

Employee Data Analysis Using Excel

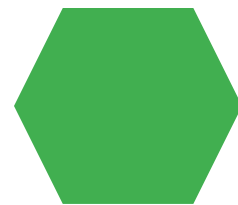


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PROJECT TITLE



Employee Performance Analysis using Excel

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

Resource center

Blog

Sales Compensation

Tools, Tech & AI

How to Model a Compensation Plan in Excel

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Customer Operations - Senior Manager

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Ashley Williams, Senior Manager - Customer Operations

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



PROJECT OVERVIEW



Design Your Sales Compensation Plan First

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 [here](#).



WHO ARE THE END USERS?



Modeling Prevents Misalignment

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.



OUR SOLUTION AND ITS VALUE PROPOSITION



Step 1: Data collection

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., those with the strongest performances are rewarded).

Dataset Description

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.)

NOTE: We can also use Monte Carlo simulation to model sales compensation data and forecast sales comp spend. To learn more, read this article on "Sales Comp Budget Forecasting using Monte Carlo Simulation."

THE "WOW" IN OUR SOLUTION

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 I.



MODELLING

Step 4: Model outputs

Create different outputs to aggregate and summarize new incentive plan results. That will help ensure the plan is structured correctly to align with overall outcomes. Review by role, individual (most significant increases and decreases in pay), and team or region, if appropriate.

The goals of this phase are:

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.

MODELLING

Step 5: Refine and calibrate

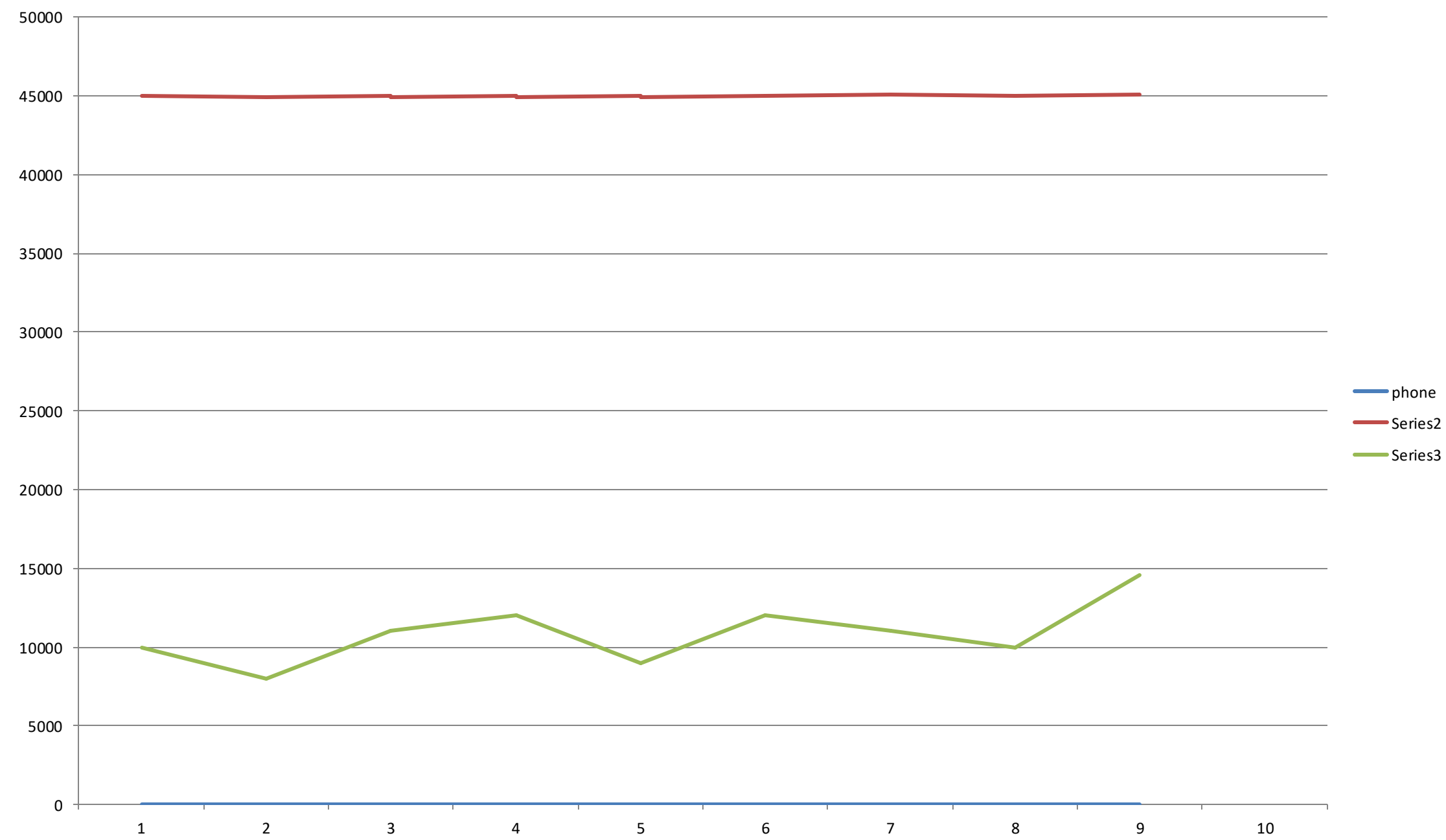
This is where the "art" of sales compensation comes into play, where you adjust the plan inputs to determine how much they shift the outputs.

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.

Once you are satisfied with the model outputs, you can roll out the new incentive plans feeling more comfortable about the cost impact and alignment of the program to business objectives and priorities.

RESULTS



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.