

Sales incentives and target setting at global chemicals company – BU1

Situation	Approach	Impact
Client <ul style="list-style-type: none"> Global chemicals company active in ~100 countries across 38 regional business units (RBU) Over 5k sales employees in 10 different sales role archetypes and 5 distinct go-to-market models Sales people felt entitled to bonus payment (“Entitlement culture”) Incentive framework Inconsistent frameworks across RBUs not ready to trigger profitable growth <ul style="list-style-type: none"> Relatively low share of variable pay Several different payout curves across RBUs Focus on group oriented, difficult to influence financial KPIs (e.g., OPI, OWC) Subjective non-financial KPIs Annual payout cycle Target setting Target setting approach not capable to support profitable growth <ul style="list-style-type: none"> Inconsistent approaches – often no target setting on individual level Delayed communication (e.g., by Q3) 	Twofold approach covering both the incentive framework and the target setting methodology Incentive framework Developed incentive framework blueprints in a combined top-down/bottom-up approach <ul style="list-style-type: none"> Top-down elements <ul style="list-style-type: none"> Collected best practice examples Conducted diagnostic of current state Compared current state vs. market benchmarks Bottom-up elements <ul style="list-style-type: none"> Conducted workshops with “Design RBUs” (representative sample) Calculated costs and sensitivities on RBU-level and extrapolated to BA Target setting <ul style="list-style-type: none"> Developed potential-based target setting methodology Deployed target setting tool and derived individual sales targets Introduced governance structure Rapid implementation and scale-up to all RBUs during Q1	Created additional upside potential <ul style="list-style-type: none"> ✓ Variable pay increased to 25-35% of base salary Made individuals more responsible <ul style="list-style-type: none"> ✓ Introduced individual and influenceable financial KPIs (revenue, CM) ✓ Ensured non-financial KPIs to be measurable and objective Incentivized over-budget performers <ul style="list-style-type: none"> ✓ Introduced accelerated payout curve Penalized low-performers <ul style="list-style-type: none"> ✓ Established minimum threshold at 80% target achievement Avoided overpayment <ul style="list-style-type: none"> ✓ Capped payout curve at 200% of variable pay Created financial upside during year <ul style="list-style-type: none"> ✓ Introduced quarterly payouts Enhanced target setting <ul style="list-style-type: none"> ✓ Implemented potential-based target setting methodology Motivated sales force <ul style="list-style-type: none"> ✓ Sent out target letters in “Design RBUs” in January, remaining letters during Q1 Target letters for “Design RBUs” sent out at the end of January