

# Sales incentives and target setting at global chemicals company – BU2

Situation	Approach	Impact
<p><b>Client</b></p> <ul style="list-style-type: none"> <li><b>Global Chemicals Company</b></li> <li><b>8 Markets</b> with <b>~700 sales reps</b> in <b>&gt;14 different roles</b> and across <b>5 routes to market</b> incl. own store network</li> <li><b>Company</b> was <b>ready to grow</b> - sales reps were <b>fat and happy</b></li> </ul> <p><b>Incentive framework</b> Effectively, <b>no link</b> between <b>pay</b> and <b>individual performance</b> achieved in <b>many different ways</b> across markets</p> <ul style="list-style-type: none"> <li><b>Low bonus</b> for target achievement and <b>little upside</b> for over-performance</li> <li><b>Many KPIs per person</b> (most roles &gt;5)</li> <li>Many <b>“group-level”</b> (hard to influence) and <b>judgment-based</b> (unfair) KPIs</li> </ul> <p><b>Target setting</b> <b>Low quality</b> of target-setting despite <b>high effort</b>.</p> <ul style="list-style-type: none"> <li>Assumptions and process opaque – <b>discussions hardly possible</b></li> <li><b>“Account roster lottery”</b>: No hard link between accounts and individual targets</li> </ul>	<p><b>Incentive framework</b> <b>Developed a fact-base</b> for our design work</p> <ul style="list-style-type: none"> <li>Built library of <b>“best practice” cases</b></li> <li><b>Diagnostic</b> on current incentive system</li> </ul> <p><b>Designed incentive framework</b> in joint <b>1.5 day workshop</b> with <b>all 8 markets</b></p> <ul style="list-style-type: none"> <li><b>Evaluation of roles</b> based on guiding <b>“design questions”</b></li> <li><b>Joint definition of incentive framework</b> and KPIs based on pre-work</li> </ul> <p><b>Detailed/tested approach</b> in <b>pilot markets</b></p> <ul style="list-style-type: none"> <li><b>Detailed</b> framework for <b>all roles</b> in pilot markets</li> <li>Developed <b>payout mechanism</b> based on Monte-Carlo <b>simulation of P&amp;L impact</b></li> </ul> <p><b>Target setting</b></p> <ul style="list-style-type: none"> <li>Developed <b>potential-based</b> target setting methodology – clear improvement but <b>simple enough to replicate</b></li> <li>Deployed <b>target setting tool</b> and derived individual sales targets</li> </ul>	<p><b>Higher motivation</b></p> <ul style="list-style-type: none"> <li><b>More money at stake</b>: Variable pay increased to 25-35% of base salary</li> <li><b>Bigger jackpot</b>: Accelerated payout curve for over-performance up to 2x planned bonus</li> <li><b>Frequent payouts</b>: Quarterly draw payouts to increase awareness of bonus</li> </ul> <p><b>Better focus</b></p> <ul style="list-style-type: none"> <li><b>Few KPIs</b> that are <b>highly influenceable</b></li> <li><b>All KPIs</b> tied to <b>financial business priorities</b> (i.e. GROWTH) and consistent across roles</li> </ul> <p><b>Meaningful goals</b></p> <ul style="list-style-type: none"> <li>Implemented target-setting approach based on <b>actuals, account potential</b> and <b>macro-factors</b></li> <li><b>Reduced effort</b> and <b>improved quality</b></li> </ul>

“Insh’allah” mentality



“Can-do” attitude