SCALE

People Ops Council

Aligning Pay & Performance

April 12, 2024

Today’s SDR Council leader

Shane McCauley

VP of People Operations

Motive

Today's Agenda

- Welcome and Introductions (20 min)
- Presentation – Aligning Pay & Performance (30 min)
- Open Discussion (30 min)

We help our portfolio build and optimize hyper-growth GTM machines

An ecosystem designed to drive GTM excellence

EIRs

Lauren Vaccarello

Salesloft.

Maria Pergolino

Anaplan

Zack Urlocker

DUO

Brandon O'Sullivan

DroneDeploy

James Huber

robin

GTM advisors

Katherine Andruha

Fivetran

Jeffery Merlin

harness

Roy Eitan

AUGURY

Peer community

Portfolio companies

Friends of the program

Third party consultants

Advisory

Been-to-Market Expertise

Email anisha@scalevp.com with your questions!

Advising our portfolio companies with bespoke GTM consulting

Content

Step by Step Guides

Access it here: https://community.scalevp.com/c/static/content

Distilling decades of experience into concise GTM playbooks

Community

The Power of Community

Check out our online community: https://community.scalevp.com/home

Connecting our network of EIRs, Exec Advisors and portfolio execs

What is a council?

What is it?

- Regular meetings / face to face & virtual
- Bringing together People Ops leaders in portfolio as well at GTM network / experts across the industry
- Goal is to idea share / thought partner / collectively solve challenges, to design new initiatives, network
- Supported by People Ops specific content and community channel to share ideas and solve problems in real time

What is the time commitment?

- We meet once a quarter alternating between virtual and in person

Why should I join?

- Network
- Learn
- Have resources when you are stuck

Upcoming CFO Council

Invite your Finance teams!

https://events.scalevp.com/scale/rsvp/register?e=cfo-board-reporting-council

How We Scaled This GTM Summit

Thursday, May 30th

The Ritz Carlton
600 Stockton St, San Francisco

Councils
9am - 12pm PT
Pipeline, RevOps, & Product Marketing

Summit:
12pm - 6pm PT
With lunch and cocktail hour

Introductions

1. Name
2. Title
3. Company
4. What is your tactic for keeping employees productive in this hybrid world?

Aligning Pay & Performance

1. Compensation Philosophy
2. Market Data Analysis
3. Creating Ranges
4. Managing Budget
5. Aligning Pay & Performance
    a. Cash
    b. Equity

Compensation Philosophy

- What is a compensation philosophy?
  - Statement on intent of compensation program
- How is it useful?
  - Anchors action and decisions around your program
- Example compensation philosophy
  - Align compensation with contribution

Market Data Analysis

- Market Data Sample
  - Radford - tech companies, national data sample
  - Analyzed 15 functions, 111 roles, 15 levels
- Market Data Anomalies
  - Cash
  - Equity
  - International
- Market Intelligence
- Why Create Ranges?

Market Data Analysis – Cash

Data Sufficiency

- **Cash - 1.21M data points**

Market Anomalies

- **Missing data** - no data at a given level / role combination
  - **19 (21%) had missing data at one or more levels.**
- **Inversions** - progression from level x to x+1 being negative
  - **7 (8%) showed a decrease in data from level x to level x+1 for certain roles**
- **Small deltas** - progression from level x to x+1 being small
  - **10 (9%) of them had less than a 5% delta from level x to x+1 for a given role**
- **Large deltas** - progression from level x to level x+1 being inordinately large
  - **20 (22%) of them had more than a 40% delta from level x to x+1 for a given role.**
- **Structural similarity** - no statistically significant difference between one role and another
  - **41 (46%) of them did not have a significant delta from the functional average**

Market Data Analysis - Equity

Data Sufficiency

- **Ongoing equity - 430k**
- **New hire equity - 93k**

Market Anomalies

- **Missing data** - no data at a given level / role combination
  - **60 (67%) of them were missing data for at least one level**.
- **Inversions** - progression from level x to x+1 being negative
  - **41 (46%) of them had lower data at level x+1 than level x for a given role**.
- **Small deltas** - progression from level x to x+1 being small
  - **31 (34%) of them had less than a 12.5% delta from level x to x+1 for a given role**.
- **Large deltas** - progression from level x to level x+1 being inordinately large
  - **52 (58%) of them had more than a 200% delta from level x to x+1 for a given role**.
- **Structural similarity** - no statistically significant difference between one role and another
  - **12 (13%) of them did not have a significant delta from the functional average**

Market Data Analysis - International

Data Sufficiency

- International locations, even in mature markets have significant sample count challenges

Cash Compensation Sample Count

	Role Type	US	Canada	India	Mexico	Pakistan	Poland	Taiwan
Total Count	Manager	250,784	17,053	59,588	2,605	161	3,187	1,380
	IC	956,766	83,122	420,796	17,621	882	22,990	10,302
	Total	1,207,550	100,175	480,384	20,226	1,043	26,177	11,682
Percent of US	Manager		6.80%	23.76%	1.04%	0.06%	1.27%	0.55%
	IC		8.69%	43.98%	1.84%	0.09%	2.40%	1.08%
	Total		8.30%	39.78%	1.67%	0.09%	2.17%	0.97%

Market Data Analysis - US National Data Movement

The table below shows the functional average market movement from H1 '22 to H1 '24

Market Movement Summary H1 2022 → H1 2024	US NATIONAL H1 2024 Delta vs H1 2022					
	Cash Midpoint Movement			Equity Midpoint Movement		
Job Function	Mgmt	ICs	Overall	Mgmt	ICs	Overall
Corporate & Business Services	6%	9%	8%	12%	23%	20%
Corporate Affairs	8%	12%	11%	34%	35%	35%
Customer Service / Support	8%	7%	7%	-1%	2%	1%
Engineering	12%	15%	15%	16%	45%	41%
Finance	8%	11%	10%	10%	9%	9%
Human Resources	9%	14%	12%	24%	6%	12%
Information Technology	10%	10%	10%	20%	25%	24%
Legal	9%	15%	14%	21%	-8%	1%
Marketing	4%	8%	7%	3%	-8%	-5%
Professional Services / Consulting	5%	8%	7%	-3%	13%	11%
Sales (Base)	5%	9%	8%	28%	29%	29%
Strategic Planning & Corporate Dev	7%	7%	7%	46%	42%	43%
Supply Chain	2%	7%	5%	13%	-22%	-11%
Total	9%	12%	11%	18%	33%	30%

Market Data Analysis - SF Bay Data Movement

The table below shows the functional average market movement from H1 '22 to H1 '24

Market Movement Summary H1 2022 → H1 2024	San Francisco Bay Area H1 2024 Delta vs H1 2022					
	Cash Midpoint Movement			Equity Midpoint Movement		
Job Function	Mgmt	ICs	Overall	Mgmt	ICs	Overall
Corporate Affairs	9%	7%	8%	91%	130%	113%
Corporate & Business Services	5%	3%	4%	97%	98%	98%
Customer Service / Support	3%	5%	4%	53%	76%	70%
Engineering	0%	5%	4%	131%	161%	155%
Finance	7%	7%	7%	100%	154%	130%
Human Resources	6%	8%	7%	117%	87%	96%
Legal	9%	6%	7%	98%	66%	77%
Marketing	7%	7%	7%	69%	61%	64%
Professional Services / Consulting	3%	4%	4%	76%	59%	64%
Sales	4%	7%	6%	45%	63%	57%
Strategic Planning & Corporate Dev	15%	13%	13%	140%	152%	148%
Information Technology	8%	9%	9%	134%	171%	162%
Supply Chain	10%	8%	9%	160%	82%	117%
	4%	6%	5%	112%	144%	137%

Why Create Ranges?

1. We have sample data, not population data.
2. There are data anomalies and sufficiency issues that need to be addressed
3. Creating consistent reference points allows for better market intelligence
4. Foundation for consistently aligning compensation & contribution

Creating Ranges - Building Structures

We develop and maintain proprietary compensation ranges that reflect Motive's organizational structure, roles, and locations, using both external, and internal data.

The data we analyze:

- External benchmarking sources
    - Technology company data
    - Similar revenue / Employee count
- Incoming candidate feedback
- Current employee data

The market/internal data are analyzed and processed to create structured data that maintains all possible fidelity to the original sources.

Data are aggregated at the functional level and structures reflect role differentiation by function and geography.

We analyze these data twice a year to determine if any modifications are necessary to the structure current in place.

Compensation ranges are used as a reference point to make compensation decisions, maintain internal equity, and ensure external competitiveness.

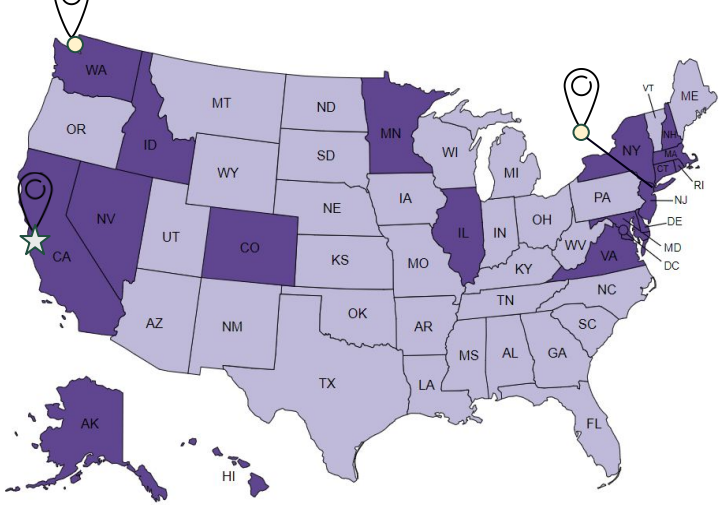
Creating Ranges - Geo-Differentials

Salary midpoints for every role in Radford across **79 locations** in the United States were analyzed to determine geographic differentials for each. The local midpoints for each available data point were compared against the national average to assess regional variations against the baseline US National tech cut data.

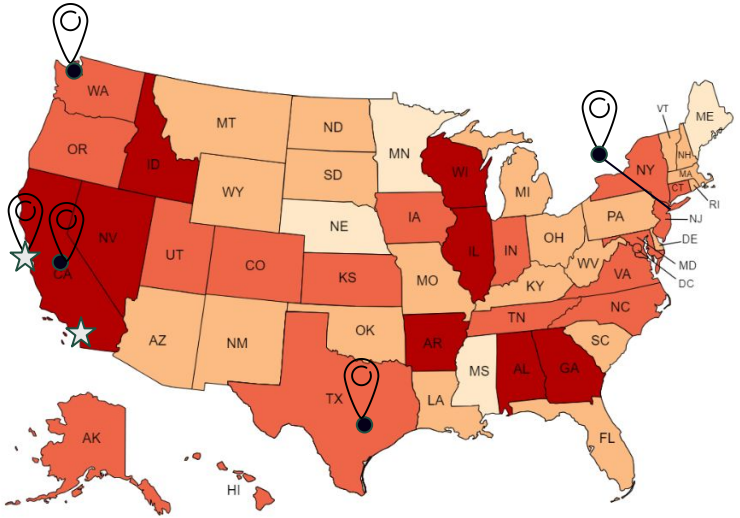
These **cash variations were then grouped into the nearest 5%** to create clusters given the standard variance in the data. The same process was followed for equity, except **equity was clustered up to 10%** given the wider spread of differentials.

Cash Premiums

- ☆ **15%** SF Bay Area/Silicon Valley:
- **10%** Seattle and NYC Tri State
- **Flat** US National
  Includes: Miami, Detroit, Charlotte, Raleigh, Durham, Portland, Austin, Houston, Dallas
- **-10%** All Other



Equity Premiums



- ☆ **20%** SF Bay Area/Silicon Valley, San Diego
- **10%** Sacramento, NYC Tri State, San Antonio, Seattle
- **Flat** includes: Detroit
- **-10%** includes: Phoenix, Orlando, Tampa, Miami, Pittsburgh
- **-20%** includes: Atlanta, Dallas, Charlotte, Minneapolis
- **-30%**

Job Range Example

Job Title: Manager, Finance
Job Family (Function): Finance
Career Path (Focus) : FP&A

Level: L6
Location: Gary, Indiana

$100,000 ×

Average salary midpoint

Represents the functional, national US National average for the Job Family (Finance)

20% × **95%**

Job Premium/Discount

Specifically in FP&A, the US National base salary averages 20% premium against the overall finance baseline.

Geo Differential

In Gary, Indiana, where the role is located, base salaries average 5% lower than the overall US National.

= **$114,000**

Target Cash

How it works

1. The first step in establishing cash ranges involves creating an **average salary midpoint** for each functional level. This is found by aggregating raw market data by function to create functional averages by level.
2. The next steps is applying a modifier based on role type, or a **job premium.** This is determined by comparing the price point per level within a given job family to the functional average.
3. The final step is to apply a **geographic differential**. This is calculated by comparing data the salary midpoint across the country and comparing this value to the US national average.
4. These inputs are then combined into a cash midpoint.

Managing Budgets – Cash

Calculation

- **Review prevailing market movement and market data for budget for merit and total wage increase by geography**
- **Determine planning baseline - base or OTE?**
- **Consider promotion assumption**
- **Apply percent of wagebase to calculate overall spend**

Allocation

- **Start with total budget modeled and apply modifiers for:**
  - **Cycle count / timing**
  - **Eligibility criteria**
- **Allocation methodology**
  - **% of wagebase**
  - **% of range midpoint**

Managing Budgets - Equity

Calculation

- **Calculate gap to range mid for each person**
- **Apply performance assumptions (distribution and multiplier)**
- **Sum the result and ensure result + expected utilization outside of merit/promotion does not exceed burn threshold**

Allocation

- **Start with total shares modeled and apply modifiers for:**
  - **Cycle count / timing**
  - **Eligibility criteria**
- **Allocation methodology**
  - **% of range midpoint**

Aligning Pay & Performance

Compensation Philosophy

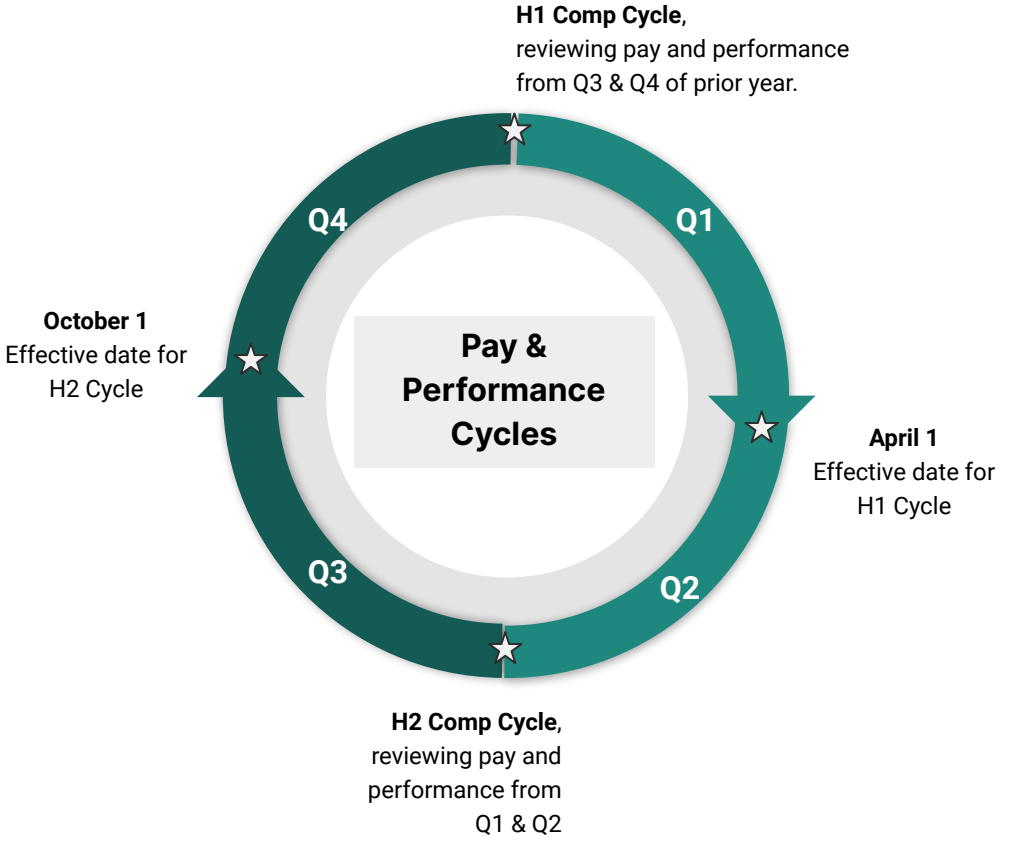
Align compensation & contribution

Aligning Pay & Performance - Timing

Ideally every employee has:

1. A performance conversation with their manager at **least twice a year** and

2. A compensation review **once a year**



Aligning Pay & Performance – Base

Range Segmentation

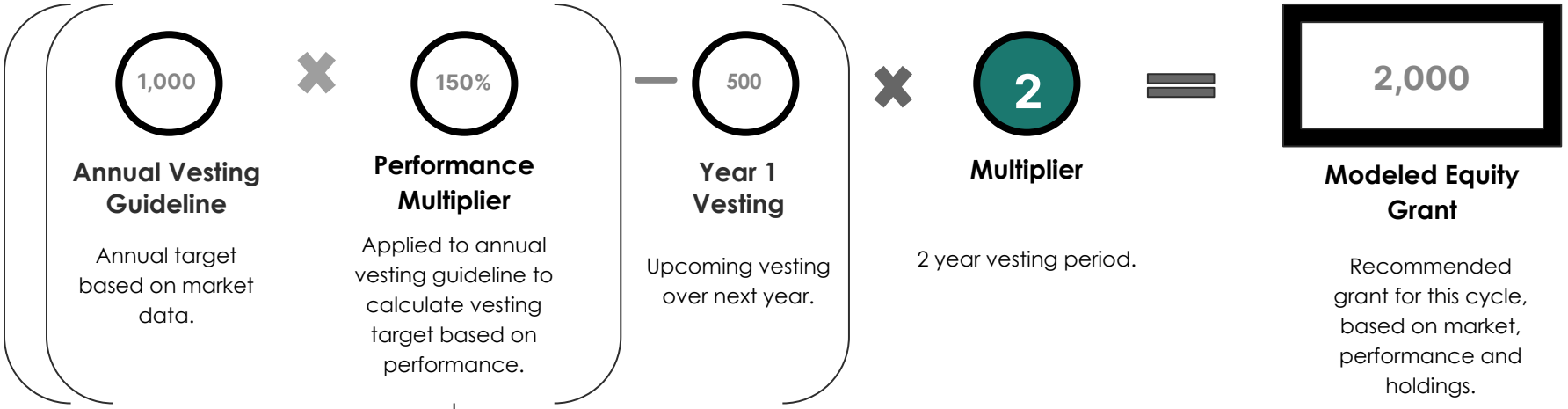
- **Position in range should reflect performance, over time**

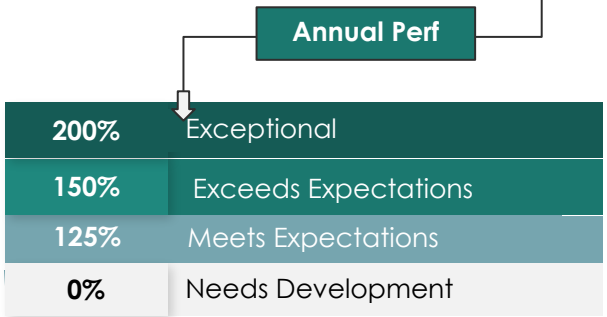
Increase Strategy

- **Accelerate to target position in range, decelerate after**

Quartile 1	Quartile 2	Quartile 3	Quartile 4
New to the role, ramping into the position, generally meeting expectations.	Has experience and skills at current level. Target pay for those that consistently meet expectations.	Highly skilled in and performant at current level. Target pay for those exceeding expectations.	Skills significantly exceeding role expectations. Increases only recommended for exceptional contributors.

Aligning Pay & Performance - Equity





Aligning Pay & Performance – Considerations

01	Performance	• How is their performance? Generally, higher performance ratings should correlate to larger in-cycle awards.
02	Internal Parity	• How do their rewards and performance compare to peers? • Is the employee sufficiently compensated vs. lower level / lower performing peers?
03	Strategic Planning	• Where does this employee's role fit into the overall company strategy and vision? • Am I compensating my most critical roles appropriately?
04	Communication	• What message am i sending via this compensation allocation?

Thank you!