Role of Compensation on Sales:

A Case Study of leading Textile Industry in Pakistan

Muhammad Nauman Munawar

Tahir Ali

Karachi University Business School

nauman.munawar96@gmail.com

Abstract

The study investigates the effect of compensation on sales performance of the leading textile firms of Pakistan. The study used mixed research method. The study chose the target audience of textile industry of Karachi, Pakistan. The data collection tool for the current study was created using a 5-point Likert scale. The use of thematic analysis and descriptive analysis has been used. Through the extensive research, data analysis and graphical observations, it has been proved and concluded that compensation has a significant and positive effects on sales performance of the leading textile firms of Pakistan. The study recommends that use a sales compensation planning template to determine how much income the firm can expect and how much reps will be paid in order to make sure the organization chooses the optimal strategy for its sales force.

Keywords: Compensation, Sales, Textile Industry, Mixed Method, Pakistan.

Introduction

The most crucial incentive for encouraging salesmen's performance would be compensation. Incentives to motivate salespeople to reach or beyond their quotas often come in the form of a basic income, commission, and extra compensation. A sales compensation plan should outline escalating pay scales for managers and higher-level sales representatives in order to motivate a sales force to perform at a high level (O'Donnell & Marsh, 2022). Moreover, a sales compensation

plan's objectives were to promote positive team behaviors, establish fair remuneration standards for all salespeople, and spur performance in order to meet overall team and corporate objectives (Atra et al., 2022). The selling environment of today has quite complicated. Group sales activities, multipart sales offers, and participation of many business units in a single contract are major contributors to this complexity. Furthermore, the selling process has also been changing from a transactional focus to consultative and enterprise-level selling, which would have been causing a commensurate change in competencies from price and issue solutions to value creation (Kweh et al., 2022). Nevertheless, despite this rise in complexity, practitioners continue to call for compensation programmes that seem to be comparatively easy to understand, error-free, and affordable (Herlambang et al., 2022). An organization may align its salespeople's activity (i.e., sales effort) with its goal by implementing a compensation system that successfully encourages the sales force (s).

For numerous businesses, sales force effectiveness and productivity were lower than anticipated as a result of some of the most common problems with sales compensation management. Businesses in the textile sector of Pakistan and at all levels of operation were starting to recognize the need of efficient sales performance management. A sales compensation management system was increasingly necessary, whether it's for managing sales agents or providing them with the proper incentives or rewards (Khursheed & Sheikh, 2022).Although prevalent and ostensibly effective, the pay-for-time compensation standard practice was problematic since it minimizes the gap between minimum wages and pay-for-performance. Employees were not compelled to work harder than is necessary to avoid being disciplined (Yasmeen et al., 2022). Similarly, if a few additional requirements were not satisfied, raising compensation to encourage productivity growth was likely to fail (Umair et al., 2022). Furthermore, the performance of sales representatives and

the capacity of pay administrators to implement the plan would both be impacted when incentive systems are difficult to understand. Making an excessively detailed pay plan was a common error in sales compensation management (Santos & Castanho, 2022). As a result, commission estimates might be inaccurate, and processing payments would take longer. Additionally, Error risk was undoubtedly increased by human participation. It is inevitable that people will occasionally make blunders. The administration of sales compensation involves a large number of executives most of the time (Chishty et al., 2022).

Research objective

The study investigates the effect of compensation on sales performance of the leading textile firms of Pakistan.

The current thesis has five different chapters that encapsulate the entire research process. The first chapter of the thesis has been known as an introduction that includes a background of the study which includes a clear understanding of the variables, problem statement and research gaps, research objective, the significance of the study, and scope of the study. The second chapter known as the literature review will include theoretical background leading toward hypothesis development. The third chapter known as research methodology will include research methods and data analysis techniques. The fourth is data analysis which will include the research results. The fifth chapter is the conclusion and recommendations will include the conclusion of the study and policy recommendations as well.

Literature Review

Relationship between compensation and sales

The compensation system must support the business growth goal and act as the motivational force behind the sales force, regardless of the degree of bonus given to the personnel. According to

Meyer et al. (2022), incentives reward sales performance while fixed pay promotes job abilities. Additionally, there are various components to compensation, including a fixed payment, a variable amount, costs, and fringe benefits. The salesperson receives a constant income from the fixed sum, which is often a wage. The variable payment, which may come in the form of commissions or incentives based on sales performance, encourages the salesperson to work more and be more successful. Salespeople who get cost reimbursements for work-related charges are able to engage in necessary and desired selling activities. Fringe perks ensure workplace happiness and stability (O'Donnell & Marsh, 2022). Furthermore, the combination of these factors of compensation is best for each sales position must be determined by management. There are four fundamental types of compensation schemes that result from various mixes of fixed and variable pay. Straight commission, straight bonus, straight salary plus commission, and straight salary plus bonus (Alavi et al., 2022).

Similarly, typically, sales commissions serve as a major source of incentives in pay programmes for salespeople. However, while some salesmen are paid a flat rate, the majority are paid a wage plus commissions. Some businesses provide salesmen fixed salary (perhaps supplemented by sporadic incentives like bonuses, prizes in sales competitions, and the like) (Alavi et al., 2022).Straight wages are especially sensible when the primary work is prospecting (finding new clients) or when the primary duty is account servicing (carrying out product training programmes for a customer's sales force or attending trade fairs, for example) (Nurlaila, 2022).

In addition, many businesses have implemented significant adjustments, such as the development of new digital channels, the inclusion of specialized positions Tumi et al. (2022), and the adoption of team-based selling, to accomplish growth in this dynamic and difficult selling environment (Alves & Lourenço, 2022). However, another significant change is often missed. The creation of

innovative, smart compensation models that offer a clear incentive for how a salesforce can continue to sell successfully is necessary to fully meet the complexity of today (Herlambang et al., 2022). Salespeople should feel convinced to adopt habits that will assist a company's go-to-market strategy rather than being told what to do. Changing the salesforce's mix of commissions, quotas, salary, and bonuses can spur growth (Ritz, 2022). It has been discovered that smart compensation model modifications have a 50% greater influence on sales than changes in advertising spend (Helmold, 2022).

Study hypothesis

H1.   Sales of textile industry increase due to higher compensation

Methodology

Sample and population

Due to Pakistan's reliance on foreign cash, the textile industry is crucial to the country's economy and has maintained its prominence. In Asia, Pakistan is the eighth-largest exporter of textile goods. Pakistan's GDP is 8.5% higher due to the textile industry (Akhuand & Abbas, 2023). Additionally, the industry employs 38% of the manufacturing workforce and around 45% of the nation's entire labor force. Pakistan is the third-largest cotton grower in Asia, behind China and India, and it provides 5% to the world's total spinning capacity (Ali et al., 2022a). A portion of 38% of export enterprises are centered in Karachi, while 28% are in Faisalabad. 116 of Punjab's 464,316 textile factories are in Sindh. Due to the fact that the governments of these nations provide far more assistance to their textile industries than the government of Pakistan, Pakistan's exports are mostly threatened by regional rivals (Gull et al., 2022). Therefore, the study chosen the target audience of textile industry of Karachi, Pakistan.

Data collection

The data collection tool for the current study was created using a 5-point Likert scale. Online and in-person questionnaires that are simple to administer by the participant themselves were used in the current investigation (Schneider & Harknett, 2022). The descriptive and conceptual information gathered through surveys, interviews, or observation is referred to as qualitative data. Researchers can investigate concepts and further explain quantitative outcomes by analyzing qualitative data the term "self-administered" refers to a data collection method in which the researcher remains fully uninvolved while respondents fill out the survey .In other words, the survey and instructions on how to complete it are distributed to respondents, and the researcher then waits for their responses (Ceramella et al., 2022). In a self-administered survey, the vast majority of the questions are closed-ended. One of the most often utilized types of self-administered surveys in the past was the mail-in survey. Self-administered surveys are currently an online questionnaire sent to respondents via email platforms (Kronk et al., 2022).

Data analysis

In the current investigation, the use of thematic analysis and descriptive analysis has been used. Thematic analysis is one of the most widely utilized methods of analysis in qualitative research (Braun & Clarke, 2023).It is a technique for summarizing data, but when choosing codes and creating themes, it also includes interpretation. Moreover, descriptive statistics method used in quantitative research (Yao et al., 2022). Descriptive statistics are brief informational coefficients that summarize a given data set, which can be either a representation of the entire population or a sample of a population. Descriptive statistics are broken down into measures of central tendency and measures of variability (spread) (Ali et al., 2022b). Also, Themes are used to guide the research. It is a technique for summarizing data, but when choosing codes and creating themes, it also involves interpretation (Ataman & Tuncer, 2022). The material's practicality and other

characteristics are tallied, and other issues are covered by using various variables. Then, a theme and descriptive statistical analyses were used to determine market competitiveness and market analysis, which are based on semi-structured interviews. Additionally, researchers used interview transcripts to provide helpful data for study design, research models, and business strategies.

Results and Findings

Sales and Compensation: A decade in review

Following figure shows the trending of relationship between compensation and sales in the textile sector of Pakistan. It is clear from the graphic demonstration that the sales of sum of Gadoon textiles remained constant in the

Compensation Vs Sales
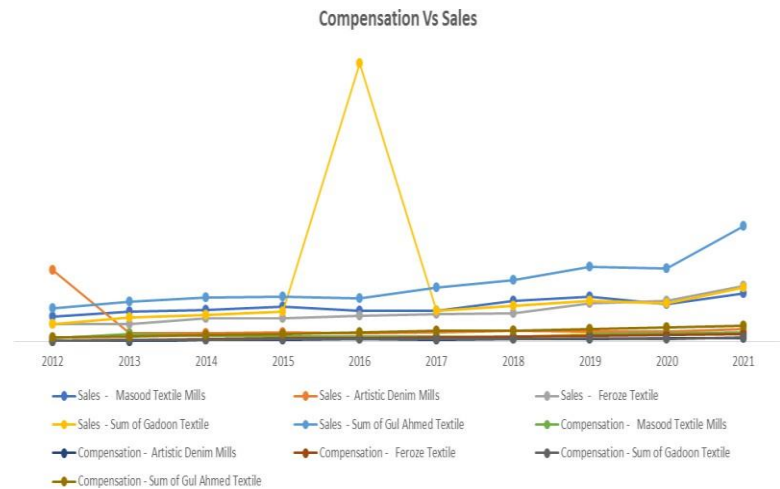
years 2012-2015, but drastically increased in 2015-2017. From 2017-2021 it again lowered down and increased slightly in 2021. In addition, Gul Ahmed textile was successful to heighten its sales from 2016-2020, and in 2021 the sales increased higher than ever before. The sales of Masood textiles lowered down in 2016, increased a little in 2019 and in 2020 it decreased again and increased slightly in 2021. The sales of Feroze textiles remained constant from 2012-2018, and increased slightly in 2019-2021. The compensation of feroze textiles, Gadoon textiles, Masood textiles, Artistic denim mills and Gul Ahmed textiles remained constant throughout the years of 2012-202021, Gul Ahmed slightly increased its compensation in 2021.

Responses

Table 1 provides the profile of 100 study participants based on frequency and percentages.

Table 1: Respondents' Profile (n = 100)

		N	%
Your Company	Masood Textile Mills	23	23.0
	Artistic Denim Mills	28	28.0
	Feroze Textile	17	17.0
	Gadoon Textile	14	14.0
	Gul Ahmed Textile	18	18.0
Working Experience	Less than 1 year	15	15.0
	1 to 3 years	20	20.0
	3 to 6 years	19	19.0
	6 to 9 years	25	25.0
	10 and more years	21	21.0

Above table has shown that 23 respondents belongs to Masood Textile Mills, 28 respondents belongs to Artistic Denim Mills, 17 respondents belongs to Feroze Textile, 14 respondents belongs to Gadoon Textile and 18 respondents belongs to Gul Ahmed Textile. Furthermore, 20 respondents have less than 1 year of working experience, 19 respondents have 1 to 3 years of working experience, 25 respondents have working experience between 6 and 9 years and 21 respondents have more than 10 years of working experience.

Table 2 below shows the descriptive analysis of the employees' perspective about the relationship between compensation and sales performance in the textile firms of Pakistan.

Table 2: Descriptive Analysis of the Employees' Perspective

Questions/Factors	Mean	Std. Dev.
I reach my sales goals thanks to the reward.	2.320	1.145
In our business, salaries and commissions are combined.	2.320	1.100
In my firm, the reward standards are rigorous.	2.350	1.218
Monetary rewards influence my decisions.	2.150	1.140
My company's reward system is incredibly effective.	2.210	1.085
Any reward serves as a foundation for motivation.	2.220	1.079
Higher sales commissions boost salesperson morale.	2.180	1.140
Salary levels above the industry norm boost sales performance.	2.210	1.085
Employees' annual compensation increases improve their sales success.	2.240	1.093
Proper medical coverage boosts my sales motivation.	2.230	1.100

Above table showed that rigorous reward standards (2.350 ± 1.218) is most important for textile employees followed by importance of reward (2.320 ± 1.145) for sales motivation and then the combination of salary and commission (2.320 ± 1.100) as remuneration is an important factor for sales performance. Annual increment (2.240 ± 1.093) also enhances sales performance followed by importance of medical allowance (2.230 ± 1.100) and rewards (2.220 ± 1.079) are the factors for sales motivation. Companies' effective reward system (2.210 ± 1.085) and salary packages above industry average (2.210 ± 1.085) are the two contributing factors for sales performance. However, higher commissions (2.180 ± 1.140) and monetary rewards (2.150 ± 1.140) are two least concerned factors for salespersons.

Qualitative analysis

The study investigates the effect of compensation on sales performance of the leading textile firms of Pakistan. Through the extensive research, data analysis and graphical observations, it has been proved and concluded that compensation has a significant and positive effects on sales performance of the leading textile firms of Pakistan. Incentive compensation is one of the most significant factors influencing the productivity and efficiency of the sales team. Incentive compensation (IC) is a strategic technique used in the textile industry to achieve desired behavior and results by motivating employees. The majority of information about the best sales

compensation schemes focuses on increasing revenue. When senior management prioritizes the overall strength of the firm and takes the aim of revenue growth seriously, they appreciate their people in a way that enables them to set aside their pride in profits. When this occurs, sales compensation programmes can boost revenue while enhancing employee retention.

Conclusion and recommendations

Conclusion

The research aims at how compensation affects the sales performance of the top textile firms in Pakistan. This study advances the idea that links employee motivation with product innovation and encourages the creation of company policies to retain talented employees and gain a competitive edge by offering answers to those questions relating to the understanding and attitude of organizations. The study used mixed methodology; the target population of the study would be the salespeople of textile industry of Karachi- Pakistan. Moreover, the primary and secondary data for the current study can be gathered utilizing a questionnaire as part of the survey method using five Likert scale, which enables the researcher to gather much information quickly. Also, the study used thematic and descriptive statistical analysis.

Furthermore, a sales compensation plan's main objective is to inspire employees in the sales force and/or sales management so that the company may align their efforts with those of the firm's own profit-maximizing objectives. If the aims and objectives of the salesmen were in line with the company's goal of profit maximization, this would not be a challenging management challenge. The fundamental disconnect between a company's goals and those of its salespeople, however, has long been acknowledged by both practitioners and academics.

Practical recommendations

The findings of this study have some favorable policy implications. The outcomes showed that compensation has positively and significantly effect on sale performance. Consequently, a variety of criteria must be considered. Numerous possible methods and combinations exist for sales compensation systems. Firstly, use a sales compensation planning template to determine how much

income the firm can expect and how much reps will be paid in order to make sure the organization chooses the optimal strategy for its sales force. Similarly, organizational plans goals is the first step in creating a sales compensation plan strategy. Outlining the company goals is an essential component of any strategy. So, for consideration, have some typical major and secondary goals of sales compensation programs. Company may choose how to pay their salespeople in a way that benefits the company by making company objectives clear. The targets should represent what the firm intends to gain from the sales compensation plan and its specific demands. Keep in mind that corporate goals may combine the examples below or appear entirely different.

Additionally, the moment has come to decide which compensation plan the firm will use now that its goals have been established. For instance, paying as soon as the customer signs the contract gives the salesperson present strong motivation because they can quickly see the financial benefit of sealing the business. However, this payment schedule, meanwhile, can also cause cash flow issues if there is a long period of time between signing the contract and making the first payment (particularly if the firm is a startup or the transaction is a big one). In addition, the firm may select a payroll software to help with the process of compensating its salespeople once it has decided the goals, kind, and payment plan of its plan. Such that Payroll software may or may not be used by the firm, depending on how long it has been in business and if it has an HR department that manages pay and benefits. If managers follow through, adding the company's new sales compensation plan to the software should be simple.

Limitations and future research

Despite the importance of the subject, the research has several flaws. The data should be gathered from various economical settings such as developed and under developed economies as well. Other industries and service sectors could also be involved to gather data from, in future studies. The findings from a single city are insufficient because the subject necessitates a thorough investigation. Changes in national characteristics, such as institutional and cultural components,

may result in variations in the correlations studied, even if the study method ensures that the findings are generalizable. As a result, the study's findings cannot be generalized to the entire population which may considered in future. Furthermore, the target demographics must be broadened. Furthermore, because the study was conducted in Pakistan, its findings and recommendations are limited to Pakistan and do not apply to other countries. Finally, other factors may be considered in future. A five-point Likert scale and the survey methodology were used although this inflexibility can be viewed as a weakness of the survey method. Furthermore, because the study only collected data at one point in time, researchers lacked access to longitudinal data needed to examine causality over a longer period of time. Future researchers should consider taking more independent variables to test their impact on knowledge hiding perceptions and creativity behavior. Lastly, In future studies, literature reviews could be added from the studies done in previous decade as well to gather more comprehensive and diverse data.

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