

Performance Management / Incentive Systems

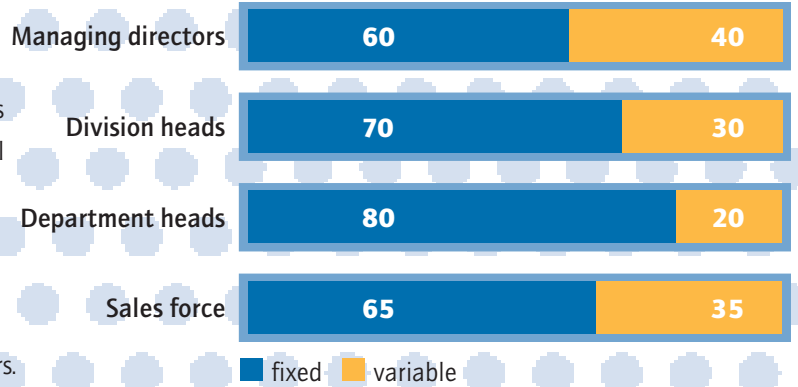
Market and trends

We support companies of all sizes and from all industries in developing and introducing success- and performance-based, value-oriented compensation systems:

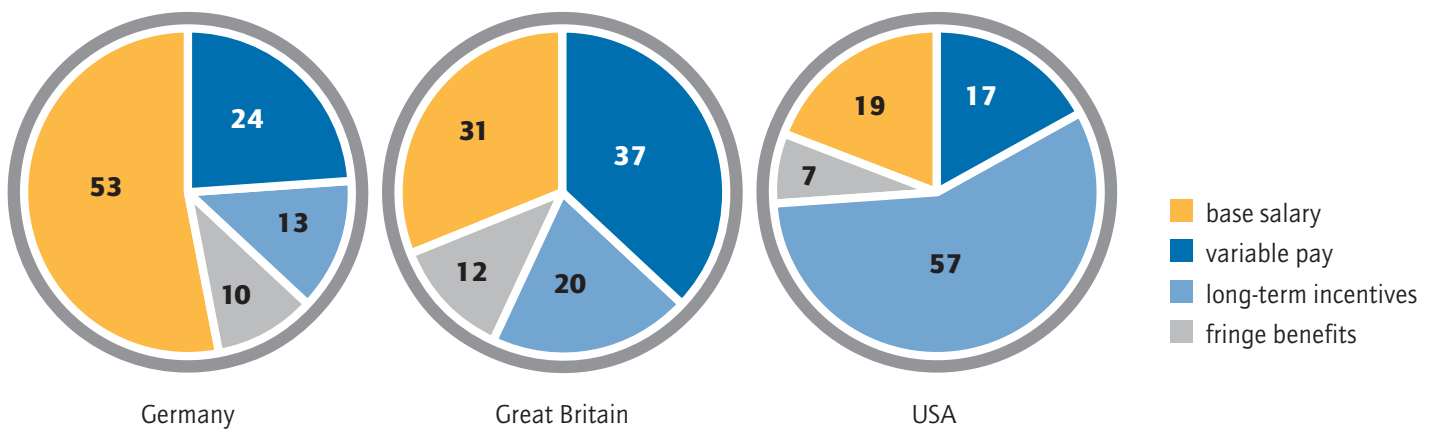
- » **bonus systems** for board members/managing directors
- » target-oriented **bonus systems** for executive personnel
- » **commission/incentive models** for sales personnel
- » **premium systems**, e.g. for production personnel
- » **long-term incentive plans**

to increase corporate value and to retain good performers.

Ratio of fixed to variable in Germany



International compensation structures of top-level executives (in percent)



Current trends

- » development of a company-wide framework for variable compensation systems – distinction between the overall corporate strategy and the responsibility of local units
- » consistent cascading of underlying target systems: tying targets to control-relevant value drivers and key performance indicators in the framework of corporate strategy

- » greater consideration of personal targets – greater stress on managerial responsibility
- » reduction of complexity, greater transparency: reduction of the number of targets and target levels
- » two or three target levels depending on the level of the position
- » selection of target levels according to influence on target achievement and sphere of responsibility
- » level-specific combination of salary components
- » increasing variability with increasing responsibility.

Incentive compensation as a management instrument

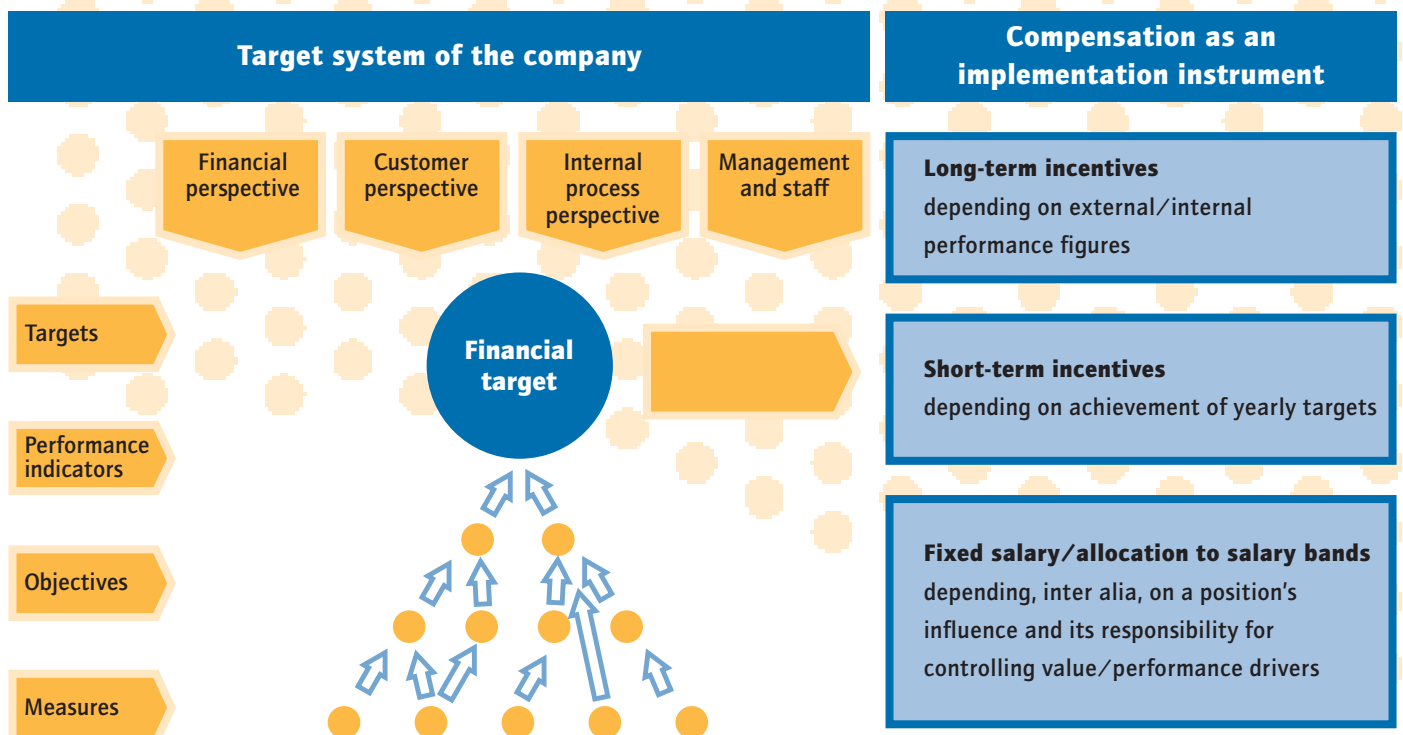
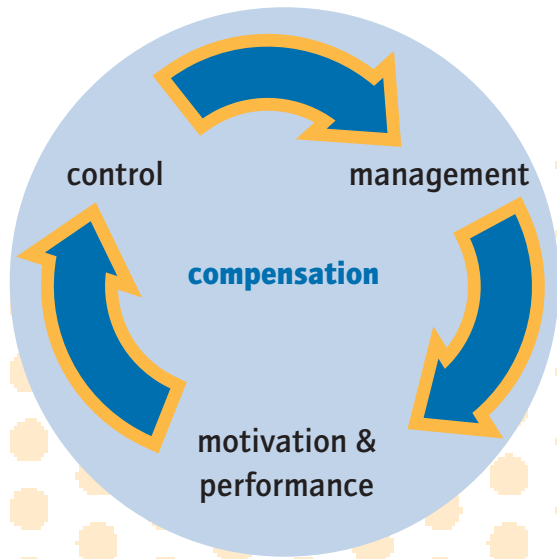
Success factor

Compensation as a factor of success: performance- and value-oriented compensation systems are increasingly being recognized as a key instrument of performance management.

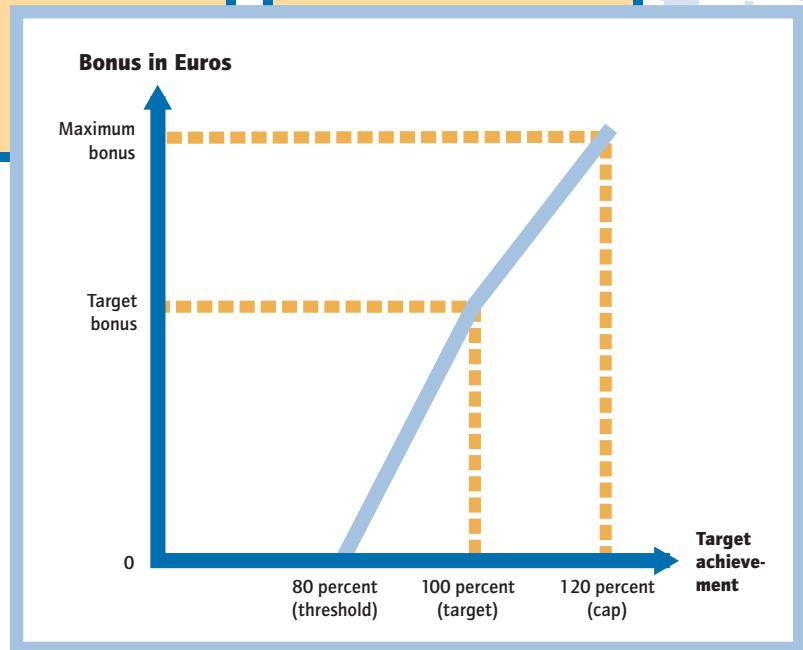
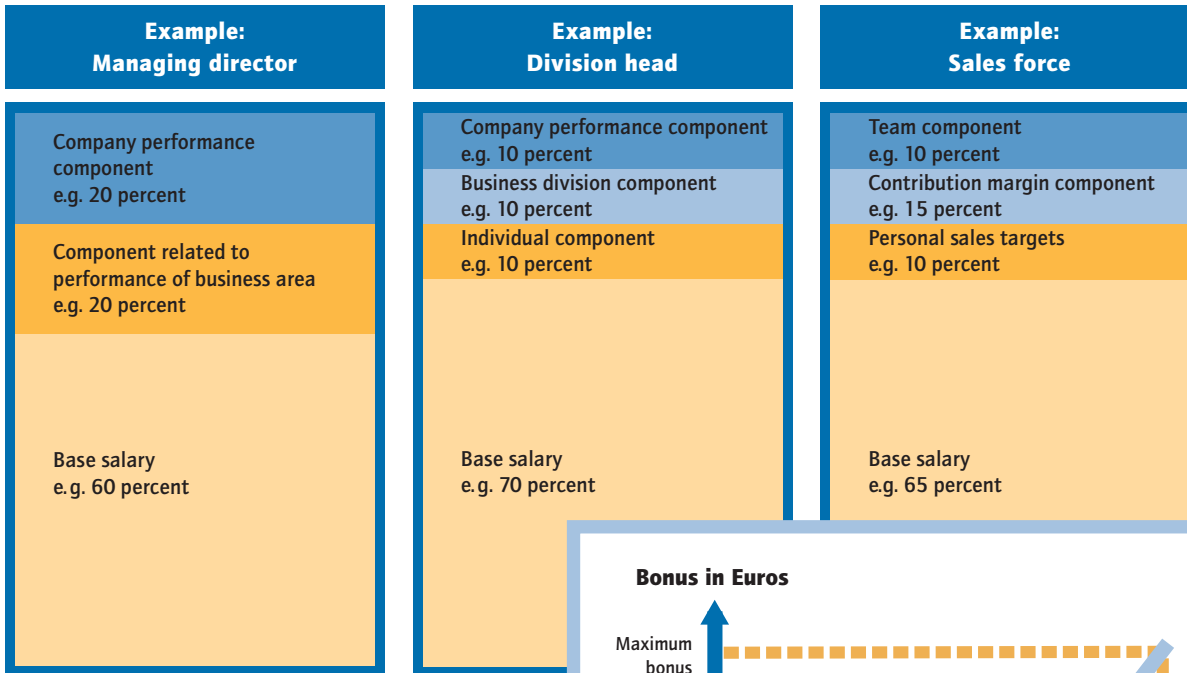
They should

- » serve as an effective management and control instrument that contributes towards the attainment of demanding operational and strategic objectives of the company
- » lead employees to better results and performance through increased motivation
- » raise the company's attractiveness for qualified entrepreneurial employees
- » promote job satisfaction, thus strengthening the attachment of good performers to the company
- » be competitive with other companies in order to prevent unwanted staff turnover and to facilitate new hiring without undue increases in personnel costs

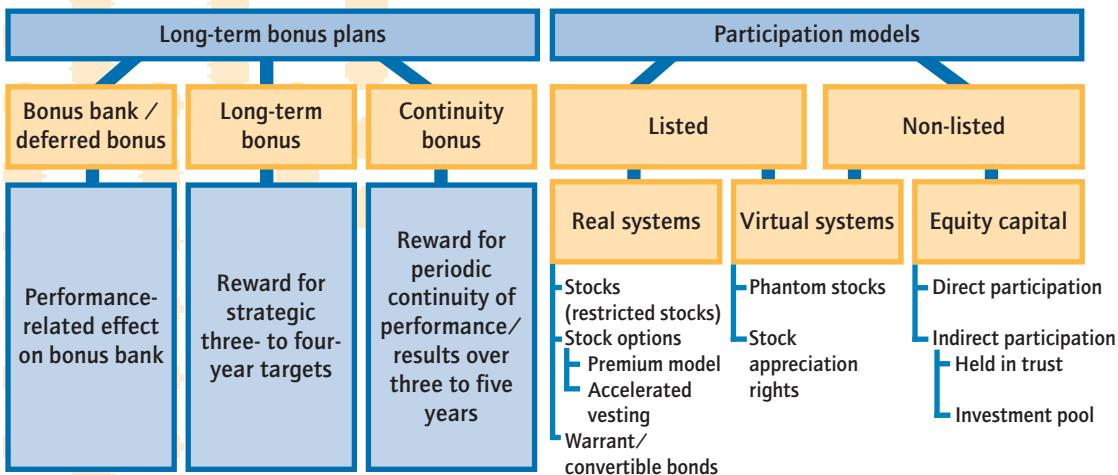
- » be sufficiently flexible for adaptation to changing economic and social necessities and to the resulting variations in performance requirements
- » be easy for employees to understand in terms of its structure and mechanisms and easy for the management to use.



Layout of variable compensation systems



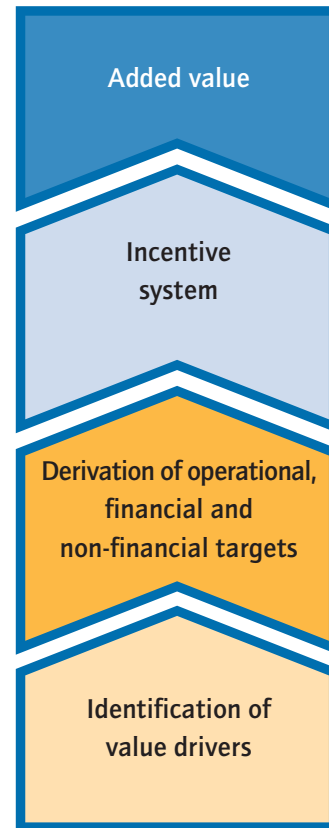
Long-term incentive models



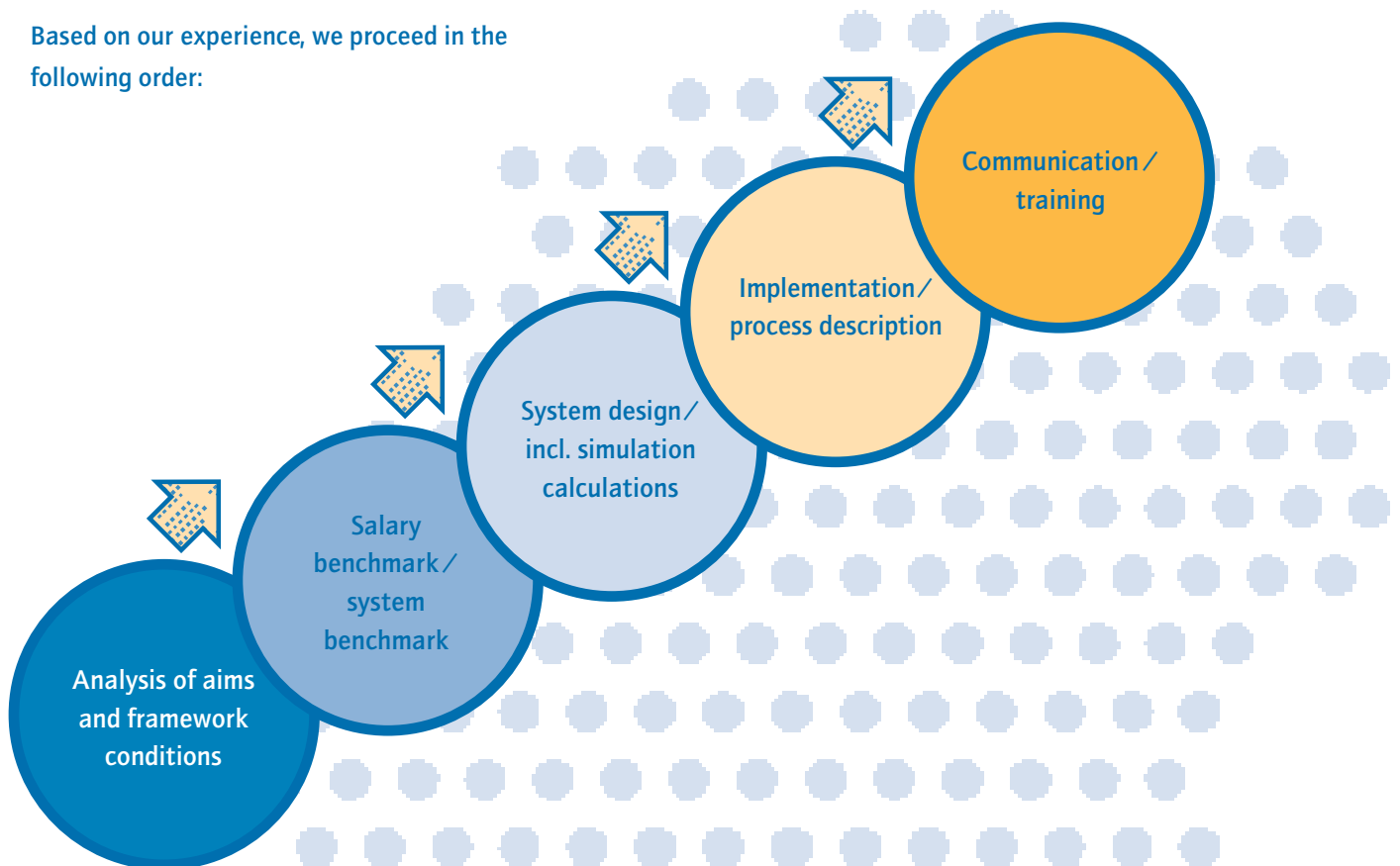
Procedure

Our services:

- » analysis of the starting point and of company-specific framework conditions
- » system design based on market compensation: ratio of fixed to variable, ratio of risk to opportunity, threshold and cap, target components, target types and weighting of targets
- » design of the target setting process (target tree)
- » selection of value-driver targets and key performance indicators from the strategy: financial and non-financial parameters
- » organizing and holding target-setting meetings
- » expert implementation, supporting software on request
- » quality checks of target agreements
- » supporting communication and training measures during the introduction phase.



Based on our experience, we proceed in the following order:



Why Kienbaum?

» We listen to you before taking action

Our first task as your partner is to gain an insight into your company. Keeping in mind the developments within your sector, your own objectives and the prevailing company culture, we develop relevant solutions covering every aspect of compensation. Listening carefully is consequently an important part of our work.

» We accompany you right to the goal

We recognize possible solution paths and develop these together with you. The depth of our consultancy expertise enables us to cut through complex facts. We support you in implementing solution paths that will lead you to your desired goal. We are also happy to support you in the practical implementation.

» We take your individual situation into account

Together with you we develop a tailor-made performance management system for approaches that are suited to your company, that meet your specific requirements and that harmonize your company culture.

» We develop solutions that meet with approval

The biggest assets of a company are its employees. We develop and implement solutions that meet with the approval of both the management and the employees and that motivate them to work towards achieving their company's goals. Our work is done when we are all convinced by the results. For us, a convincing result comprises flexible systems that are useful for you in the long term and that can easily be adapted to future developments. We support you actively in your communications.

Total Compensation System

Success- and performance-oriented compensation systems
(Performance management, short- and long-term incentive systems)



Job evaluation systems
(Grading systems)

Executive Compensation

Compensation comparisons / Benchmarking

Compensation studies / Salary calculation software /
Online salary survey

Figure: Our performance spectrum

Kienbaum has 15 offices throughout Germany. Its international activities are supported by local consulting teams in Austria, Brazil, China, Croatia, the Czech Republic, France, Great Britain, Hungary, Luxembourg, the Netherlands, Poland, Russia, Switzerland, Singapore and Thailand.

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