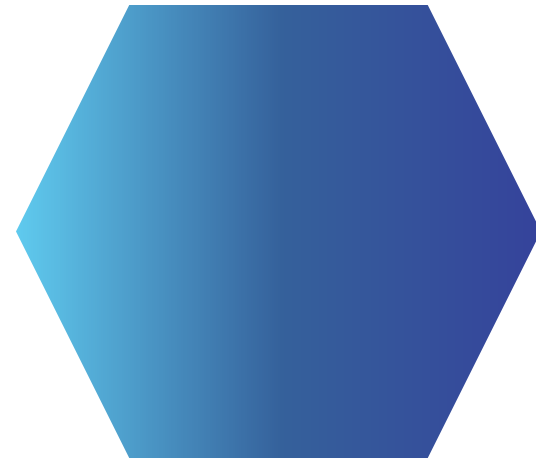


# Employee Data Analysis using Excel

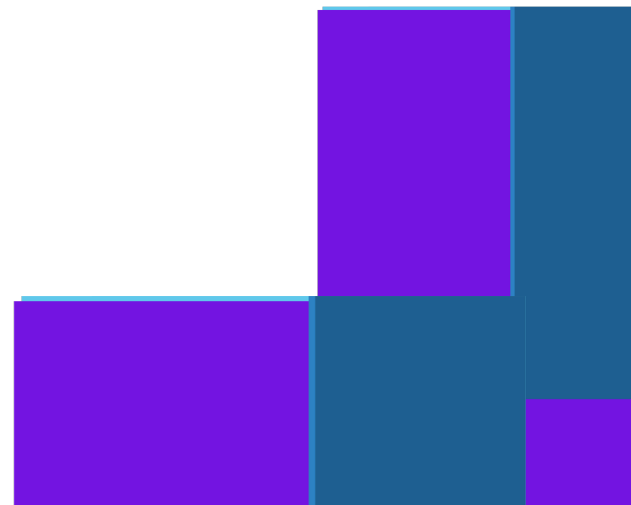
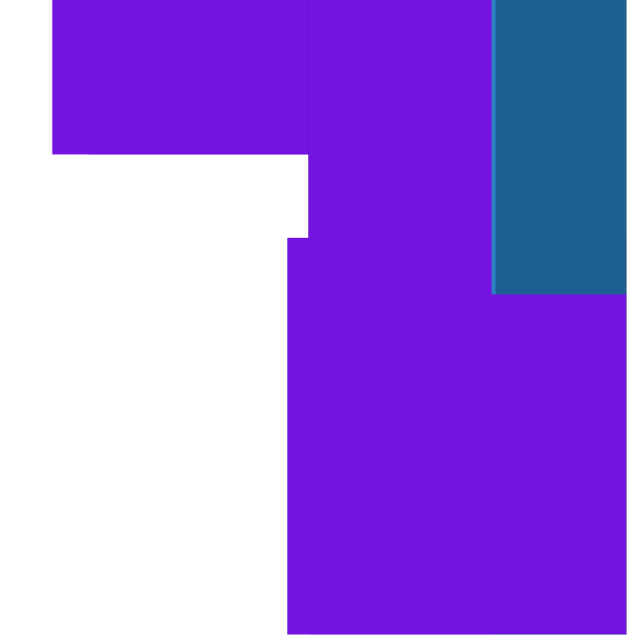


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**PROJECT TITLE**

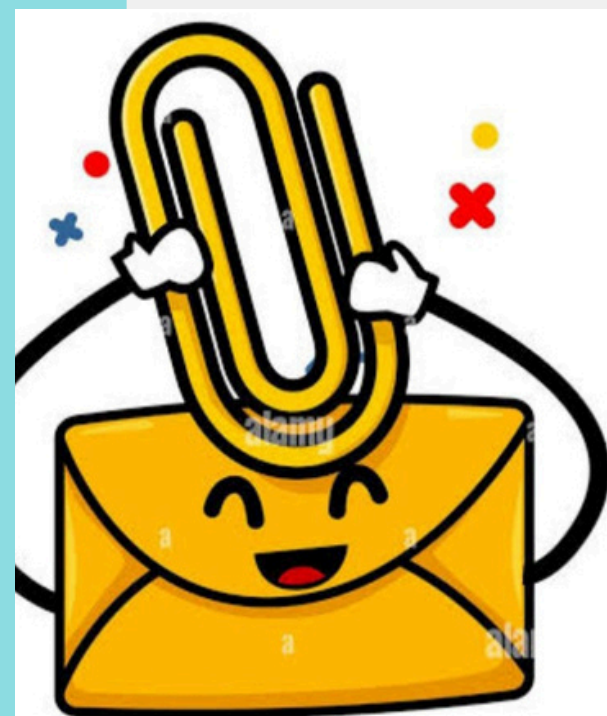


# **Employee Turnover Analysis**



# AGENDA

1. Problem Statement
2. Project Overview
3. End Users
4. Our Solution and Proposition
5. Dataset Description
6. Modelling Approach
7. Results and Discussion
8. Conclusion

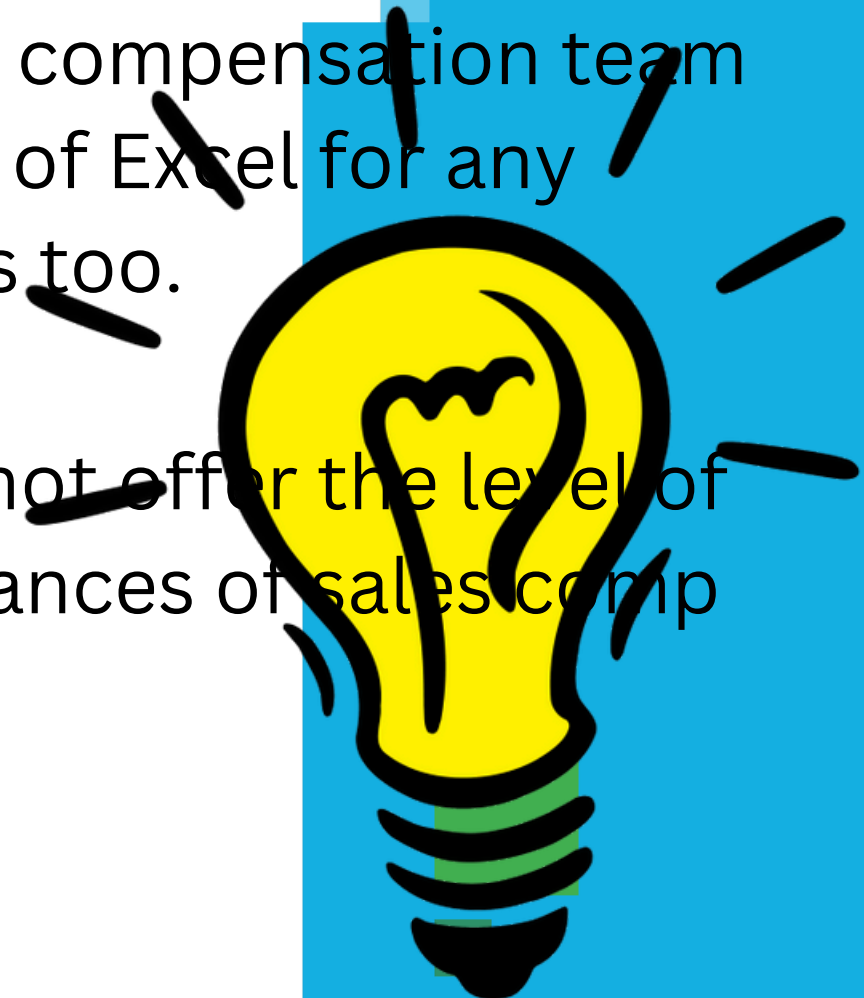


# PROBLEM STATEMENT



While your software provider (or their consultant partners) may set you up to model one or two outcomes during your initial implementation year, your sales compensation team that will almost certainly revert to the comforting green sheets of Excel for any modeling – and probably many other ad-hoc reports too.

The reason is that most sales compensation software solutions do not offer the level of flexibility as the humble spreadsheet. And when it comes to the nuances of sales comp plan modeling, adaptability is critical.



# PROJECT OVERVIEW

Before we dive into the mechanics, you should have completed the incentive plan design phase, including:

- .

Setting metrics that are strategically aligned with the business objectives/priorities and market best practices

Deciding on the overall incentive plan structure (e.g., target pay, performance measures, weights, measurement, period, frequency, etc.)

Designing metric mechanics (e.g., tiered commission rate, bonus based on performance to target)

Ensuring chosen metrics are ready from a data standpoint (i.e., have accessible and reliable data that can be used to track and pay on)

If you want to dive deep into building a world-class sales compensation program, check out our free guide



# WHO ARE THE END USERS?

Once you have all the necessary data and plan inputs set up, you are ready to model the plan and calculate the new payouts for each individual using historical performance as a proxy for future sales performance.

The modeling must be dynamic, so we can instantly see the impact of any changes on outputs. We do this by linking everything back to the model inputs where it makes sense, using Excel formulas referencing the inputs section. That will allow you to adjust the inputs and refine the model outputs to ensure the incentive plan is designed effectively without further work.

At a high level, the structure of your calculations should include the following:

# OUR SOLUTION AND ITS VALUE PROPOSITION



Create a section in your workbook for all the plan inputs you want to model. These inputs will be used to calculate the pay under the new plan and will be calibrated, adjusted, and refined to get the desired outcome.

Inputs can include but are not limited to:

Target Pay Mix (used if % split of base salary/target incentive is being modeled) - e.g., 70% base salary / 30% target incentive/variable compensation.

Target Metric Weights (target % of each metric/plan component) - e.g., 70% sales revenue commission and 30% Gross Margin Bonus.

Metric/Component Mechanics (tiered commission rates, payout curve structure, thresholds/targets, etc.). It is helpful to set up these as inputs so the various rates/tiers can be easily changed when calibrating the model.



# Dataset Description

Before we dive into the mechanics, you should have completed the incentive plan design phase, including:

Setting metrics that are strategically aligned with the business objectives/priorities and market best practices

Deciding on the overall incentive plan structure (e.g., target pay, performance measures, weights, measurement, period, frequency, etc.)

Designing metric mechanics (e.g., tiered commission rate, bonus based on performance to target)

Ensuring chosen metrics are ready from a data standpoint (i.e., have accessible and reliable data that can be used to track and pay on)



# THE "WOW" IN OUR SOLUTION

Once you have determined all those elements, you are ready to cost model the incentive plan and assess the impact this plan will have on individuals' pay, the cost to the company, and whether it will motivate the right behaviors.

Invest the time in modeling as many scenarios as possible; Incorrectly modeling a plan or skipping this step in the design process can result in profound cost implications for the company and misaligned goals that can impact results and demotivate your sales team.



# MODELLING

Create a section in your workbook for all the plan inputs you want to model. These inputs will be used to calculate the pay under the new plan and will be calibrated, adjusted, and refined to get the desired outcome.

Inputs can include but are not limited to:

- Target Pay Mix (used if % split of base salary/target incentive is being modeled) - e.g., 70% base salary / 30% target incentive/variable compensation.
- Target Metric Weights (target % of each metric/plan component) - e.g., 70% sales revenue commission and 30% Gross Margin Bonus.
- Metric/Component Mechanics (tiered commission rates, payout curve structure, thresholds/targets, etc.). It is helpful to set up these as inputs so the various rates/tiers can be easily changed when calibrating the model.

# RESULT

## S



This is where the "art" of sales compensation comes into play, where you adjust the plan inputs to determine how much they shift the outputs.

At this stage, all the work setting up the model to feed as many dynamic inputs as possible pays off. Adjusting the rate or the payout curve automatically results in the updated pay and updated outputs to review, so you can quickly see if your adjustments have the desired effect on outcomes.

For example: If most of the modeled population will earn double what they were previously, the payout curves/rates are likely too high, so reduce them and recalculate. Or, if the outputs show that lower performers will get the most significant pay increase, play with your thresholds or target inputs to find more appropriate payout levels.



# conclusion

This is where the modeling stops for many organizations, but they are missing a huge opportunity by doing so. We recommend our clients approach their comp plan modeling as an ongoing exercise, which turns the hypothetical model into a real-time measure of realized performance.

As data is produced throughout the year, update the inputs section of your model to see how actual performance is tracking against your modeled outcomes, adjusting the calculations to iron out any discrepancies you find. That will allow you to forecast end-of-year results with greater accuracy and make your model more reliable in the future.

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