Oracle Incentive Compensation

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Agenda

• Business Issue Overview—The Business Benefits of Automating Compensation Administration

• OIC in the Marketplace—An Industry Leading Solution

• OIC Features and Functionality—The Flexibility and Scale to Improve Compensation Administration

• OIC Implementation Considerations—First Steps to Consider for a Successful Implementation

• Customer Case Studies
Agenda

• **Business Issue Overview**—The Business Benefits of Automating Compensation Administration

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Business Issue Overview

Deloitte’s strategic survey of sales executives:

- 61% dissatisfied with sales productivity
- 66% dissatisfied with sales comp program
- 34% believe sales comp cost is misaligned

Even with all the change and effort, our research suggests:

- Administration Remains the Missing Link to Drive Sales Productivity
- 77% of respondents find sales compensation plans challenging to administer

To address these gaps, companies continue to adjust sales compensation plans:

- 97% of respondents made plan changes
- 80% saying changes were “major”
Many companies continue to utilize spreadsheets and home grown solutions for comp administration.

Source: Strategic Sales Compensation Survey, Deloitte Consulting 2005
<table>
<thead>
<tr>
<th>Why Are Companies Automating Compensation?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Return</strong></td>
</tr>
<tr>
<td><strong>Cost Reduction</strong></td>
</tr>
<tr>
<td><strong>Payment Accuracy</strong></td>
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<tr>
<td><strong>Compliance</strong></td>
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<td><strong>Flexibility</strong></td>
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<tr>
<td><strong>Technology Alignment</strong></td>
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<td><strong>Sales Alignment</strong></td>
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<tr>
<td><strong>Better Data and Reporting</strong></td>
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</tbody>
</table>
Key Pain Points

Financial Control
- Lack of control & visibility into large incentive comp payouts
- Fear of/actual loss of millions of dollars in overpayments & errors
- Inability to “prove” comp plan effectiveness

Adaptability
- Difficulty modifying comp plans based on strategy changes
- Difficulty releasing comp plans quickly
- High cost of administration of homegrown solutions

Alignment
- Delayed or inaccurate payouts affecting field morale
- Inadequate mgmt and field reporting on comp achievement
- Selling channels under-motivated or performing
Incentive Compensation Value & ROI

**Improved financial controls**
- Improved regulatory compliance & financial predictability
- Reduced administration errors & over payments
- Improved accountability over incentive expenditure

**Improved adaptability**
- Improved time to market for new products & initiatives
- Accelerated new fiscal year compensation rollouts
- Reduced incentive management staffing costs

**Improved alignment**
- Optimized target distribution aligned with corporate goals
- Increased sales & channel partner productivity
- Full sales line of sight for focused sales execution

"Our implementation of Oracle Incentive compensation **improved accuracy**, provided more **control** and reduced **interpretation and subjectivity** of compensation plans”
ADP Inc

"Our implementation of Oracle Incentive compensation **provided a low cost of ownership with tight integration** to backend systems in a global rollout”
Silicon Graphics

"Our implementation of Oracle Incentive compensation **improved call center agents productivity** with alignment to corporate objectives.”
British Telecom PLC
## Analytics: The Key to Providing Value to Business Users

<table>
<thead>
<tr>
<th>Role</th>
<th>Key Pain Points</th>
<th>Typical Questions/Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>• Tracking to cost targets</td>
<td>• What is comp cost to date? Is it on track with estimates?</td>
</tr>
<tr>
<td></td>
<td>• Accounting for incentive-based payouts</td>
<td>• Where are costs focused? Does that align with corp. strategy?</td>
</tr>
<tr>
<td></td>
<td>• Optimizing return on incentive investment</td>
<td>• What is the ratio of spend to revenue?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Could we reduce incentive spending without impacting performance?</td>
</tr>
<tr>
<td>Sales</td>
<td>• Reps not selling the “right” products</td>
<td>• Are we on track with performance goals?</td>
</tr>
<tr>
<td></td>
<td>• Reps not meeting performance targets</td>
<td>• Are new / strategic products performing well?</td>
</tr>
<tr>
<td></td>
<td>• Low morale / motivation</td>
<td>• Is there a product/service mix that would increase revenue?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Is the compensation plan motivating &amp; effective?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Are targets aligned well with potential?</td>
</tr>
</tbody>
</table>
Advantages of Packaged Solution

Buy

- Research users’ needs
- Design & code custom incentive plans
- Design & code custom data & application integrations
- Design & code custom reports for each audience
- Set up & maintain security
- Perform QA & performance testing
- Perform ongoing upgrades & modifications
- Manage for processing & payment errors
- Perform ongoing code extensions to support plan changes
- Deliver test & production rollout

Build

- Delivers ROI in less than one year*
- Configure incentive plans
- Deliver test & production rollout
- Faster and easier to rollout plan changes
- No risk in adding new plans and more payees
- More accuracy of payments
- Easier administration and maintenance for IT

Resources

Time

* Giga
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Oracle Incentive Compensation Stats

#1 in Incentive Compensation Management

- Global market leader with:
  - 250+ live customers
  - 1,200,000+ payees in production
- Broad industry coverage incl.
  - High-Tech
  - Retail
  - Telecommunications
  - Financial Services
  - Manufacturing
  - Professional Services
  - Many others
- Majority customers use stand-alone
- Mature Product

Traction in Marketplace

- 1,200,000+ payees in production
  - US retailer – 200,000 payees 1,100 stores
  - US retailer – quarterly targets & goals for 15,000 managers; 40,000 total payees
  - French financial services – 30,000 payees
  - UK telco – monthly plans for 18,000 agents

- Millions of transactions
  - US Retailer – 2,000,000 transactions/day
  - Financial Services – 20,000,000 transactions collected and calculated in 6 hour window
**Product History**

### 3i & prior:
- Calculation Formulas
- Incremental calculation
- Split transactions
- Mass transaction adjustments

### 11.5.3:
- Collection from Order Management
- Plan assignment by role
- Calculation for non-employees
- Compensation groups
- Integration with Sales
- Pay groups
- Payment Plans

### 11.5.4/5:
- Payables integration
- Income planner
- Collection filters
- Payment hold
- TBH resources
- Contract authoring/approval
- Comp Planning reports

### 11.5.6/7:
- Conversion to HTML
- Payroll integration
- Multi-dimensional rate tables
- Interdependent plan elements
- Spreadsheet import of transactions
- Seasonality schedules
- Workday calendar
- Re-goal
- Invoice splits
- Transaction and administration reports
- Analytical reports

### 11.5.8/9:
- Collect revenue adjustments
- Accumulation/splits along multi-dimensional rate tables
- Payment administration hierarchy
- Manual payment adjustments
- Payment worksheet history
- Payment signoff report
- Import/export of setups
- Analytical reports

### 11.5.10:
- Mass update of rules and assignments
- Sales force reports for performance assessment and payment reconciliation
- Projected commissions and quoting integration
- Flexible, user-defined credit allocation
- Integrated territories alignment

### R12:
- Personalizable and extensible applications framework
- Role-based business flows
- 360° view of compensation plan and resources
- Enhanced auditing capabilities
- Multi-Org access control
- HR Compensation Workbench integration
- Task based plan creation UI

<table>
<thead>
<tr>
<th>Year</th>
<th>Feature</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>Collection from Order Management</td>
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<tr>
<td>2000</td>
<td>Payables integration</td>
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<tr>
<td>2001</td>
<td>Conversion to HTML</td>
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<tr>
<td>2002</td>
<td>Payroll integration</td>
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<tr>
<td>2003</td>
<td>Multi-dimensional rate tables</td>
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<tr>
<td>2004</td>
<td>Interdependent plan elements</td>
</tr>
<tr>
<td>2007</td>
<td>Collection revenue adjustments</td>
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</tbody>
</table>
Analyst Recognition

Oracle “best-of-breed enterprise class solution” has “the advantage of offering a strong enterprise incentive compensation solution that [can be deployed as] part of a larger suite of functionality … [or] standalone”.

*Liz Herbert, Forrester, 2006*

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### Analyst Recognition

<table>
<thead>
<tr>
<th>Software</th>
<th>Strong Positive</th>
<th>Positive</th>
<th>Promising</th>
<th>Caution</th>
<th>Strong Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Callidus Software</td>
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<td>X</td>
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<tr>
<td>Centive</td>
<td>X</td>
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<tr>
<td>Oracle (E-Business Suite)</td>
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<td>X</td>
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<td>X</td>
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<tr>
<td>Practique Associates</td>
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<td>X</td>
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<td>SAP</td>
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<td>X</td>
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<tr>
<td>Synergy</td>
<td>X</td>
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<tr>
<td>Varicent Software</td>
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<td>X</td>
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<td>Versata</td>
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<td>Xactly</td>
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<td>X</td>
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<tr>
<td>ZS Associates</td>
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<td></td>
<td>X</td>
</tr>
</tbody>
</table>

*As of 22 July 2008*

*Source: Gartner (July 2008)*

Oracle has “**overall viability, substantial market presence and the ability of its product to scale in support of core compensation calculation requirements for large, complex implementations**”

Clients “**should consider OIC on their shortlists.**”

*Michael Dunne, Gartner, 2008*
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Key Features in OIC

- New role-based business flows
- Top-Down plan creation & plan wizard
- 360° View of Resources & Plans
- Total Compensation Visibility
  - Integration with HR Comp Workbench
- Enhanced auditing capability
- Complete Oracle Applications support
- Flexible Payment Approval hierarchy
- Enhanced Sales Credit assignment
End-to-End Incentive Compensation

- **Design** & communicate incentive programs that align with corporate strategy
- **Measure** achievement against performance metrics
- **Reward** sales & partner behavior
- **Analyze** impact of incentive program on financial and sales goals
Designing Incentive Compensation

- Flexible compensation plan definition
- Role-based plan assignment
- Top-down plan creation and checklists
- Flexible expression builder & multi-dimensional rate tables
- Interdependent plan elements to support linked objectives
- What-if analysis
- 360-degree view of resource
Measuring Behavior

- Collection of orders & invoices
  - Out-of-the-box integration with Oracle Order Entry and Oracle Accounts Receivables
  - Open Interface for Transaction, Product, Customer, Quota imports
  - Excel Imports
- Classification rules categorize transactions into relevant performance measures
- Flexible crediting rules & rollups
- Flexible, date-effective Territories
- Mass transaction & credit adjustments
Rewarding Behavior

• Multi-threaded, scalable calculation process
• Retro-processing and incremental calculation
• Research Assistant
• Integrated payment process
  • Out-of-the-box integration with Oracle Payroll and Accounts Payable
  • Open Payment interface
• Draws, Recovery and Cap
• Payment Approval Hierarchy
• Complete Audit Trail
Analyzing Compensation

- Standard out-of-the-box reports for tracking performance
- BI Publisher for easy report modification and extensibility
- Oracle Discoverer End User Layer for ad-hoc reporting
- Sophisticated Analytic capabilities using OBIEE (Siebel Analytics)
- Integration with Compensation Workbench for Total Comp Statement and Analysis
- Integration with Sales for Line of sight projections
End-to-End Incentive Compensation

Performance Objective Modeling
Participant Setup
Territory/Quota Alignment
Total Comp Planning

Measure
Order Capture
Accounts Receivable

Reward
Payroll
Accounts Payable

Monitoring

ORACLE INCENTIVE COMPENSATION

Analyze
Design
Reward
Measure

End-to-End Incentive Compensation

Sales line of sight, projections
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• **OIC Implementation** Key Steps to Consider for a Successful Implementation

• Customer Case Studies
Planning Prior to Implementation is Crucial

- **Identify Executive Leadership**
  - Identify Executive Sponsors (Sales, IT, Finance, HR, Legal, etc)
  - Create project mgmt teams and governance process

- **Determine Project Objectives**
  - Prepare scope document, budget and ROI estimate
  - Identify work streams and resources, time, and outcomes of project activities

- **Document Requirements and Assess Current State**
  - Document business/functional requirements
  - Prioritize requirements

- **Set Milestones**
  - Set project milestones and metrics to evaluate and measure project success
During the Project...

- Freeze Comp Plans
- Avoid Excessive Custom Extension
- Decouple Comp Plan Validation from Integration Testing
- Link Test Plans when implementing OIC in conjunction with an ERP project
- Test Script Focus = Calculation-based
- Consider performing Parallel Testing
- Prepare End Users for Go Live impacts
- Stay on Message regarding Project Goals, Enterprise-level Benefits and Importance to Project Team
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<table>
<thead>
<tr>
<th>Business User View</th>
<th>IT View</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Comprehensive plan visibility</strong></td>
<td><strong>Reduce cost of administration</strong></td>
</tr>
<tr>
<td>• Full view of a plan drives accuracy &amp; completeness</td>
<td>• Single OA-based tech stack</td>
</tr>
<tr>
<td>• Easy access to reduce time spent checking plan setup &amp; validating payments</td>
<td>• Meta-Data driven UI makes for easy extensions, personalizations</td>
</tr>
<tr>
<td><strong>Complex plan creation made easy</strong></td>
<td>• XML publisher for robust, flexible reporting</td>
</tr>
<tr>
<td>• Checklist of ordered tasks that guide the user through the process</td>
<td>• Export to Excel for business analysis</td>
</tr>
<tr>
<td>• Easy modification of comp plans based on product or strategy changes</td>
<td><strong>Reduce risk of compensation implementation</strong></td>
</tr>
<tr>
<td>• Easy-to-use expression builder for sophisticated incentive requirements</td>
<td>• Best application technology</td>
</tr>
<tr>
<td><strong>Total compensation visibility</strong></td>
<td>• Out-of-the-box integration with Sales, Financials, &amp; HR Compensation Workbench</td>
</tr>
<tr>
<td>• Integration with Total Compensation provides comprehensive planning to optimize base &amp; variable compensation</td>
<td>• Multi-Org, Multi-Currency &amp; Multi-lingual Capabilities</td>
</tr>
</tbody>
</table>
Case Study: Oracle at JC Penney

JC Penney is one of America's largest department stores, catalog, and e-commerce retailers, employing approximately 151,000 associates. JC Penney operates 1,021 department stores throughout the United States and Puerto Rico with around $19 billion in revenues.

<table>
<thead>
<tr>
<th>Business Issues</th>
<th>Sales Cycle</th>
<th>Why Oracle</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Compensation model changes very frequently as different departments adopt or drop different plan concepts and computation algorithms</td>
<td>• PeopleSoft install customer</td>
<td>• Enterprise product that can be implemented standalone</td>
</tr>
<tr>
<td>• Ability to support Manager overrides for different departments in a store</td>
<td>• Demonstrated easy support for frequently changing compensation plans to Corporate HR group</td>
<td>• Scalability in terms of payees and transaction volume</td>
</tr>
<tr>
<td>• Department specific draw plans</td>
<td>• Robust and scalable with proven architecture was shown to IT group</td>
<td></td>
</tr>
<tr>
<td>• Ability to collect data from external POS systems</td>
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</tbody>
</table>
Case Study: Oracle at BT Group

Formerly known as British Telecommunications, the BT Group offers local and long-distance phone service in the UK through nearly 30 million access lines, 20 million residential, and more than 8 million business connections. BT Group employs 105,000 people and has annual revenues of $35 billion.

<table>
<thead>
<tr>
<th>Business Issues</th>
<th>Implementation</th>
<th>Why Oracle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wanted a system that could:</td>
<td>• Deployed standalone, with Siebel call-center and People-Soft HR</td>
<td>• Flexibility of the system for handling complex plans</td>
</tr>
<tr>
<td>• Enable rapid changes of plan metrics</td>
<td>• Compensating 16,000+ employees and contract staff including telesales staff</td>
<td>• Easy to add in a new plan element</td>
</tr>
<tr>
<td>• Ability to handle many different factors contributing to compensation</td>
<td>• Calculations run daily; 3 million transactions a month</td>
<td>• Full audit trail of compensation</td>
</tr>
<tr>
<td>• Provide daily information to compensated individuals</td>
<td></td>
<td>• Improved cost of ownership with increased performance</td>
</tr>
</tbody>
</table>
Case Study: Oracle at Edward Jones

Edward Jones provides financial services for over 7 million individual investors through 10,000+ investment representatives in the United States, Canada, the United Kingdom.

<table>
<thead>
<tr>
<th>Business Issues</th>
<th>Sales Cycle</th>
<th>Why Oracle</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Replace legacy mainframe incentive compensation system with web based application that can handle current business and future growth</td>
<td>▪ Demonstrated the ease of plan setup and administration of complex plans for Finance group</td>
<td>▪ Scalable solution</td>
</tr>
<tr>
<td>▪ Scalability limitations put them “at risk”</td>
<td>▪ Peoplesoft HR &amp; Peoplesoft Financials integration best practices</td>
<td>▪ Strong relationship</td>
</tr>
<tr>
<td>▪ Payees are Edward Jones internal employees</td>
<td>▪ Oracle Consulting Services walked through implementation methodology review workshop</td>
<td>▪ One vendor solution (HR, Compensation, Reporting, Data)</td>
</tr>
<tr>
<td>▪ Bonus and Commissions on Equity trades by product</td>
<td></td>
<td>▪ Application flexibility</td>
</tr>
<tr>
<td>▪ Global business (UK, Canada, US based)</td>
<td></td>
<td>▪ Detailed reporting</td>
</tr>
<tr>
<td>▪ Large number of metrics used to measure commissions</td>
<td></td>
<td>▪ Comfort that Oracle had successfully implemented other large, complex solutions</td>
</tr>
</tbody>
</table>
Our Approach to Customers
Improve by Talking, Listening, and Working Together

Strategic Implementation Program
Customer Care Services
Industry Owners within Development
Customer Visits
Customer Advisory Board
Customer Forums
Special Interest/ User Group Meetings

Product Quality & Roadmap
Cost & Maintenance
Relationship Management
# Oracle Incentive Compensation Takeaways

## #1 in ICM market
- **Largest** live ICM (Incentive Compensation Management) install base
- **Global** market momentum

## Best-of-breed functionality with breadth of an enterprise solution
- **Complete, end-to-end** enterprise solution set
- **Flexible, scalable** design to address complex plan requirements
- **Open architecture** for ease of integration with external systems

## Align goals and rewards
- Ensures sales & channel partner **alignment** with corporate objectives
- Delivers compensation **adaptability** & effectiveness
- Improves **financial control** & cost management
Questions?
For More Information

http://search.oracle.com

Oracle Incentive Compensation

or

http://www.oracle.com/applications/sales/intcomp.html

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Ed Ahearn: eahearn@kbace.com

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