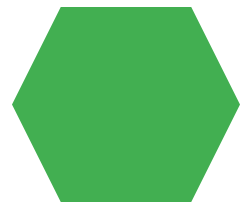


Employee Data Analysis using Excel



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PROJECT TITLE



Salary and compensation analysis through Excel data modeling



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

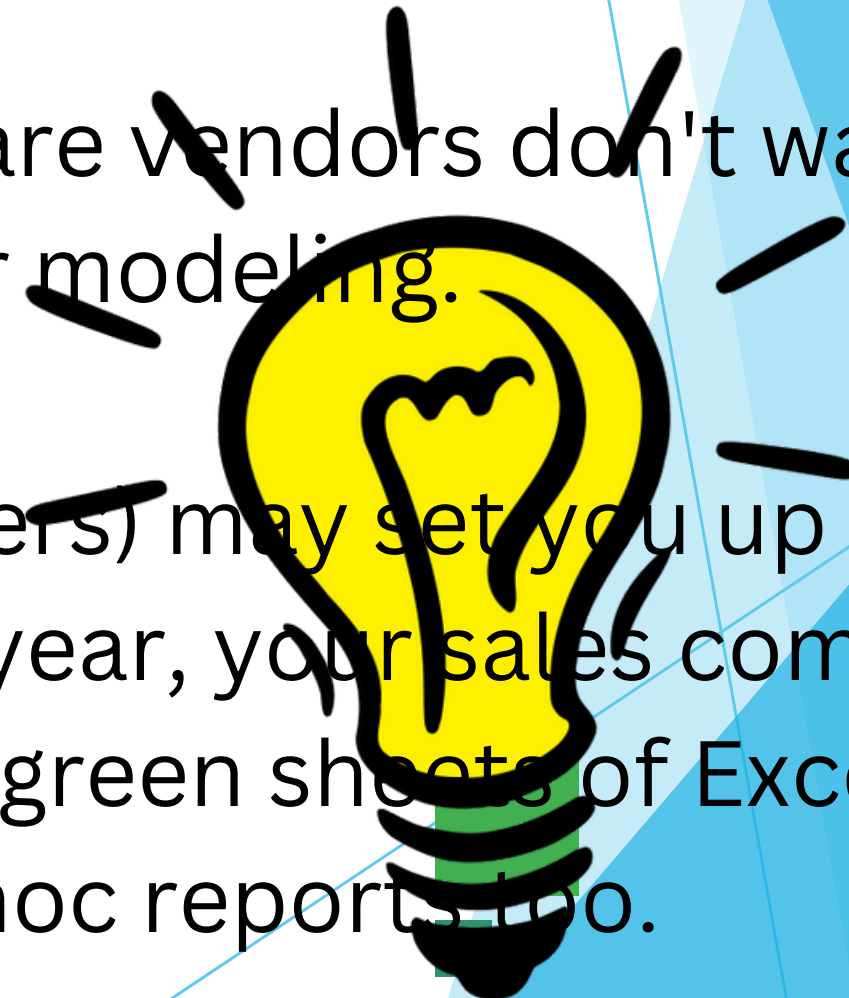


PROBLEM STATEMENT



Most Incentive Compensation Management (ICM) software vendors don't want you to know that their software is useless for modeling.

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.

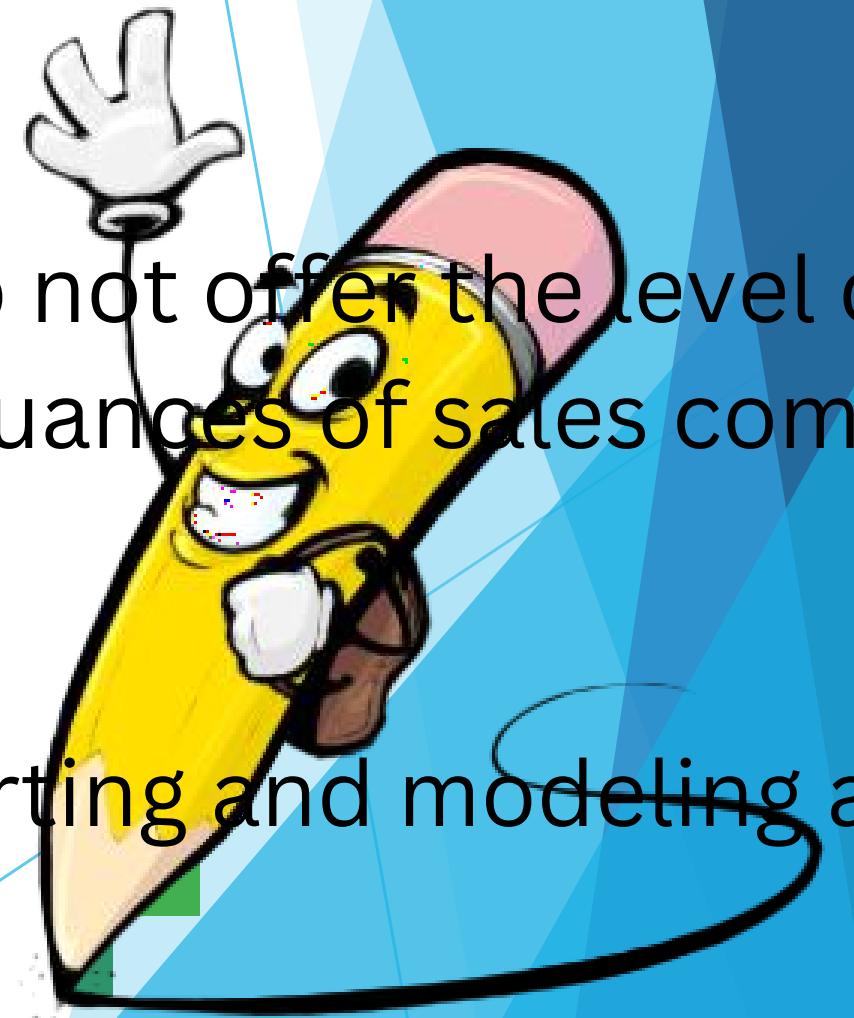


PROJECT OVERVIEW

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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.

It's one of the reasons we purpose-built Forma.ai to manage reporting and modeling at the level required by large enterprises.



WHO ARE THE END USERS?



For those who don't use our platform, this guide will show you how to model your sales compensation plan outcomes in Excel step-by-step. And if you want to see how our customers can model thousands of scenarios at the click of a button, book a call with one of our experts.



OUR SOLUTION AND ITS VALUE PROPOSITION



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)



Dataset Description

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.

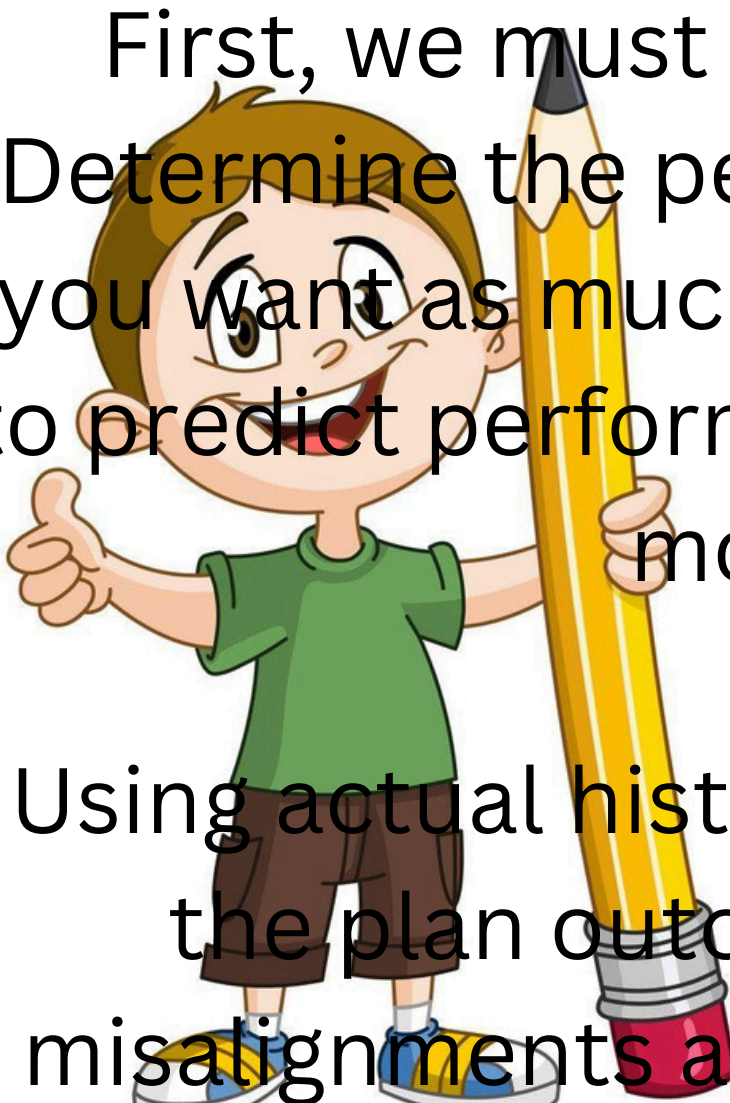
Invest the time in modeling as many scenarios as possible; Incorrectly modeling a plan or skipping this step in the design process can result in profound cost implications for the company and misaligned goals that can impact results and demotivate your sales team.

THE "WOW" IN OUR SOLUTION



First, we must collect all of the data that is relevant and informative to our model. Determine the period in which sufficient compensation and performance data exists — you want as much data as possible. One year of data is the absolute minimum required to predict performance with any degree of accuracy and to account for seasonality. The more data you can integrate into your model, the better.

Using actual historical compensation and performance data will allow you to compare the plan outcomes to current plan designs, ensuring any current plan gaps and misalignments are not an issue with the new plan and the results are as expected (i.e.,



MODELLING

Employee Details: Pull data for all individuals you want to include in the model, including but not limited to employees, territories, roles, teams, demographics, etc.

Compensation Data: All current compensation data for individuals to be modeled, including target compensation, historical incentive payouts, base salary, and guaranteed pay.

Performance Data: Pull in any data you will use to calculate payments under the incentive plan. Using historical performance as a proxy for future performance allows you to model actual scenarios vs. only looking at assumption-based ranges (e.g., at target, at a threshold, etc

RESULT S



- 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.

conclusion

- Ensure average and top performers can adjust their performance to succeed under the new comp plan design.
- Ensure who receives the earnings makes sense, given historical performance levels and your priorities around activities and behavior.
- Review the aggregate to help assess the financial impact and ROI of the new incentive plans. It can be helpful to gross up the modeled population to the actual people to more accurately evaluate the expected cost.