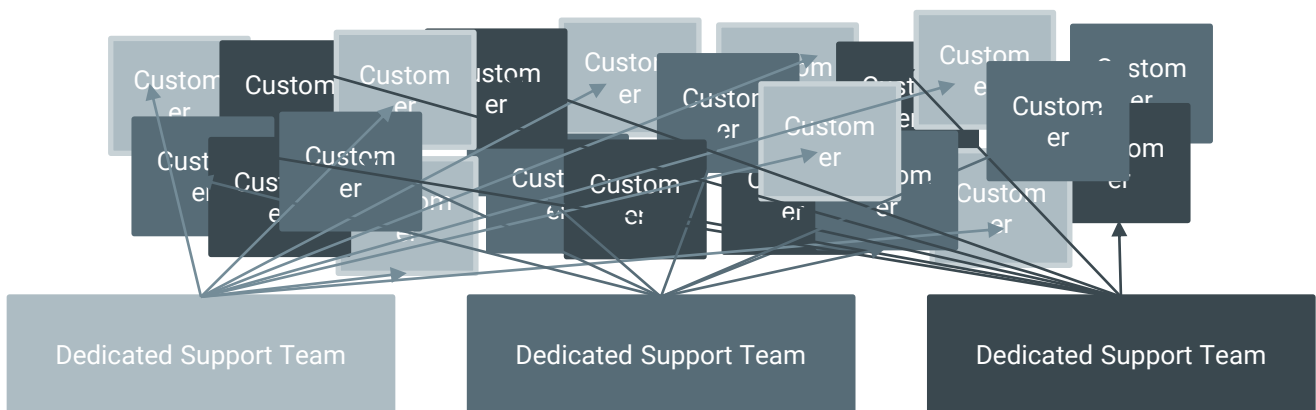
B2C

When you move into a business-to-consumer model, however, your customer environment looks very different.

Instead of having clearly defined, distinct customers, there is a large pool of potential customers that can be difficult to segment. There may be some similarities with the characteristics that distinguished the larger B2B customers, but the boundaries are often blurrier.

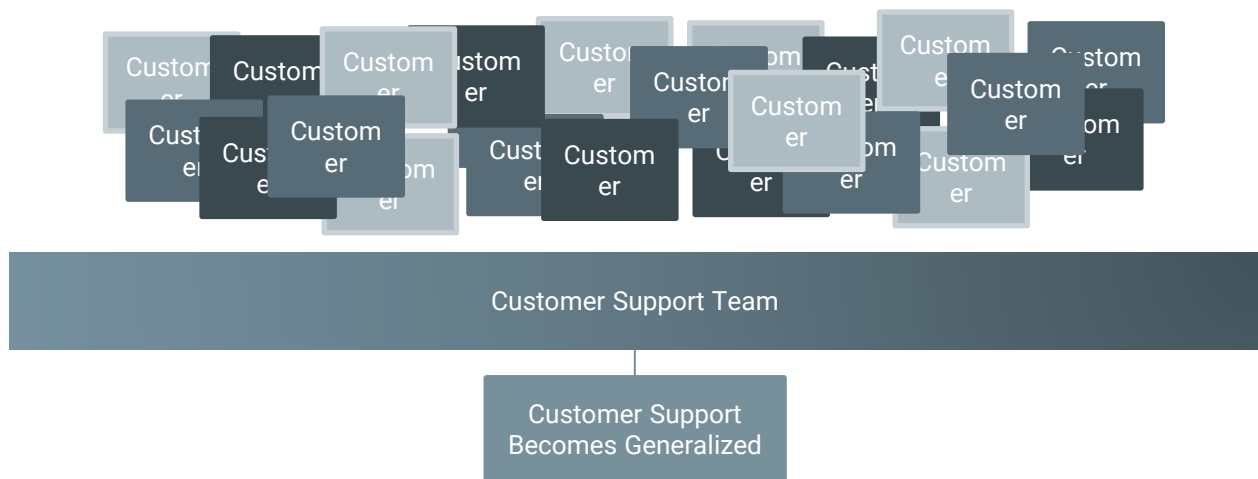
As a result, *if you try to maintain a support team that is split along the old B2B customer lines, matching the customers to the support teams can be very difficult.*

In fact, it can be an utter mess to keep each team connected to their customers and functioning strongly. After enough frustration, it is time to go back to the drawing board.



Customer Support Teams

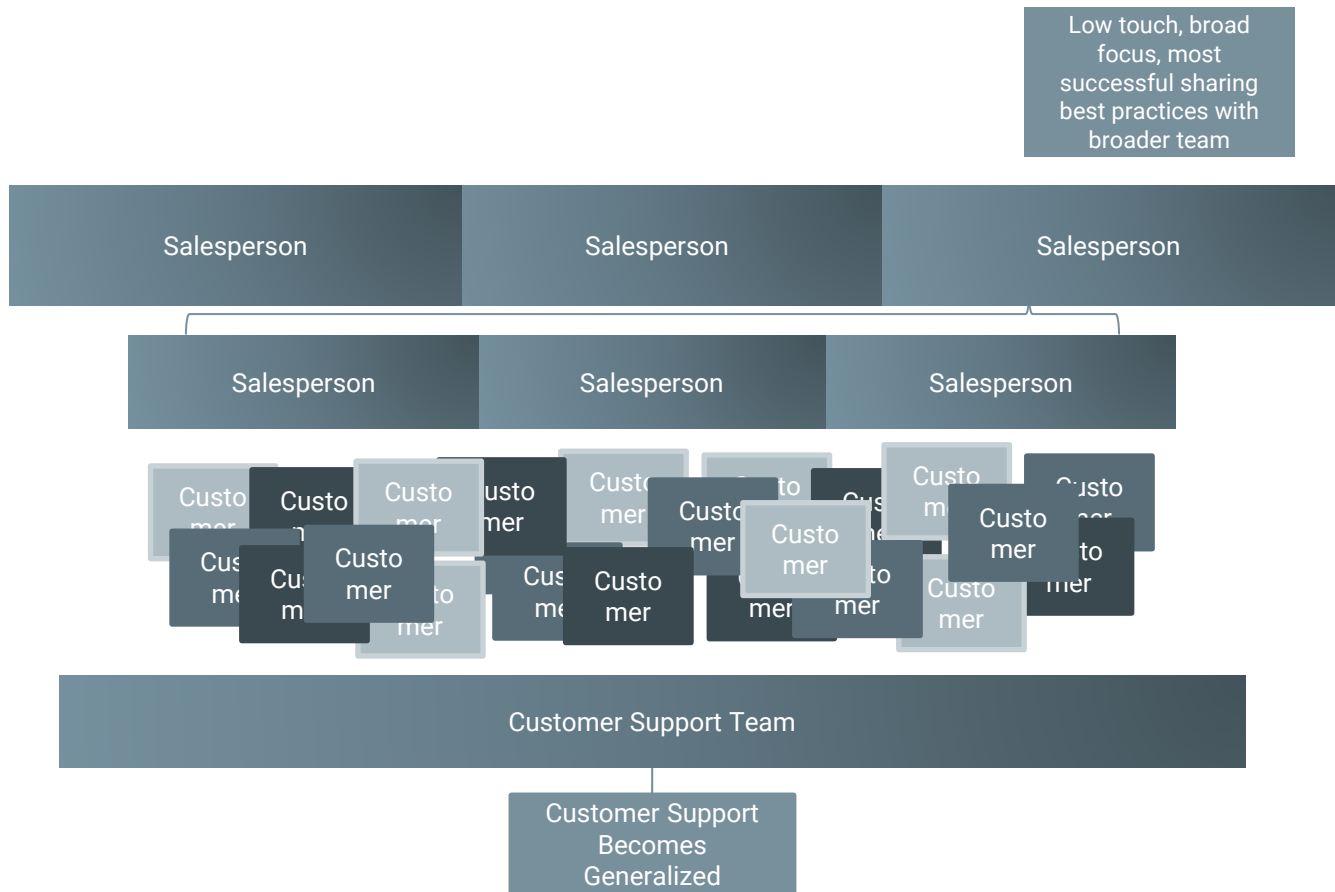
In a business-to-consumer model, a single customer support team can often be a better fit. There may still be some divisions within the support team to create reasonable spans of control, but from a customer perspective, there should only be one number to call in order to receive the desired support.



The result is that support teams become more generalized, which offers a far superior experience for the consumer customers. Similarly, the salesperson will struggle if the same high-touch approach is maintained with teams continuing to function as a set of parallel individuals.

When coming after a broader pool of consumer customers, a sales team needs to work together to share best practices while taking a lower touch, more broadly focused approach to the market.

This was just one example of how the organizational structure might change when a business focus changes: from independent teams in a B2B context to more interdependent teams in the B2C world.



When making such a dramatic organizational shift, however, there is also a need to revisit incentive plans.

For a sales team, that would be the right time to bring in an expert like Don McMahan to ensure that the incentives motivate the desired behaviors in the new model. There is a lot of complication here, but the answers become more straightforward when you take the broader perspectives into account.

Key Takeaways

What I hope you take away from this content is:

1. First and foremost, an understanding of the need to balance the forest and the trees.
2. Maximizing efficiency and engagement requires alignment across people systems (org structures, incentive plans, etc) and with the goals that you are currently pursuing.
3. Dramatic changes, such as growth, layoffs, furloughs, and pivots, will be most successful when people systems are adjusted to match the change.
4. Even in the absence of big focus shifts, small change can quickly add up to dramatic differences that may also require active realignment.
5. Taking a few moments to consider the evolution of your business and the alignment of your systems make may open your eyes to the need for change.

Now What?

So, now what? How do you decide if your business requires changes to the people, systems and structures? The first step is to take a step back, go back to the drawing board, and think about how your current systems motivate people.

Think about how the systems guide your employees, focus their energy, and support their day-to-day work. Then consider whether those answers match your current goals. Once you have this picture in your mind, verify your understanding with the team members themselves. They will often have the clearest view of diverging messages or systems.

Only when you have gathered all your data should you start making adjustments to align your systems and structures so that everything is once more directed straight to your North Star.



Getting Your Money's Worth from Your Sales Compensation Plans

*By Don McMahan
FlyCloud Consulting*



Effective Sales Compensation Plans Need Multiple Components Including Strategic Objectives, Financial Rewards & Other Drivers

A goal is a dream with a deadline.

- *Napoleon Hill*

Sales VPs often joke (but it is not so funny) that, “Last year's record is next year's quota.” And often that's true, since most companies tend to plan a year-on-year growth strategy. So a great year begets a rough year to follow...

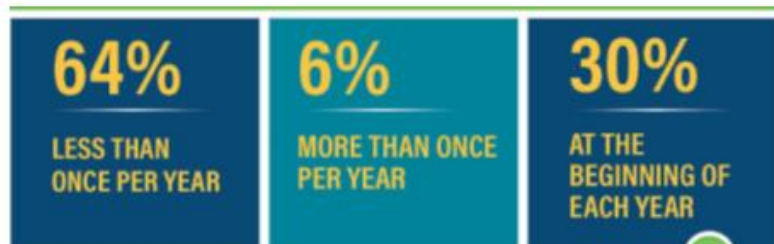
That's where we get the goal: a dream with a deadline. But having said that, it's kind of interesting. If you're one of those companies, and one of the owners not quite sure you're getting your money's worth from your sales team compensation, it might be time to have a closer look and see if you are suffering from some of the most common problems sales leaders see again and again.

Why You May Not Be Getting Your Money's Worth

A National Survey of Small to Mid-Sized Companies by Sales Xceleration with 200 Companies Found That:

- **6 out of 10** companies do not have individual quotas
- **9 of 10** companies do not have a comp plan that incents the behavior the company is seeking
- **64%** of the respondents were changing their comp plans less than once a year.
- **5%** of them were doing it more than once a year.
- **Only 30%** got it right and changed their plans (and goals) annually

How Often Do You Change Your Sales Rep Comp Plans?



Sales Xceleration Study, 2019

One of the recurring problems is quota. We find that in a national survey we've done with companies all over the country, that 60% of companies don't assign individual quotas. And I've had clients, in fact, where they had no quota for the whole team. As a 35+ year VP of Sales, it's hard to believe. I've lived with quotas my whole career.

So I scratch my head, and ask, "Why don't you have a goal?"

I have heard a variety of answers, but a goal is a good thing. 90% of the companies reported they don't have a compensation plan that incents the behavior that the company wants. That component of compensation is more art than science when it comes to figuring out how to manage that successfully.

Another indicator that you do not have the optimum compensation plan usually includes higher than industry average turnover. Turnover is like a coin with heads on one side and tails on the other. Is there too much turnover, or not enough turnover? The answer depends on the results of that metric. If you are consistently beating your goals (assuming you have them) and you have little to no turnover, then great.

But if you are like a prospective client I talked to a few years ago in the semiconductor business, where the sales team was making great money but the company was losing money, you obviously need some turnover. The CEO's situation was that nobody left, and they were all making large six-figure salaries. Guess what? There was no quota.



The CEO was so distressed because they weren't getting where they wanted to go with the revenue. My quick look at the comp plan easily uncovered his main issue when I told him that without a goal (quota), the results were predictable. The sales team shows up, they get paid regardless of the results, and so it wasn't surprising that no one had quit this cushy job as far back as the CEO could remember. Amazing.



Another key indicator we look at in comp plans is how often do the plans change? As we all know, the conditions in the market do change somewhat every year, and of course, 2020 will be a year with historic change for all companies and on a global scale. When the market changes, it makes sense to change your business plans, and your sales comp plans, to best fit the new year.



Best Practices would be changing the plan annually.

Of course, with a global pandemic like COVID-19 (that we hope, is a once in our lifetime event), you may need several changes all inside of one year. So far, the crisis has precipitated an urgent need for a change mid-year and many companies have already reacted to that.



As a general rule, you don't want to be changing your comp plans midstream during the calendar year. I have never seen great results when a company decides to change things up mid-year without a global pandemic driving the need. Annually is the benchmark for the best run companies, almost always on the calendar year, regardless of their own fiscal year.

The Japanese, however, change all their plans twice a year. Having worked for a couple of Japanese companies I had to get used to having two quotas per year, one for the what was called the first half of the fiscal year that started on April 1 and ran until the end of September.

The second half started October 1 and of course ended March 31 the following year. What was also interesting is that virtually ALL Japanese companies were on the same fiscal year that matched the government. It is a completely different landscape than the US, where the fiscal calendars are all over the place, depending on tax and market considerations specific to some companies.

More Common Problems Found in Many Companies

Top Cost Factors of a Poorly Designed Comp Plan That Are Often Overlooked:

- Cost of administrative resources
- Cost of Information Technology resources
- Cost of overpayments and errors
- Cost and lost revenue due to sales force turnover
- Lower revenue resulting from less selling time
- Lower revenue and margins because of undesirable behaviors and poor motivation

(from Optymyze study on over 100 large sales organizations)

Other issues that you may find in some compensation plans are cost factors. Unless you are in accounting, most people don't really think about the cost to administer a sales comp plan. There may be a lot of hidden costs built into your comp plan that can tax your administrative resources, as well as the IT department.

Sometimes (often) management tends to create plans that require custom reports that cannot easily be extracted from your accounting or ERP system with the net result, you have overpayments and errors.

This tendency of senior management to over-complicate the sales comp plan usually evolves from one of two driving forces:

1. The first driver is a plan based on exceptions for extraordinary payouts to sales reps for some special deal years ago, and over the years, the special list grows until the company ends up with a lengthy and confusing plan that does not drive the results you need.

I had the opportunity a few years ago to do a complete makeover of one such plan. It had grown to nine pages and had more ways to not pay a salesperson than any plan I had ever seen. After a lot of creative and Excel work, I was finally able to boil it down to five pages, and was unhappy that is as far as I could go. The complexity of profitability by product lines defined the final minimum size.

2. The second driver of overly complex comp plans is the idea that the company can replace good old-fashioned management with a document to micro-manage the 40-60-hour workweek (hopefully) of the sales reps. It does not work, but that does not prevent dozens of senior leaders who feel that is the best way to force the behavior they want.

Complexity = High Turnover

When you have something too complex again, you will suffer the cost of lost revenue with unwanted salesforce turnover. I had one client that suffered 80% turnover in their first-year sales reps. The problem was exacerbated by several factors.



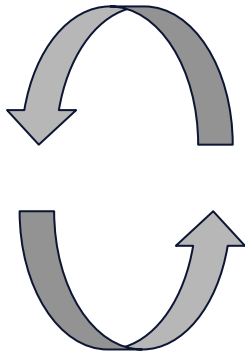
First, Comp Plans were not industry or market competitive.

Second, it was also a territory design problem that made it almost impossible for first year reps to achieve quota and earn a reasonable commission.

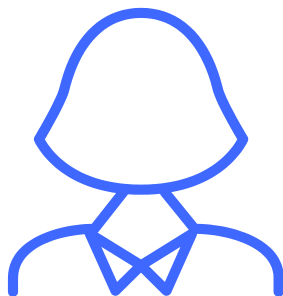
And third, it was a Sales Manager compensation issue (really a lack thereof) that essentially rewarded the sales manager whether the reps stayed three months or five years; he had no quota and just got to pile on whatever bookings the short timers produced.



The average cost of losing and replacing a sales rep in the SF Bay Area is easily over \$100,000, depending on the industry. The cost includes the time to recruit and onboard a new rep, the cumulative management time in the process, the hard cost of a recruiting fee most of the time, and then you have the lost opportunity cost of the sales no one is making while you fill the void.



Accept the fact that turnover, especially turnover of people you don't want to lose, can be very expensive. It's something to avoid, something to measure and to manage and a metric not only for HR, but the sales management team needs to be accountable for this, as well.



I was able to fix that plan for the client and address all the driving issues that had not been obvious at first glance. It generally takes a lot of number crunching and discovery to root out the real issues that have likely evolved over many years and are almost never documented to help uncover the root problem.

Make the Plan a Win-Win

Both parties should win and lose together.

Tie variable compensation to at least two of these essential elements:

- Individual performance
- Departmental performance
 - Determine how much of an impact they can make
 - Imagine an atmosphere where each member of the team is concerned about the overall goal!



So, what's a successful comp plan look like? We can usually boil it down to a group of five things.

1. You want the plan to be a win-win for the company and the individual.
2. You want to incentivize the behavior you want to see. And again, that's where it takes some finesse to make sure that happens.
3. You want it to be easy to administer and understand. I've had clients where literally the entire sales team would spend five, six, seven hours a week trying to calculate how they were doing on the comp plan. That's not good use of the sales reps' time and not good for the company. So complexity can add cost to a plan and/or bleed valuable selling time on low value admin work by your team.
4. You want the appropriate balance between salary (fixed) and commission (variable). I tend to balance that ratio based on the amount of influence a role has on the sale. In a typical outside sales rep situation, **our ideal goal is 50-50: 50% fixed and 50% variable**. That's typically made up of both commissions and quarterly goals that we use KPIs for generally. If you have an inside salesperson, they have less influence on the sale that may be an 80-20 (fixed to variable ratio), since they don't have as much influence. You do still want them focused on the outcomes for sales, however, and aligned with their outside team. For business development roles it all depends. The more influence they have on a sale, the nature of the sales cycle, often much longer than not.
5. *A critical thing* not to be overlooked in any effective sales compensation plan is that you want to ***reward the top performers***.

Variable Compensation

When designing your variable compensation, you want to be tying that variable compensation not only to individual performance, but also departmental performance and overall company performance. There are many ways of doing that, but what you don't want is a plan where a couple of people are laughing all the way to the bank and the company is in the red.

Companies need to create a balance that provides a bigger picture goal, as well as addresses the team goals. *Clearly the most important thing in any good plan is that everyone must have individual goals (quotas) and be individually accountable.*

With the right plan and the right structure, you get the teamwork going. You roll out the wrong plan, you can find that you can have pretty much cat fights every week with people fighting over deals because it's not set up properly.

Compensation plans will produce predictable behavior in most salespeople. We have joked for many years that salespeople are “coin-operated.” A sales guy would do anything for a buck, right? You will likely be surprised to discover that money is not the #1 motivation for most sales reps.



What Motivates Salespeople?

The Culture Works asked salespeople to complete a 100-question Motivators Assessment. Topping the list of sales motivators are:

1. **Family** – balancing work and home time
2. **Impact** – doing work that's important
3. **Learning** – trying new things & growing
4. **Problem Solving** – finding solutions in a crisis
5. **Friendship** – developing close relationships at work



Money was ranked nearly last. Only 17% of salespeople have money ranked in their very top motivators.

Despite the surprisingly low priority of money as a key motivator, salespeople will spend time on the products and accounts that make them the most money. And to add to that, top salespeople, smart salespeople, will tend to gravitate to what's easier to sell. Why sell the hard thing?

So you as an owner of a company may have something definitely more challenging to sell than the current and popular product lines. Perhaps a new product that is more challenging because it's new, and you'd like them to spend time on that but you are not seeing much enthusiasm.

Unless you incent the specific behavior you want, is it worth the extra time on that new product when you know they're going to gravitate to what is easy, because that's how they maximize their compensation?

Align Comp Plans with Company Goals

This common situation is where a well thought out plan is extremely important to the success of what may be a strategic product for your company. You have the ability to tune their efforts with your comp plan.

Imagine you have a couple of dials where you can dial in on which products you'd like to reward the team for that makes either more margin for the company, or aligns the company strategically. This is where you want to align your corporate goals and your sales team's compensation goals.

You want a plan that's easy to implement. Since we have already discussed the reasons for simplicity where possible, do not make it too complex. You do not want people spending a lot of time trying to figure out their optimum play instead of selling. It will not get you to your goal.

The best type of comp plan will set the goals at the beginning of the year, it will have flexibility with a quarterly incentive to make adjustments throughout the year without completely changing the plan, and it will motivate your team to go out and do the things you want and need them to do.

Avoid the urge to micromanage through the comp plan. All too many companies engage in a knee jerk cadence of changes that is disruptive and does not drive for the goal. "Let's have them do this, let's have them do that." That's how you get a very complex plan that is not workable.

Focus on Big Picture Performance Results

A good, clean plan should drive the direction of the sales team, have the systems and infrastructure to automatically track as much of the activity as you can, and it should help them prioritize what they do when they get up every day. You want to look at the big picture.



Is your performance up or down? How is your client retention?

It's essential to look at many different and less obvious metrics; often companies do not. We see the focus is on the obvious, how did we do last month? Last quarter? What is our backlog and our forecast? We call this "Steering by the wake." Instead, ask yourself questions such as, what is our percentage of new clients versus old clients? What's the trending look like, year-over-year, month-over-month?

One year never tells your story. I always like to look at trending. What's that look like in three years? Have we grown the account base, or is it going downhill? Break away from looking at the traditional benchmarks, especially just your revenue.

In my QBR process (Quarterly Business Review), I want to see if productivity is increasing or decreasing by rep. I run P&Ls on each sales rep, and we look at the amount of margin per rep, as well as the direct (unburdened) cost. You should be able to do individual P&Ls and see how profitable each rep is. It's an exercise worth doing as you will see as you build it.

Balance in a plan is key: (fixed) salary, (variable) commissions, KPIs, and bonuses. We have reviewed many of the metrics that will give you more of a 360-degree view of your business. I often tell clients the QBR is much like an MRI versus an X-ray; we want to look at the soft tissue.

Striking the Right Balance

An effective *Sales Compensation Plan* is a balancing act; a plan where the team is either too comfortable or they're properly motivated. If you hand them an unreasonable quota, along with the wrong plan, they're going to be downright discouraged.

Research has found that once you go beyond what has often been called a “stretch goal,” the incentive to achieve that goal dramatically decreases, since the team gives up early knowing they have no hope.

When the quota exceeds a reasonable definition of a “stretch goal,” and instead becomes a suicide mission, you get to deal with the problems of unwanted turnover. Of course, your comp plan must be industry competitive in your market. You'll find big swings in compensation between states, especially in California with the Pre-COVID Bay Area being one of the hottest labor markets in the country.

In addition to the higher labor costs here in the Bay Area, it's interesting that we do have micro markets within the region. For example, if you have reps in Sacramento, they don't have the same comp plan that a rep in San Francisco would have.

It is all about the cost of living, especially housing costs. I always benchmark salary data not just by region, but specifically in metro areas within that region.

Plan to Adapt

Our recent work-from-home avalanche that has affected all but the manufacturing companies is changing the calculus on compensation right now. Some companies have already conceded that the reality is, no one knows when it will be safe to go back to 2019 work environments (probably never, not just a safety issue but a lifestyle issue).

Microsoft recently announced that all their white collared staff can continue to work from home, and even internationally. Other companies (Twitter for one) have been quick to do two things: 1) allow the remote work to be the new norm but 2) are adjusting compensation for those who may wish to work from Colorado, for example, and cutting compensation by 15-25% or whatever the delta may be for the difference in the cost of living.

No doubt, the accountants cooked that one up. And although it may make perfect accounting sense, it does not address the core issue of the dearth of talent in many positions. This matter is far from settled.



Remember the Big Issues

In closing, remember the big issues. You've got to have a goal, a plan for the annual growth you need and can reasonably expect to attain given all your resources.

What's the growth rate you need to be profitable? How can you hit your numbers in revenue, margin and most importantly, in clients?

All these metrics should be built into the plan. What are the resources you will need to attain the goal? *All of your challenges are also opportunities.* You will need to consider, for example, the mix between new products, old products, verticals or general market opportunities.

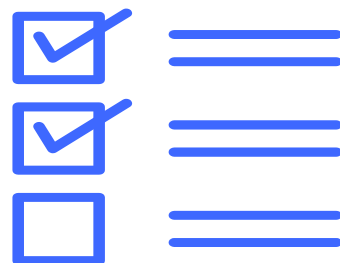
I favor the use of quarterly KPIs with a defined payout per quarter, but only the first quarter defined as far as the tasks or goals go. This model means the overall plan doesn't change quarterly, but the specific KPIs may.

The KPIs allow management to direct the business as circumstances call for throughout the year.

Setting the Bar

Good plans do not reward low levels of performance. Some plans may have a 50% minimum for example, before commissions kick in. One plan I saw was 90% which was an unreasonable bar that was too lopsided. Can't get to 90%, no soup for you!

A high bar that avoids paying the team a commission unless they get there is a clear recipe for disaster. The problem with that model is when the quota was unreasonable nobody could hit it. If you had a fair plan that might be okay, but that sort of plan would likely be undershooting what is possible.



You can have a beautiful compensation plan with all the right components, but if the goal, if the *quota* for the company is out of reach and out of touch with reality, nothing good happens.

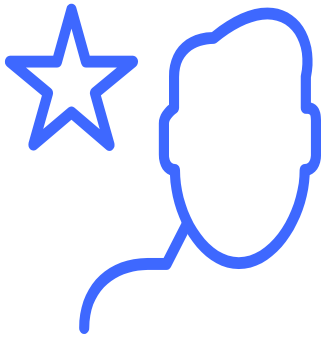


Often the most difficult part of a solid plan is for the owner of a small to mid-sized company to allow his/her top performers to perhaps to make more in a given year than he will as the owner.

Lastly, when you have the right comp plan like this, with the people that perform being rewarded fairly (or slightly better than fairly), it makes recruiting a lot easier. Hot-dog salespeople making good money tell their friends, and in my world, you can't have too many A players on a team.

Reward Your Top Performers

Remember, if your top reps are doing the exceptional job you want them to do, you either must reward them appropriately, or they will find someone who will. Another reason you must do this is that they did what you asked them to do. And if you're doing this, they'll continue to push, because that's what they do, and you'll have less turnover.



This situation also highlights the reality that if you're not rewarding top performers, those are the folks who leave first. It's the low performers who stick around for a long time and assure you of mediocre performance when that is all you are left with. Most companies generally don't think about that fact. And as any good professional sports coach will attest, it's impossible to make the playoffs with the practice squad...

Expense Reduction

*By Matt Schlegel
Schlegel Cascade*



**Cutting Unnecessary Expenses
Without Sacrificing Services**

“What gets measured gets improved.”

- *Peter Drucker*

We're going to talk about what's going on in the expense management world, in the pandemic world. What gets measured gets improved. The cost categories that I and my team like to focus on are categories that are particularly challenging to really dig in and figure out where the excess margins are built into the cost structure. Then we use our particular expertise in each of the areas to dig that out.

My background is in engineering, I was an engineer and engineering manager for over 20 years. Measuring things is just built into my DNA. Getting into the cost reduction business was very comfortable for me, but very exciting, as well, because there's just so many opportunities to use analytics to understand where the excess cost is, and then go and get that out for our clients.

The three categories of cost reduction I'll be reviewing today are cell phone cost, small parcel fees and merchant processing fees. In each of these categories, we tend to find that our clients are overpaying by about 25%. And in each of these categories, we're seeing an impact by the pandemic, and I'll be reviewing that with you, as well.

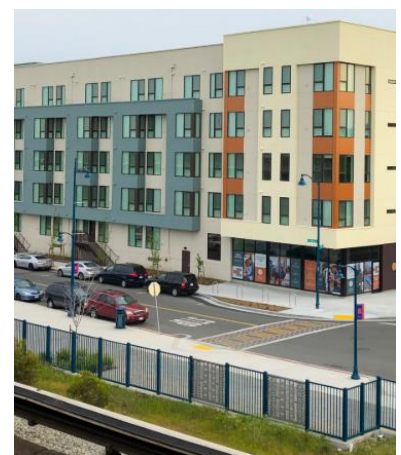
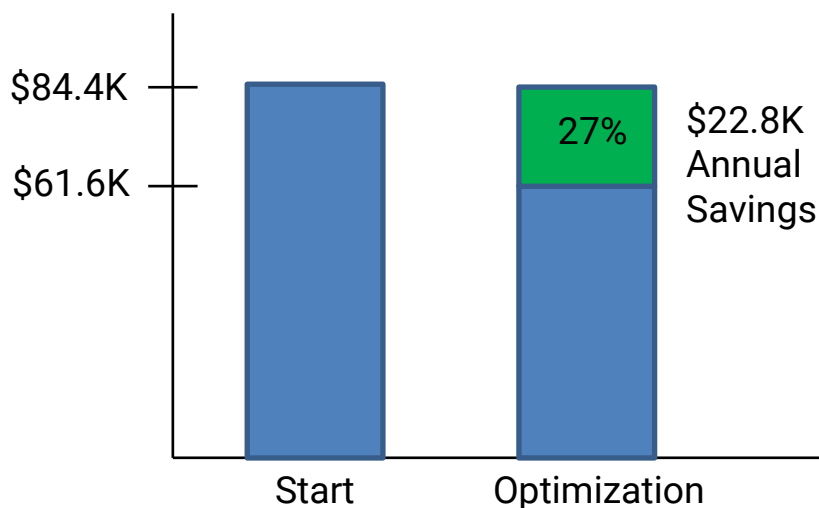
The reason why people are overpaying is because it's so difficult to understand where the hidden costs are buried. Having insight or expertise, we're able to go in, figure that out and help clients reduce those costs.

Case Study: Cell Phones Building Construction

Let's start with cell phones. We work with companies that have usually between 50 and 1,000 cell phones. That's kind of our sweet spot.

Below is an example of a company that had about 125 cell phones on their account. They were paying around \$84,000 annually for the cell phones. And after our analysis, we were able to bring that cost down to around \$61,000 annually, so *\$22,000 in savings, or 27%*.

This is a pretty typical example of what we can find in savings. And this is without changing providers. It has literally **no impact on the users**. People continue to use their devices, as it is just the CFO and the controller see the cost go down.



Mobile Service Optimization



1. Regroup phones
2. Apply discount codes
3. Cancel unneeded services
4. Cancel unused lines

Groups

The main areas that we're finding for cost reduction are understanding how the phones are grouped on the plan, and then ensuring that they are in the most cost-effective groups, cost-optimized groups,. That's a big chunk of the savings.

Discount Codes

Another chunk of savings we get is finding discount codes that can be applied to each of the lines. And every line qualifies for some discount code, it's just a matter of getting the best one.

By going through each of the lines carefully on the plan, identifying what the best discount code is, we can generally find another big chunk of savings. I'd say between number one and two, that's 80% of the savings that we find.

Unused Services

And then we'll also go through and find that miscellaneous services will get attached to a line. They may have inadvertently hit a text, and then all of a sudden \$1.99 charges appearing on their cell phone account.

So by carefully going through and figuring out if there's excess charges, we can go and eliminate those if they're not for a specific business use.



Unused Lines

Finally, unused lines. You might be surprised, but when accounts gets bigger, it gets a little more difficult to figure out whether a line is being used or not. For 125-line account, the bill might be 200 or 300 pages that you need to sort through. We have the tools to do that and figure out if a line isn't being used, and then bring that to the attention of our clients.

In the pandemic world, I'd say **groups and unused lines are the ones to really pay attention to right now**. Usage patterns may have changed in your company. Folks that are in a stay-at-home situation maybe using their device more or they may be using it less.

You want to understand how that usage pattern has changed. Because that will affect what plans you want to put that line on. Also, if a line is being used for data, and the employee isn't in a place with access to WiFi, then you might start to see extraordinary amounts of data usage.



Addressing Mobile Costs

You need to have a look at **data usage** and figure out what's the best way to minimize data charges by either getting WiFi for that employee or putting them on a plan that is more cost effective for large amounts of data.

On the **unused line** side, in regrettable situations where companies have had to layoff employees even if temporarily, you'll want to go in and see if you can suspend those lines while they're not being used. Even if you do plan on bringing the employee back, you can suspend them in the meantime, sometimes for up to six months.

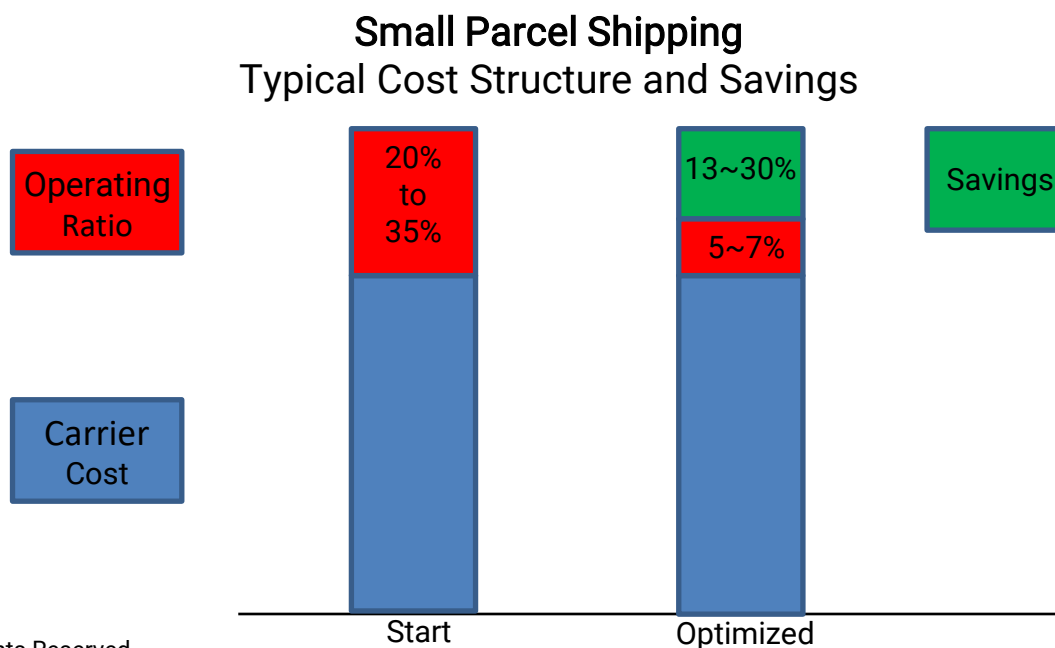
For instance, in the case of Verizon, if you suspend the line, the line charge goes down to zero, so you might as well be saving that money while the line isn't used. So those are two things to look out for on the cellphone side.

Shipping Cost Reduction & Small Parcel Shipping

On the shipping costs, we're seeing varied responses among our clients. Some clients, especially in the e-comm space, have extraordinary increases in shipping. While some clients, for instance in the apparel space, are seeing a dramatic drop off.

So it really depends on the business, what's going on there. The thing that we do when we go in and analyze the shipping costs is we look at something called the **operating ratio**. That's essentially the margin that's built into the cost structure.

Again, having folks on our team who are former FedEx and UPS analysts, we know exactly where that margin is in the proposals and quotations that our clients are receiving. Based on that sort of inside knowledge, we can identify where those excess costs are and squeeze them out.



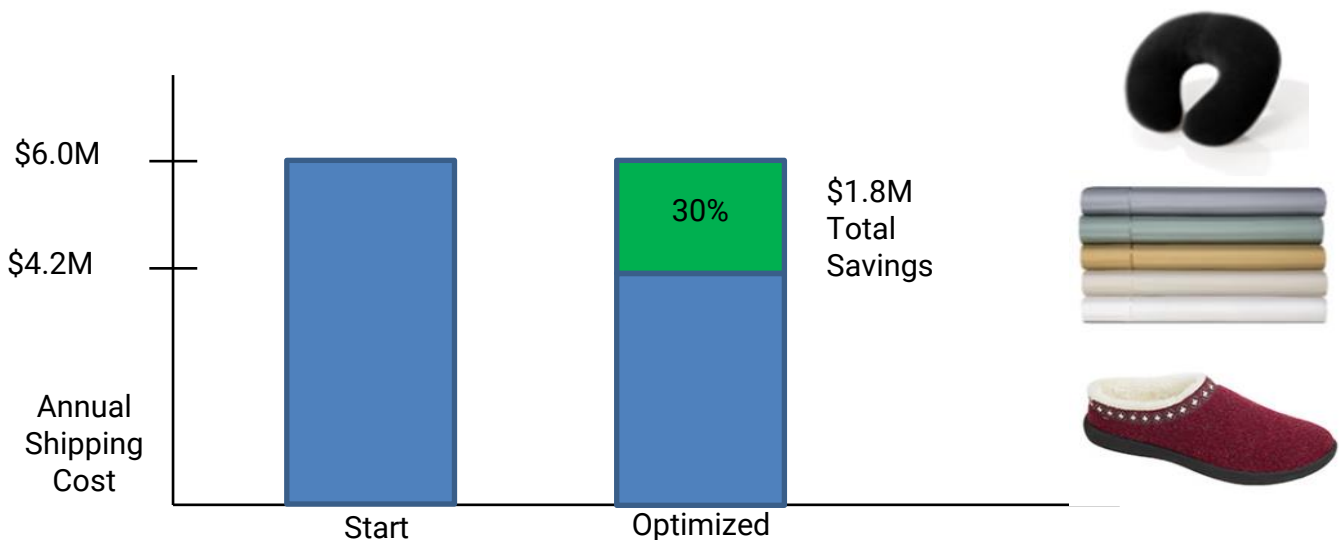
The good news is that we know the shipping companies will live with 5% to 7% operating margins. So that's the goal, is to get it from whatever the starting point is down to the 5% to 7% range.

25%
Client savings on shipping company operational margins

Once we get to those levels, we know we have accomplished our mission, and we're seeing anywhere from 13% to 30% savings, and often, 25% savings for our clients.

Here's a quick example of a company that ships bedding products and sleep products. They had annual shipping costs of \$6 million. Once we finished our analysis, we were able to bring that down to \$4.2 million for \$1.8 million in annualized savings. That's 30% - what we call "found money." And again, typical for us is 25% savings.

Case Study: Shipping Bedding, Pillows, Slippers



Merchant Processing

Let's get over to merchant processing. What's going on in this world right now?

The interesting thing about the merchant processing world is that, as opposed to the shipping and cell phones where you get a bill, in the merchant processing world, you get a statement.

That statement has a bunch of information in it, but since it's not a bill, it often doesn't get scrutinized. And yet, if you do scrutinize it and you have the expertise to go through all of these codes, you can find out where that hidden margin is and start to squeeze it out.

INTERCHANGE	01/31/16	MC-BUS LEVEL 2 UTILITIES	-0.00
INTERCHANGE	01/31/16	MC-REG INCENT FRF ADJ POS (DB)	-1.26
INTERCHANGE	01/31/16	MC-REGULATED FRD ADJ COMM (DB)	-1.53
INTERCHANGE	01/31/16	MC-REG NON INCENT FRD ADJ (DB)	-0.46
INTERCHANGE	01/31/16	MC-COMM DATA RATE II BUS (DB)	-1.40
INTERCHANGE	01/31/16	MC-DOMESTIC STANDARD	-22.70
INTERCHANGE	01/31/16	MC-UTILITY CREDIT	-0.65
INTERCHANGE	01/31/16	MC-WORLD UTILITY	-0.65
INTERCHANGE	01/31/16	MC-WORLD ELITE UTILITIES	-12.75
INTERCHANGE	01/31/16	MC-WORLDCARD STANDARD	-26.91
INTERCHANGE	01/31/16	MC-COMML STANDARD BUS	-11.54
INTERCHANGE	01/31/16	MC-CORP STANDARD (US) PUR	-0.81
INTERCHANGE	01/31/16	MC-CORP DATA RATE I (US) PUR	-102.17
INTERCHANGE	01/31/16	MC-BUS LEVEL 2 DATA RATE I	-7.21
INTERCHANGE	01/31/16	MC-CORP DATA RATE I (US) BUS	-3.16
INTERCHANGE	01/31/16	MC-COMML UTILITIES BUS	-10.50
INTERCHANGE	01/31/16	MC-WORLD ELITE STANDARD	-25.26
INTERCHANGE	01/31/16	MC-ENHANCED STANDARD	-7.61
INTERCHANGE	01/31/16	MC-ENHANCED UTILITIES	-6.50
INTERCHANGE	01/31/16	MC-DOMESTIC STANDARD (DB)	-1.49
		TOTAL INTERCHANGE	-1796.70
SERVICE	01/31/16	TRANSARMOR SOLUTION - MONTHLY	-19.95
SERVICE	01/31/16	MASTERCARD SALES DISCOUNT .008900 DISC RATE TIMES \$16,808.61	-149.60
SERVICE	01/31/16	VISA SALES DISCOUNT .008900 DISC RATE TIMES \$96,229.39	-856.44
SERVICE	01/31/16	MC LICENSE VOLUME FEE .000071 DISC RATE TIMES \$16,808.61	-1.19
		TOTAL SERVICE	-1027.18
GRAND TOTAL			-2,903.16

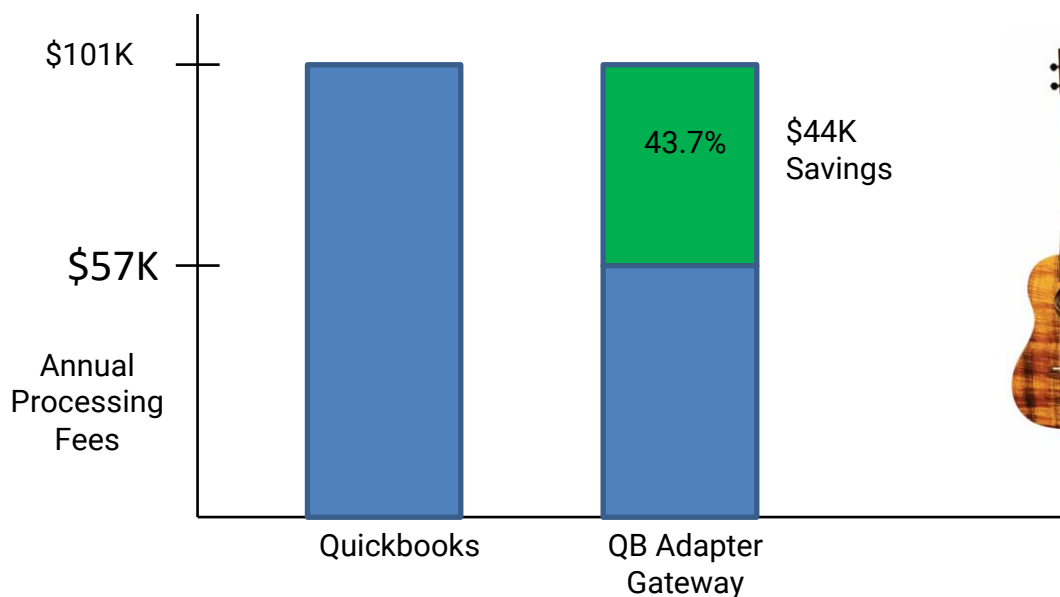
Merchant Processing Case Study

Here's an example of a client that had annual fees of just about \$100,000 a year, and we were able to bring that down to \$57,000. This was a more dramatic case, where we had discovered around **43.7% in savings for this client.**

This happened to be a client that was using QuickBooks. They wanted to stay on QuickBooks, but QuickBooks tends to have higher processing fees.

We were able to accommodate them with a technology solution that allowed them to continue to use QuickBooks but have access to lower cost processors that were more aligned with providing processing services to their particular business. And that's why we were able to get the dramatic savings here.

Case Study: *Merchant Fees* *Ukulele Manufacturer*



Cost Reduction Opportunities

The big areas for cost reduction that we're finding are the interchange rate optimization. We go in and look at any commissions that are built into the cost structure and minimize those.

We're looking at fees that may be applied to the account, and we're looking to minimize or eliminate them. And then finally, we look at downgrades. There's the best rate that the card can transact.

But if for some reason there's inadequate information entered into the transaction, it gets bumped up to a different tier, that's called the downgrade and then the rate goes up for the merchant when the money comes out of their bill.



Rate Optimization

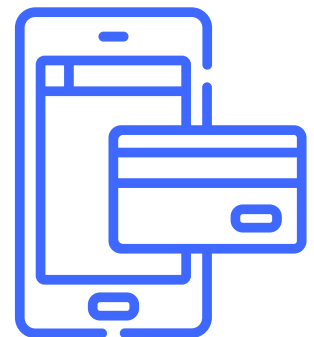
In the pandemic world – and the rate optimization world – the thing that you want to pay attention to is if the nature of your business is changing, and you're getting more or less business, and if that business is coming from a different demographic. That can change the way your rates are calculated on your account.

For instance, we had an example where they were doing mostly business-to-business transactions using commercial cards, before it switched over. Once the pandemic hit, the business-to-business business dropped off, but a business-to-consumer business picked up, and now they were transacting more on consumer cards. They have different rate structures, and so that changed the nature of the processing.

That's an area where you want to go in and look and make sure that if you're processing in a new way, or a new set of customers, with a new set of cards, that those cards have rates that are also optimized.

Downgrades

The same thing may be happening on the downgrades. If you're used to transacting in a certain way with a certain set of customers, but now you're switching over to a new set of customers, and they're transacting in a new way, and if you're not set up correctly for that new set of customers, you could be incurring excessive downgrades.



So if you're seeing transitions in your customer base, then I would say those are two of the things that you really want to pay particular attention to.

Processors

The final thing that you'll want to be careful of is that as we go into a recession, the processors tend to become a little more cautious. You want to be aware that you may get inquiries from your processors. What they're going to want to know is, when are you being paid for the service that you're delivering?

If you're in a restaurant, you eat a meal, the service is delivered, then you pay for it, right? That tends to be a low-risk transaction, as opposed to if you buy an airline ticket that you're planning on going on a trip three months from now. If you, for some reason, are unable to use that ticket, then the bank may be on the hook for making sure that you get refunded.

Since the banks and the processors are essentially giving you an unsecured line of credit for the six months in which they've made that promise to you, they're getting more cautious because of that. That's something that you need to be aware of in the current situation. And so, those are the highlights of what's going on in the cost reduction world for our group.



24 Different Types of Retirement Plans

There are 24 different types of plans; some are based on IRA and some are called defined contribution plans, such as 401Ks, 403Bs, 457s, profit sharing, etc.

Then there's the “granddaddy” of pension plans, where you might receive a monthly pension when you're retired. So instead of getting a salary from an employer, you get a salary from the plan after you've retired.

IRA-based Plans

- SEPs
- SIMPLEs
- Individual traditional IRA or ROTH IRA



Defined Contribution Plans

- Profit Sharing Plans with 401(k)
- ESOPs



Defined Benefit Plans

- Multi-employer Plans
- Traditional Pension
- Cash Balance Plans



How Important Are 401k Plans to a Secure Retirement?

The single most important factor in determining if a worker is saving for retirement is whether or not there is a plan at work.

In fact, if people left to save on their own, only about 5% or less of the average American working-class person will save into an IRA if they don't have a plan at work. But if they're offered a plan, 71% of them will actually save.

This is really important because what happens is the only money being saved in America really is in retirement plans. We find that when people get divorced, the only money they have to split, the only cash, is what's in their retirement plan.

So then, what happens when you have a global pandemic and people get laid off? Now everybody's scrambling for money. Where is the only money they can have? In the retirement plan.

4.6%

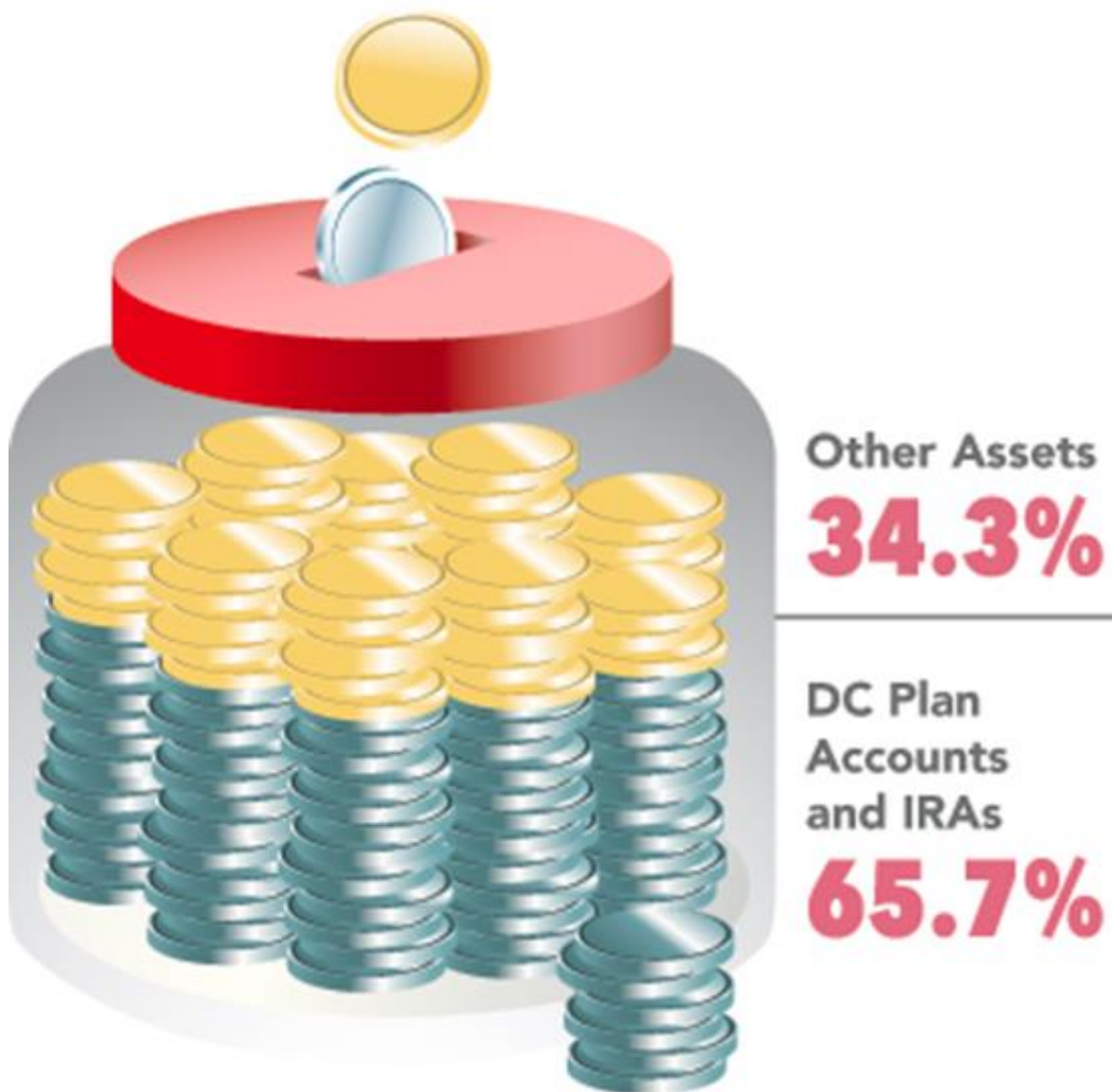
No Employer Plan
People who will save on their own without a plan at work

71.5%

Employer Plan
People who save through an employer plan

How Important Are 401k Plans to a Secure Retirement?

An [Employee Benefit Research Institute](#) analysis of the 2010 Survey of Consumer Finances shows that for families with a retirement savings account, almost two thirds of the families' total financial assets are in these accounts.



Pandemic Issues at Hand

A lot of things were done with Congress and the industry to make sure that we address these issues.

Panic did not set in, even though we were prepared for it.

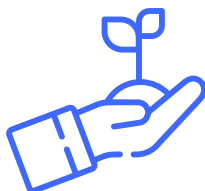
New kinds of distribution on loan offerings were created, so people can have access to their money. Money coming into plans was delayed. And for people who were required to take money out while the stock market was down, we've found a way to mitigate that problem.



Waiver of Minimum Required Distributions for 2020



Paycheck Protection Program



Plan funding and safe harbor 401(k) plan relief

No “Run on the Bank” & Short Stock Market Downturn

It’s interesting that there was no real run on the bank. Even when the stock market went down, people didn't panic. And it did come back up; it came back up pretty quickly. You didn't have to wait years like you did in the 2008 crisis.

Expanded Loan Programs

Many employers *expanded their loan programs* so that people could borrow more money for their retirement plan and have better access to it. Employers also *increased their distribution options* so that people could access that money if they needed it, because everyone was erring on the side of letting people pay their rent and buy their food - the more immediate needs.

70% Employers that offered coronavirus distribution



New Coronavirus Loans and Distributions

Interestingly, only a small number of participants actually got more loans and more distributions. We're really flummoxed by that. Now, there are *new kinds of coronavirus loans and distributions*. Plans have to be modified in order to make all these things be true, but the distributions apply to IRAs, too.

The government has defined who is a qualified individual and, if the plan sponsor agrees, people can access those funds.

Examples:

- If they, their spouse, or dependents test positive for the coronavirus.
- They've been furloughed, or they've had reduced hours.
- They've been quarantined.
- They've lost their childcare.



In fact, they expanded to say that if anybody in your household has any of this long list of things, you have the right to go in and grab some money, if your plan so allows.

Qualified Individuals Can Obtain Funds

- The list of circumstances to be eligible is fairly easy to meet
- It has been expanded to include household members
- It now allows self-certification by participant

Coronavirus Loans - \$100,000

- Up to \$100K or 100% of your balance if plan allows
- You must pay yourself back, starting next year
- You can re-amortize existing loans
- Existing loan payments may be deferred

Coronavirus Distributions - \$100,000

- Up to \$100K may be withdrawn if Plan allows
- California is a disaster area; hardship distributions generally allowed
- Taxation is over a 3-year period, and Federal penalties waived
- Money may be paid back without taxes if desired by the end of the 3 years

If you take money out of your plan, or out of your IRA in 2020, the ***taxation is over a three-year period*** and you don't have to pay all the taxes now.

If you decide to pay back the money you borrowed, you can refile your taxes and ***not have to pay any taxes*** on that money.

Required Minimum Distributions

There have been a lot of changes in 2020 distributions - you don't have to take them and if you take them, you get to treat it as a rollover and put the money back in your retirement plan.

There is a retirement crisis in the United States, and one thing about the coronavirus was it meant that interest rates returned to near zero. This is really bad news for a pension plan.

When the government changes the interest rates to zero, that exacerbates the problem further, because you have to pay out higher benefits to certain people.

Additionally, funding dates were extended to December 31, 2020. So we're going to see a lot of pension plans going broke this year, and companies struggling to do their funding.



Plan Funding Issues DBs



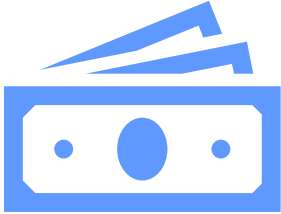
- 2019 Defined Benefit Contribution Deadline extended to 12/31/20.
- No relief on amount of funding.
- Money contributed after the normal deadline is deductible in 2020, not in 2019 = tax problem.
- Funded Status of plans dropped precipitously.
- We are allowed to ignore the current interest rates this year so that lack of funding is ignored.
- This is a political answer to a financial problem.
- Using Coronavirus loans and distributions allows owners of small firms to pull money out, give back to the Company, and make part or all of the DB contribution.

In the small plan environment, sometimes you're using this year's money to pay last year's contribution. Using coronavirus loans and distributions may allow a business to stay afloat and still fund their pension.

On the 401(k) side, Congress made it easier for us to back out of any commitments for 2020. We're still waiting to hear whether we're going to get any relief for 2019.

- Ability to stop Safe Harbor contributions during the year is a lot easier now
- Extended Notice period
- Safe Harbor Plan funding Relief Pending in Congress
- We have been begging our legislators for this relief, and it might appear in the next COVID bill

Payroll Protection Program Loans



PPP Loan Amount

- 2.5 months expenses
- Includes all payroll costs
- Retirement is payroll cost
- Limits for owners



Forgiveness

- Extended spending deadline
- Lots of opinions



PPP is Taxable

- Congressional intent
- IRS overrides Congress
- Vow by Congress to fix

*If you used part of the money to pay your retirement contributions, you'll be forgiven on it.

No Plan But Employ 100 People?

100
Employees or
More



If you employ at least 100 people but don't have a retirement plan, the State of California says, "We got one for you." And you were required to enroll your participants starting on September 30th.

If you don't know about **CalSavers**, the organization that brought you Caltrans and the DMV now wants to run your retirement program. It's in your and your employees' best interests to enlist a company like Primark Benefits to run your retirement program for you.

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Meet the Experts



Alex Rayter

Principal, Phoenix 2.0, Inc.

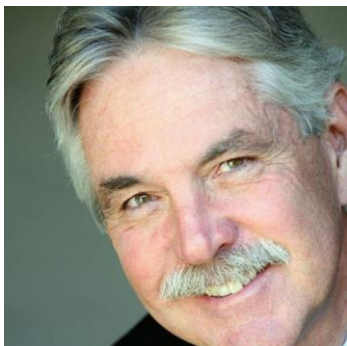
Alex Rayter is a founding Principal of Phoenix 2.0, a full-service IT Consulting and Management firm specializing in Managed IT and CyberSecurity, Technology Staffing and Strategic Projects. The firm's motto is "IT without the drama." In his spare time, Alex serves on a number of non-profit boards and is passionate about how technology can level the playing field and help transform societal issues.



Stephen L. Dobrow

President and Owner, Primark Benefits

Stephen L. Dobrow, ERPA, APA, CPC, is president and owner of Primark Benefits, a firm that provides pension consulting, administration, record-keeping, and actuarial services. He is also an investment advisor with GRP Financial, Inc. Stephen is licensed to practice before the IRS as an Enrolled Retirement Plan Agent.



Don McMahan

CSL & Principal, FlyCloud Consulting, Inc.

Don McMahan is the founder of FlyCloud Consulting Inc., a firm specializing in outsourced sales leadership, channel strategy and sales execution utilizing the proven Sales Xceleration platform. His special focus is helping clients exceed revenue and sales targets across a diverse range of industries. He is also well known as a sales compensation expert.



Rolf Neuweiler,
Principal, a2z CFO, LLC

Rolf Neuweiler is the founder and principal consultant of a2z CFO, LLC, a consulting CFO firm serving small to medium-sized businesses, family offices, and non-profit organizations. Rolf specializes in working on-location with a team and within an organizational culture. With 30 years of financial experience, including Chief Financial Officer and Controller responsibilities, he has helped all types of organizations manage and grow their finance function.



Karl Pontau
Owner/Motion Graphics Artist, Squash and Stretch
Productions

Karl Pontau is the owner of Squash and Stretch Productions. He and his team create high-quality, custom animated videos and motion graphics for marketing and education purposes. Karl loves helping tech, biotech, and health and wellness companies the most because of his experience overcoming two brain tumors in high school. He firmly believes that using animation and storytelling to communicate with one's ideal clients is a powerful way to stay connected and top of mind.



Matt Schlegel
Founder, Schlegel Cascade

Matt Schlegel founded Schlegel Cascade to deliver cost-reduction expertise to his clients. He identifies cost categories that require insider knowledge to identify excessive margins and applies expertise to squeeze those margins, typically saving clients 25%. The Schlegel Cascade team focuses on lowering telecom, shipping, and merchant processing costs. Matt brings over 30 years of leadership and technology experience to the cost-reduction business.



Belle Walker
Organizational and Operations Systems Consultant
Belleview Consulting

Belle Walker uses Systems Thinking to help leaders recapture lost efficiency and engagement. With her unique perspective for identifying and correcting the misaligned systems that prevent teams from executing effectively, she has helped organizations from 5 to 250 people rethink their ways of working to deliver faster with higher morale. Her engineering background includes degrees from Harvard and USC and working with companies such as Google and HERE Technologies.



Franka Winchester
Principal & Co-Founder, Pacific Crest Group

Franka Winchester has over 20 years of experience and provides sales and marketing for Pacific Crest Group. She works directly with clients on accounting and human resources and helps them work on long-term strategy. Franka earned a bachelor's degree from California Polytechnic State University – San Luis Obispo. She has held positions at Softbank and Colo.com and she served as the finance and compliance chair of Entrepreneurs' Organization.

For More Information



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