

Impact of Employee's Compensation and Benefits on Sales in the Pharmaceutical Industry

(A Case Study of Leading Pharmaceutical Companies of Pakistan)

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Abstract

This research paper aims to identify the influence of employee's compensation and benefits on sales in the Pharmaceutical Industry of Pakistan. The data collected for this study from three different sources, including the annual financial reports of five leading pharmaceutical companies, a survey from 100 employees and an interview with the HR manager of a leading pharmaceutical company. The data were examined using SPSS (Statistical Package for Social Sciences) software to calculate the frequency distributions and means. This study's findings indicated an optimistic association between employee's compensation, benefits and sales in the Pharmaceutical Industry of Pakistan.

Keywords: *Employees, compensation and benefits, sales, HR managers, pharmaceutical industry, positive relationship*

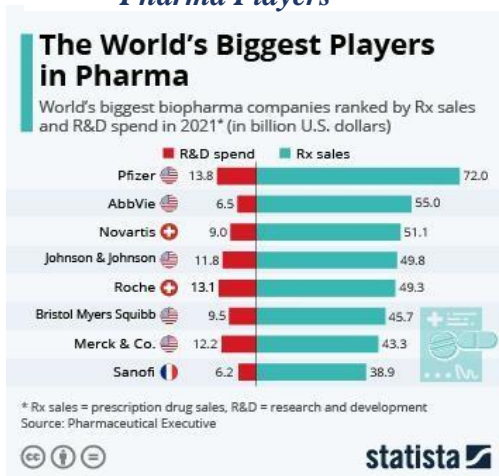
Introduction

The pharmaceutical Industry plays a significant role in people's well-being throughout the world in terms of health and quality of life of an individual. This field is dedicated to discovering innovative solutions for a wide range of diseases and health conditions, focusing on improving the

quality of life for individuals globally, according to the study of Kamath and Hoovinahole (2016). Companies operating within the pharmaceutical sector must adhere to strict regulations to guarantee the safety and effectiveness of their products. The industry continues to evolve and grow, offering new treatments and therapies to address the changing needs of society (Shastri, 2016, Sztankovszky et al., 2015).

An Overview of the Pharmaceutical Industry

Figure 1: The World's Biggest Pharma Players



The pharmaceutical industry has a rich history, starting with using natural remedies in ancient civilizations. In the 19th century, synthetic drugs were introduced, and pharmaceutical companies were established, leading to rapid growth in the 20th century with technological advancements and new treatments. Today, the industry is critical in global healthcare, providing essential medications

and treatments. The pharmaceutical industry in Pakistan began in the 1940s with small-scale manufacturers and grew with government support in the 1970s and 1980s. Today, it is a significant contributor to the economy, dominated by local and multinational companies producing a variety of medicines. Like any other businesses, the pharmaceutical business build upon research and development massively, and spending about 20% of sales earnings in the overall R&D projects. The companies that target on research and development have moderate sales this share may be remarkably outstanding. New innovation and discovery of medicines is essential for the pharmaceutical sector's growth, and sales of freshly branded drugs in the market can make great contributions to the company's profits. However, the loss of license security can have an adverse results, and generic competition in drugs, is a major problem for businesses. The pharmaceutical

industry of Pakistan has a major influence on the country's GDP as it is estimated that they contribute \$1.6 billion to the country's GDP. Pakistan is well-positioned to take advantage of the opportunities afforded by these altering global patterns of supply and demand, and credit goes to its 215 million domestic consumption and more than 700 pharmaceutical businesses. By simply importing 95% of the raw materials, mixing the active chemicals with the excipients, coating the

Figure 2: Top 10 Pharmaceutical Companies of Pakistan

1. GlaxoSmithKline Pakistan Limited - MNC
2. Getz Pharma (Private) Limited - National
3. Sami Pharmaceuticals (Private) Limited - National
4. Abbott Laboratories (Pakistan) Limited - MNC
5. Martin Dow Pharmaceuticals (Pakistan) Limited - National
6. The Searle Company Limited - National
7. Sanofi Aventis Pakistan Limited - MNC
8. OBS Pakistan (Private) Limited - National
9. GSK Consumer Healthcare Pakistan Limited - MNC
10. Hilton Pharma (Private) Limited - National
Source: IMS MAT June 2017

tablets, and packaging the drugs, the industry cannot continue to chase its long-term goals.

Here are Pakistan's top 10 pharmaceutical businesses for 2019. These top 10% of firms, which include both MNCs and local firms,

control 46% of the market share in the industry. These firms are also the ones that have consolidated their product portfolios and placed a premium on long-term business planning. For example, GSK has about 7% of the total sector revenues alone, whereas GETZ Pharma's annual exports, on average, is about \$50 to \$70 million.

Problem Statement

The global Pharmaceutical industry faces challenges such as supply chain disorganization, shortage of skilled workforce, data security, workforce optimization, and fluctuation of medicine prices. In Pakistan, the pharmaceutical industry has seen growth after Covid-19. Still it is also facing challenges such as counterfeit drugs, an unstable economy, a shortage of medicines, and employee dissatisfaction due to inadequate compensation and benefits. This study has a focus on the impact of employee's compensation and benefits on sales in the pharmaceutical sector of Karachi, Pakistan, as it is believed to be a significant factor in satisfaction and performance of the employees.

Review of Literature

Compensation plays a remarkable role in the Human Resource Management (HRM) of modern-day organizations. Employees expect their compensation plan to be fair, equitable and aligned with their skills. Money remains the most important motivator in the workplace can attract, retain and motivate employees toward higher performance (Sinclair et al., 2005). According to Steers and Porter (1991), individuals receive rewards, both extrinsic (money) and intrinsic (satisfaction), in exchange for their performance, and the level of satisfaction with the compensation offered by the organization influences their motivation and decision to remain with the company. Furthermore, work also provides opportunities for socialization, a root of position or reputation in the society, and particular meaning (Hall, 1994; Steers, 1991). The findings of this study add a new perspective that fixed pay can play a major role in increasing the work motivation, consistent with the suggestions of Miceli et al. (1991), Heneman (1992) and Mount (1987) for an efficient merit-based pay system.

Compensation, Benefits and Sales

Compensation refers to the monetary rewards and benefits employees receive for their time and efforts in an organization, and positively impacts employee performance. Sales refer to a company's earnings from selling goods or services to its customers and is a component of its revenue.

Relationship between the Variables

The pharmaceutical industry's success in Pakistan depends on retaining highly efficient and satisfied employees. Satisfied employees are key to increased productivity, positive attitude, and improved performance, leading to increased sales for the company. Employee's satisfaction is

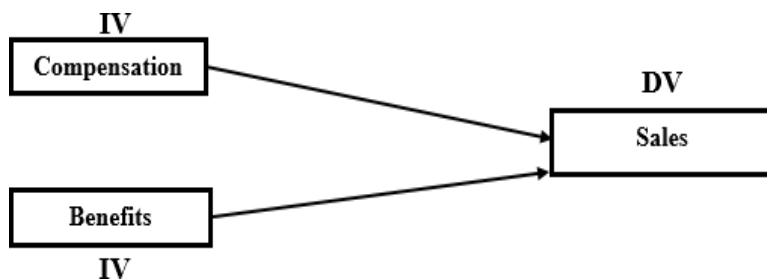
influenced by factors such as compensation and benefits, which serve as a source of attraction and retention for employees and contribute to the effectiveness of the industry.

Statement of Hypothesis

Studies have shown that compensation, benefits and job satisfaction positively affect an organization's productivity. Salisu et al. found that compensation and benefits significantly affect job satisfaction and employee's performance as they fulfill their financial and luxury needs. Shoaib et al. found that benefits, job security, and salaries impact job satisfaction and productivity, with dissatisfaction with wages leading to low employee's commitment and increased turnover. Tetteys also noted the relationship between salary dissatisfaction and intense employee's loyalty. A high turnover rate can be detrimental to the Pharmaceutical industry in Pakistan, which requires a highly skilled workforce for medicine production. In short, compensation and benefits play a major role in motivation and success for both the individuals and organizations. A comprehensive compensation and benefits plan can improve employee's retention, engagement, and performance, ultimately driving sales and profitability. Hence there is a positive relationship between compensation, benefits and sales. Therefore the following hypothesis can be formulated.

H: There is a significant relationship between compensation and benefits of employees on sales in the Pharmaceutical Industry of Pakistan.

Structural Model



Research Methodology

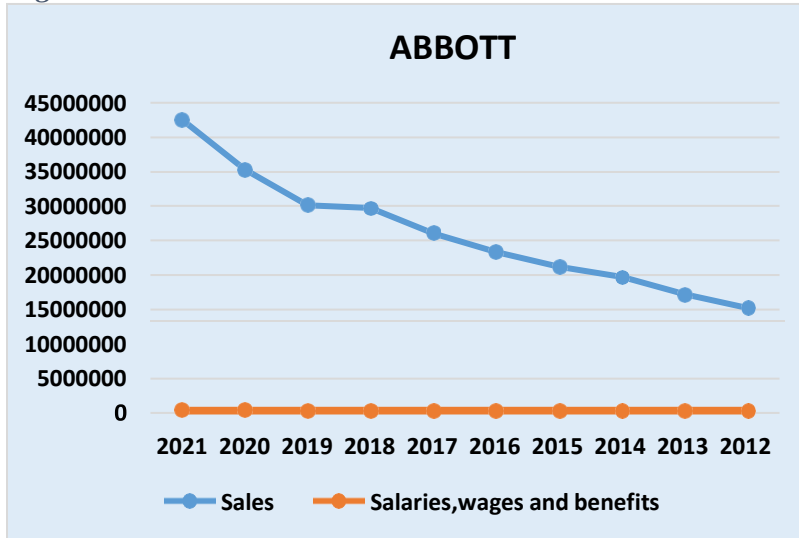
This study aims to investigate the influence of compensation and benefits on sales in the Pharmaceutical industry of Pakistan. Using convenience sampling, a sample of 100 employees from the sales, marketing, and HR departments of 5 companies listed in the Pakistan Stock Exchange was selected. The employees were surveyed using an online questionnaire consisting of demographic information and rated on a 5-point Likert scale along with the SPSS software to examine the data. In addition, an HR manager from one company was interviewed using an unstructured, direct interview method. The study aimed to have a great knowledge about the relationship between the compensation and benefits of employees, and sales in the Pharmaceutical industry in Pakistan.

Findings

The annual reports of 5 Pharmaceutical companies listed in Pakistan Stock Exchange were reviewed to find out the current situation of the companies. Within the Pharmaceutical industry, data on sales expenses, compensation and benefits of employees have been examined. The following line graphs shows the changes in the employee's compensation and benefits within the period.

An Overview of the Selected Pharmaceutical Companies

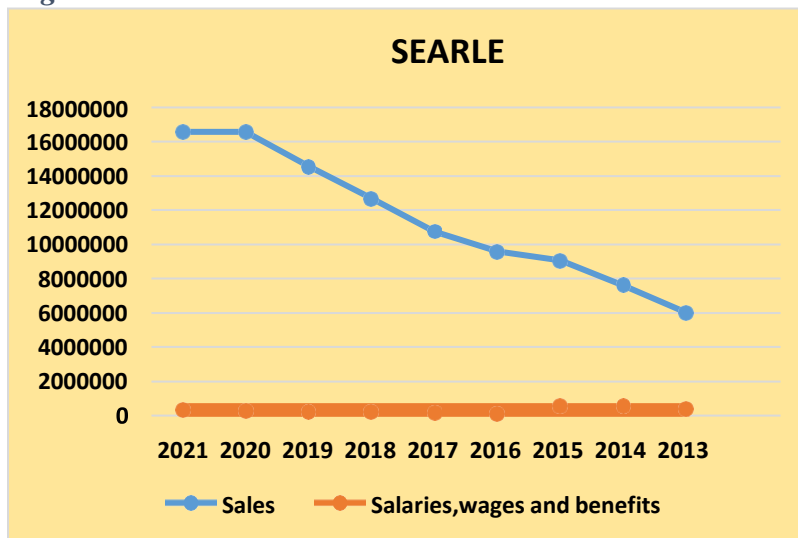
Figure 3: Abbott Line Chart



The 10-year sales data of Abbott (2012-2021) shows an increasing trend, while employee’s compensation and benefits also show a growing trend, except for a slight decrease in 2017. The findings support the hypothesis that employee’s compensation and benefits impact sales in the

pharmaceutical industry.

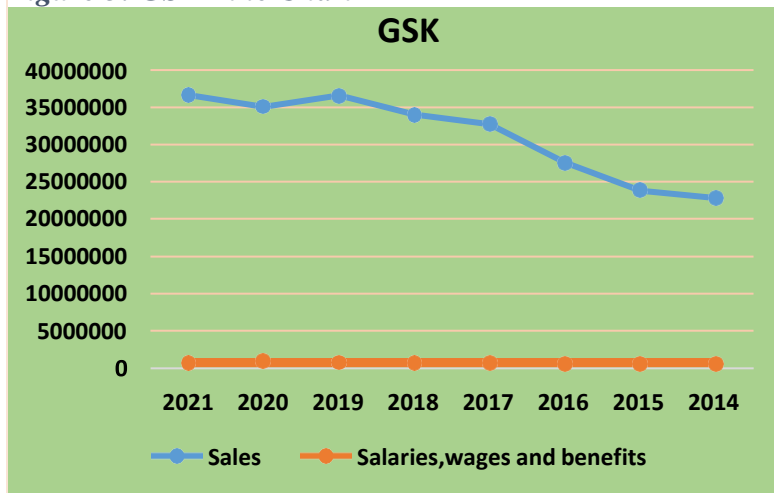
Figure 4: Searle Line Chart



The line chart of Searle Company of Pakistan shows an increase in sales every year, including during the Covid-19 pandemic. The graph also illustrates a direct relationship between sales and employee’s compensation and benefits, with

an increase in employee’s salaries, wages, and benefits leading to an increase in sales. The graph shows fluctuations in employee’s compensation and benefits, but overall, it has increased since 2017.

Figure 5: GSK Line Chart

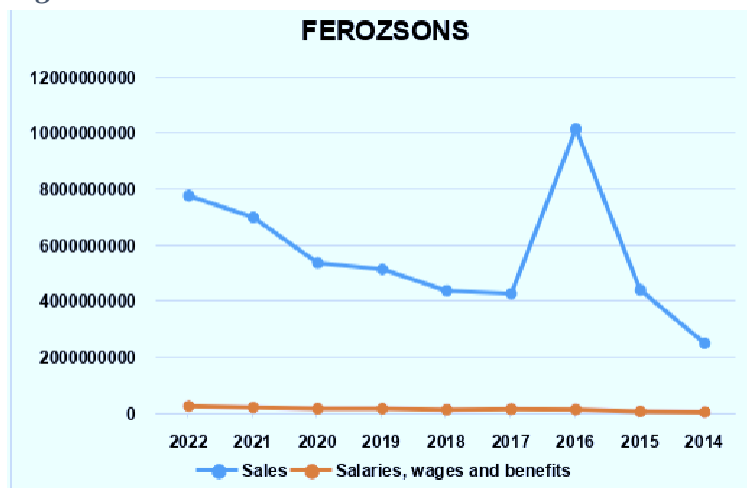


The financial reports of GSK Pakistan show a relationship between employee’s compensation and benefits and sales, as seen in the line chart over 8 years. The trend shows an increased sales and employee’s compensation and benefits from 2014 to 2019.

However, there are fluctuations, with a decline in sales in 2020 and a decrease in employee’s compensation and benefits in 2021. The trend indicates a direct relationship between the two variables, but there are exceptions in 2016, 2019, and 2021 where an increase in one variable led

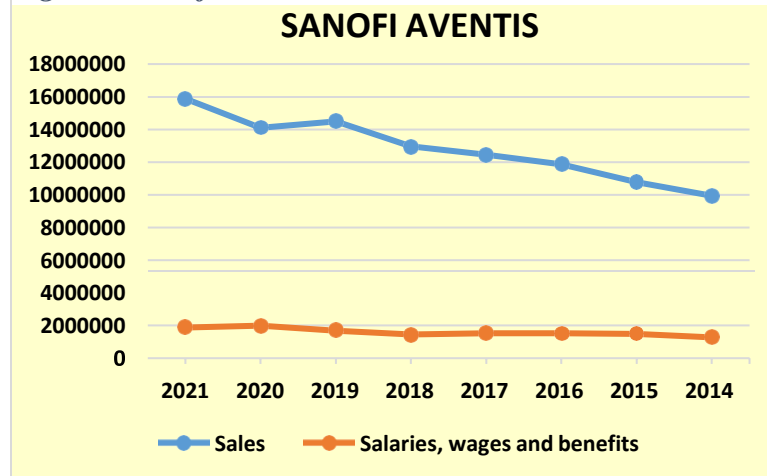
to a decrease in the other.

Figure 6: Ferozsons Line Chart



Ferozsons experienced growth in sales from 2014 to 2016 but suffered a loss in 2017 due to declining sales (potentially due to increased prices or decreased quality). The sales rebounded in 2018 and continued to rise until 2022 with a tremendous

increase. Employee’s compensation and benefits showed fluctuations, but overall sales were positively correlated except for 2016, 2018, and 2019. Despite the impact of Covid-19, the company managed to increase employee’s compensation and benefits from 2021 to 2022.

Figure 7 Sanofi Aventis Line Chart

The sales of Sanofi Aventis have increased every year with an upward trend over the past 8 years, with a decrease in 2020 due to the impact of Covid-19. The expenses of salaries, wages and benefits of employees have also increased over

the past 8 years, with a decrease in 2018 and 2021. The analysis shows a positive relationship between sales and expenses of salaries, wages and benefits of employees, with a few years showing contradictory results, possibly due to other factors affecting the company's productivity.

Results

This study collected data from the employees of Pharmaceutical companies in Karachi to explore the relationship between employee's compensation, benefits and sales. The SPSS software was used to test the reliability of the data and the hypothesis. Descriptive analysis was used to calculate the mean and standard deviation, and frequency analysis was used to understand each variable. Out of 100 questionnaires, 99 (N) were deemed correct and analyzed for the results.

The following table, table 1, gives descriptive statistics of the data that was gathered from the employees through a questionnaire. The descriptive statistics include the value of the mean as well as the standard deviation for each item of the questionnaire. To analyze the gathered data, the following codes were assigned to the Likert scale: -2 = Strongly Agree, -1 = Agree, 0 = Neutral, 1 = Disagree, and 2 = Strongly Disagree. The observation shows that the means score of all the items in questionnaire falls within the range of 0 to -2 suggesting that the majority of the responses are positive and that employees agree with the statement. The means of the questionnaire indicate

some encouraging patterns that provide support for the hypothesis of this study. All the values of

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
I am satisfied with the working environment of my company.	99	-2	2	-1.05	1.034
I am happy with my work responsibilities	99	-2	2	-1.09	.905
My employer offers a generous learning allowance	99	-2	2	.01	1.233
I am satisfied with the existing salary, wages and benefits structure of the company.	99	-2	2	-.11	1.186
I am satisfied with the compensation I get & I think it matches with my responsibility.	99	-2	2	-.34	1.126
I am satisfied with the present performance appraisal policy of the company.	99	-2	2	-.04	1.212
I am satisfied with the leave policy of the company.	99	-2	2	-.37	1.234
I am satisfied employee assistance policy (e.g. - lunch & transport etc.) of the company.	99	-2	2	-.11	1.236
I am satisfied with long term benefit & insurance policies of the company.	99	-2	2	-.65	1.264
I am happy with the recognition and rewards for my outstanding works and contributions.	99	-2	2	-.64	1.147
Valid N (listwise)	99				

the mean are negative except one item in a questionnaire which shows that employee’s compensation has a significant relationship with the sales of pharmaceutical companies as the majority of the employees gave the positive responses about their satisfaction level in terms of compensation and benefits, as when employees are satisfied with their compensation and benefits so can increase their productivity which helps

the company to increase its overall profitability in terms of sales. The standard deviation in table 1 shows that the highest standard deviation is 1.264 indicating that the data gathered for item no. 9 are scattered and more spread out farther from the mean value. Whereas 0.905 is the lowest standard deviation which means that it is closest to the mean value, and the data are clustered around the mean. As all the values of standard deviation are less than 2, it shows that the data are

Table 2

I am satisfied with the existing salary, wages and benefits structure of the company.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	12	12.1	12.1	12.1
Agree	29	29.3	29.3	41.4
Neutral	26	26.3	26.3	67.7
Disagree	22	22.2	22.2	89.9
Strongly Disagree	10	10.1	10.1	100.0
Total	99	100.0	100.0	

reliable, which was gathered for this study.

In addition, a frequency distribution table summarizes all of the data based on their frequency which helps to identify which

responses appear more frequently or less frequently.

Table 3

I am satisfied with long term benefit & insurance policies of the company.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	31	31.3	31.3	31.3
	Agree	30	30.3	30.3	61.6
	Neutral	18	18.2	18.2	79.8
	Disagree	12	12.1	12.1	91.9
	Strongly Disagree	8	8.1	8.1	100.0
	Total	99	100.0	100.0	

Table 5

I am satisfied with the compensation I get & I think it matches with my responsibility.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	15	15.2	15.2	15.2
	Agree	35	35.4	35.4	50.5
	Neutral	23	23.2	23.2	73.7
	Disagree	21	21.2	21.2	94.9
	Strongly Disagree	5	5.1	5.1	100.0
	Total	99	100.0	100.0	

Table 7

I am happy with my work responsibilities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	35	35.4	35.4	35.4
	Agree	46	46.5	46.5	81.8
	Neutral	12	12.1	12.1	93.9
	Disagree	4	4.0	4.0	98.0
	Strongly Disagree	2	2.0	2.0	100.0
	Total	99	100.0	100.0	

Table 9

I am satisfied with the working environment of my company.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	39	39.4	39.4	39.4
	Agree	38	38.4	38.4	77.8
	Neutral	14	14.1	14.1	91.9
	Disagree	4	4.0	4.0	96.0
	Strongly Disagree	4	4.0	4.0	100.0
	Total	99	100.0	100.0	

Table 11

I am satisfied with the present performance appraisal policy of the company.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	12	12.1	12.1	12.1
	Agree	28	28.3	28.3	40.4
	Neutral	21	21.2	21.2	61.6
	Disagree	28	28.3	28.3	89.9
	Strongly Disagree	10	10.1	10.1	100.0
	Total	99	100.0	100.0	

Table 4

I am happy with the recognition and rewards for my outstanding works and contributions.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	25	25.3	25.3	25.3
	Agree	35	35.4	35.4	60.6
	Neutral	23	23.2	23.2	83.8
	Disagree	10	10.1	10.1	93.9
	Strongly Disagree	6	6.1	6.1	100.0
	Total	99	100.0	100.0	

Table 6

I am satisfied with the leave policy of the company.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	17	17.2	17.2	17.2
	Agree	38	38.4	38.4	55.6
	Neutral	20	20.2	20.2	75.8
	Disagree	13	13.1	13.1	88.9
	Strongly Disagree	11	11.1	11.1	100.0
	Total	99	100.0	100.0	

Table 8

I am satisfied employee assistance policy (e.g. - lunch & transport etc.) of the company.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	9	9.1	9.1	9.1
	Agree	39	39.4	39.4	48.5
	Neutral	20	20.2	20.2	68.7
	Disagree	16	16.2	16.2	84.8
	Strongly Disagree	15	15.2	15.2	100.0
	Total	99	100.0	100.0	

Table 10

My employer offers a generous learning allowance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	8	8.1	8.1	8.1
	Agree	34	34.3	34.3	42.4
	Neutral	22	22.2	22.2	64.6
	Disagree	19	19.2	19.2	83.8
	Strongly Disagree	16	16.2	16.2	100.0
	Total	99	100.0	100.0	

Interview Response Form the HR Manager of Pharmaceutical Company

The HR manager of Searle Pharmaceutical Company states that the company is competitive in terms of employee compensation and benefits compared to the industry. Although specific benefits are confidential, the company provides the standard benefits expected from a big organization. Younger employees are more concerned about work-life balance and may switch companies if they feel it is skewed toward work. When retaining employees, cost of losing an employee and the time required to replace and train a new hire should be considered. Medical expense coverage for parents was a common benefit offered in the past but is now declining in the industry. The manager believes that parental medical expense coverage can be a significant motivating factor for employees.

Conclusion

The research concludes that employee's compensation and benefits have a significant impact on sales in the Pharmaceutical sector of Pakistan. And this has been proved by testing the hypothesis with the help of questionnaires and interviews, which also shows a positive impact of employee's compensation and benefits on sales of the pharmaceutical industry. Due to this, the hypothesis has been accepted. Companies can increase the satisfaction level of employees and ultimately boost their sales by offering competitive salaries, financial incentives, health benefits, professional development opportunities, and work-life balance.

Limitations and Future Recommendations

The study investigated the connections between employee's compensation, benefits and sales performance in the Pharmaceutical industry of Pakistan. However, it had limitations such as a narrow scope, a small sample size, and a lack of consideration for additional factors that could

impact sales. To improve sales, pharmaceutical companies should provide competitive compensation packages, including salaries, bonuses, health benefits, professional development opportunities, and work-life balance perks to enhance satisfaction and motivation of employees.

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Appendix A (Questionnaire)

Dear Respondent,

I am a MBA (Marketing) student at KUBS- Karachi University. I am conducting research on the impact of salaries, wages and benefits on sales in the Pharmaceutical industry for which I have developed the following questionnaire. You are requested to fill out this questionnaire; I assure you that the information you provide will only be used for academic purpose. Thank you for your co-operation. Please rate the following factors/characteristics/elements as per your knowledge regarding activities performed in the Pharmaceutical industry.

S.NO	CHARACTERISTICS/FACTORS/ELEMENTS	S.A	A	N	D	S.D
1.	I am satisfied with the working environment of my company.					
2.	I am happy with my work responsibilities.					
3.	My employer offers a generous learning allowance					
4.	I am satisfied with the company's existing salary, wages and benefits structure.					
5.	I am satisfied with the compensation I get & I think it matches my responsibility.					
6.	I am satisfied with the present performance appraisal policy of the company.					
7.	I am satisfied with the leave policy of the company.					
8.	I am satisfied with the company's employee assistance policy (e.g. - lunch & transport etc.).					
9.	I am satisfied with long-term benefit & insurance policies of the company.					
10.	I am happy with the recognition and rewards for my outstanding works and contributions.					

1. Pharmaceutical Company's Name: _____
2. Designation: _____

3. Income level:

- a. Below PKR 25,000
- b. Above 150,000
- c. PKR 100,000 to PKR 150,000
- d. PKR 25,000 to PKR 50,000

Appendix: B (Interview Questions)

Q1. Compensation and benefits are an important staple of company contracts, a great way to attract high-quality applicants for vacant positions, and a means to keep top talent once recruited. Employee benefits offer a unique way to impact employee satisfaction rates as companies worldwide leverage new and exciting perks to set them apart from their competitors. ***What do you think about your company's compensation and benefits structure, and how do your employees feel about what you provide? Please share your thoughts on this.***

Q2. Many employees nowadays are not satisfied because it's not all about the money. 79% of employees would choose additional benefits rather than a pay raise. ***So what can you do to provide the employee benefits that stand out in a competitive talent market? Please share the employee benefits of your company.***

Q3. Different employees value different things. Working parents might benefit most from flexible working and paid time off, while younger employees may see more appeal in away days and free food and refreshments. ***Considering how you find the balance that's right for your employees and come up with a benefits package that suits your current team, and appeals to the kind of talent you want to attract in the future. Please share your experience***

Q4: Employee's satisfaction is one of the significant factor that has a great influence on the profitability of the organization. And providing excellent salaries, wages and benefits can increase employee's satisfaction, loyalty, boost recruitment efforts, and show employees that you care about their well-being. According to a 2018 study by Randstad, 42% of employees said they were considering leaving their current jobs because their benefits packages were inadequate, while 55% had left jobs in the past because they found better benefits or perks elsewhere. ***What do you think is the impact of compensation and benefits of employees on the sales and profitability on the Pharmaceutical industry of Pakistan? Please share your comments.***

Q5. Health insurance can be a major consideration for employees, not just in terms of whether it's provided but how generous it is and who it covers in the employee's household. ***What do you think about the health insurance policy of the Pharmaceutical Industry of Pakistan and how has it changed over the past few years? Please comment on this.***