Improving Sales Performance through Sales Force Motivation Strategies: A Study of Pharmaceutical Firms in Nigeria.

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Abstract
Improving sales performance through sales force motivation strategy is a growing issue in the pharmaceutical industry in Nigeria. The challenges facing the industry in motivating the sales force are compounded by a variety of factors which include the global nature of the market place, government regulations on sales of drugs and no direct tracking of sales results. By adopting motivation strategy, pharmaceutical firms can improve performance. This paper explores' improvement in sales performance from sales force motivation strategy. The authors conceptualized three dimensions of motivation strategy that are critical for superior sales performance in the pharmaceutical industry. Financial incentives, meetings with salespeople and involvement of salespersons in setting quotas. Firms level characteristics (size and age) affects motivation strategy on sales performance (sales growth and profit) using data from 25 pharmaceutical firms. The results show a strong relationship between the dimensions of the motivation strategy and sales performance.

Keywords: *Sales Performance, Motivation Strategy, Firm Characteristics and Salesforce*

INTRODUCTION

Managing marketing emerged during the industrial revolution when mass production resulted in creation of large organizations, and technological advances related to transportation and communication enhanced as geographic markets (Dlrymple et al, 1997). The two developments contributed to a growing need for the management of groups of sales force in organizations.

By the 20th century, some observers have described stages of sales force management in organization, first stage which lasted until the beginning of the great depression, was characterized by an emphasis on engineering production. Managers in those functional areas generally determined the company's goals and plans (Trigis, 2004). They develop products and set prices with the assumption that the customers would naturally buy whatever they could get to the market place. The customer buys whatever they could get to the market place. The job of the sales departments then was simply to facilitate the smooth flow of goods from the company to the consumer. During the second stage, sales people and managers were employed to a new status, and their input into product planning and development increased. It was during this period that 'hard sell' tactics began and effective salesmen were developed for the organizations. By the 80s, sales were seen from a supply-side marketing orientation to consumer orientation. Several factors accounted for this change. Increased in competition, particularly from Japan, posed a serious threat to American companies, which were comparatively ineffective and unaware of consumer wants. Again, a slowdown in U.S market growth resulted in greater competition between domestic rivals. Finally, a change in social orientation demanded that companies focus on creating and selling products that would provide a better quality of life. This change was evidenced by additional responsibilities to the company salesforce. The result of changes was that sales specialists were forced to concentrate their efforts on determining precisely on what customers wanted, and efficiently providing it. This change necessitated involvement by sales specialists in the goal-setting and planning activities of the overall organization. This meant that, the organizations success was dependent on the salespeople. Because of their pivotal roles, there was need for salesforce motivations.

Prior Research on Salesforce Motivation

Motivation has been researched by psychologists and others for many years. A number of theories have evolved which are pertinent to the motivation of sales people (Geoffrey and Jobber, 1994). The early work of Elton Mayo at the western Electric Hawthorne plant in the late 1920's and early 1930's Franken's (cited in Nwachukwu, 2010) operant conditioning look at motivation and performance from a behavioral perspective while in the 50s Maslow presented and expanded on his need hierarchy theory, according to him, he belief that one set of needs have been completely satisfied, the theory does have relevance to sales force motivation. First it highlights perhaps obvious point that a satisfied need is not a motivator of behavior. Thus, for a salesperson who already receives a more than adequate level of remuneration, additional payments may have no effect on motivation. Secondly, Maslow is saying that what may act as a motivator for one salesperson may not be effective with another. This follows from the likelihood that different salespeople will have different needs expectation.

Research done by Herzberg (cited in Ballat, Lionel and Packer, 2010) has shown that factors which can cause dissatisfaction but cannot motivate and factors which can cause positive motivation. Example of Hygiene factors includes physical working conditions, jobs security, salary and interpersonal relationships. Directing managerial attention to these factors as a motivational strategy would bring motivation up to "theoretical zero" but would not result in positive motivation. He concluded that, motivator include among others: the nature of the work itself which allows the people to make some concrete achievement, recognition of achievement, the responsibility exercised by the person, and the interest in the value of the work itself. The inclusion of salary as a hygiene factor rather than as a motivator was criticized by sales managers whose experience led them to believe that commission paid to their salespeople was a powerful motivator in practice.

There is a wide scope of research into motivation exerting effort and this is dependent upon his expectations for success (Vroom 1964). Vroom (cited in Tygris, Kelly, Nelson, 2009) has shown that the theories are based on three concepts – expectancy, instrumentality and valence. Expectancy is defined as a person's perceived relationship between effort and performances, which is the extent to which an individual believes that increased effort will lead to higher performance (Kalu cited in Tygris, Kelly and Nelson, 2009). Kalu et al (2010) research indicates that the performance of the salesperson is positively correlated to his or her working harder (effort). Thus an individual believes that, "if he does like this, then he will get like this".

Instrumentality is a person's perception of the relationship between performance and reward. The extent to which a person believes that higher performance will lead to promotion. Amue (2006) posits that, the perception that efforts on a particular set of tasks will lead to accomplishment of performance outcome that will in turn lead to the desired reward. This represents the value placed upon a particular reward by a person. For some individuals promotion may be highly valued, to some monetary rewards.

There is a wide scope of research into feelings of unfair practices and subsequent performance. Much of this research has focused on performance based type of feelings of inequality. A study done Amon and Markoshi (2009), for Barata pharmaceutical firms, indicated that 62% of ten companies surveyed felt that their sales people could have received greater rewards but because efforts are not commensurate with reward, they found themselves were they are; this is the essence of Adam's inequity theory. A salesperson inequity can be felt in such areas as; monetary rewards, workload, promotion, degree of recognition and supervisory behavior. The outcome of a salesperson perceiving significant inequities in any of this area may reduce motivation as a result of the feeling of unfairness and this will affects sales performance outcome (Pyagbara, 2010). A study by Tyagi (1990) cited in Geoffery and David (1994) examined the effect of perceived inequities (rewards and favouritism) on motivation of life insurance salespeople. The results showed that feelings of inequity in all areas investigated (monetary, promotion, recognition, supervisory behavior) had an adverse effect on motivation. The implication is that sales managers must monitor their sales force to detect any feelings of unfairness. Salesforce motivational strategies are always associated with incentives but the work of Adams, emphasizes that the elimination of disincentives (injustice, unfair treatment, favoruitism) may be a powerful motivational strategy.

It is well recognized that financial incentives (Platos and Murphy, 2010), serves as a powerful motivation strategy for salespeople. Most companies, whether they be selling consumer or industrial goods, pay commission or bonus to their salespeople. The most usual form of payment is the salary plus commission system since this provides a level of job security plus the incentives of higher earnings are entirely dependent upon achievement (Johnson and Beckon, 2008). A commission system may thus comprise a given percentage, for example 11/2 percent of total sales revenue generated per salesperson or a percentage of sales in excess of a sales quota. Some firms may be paid on higher profit items. Thus the commission systems whereby different products have varying commission rates. Higher rates may be paid on higher profit items thus the commission system can be used not only to stimulate greater effort in general but also to direct salespeople towards expanding greater energy on those products the company particularly wants to sell. Commission may work as a motivation strategy to salespeople through providing a direct reward for extra effort as in (Vroom, 1964) and by giving recognition for achievement (Herzberg, 1969). Thus:

Hypothesis$_{1:}$

There is no significant and positive relationship
between financial incentives in terms of salary,
commission, bonus and higher sales (sales growth).

Sales target or quota is to be effective in motivating a salesperson it must be regarded as fair and attainable and yet offer a challenge to him/her. Because the salesperson should regard the quota as fair (Lancaster and jobber, 1994), it is usually sensible to allow him or however to participate in the setting of the quota. However, the establishment of the quotas is ultimately the sales manager's responsibility and he or she will inevitably be constrained by overall company objectives. If sales are planned to increase by 10 percent, then salespeople's quotas must be consistent with this. Variations around the average figure will arise through the sales manager's knowledge of individual sales personnel and changes in commercial activity within each territory, e.g. the liquidation of a key customer in a territory may be reflected in a reduced quota. The attainment of a sales target usually results in some form of extra payment to the salesperson. This result in the salesperson to increase his performance outcome. Thus:

Hypothesis$_2$:

Involvement in setting sales quotas is not related
to increase in sales performance expectation.

Meeting between managers and salespeople are also a motivation strategy (Abbas, 2009). These were highly regarded by sales managers in the motivation of their sales teams. Managers have the opportunity to meet their salespeople in the field, at head office and at sales meetings, workshop or conventions. They provide a number of opportunities for improving salesforce performance (Secondus and Clarkson, 2010). When salespeople meet with their sales managers, it allows the manager to understand the personality, needs and problems of each salesperson. The manager can then better understand the causes of a motivation and demotivation in individual salespeople and respond in a manner that takes into account the needs, problems and personality of the salesperson (Best and Normanl, 2008). Meetings in the field, which may form part of an evaluation and training programme, can also provide an opportunity to motivate. Sales techniques can be improved and confidence in salespersons boosted (Lancaster and jobber, 1994). These may motivate the salesperson by restoring in his belief that performance will improve through extra efforts. Again, group meetings can serve as a motivation strategy, according to Likert, when the sales manager encourages an 'open' style of meeting. Salespeople are encouraged to discuss their sales problems and opportunities so that the entire sales team benefits from the experiences of each salesperson. This leads to a greater sense of group loyalty and improved performance. Thus:

Hypothesis$_3$:

There is no significant and positive relationship
between meetings with managers and salespeople
and salesforce performance.

Our central premise is that strong, reliable and effective motivation strategies generate positive sales performance outcomes for the firms and that the influence of motivation strategy may vary according to firm level characteristics or conditions. Specifically, in accordance with extant literature, the extent of various firm-level characteristics (age, size) moderates the impact of motivation strategies on salesforce performance outcomes.

From existing literature, we have seen that certain firm-level characteristics, such as firm size and firm age are likely to moderate salesfroce motivation strategies on performance. The older the firm is, the greater the knowledge stocks gained from learning and experience. The larger a firm is, the more skillful it is in all aspects of strategy and the more effective it is in leveraging financial incentives. The experience overtime should provide a firm with knowledge bases that can cope with strategic skills to generate positive outcomes. Thus:

Hypothesis$_4$:

Firm's situation or condition does not significantly
moderate the effect of motivation strategy on salesforce
performance.

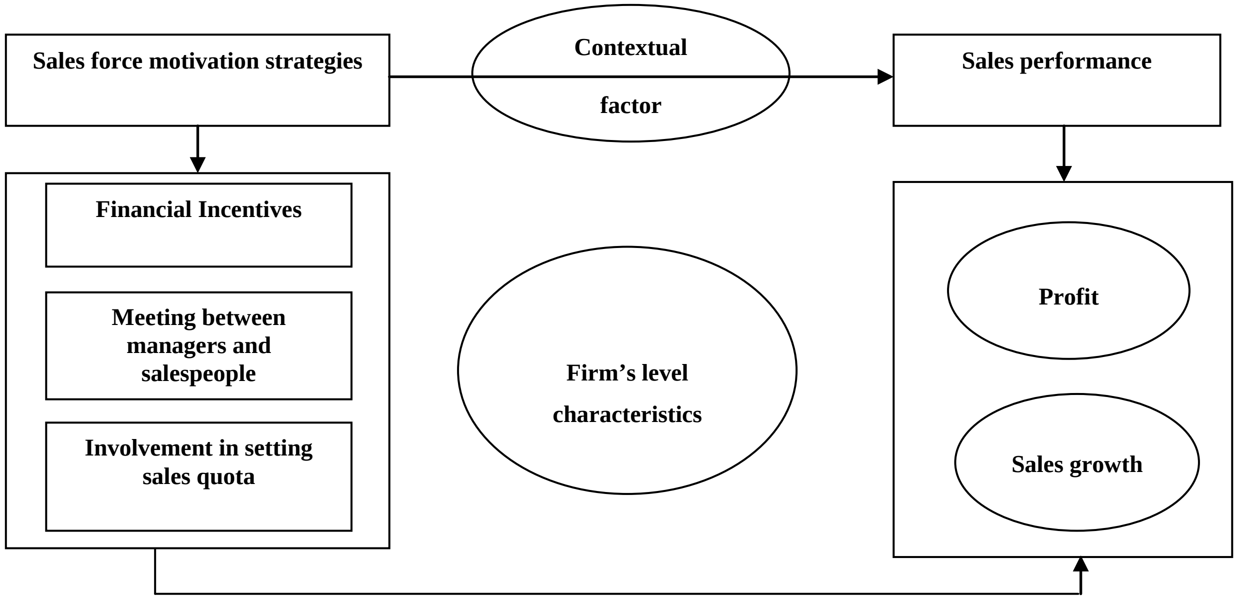

Figure 1.1 Conceptual Models of Salesforce Motivation Strategy and Firm Sales Performance
Source: Conceptualized from Literature, 2012.

METHOD

We selected pharmaceutical firms in south-south Nigeria as the context for our research study because the industry represents a reasonably successful sector of business in Nigeria. Moreover the pharmaceutical industry provide a universal interface for investors to participate in pharmaceutical markets, which suggests that the industry is a productive context in which to examine sales force performance. We obtained a list of pharmaceutical firms from the Nigeria chamber of commerce and industry; also we validated this list further using different search engines on the internet. This process resulted in a sampling frame of 25 firms.

Data collection

The data collection proceeded in several steps. Our field interviews in the industry revealed that the job title of the executive who was most knowledgeable about salesforce motivation strategy implementation varied from one firm to another. Thus, we identified the key informant for each firm by contact. Our contact on key informants yielded 300 potential respondents. Using Taro Yamen's formula as in Baridam (2001). The sample size for this study is 171. The data collection yielded 171 responses of the possible 300. We main out copies of questionnaire to 171 respondents, 21 respondents do not return their copies. Of the 150 responses, 120 were usable, for a respond rate of 70 percent. In terms of sample composition, 20 percent of the responses were joint venture firms and the remainders were pharmaceutical firms with purely Nigerians ownership. This composition mirrors the industry split and shows that our sample represents the pharmaceutical industry reasonably well.

Table 1 Results from CFA models

Measure meat model	Range of standardized factor loadings	Construct reliability	Average variance extracted	NNFI	CFI	SRMA	GFI	X^2 (df p value)
Firm age	.47 - .62	.90	.50	.85	.80	.08	.80	115.2 (27, P<0.1)
Firm size	.46 - .70	.91	.53	.90	.90	.07	.86	120.5(35, P<0.1)
Financial incentives	.62 - .80	.90	.60	.91	.92	.06	.92	52. 5 (25, P<0.1)
Setting quotas	.50 - .69	.93	.59					
Meetings with salespeople	.42 - .71	.96	.61	.82	.93	.05	.82	125. 5 (40,P<0.1)
Sales growth	.70 - .90	.90	.72					
Profit	.54 - .86	.95	.81					

Note:
NNFI = Nonnormal FIT index
CFI = Comparative fit index
SRMA = Standardized root mean square residual
GFI = Goodness-fit-pit index
DF = Degree of freedom.

Table 2 Descriptive Statistics

	1	2	3	4	5	6	7
Financial incentives		.35*	42*	.38*	.20	-05	.40*
Setting quotas			.50*	.40*	.30*	-08	.53*
Meetings with sales people				.60*	.25*	-.18	.25*
Firm size					.50*	-0.5	.19*
Firm age						-.21*	-05
Sales performance							.42*
M	3.25	4.15	5.26	4.86	3.92	4.62	4.75
SD	1.20	1.22	1.30	1.25	2.00	1.36	1.17

DATA ANALYSIS

We concluded confirmatory factor analysis (CFA) to assess the validity of our reflective measures. We grouped similar constructs into measurement models, as we show in table 1. The models show adequate levels of fit, and all the factors loadings were greater than 0.4. all the composite reliabilities were greater than 0.7 (Nunnally 1994), and in all cases the average variance extracted were greater than 0.5. All observed variables had significant factor loading linked with the latent contracts, this provide an evidence of convergent validity (Bakosh and Sherry, 2008).

Table 3 Three-Stage Least Squares Result

Variable category	Independence variable	Sales force B	Performance SE
Moderators	Firm age	-.156	.110
	Firm size	.068*	$.03^2$
	Financial incentives	.280*	.071
Motivation strategies	Setting quotas	-.104	.031
	Meetings with salesperson	.300*	.501
Interactions	FI x FA	.052	.064
	FI x FS	.048	.052
	SQ x FA	-.105*	.025
	SQ x FS	.065*	.030
	MS x FA	-.071	.082
	MS x FS	.052	.030
Overall model fit	Model R^2	.21	

RESULTS

We estimated a three-stage least square model with salesforce performance as the dependent variable to test our hypotheses (table 3 above).

We specified the statistical model as follows:

$SFP = \alpha_0 + \alpha_1 + FA + \alpha_2\,FS + \alpha_3 + FI + \alpha_4 SQ + \alpha_5 MS + \alpha_6(FI \times FA) + \alpha_7\,(FI \times FS) + \alpha_8\,(SQ \times FA) + \alpha_9\,(SQ \times FS) + \alpha_{10}\,(MS \times FA) + \alpha_{11}\,(MS \times FS) + E$,

Where

Sfp	=	Sales force performance
α_0	=	The constant value
α_1 to α_{11}	=	The coefficient of influence for the explanatory variables
FA	=	Firm age
FS	=	Firms size
FI	=	Financial incentives
SQ	=	Setting quotas
MS	=	Meetings with salespeople
E	=	The error term

We hypothesized that the effects of financial incentives in terms of salary, commission, and bonus influence salesforce performance variables. Consistent with the hypothesis, our results show that financial rewards increases salesforce performance (Hypothesis 1: b = .28, $P < 0.05$). We find partial support for salespeople involvement in setting quotas and salesforce performance (Hypothesis 2: b = -.104, $P<0.05$); this strategy is not significant for salesforce performance. For the third hypothesis which stated that there is no significant and positive relationship between meetings with managers and salespeople and salesforce performance (hypothesis 3: b = .30, $P < 0.05$).

We hypothesized that firm's situations or conditions (i.e. firm age and firm size) do moderate the impact of motivation strategy on the performance variables. Consistent with the hypothesis, our results show that firms level characteristics moderates the influence of FI, MS, such that firms age and size increase the effect of financial incentives, and meetings with salespeople on salesforce performance (hypothesis 4). However, firm age and firm size dos not moderate the effect of SQ on salesforce performance. Regarding the effects, 21 percent of the variability in the dependent variable, salesforce performance was accounted for by the independent variables ($r^2 = .21$).

DISCUSSION

In this paper, we attempted to offer some understanding of indicators of salesforce performance through salesforce motivation strategy perspective. We proposed motivation strategies, identified a set of strategies that are relevant to the motivation of salespeople and tested their influence on performance outcomes specific to sales. We conceived firm's situation or condition as providing enablement for motivating our sale team. Our result shows dependable findings that financial incentives in terms of salary, bonus and commission are critical for superior salesforce performance. The world now is a global village, the market for pharmaceutical products are highly competitive, the only pay off is high financial reward for salesforce teams and this will provide a requisite synergy to enhance performance, even where Bakosh (2007) has posited that financial compensation alone is not sufficient to explain the motivations at work in a sales workforce. However, he concluded that financial reward is basic and important, but it touches upon only one dimension of motivation. Payment of salary plus commission are also likely to be firm specific, thereby contributing to the firms competitive advantage in salesforce performance.

We argued that salespeople should be involved in setting sales quota, and this will serve as an effective motivating strategy. Our result shows that, as we hypothesized, the interplay between salespeople involvement in setting quota and performance is quite demanding. The establishment of quota is ultimately the sales managers responsibility and will be constrained when salespeople involves setting quota. Note that we find partial support for salespeople involvement in setting quota and performance. We do not find a significant effect of the interaction between setting quota and firm size and age. This indicates that the moderating impact of firm's level characteristics is insignificant on performance measures.

We do not find statistical support for the interaction between financial incentives and age of the firm, the results indicate marginal evidence that the more established or older the firm, the more likely they can pay whatever financial compensations and this have positive impact on performance. Finally, our study also indicates that impact of meeting with sale managers and salespeople on the salesforce performance. General meetings, are places where useful decisions can be taken, therefore, when salespeople meet with sales managers, it allows the manager to understand the personality, needs and problems of each salesperson and this provide opportunity to motivate. The power of meetings with salesforce is critical; this will make them to have a sense of belonging to the organization which will enhance high performance. Joannou describes it this way; "there are two things that Nortel has never stopped or changed, even through challenging economic times. One is our annual sales conference, where we bring our sales team together and to reward them from their circle of excellent."

IMPLICATIONS

This work provides several insights for sales managers who want to succeed in this dynamic and complex pharmaceutical market. First, a focus on financial incentives would provide requisite requirements for superior performance. We recommend that managers use financial related rewards to motivate their salesforce. Once there is a fair compensation plan in place, then the real work of salesforce motivation has began. Managers could use salary and commission as an incentives approach. They should not only be concern with the planning alone, they should also look at the management of incentive processes which should depend on trust. However, pharmaceutical firms will need to make both structural and behavioral adjustments to these financial techniques so that salespeople will not see their work as commission work alone.

Second, our results show how meeting with sales managers and salespeople is critical to superior sales performance. Hence, meeting deserves serious priority status for resource allocation. Finally, and more importantly, we conceptualize a framework for managers to understand the dimensions of salesforce performance in terms of salesforce motivation strategies. Managers in the pharmaceutical firms can derive the appropriate motivation strategies by examining their industry context and firm's process in tandem. These strategies should be monitored and improved upon because of the changing nature of needs.

FURTHER STUDY

The pharmaceutical firms provided a platform for this study; therefore salesforce motivation strategies (financial incentives, involvement in setting quota, meetings) are particularly important. However, the setting is relatively unique, and thus to ensure generalizability, the effect of salesforce motivation strategies should be examined in other industry contexts, thus, the pattern of findings showed in this work need to be replicated in other industry contexts.

We use subjective measures in measuring our sales success. This could suffer from bias. There are improvements in objective measures because many of the pharmaceutical firms are now quoted on the stock exchange market. Further study should use objective data; this could add value to our findings.

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