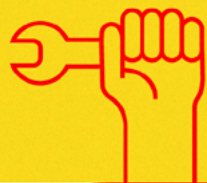
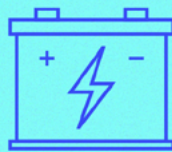
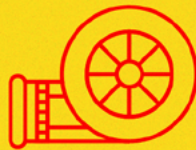
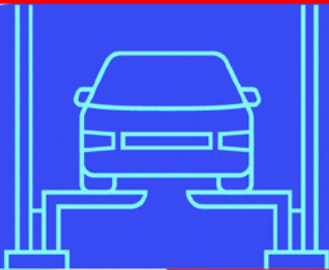


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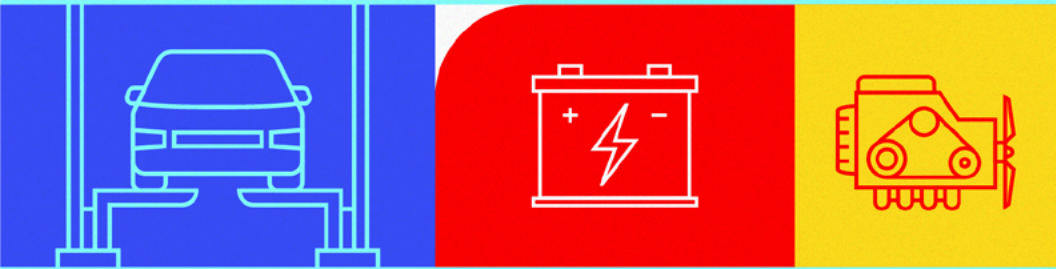
INCENTIVE COMPENSATION MANAGEMENT

UNDER THE HOOD

A GUIDE TO FORMULAS, RULES & COMPONENTS



PEEK UNDER THE HOOD OF THE AVERAGE VEHICLE, AND...



You'll be presented with one of three powertrains: a gas engine, a diesel engine, or an electric motor. The three options offer drastically different levels of performance when it comes to range, efficiency, and overall power, and if you're buying a new vehicle, you'll want to take these factors into consideration when making your choice.

Similarly, your Incentive Compensation Management (ICM) software is typically powered by one of three types of logic: formulas, rules, or components. And although you can use your ICM software without knowing the difference, it's to your benefit to understand the basics of how each one works, why they differ, and what levels of performance they can offer.

This is especially true when you're looking into a new ICM solution and comparing

your options, in which case you'll definitely want to know what kind of logic powers the software—and how that will affect functionality and performance.

In this guide, we give you a look under the hood of common ICM solutions, examining the benefits and drawbacks of formula-, rule-, and component-based solutions. Understanding these different approaches is crucial for being an informed buyer who intelligently chooses an ICM solution that will serve the needs of their organization for years to come.



FORMULAS

FLEXIBLE AND FAMILIAR BUT ERROR PRONE & NOT SCALABLE.

RULES

GENERALLY EASY TO WRITE, LIMITED SCALABILITY, & UNABLE TO HANDLE COMPLEXITY.



COMPONENTS

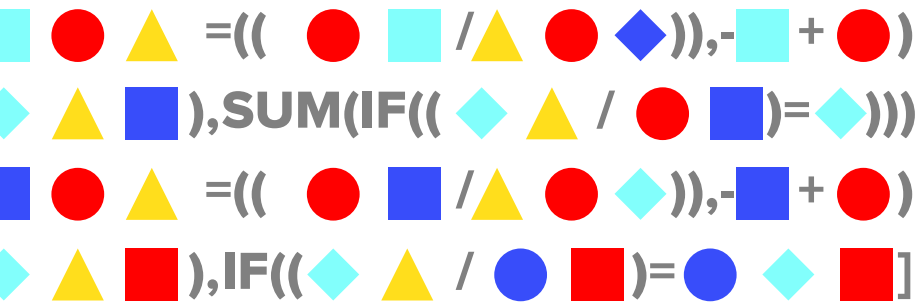
THE BEST OF BOTH WORLDS.

FORMULA-BASED SOLUTIONS

Formulas are a well-established means of managing incentive compensation, and they're likely the solution you're most familiar with already. If you've ever done your sales comp plan in Excel or other spreadsheet solutions, you were using formulas. And many common ICM solutions, use the same formula-based logic behind their user interface.

Formulas

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BENEFITS OF FORMULAS

The biggest benefits of this solution type have to do with **familiarity**, **accessibility**, and **flexibility**.

Every organization already has access to spreadsheets, making them essentially free to use. And because spreadsheets work well enough for small sales teams as they're getting started, they tend to be the first option many organizations gravitate toward for **calculating their sales commissions**.

But spreadsheets don't scale well, and sooner or later, sales organizations that rely on them will have to **graduate to a dedicated ICM solution**. When that happens, it's understandable to look toward a solution that works in a similar manner to what you already know.

Formula-based ICM solutions essentially are still spreadsheets. They're just wrapped in a prettier design that's a little easier to navigate. In some cases, you may be able to generate formulas, rather than typing them out by hand, but at the end of the day, you'll still be taking the same foundational approach you've become accustomed to with spreadsheets—though you'll be paying a lot more for it!

Additionally, formulas are incredibly flexible, allowing you to create as much complexity as you need in your sales comp plan. And that's a good thing, as you never want to have to limit your comp plan based on the capabilities of your software.

DRAWBACKS OF FORMULAS

The problem with switching from spreadsheets to a formula-based ICM solution comes down to the same thing that makes it feel so familiar: it's fundamentally still based on spreadsheets. So that familiarity comes at the cost of it not really being much of an improvement.

Most of the problems you'll eventually face when using spreadsheets for ICM are still present in ICM solutions that run on spreadsheets. They're just masked a little better.

For example, although formulas are capable of handling a lot of complexity in your sales comp plans, keeping track of that complexity is something else altogether. Complex compensation plans require you to create numerous data sheets and tabs, resulting in fragile systems that are difficult to navigate.

And although you can repurpose your formulas, doing so means copying them across different tables and cells. And then any time you need to make changes, you have to find every instance of that formula and update each one individually. Because all of this is done by hand, it means the potential for human error is present at every step along the way. And when (not if) an error is introduced, it can take hours of searching through all of your formulas to track it down and fix it.

Or worse, the error could go unnoticed, yielding inaccurate commissions for days, weeks, or even months before someone finally realizes the problem. Then after you track down and fix the error, you'll additionally have to recalculate all the commissions that went out during that time frame. And then you'll have to issue additional payments or dreaded clawbacks to your sales reps (or simply eat the loss).

And even if the original creator of the compensation plan were able to keep track of it all, passing on that knowledge to new people becomes nearly impossible. Figuring out the logic of an existing system like this means digging through one formula after another to learn what is referenced where, how it all ties together, and what the overall order of operations may be.

And all of these problems only become more severe as your organization grows and the system scales larger.

RULE-BASED

SOLUTIONS

Rule-based solutions are an older approach which was most popular 15 years ago, but a few ICM solutions continue to use. In general, ICM software companies used rule-based solutions in pursuit of a final solution that was simpler to understand and easier to modify than formulas.

BENEFITS OF RULES

As intended, rules simplify the user experience in comparison to formulas.

Rather than writing out conditions by hand, you assemble basic if/then statements

Rule Conditions

Define the conditions if true will determine if the ru

If	Credit	Credit Type	⊗	⋮
And	CreditOrderItem	Order Type	⊗	⋮

etermine if the rules applies.

pe	✕	...	Equals	▼	Tennis Credit	✕	...	✕
pe	✕	...	Equals	▼	Booking Clawback	✕	...	✕

using predefined parameters from dropdown boxes. This means you don't have to learn any special syntax to create the rules, and the end result somewhat resembles a readable sentence—at least more than a formula would.

Additionally, the fact that you aren't manually typing each character but instead building from predefined options helps to reduce the likelihood of human error.

DRAWBACKS OF RULES

The problem with rule-based ICM solutions is that rules handle simplistic scenarios, and if you approach complex problems, it feels like building a house out of matches and toothpicks or, sticking with the car analogy, building, maintaining, and working on a car engine with a multitool. It actually becomes harder, not easier, to manage sales compensation plans with any level of complexity.

Consider the difference between a child's basic tricycle and an adult's 12-speed road bike. A child can hop onto a simple trike and learn to ride it with fairly little effort, and they'll have fun puttering around on the sidewalk. But if they try to take it on the road, especially if there are any hills around, it will quickly run into difficulties. The road bike is more complicated, requiring more effort to master, but there's a good reason for that. The ability to change gears in response to different circumstances is a game changer.

Likewise, rules are a very simple way of approaching ICM, and if you only have very simple compensation plans, they can be easier to use. But the moment you start introducing complexity into your plans, you'll feel the limits of a rule-based

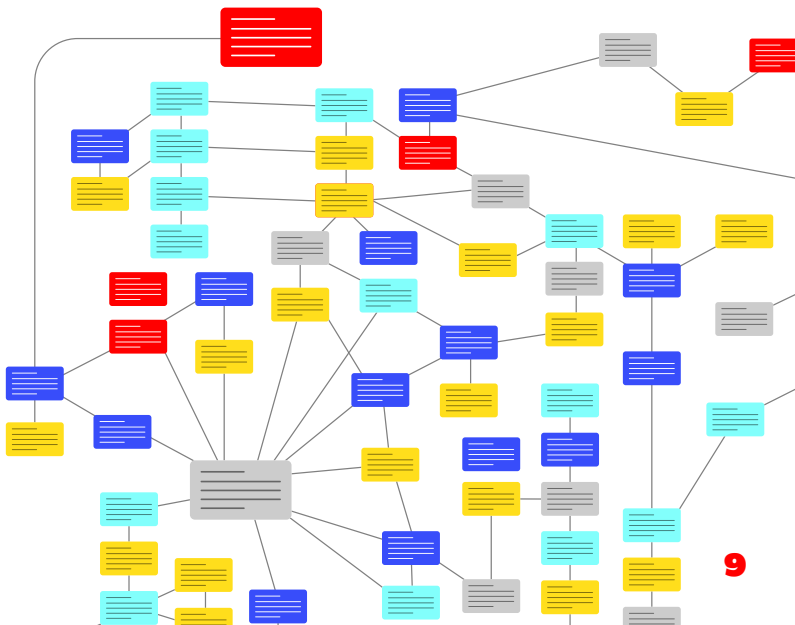
solution. Organizations using rule-based software often have to limit their plans based on what their software can handle—a problem that, in our opinion, should never exist.

Unlike formulas (which allow you to add as much complexity as you want in a single formula), rules require you to use predefined parameters for your conditions, and you can only fit so many conditions into a single rule. Whenever your comp plan calls for more conditions than a single rule can handle, you have to compensate by creating multiple nested rulesets, resulting in a convoluted system that becomes far more complex to manage in the long run.

Rather than dealing with a handful of admittedly complicated formulas, you end up having to manage hundreds of low-level, scenario-specific, and interdependent rules. And calculation times are often slow due to the complex nested rulesets requiring additional processing for high data volumes.

Additionally, although the predefined conditions help to reduce human error, they don't eliminate it entirely. And once an error is introduced, you'll face pretty much the same issues as with formulas to find and eliminate it.

Rule Conditions



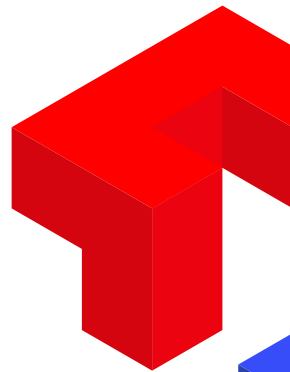
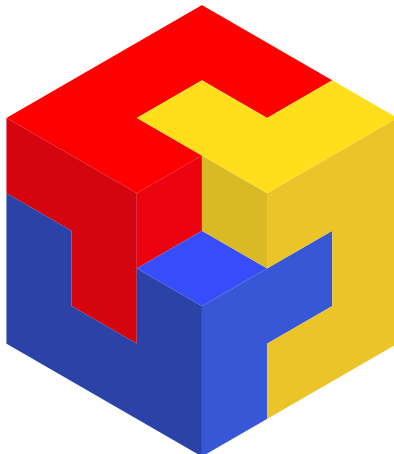
APPROACH

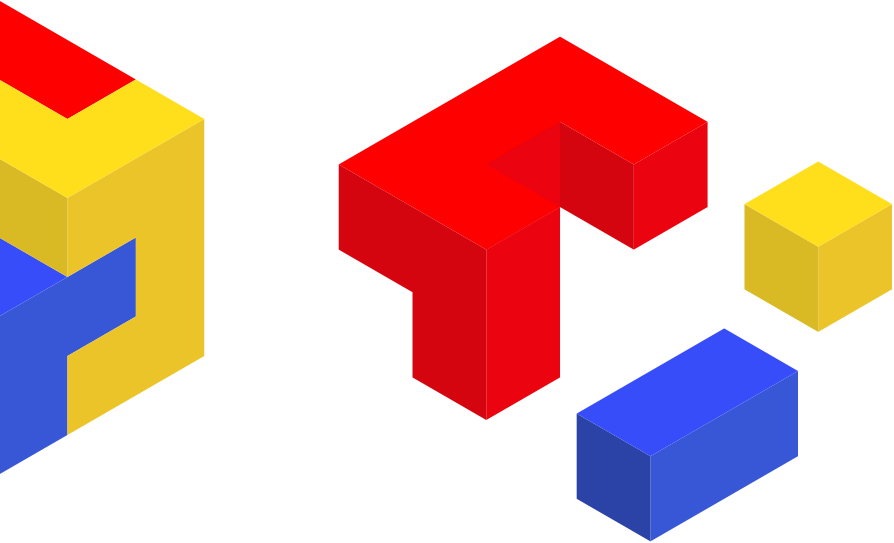
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COMPONENT-BASED SOLUTIONS

Components are big differentiator and **Performio's** unique approach to achieving the best of both other ICM options: the flexibility of formulas and the ease of use of rules. With Performio's component-based solution, you get a graphical user interface that packages pre-built logic embedded in formulas and rules, which users can configure without any coding skills.

Components





BENEFITS OF COMPONENTS

Component-based logic is designed to be intuitive and easy to use—without sacrificing any level of functionality, while being flexible and scalable for complexity and change, whether it's big changes to your organization or your compensation plans. We provide prebuilt and reusable components for straightforward plug-and-play operation, but you can also build and customize components yourself by choosing from connected drop downs and leveraging guided workflows, all contained within a simple and intuitive user interface.

The other big benefit to components is that the pre-built logic behind them calculates a lot of values for you out of the box. For example Performio's target-based incentive component calculates hundreds of values (achievement quarter-to-date, achievement year-to-date, achievement month-to-date, etc.). So, organizations get the benefit of hundreds of formulas in one component.

“So what,” you say? Why does this matter? Well, it's all about reporting and visibility - you're going to want to report on a lot of those values. So, rather than go back in and write another formula each time you think of a new value you want or need to report on - chances are it already exists and you just need to include it in the report. I don't know if that warrants a mic drop, but, what the heck...Mic drop!

Configure payable commission

Earnings rules

Define how payments will be paid to the participant

Achievement frequency ⓘ	Quarterly	▼
Payment frequency ⓘ	Quarterly	▼
Target applied ⓘ	Beginning of period	▼
OTC Weighting ⓘ	.5	× ÷

Commission accelerators (optional)

Apply accelerators to the calculated base rate if required. Leave empty to use the base rate for a flat commission rate

Accelerator table ⓘ	Rate Table	▼
---------------------	------------	---

	From (%)	To (%)	
+	0	100	1
+	100	120	1.2
+	120	150	1.5
+	150	99999	1.75

+ Add Row

Our click-to-configure components achieve the same end result as formulas without you ever having to type a line of code. (Though should you ever want to, the actual formulas are accessible for you to edit directly as well.)

And unlike the limitations of rule-based systems, our components will never be the bottleneck holding you back. Performio's ICM platform can handle the most complex ICM use cases and scenarios, no matter how many different compensation plans your organization may have or how complicated those plan structures may become.

Most importantly, a component based solution allows our platform to scale with

your organization regardless of how large your business grows or how many sales reps you support. When you need to adjust a sales comp plan, components allow you to make the change once, and all other references to the altered component will update automatically. No more digging through dozens of formulas or hundreds of rules every time you make a change!

DRAWBACK OF COMPONENTS

The only drawback to a component based solution is that it isn't quite as familiar as formulas and thus may require a bit of a transition period. But that isn't to say that it's difficult to use or that the transition won't be worth it. The initial investment of time to get up and running with the new system will be dwarfed by the time saved in the long run due to faster calculations, minimal errors, and reduced compensation disputes.

Take it from **our clients**. Yorktel, for example, was able to **reduce their time spent processing commissions by 50%** after transitioning from Xactly to Performio, and they eliminated the overpayment errors that were previously common.

We are so much more confident in the numbers because we trust the calculations in Performio are accurate. The reps like Performio a lot better. In the past, they never wanted to log-in to Xactly because it was confusing to use and never had all the information available that they wanted to see.

Today the reps are logging into Performio to view their commissions. The trust issues we had in the past with the reps have been eliminated, and they feel comfortable that the commission payouts are accurate. The customer service has been fantastic. The white glove service is amazing and knowing we have this kind of support makes our jobs so much easier.

—Lauren Wechsler, HR Specialist, Yorktel

FORMULAS

RULES & COMPONENTS

COMPARED

To recap, here are the highlights of the three systems in brief:

FORMULAS

Are fairly easy to write (if you're used to spreadsheets), flexible, and familiar to most users. But they aren't scalable, and they become difficult to manage with complex scenarios.

RULES

Are very easy to write, but they aren't as flexible as formulas, and their scalability is limited as well. They become extremely limiting when dealing with complex sales comp plans.

COMPONENTS

Are even easier to create than rules, and they offer as much flexibility as formulas. They have infinite scalability and will never be the limiting factor holding back your plans.

THE FOLLOWING CHART PROVIDES AN OVERVIEW OF THE KEY DISTINCTIONS

KEY DISTINCTIONS	Rule-Based Systems	Formula-Based Systems	Performio (Component Based)
Flexibility: Handling complex plans and calculations.	Medium	High	High
Performance: Processing high volumes of data and transactions	Low	Low	High
Ease of use: Maintenance and self-serve capabilities	Medium	Medium	High
Scalability: Maintaining complex plans during growth	Medium	Low	High
Accuracy: Low error risk plus easy issue tracking and resolution	Low	Low	High
Familiarity: Common and easy to learn interface	Medium	High	Medium

Performio’s component-based solution sets us apart from other ICM systems. With our platform, you’ll no longer have to choose between ease of use and the flexibility to handle complex sales comp plans. And you’ll have the support of our world-class experts walking alongside you to ensure your organization’s ICM success.

PERFORMIO PROVIDES EASE OF USE, UNCOMPROMISED FLEXIBILITY, AND SCALABILITY

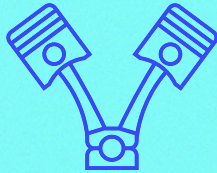
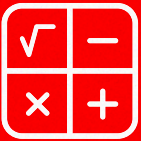
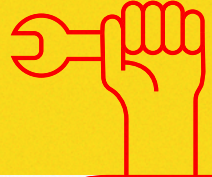
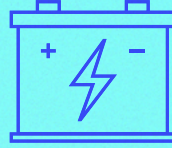
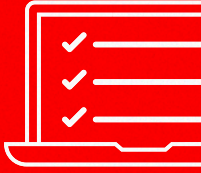
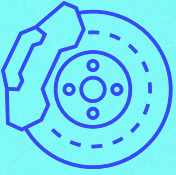
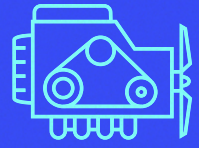
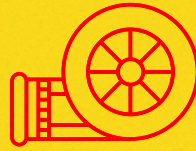
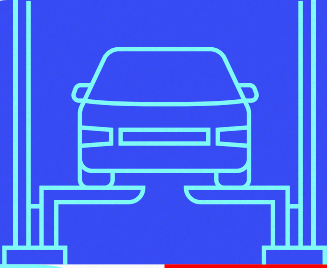
We've helped hundreds of sales teams in dozens of industries, and our customers renew at the ICM industry leading rate of over 93%.

We love helping businesses reduce the pain of calculating and managing sales commissions, freeing them to spend more time growing and serving their customers. And we'd love to do the same for you!

Ready to see what Performio can do for your organization?

Request a demo today.

[Schedule A Demo](#)



**BREAK THE RULES.
DUMP THE FORMULAS.
LOAD UP THE COMPONENTS.**

**PREPARE YOUR INCENTIVE COMP PLANS FOR SCALABILITY,
FLEXIBILITY, AND USABILITY. TAKE CONTROL OF HOW YOU
MANAGE SALES COMMISSIONS.**