



DOUG J. CHUNG

Kjell and Company: Motivating Salespeople with Incentive Compensation (D)

Malmö, Sweden: June 2015. Thomas Keifer, the CEO of Kjell & Company, instructed Martin Knutson, the CIO, to investigate the underlying reason why the sales of the past high-performing salespeople had decreased after the implementation of the daily-quota compensation plan.

Knutson analyzed the data to examine whether there were any significant changes in product quantities and/or types that salespeople sold. The results indicated that the number of products sold increased substantially for the low-performing salespeople but only marginally for other types of salespeople. More surprisingly, though, Knutson observed that most salespeople sold low-ticket and, thus, low-margin products under the daily-quota plan. Both Keifer and Knutson worried that the focus on low-ticket items, especially by the high performers, might hurt Kjell's profits in the long run.

Table 1 The Change in Product Quantity and Price, by Segment

Type	% Change in sales quantity (in units)	% Change in price per unit
Segment 1	13.64%	-0.14%
Segment 2	2.25%	-1.18%
Segment 3	-0.17%	-1.12%
Segment 4	-0.40%	-4.57%

Source: Casewriter.

Note: Segment 1 represented the poorest past performers (bottom 25%), Segment 4 the best past performers (top 25%). The change in the number and prices of products sold was computed as the difference from the control group. For example, if the percentage change in sales quantity of the treatment and control groups in segment 1 were 14.74% and 1.10% respectively, the treatment group's pure percentage change in sales quantity as a result of the treatment (the shift to a daily quota plan) would be 13.64%.

Professor Doug J. Chung prepared this case. It was reviewed and approved before publication by a company designate. Funding for the development of this case was provided by Harvard Business School and not by the company. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

Copyright © 2019 President and Fellows of Harvard College. To order copies or request permission to reproduce materials, call 1-800-545-7685, write Harvard Business School Publishing, Boston, MA 02163, or go to www.hbsp.harvard.edu. This publication may not be digitized, photocopied, or otherwise reproduced, posted, or transmitted, without the permission of Harvard Business School.