

**Impact of Compensation on Sales of Multinational Pharmaceutical Companies as
Compared to Local Pharmaceutical Companies in Pakistan
(A Case Study of Multinational & Local Pharma Companies)**

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Abstract

The study compares the effect of compensation on sales of the multinational and local pharmaceutical companies of Pakistan. The study has used mixed method research that integrates elements of qualitative and quantitative research to address the study topic. Pakistan's pharmaceutical industry is taken as the targeted sector. Top management personnel of the sample population were interviewed. Descriptive statistics were employed in this study for a thorough investigation of the data. After the data analysis and interviews, the hypothesis has been endorsed, i.e. there is a significant and positive effect of compensation on sales in the multinational and local pharmaceutical companies of Pakistan. This study provided practitioners useful resources for assessing the financial performance of pharmaceutical companies in developing countries.

Keywords: Compensation, Sales, Pharmaceutical Sector, Pakistan.

Introduction

Ayoku (2022) explained that the pharmaceutical industry is growing rapidly in Pakistan. The country is the top producer of medicines in the world and dominates a number of significant

markets. Pakistan's pharmaceutical industry is one of the most important in the country (Sadia et al., 2020). This is due to the fact that this industry is regarded as the basis of the economy. It is a very lucrative industry that provides Pakistan's educated and technically capable people with good job opportunities (Mogheith, 2023). Rasheed et al. (2022) indicated that Pakistani pharmaceutical companies have had cumulative average growth of 13.1% over the past four years, as compared to 9.34% for multinational companies (MNCs). There are more than 650 companies operating in the pharmaceutical industry in Pakistan, of which less than 30 are multinational companies (Bünder, 2022b). Approximately 1% of Pakistan's annual GDP is contributed by the pharmaceutical industry. In Pakistan, multinational pharmaceutical companies are involved in the packaging, marketing, and distribution of medicines (Bünder, 2022a).

Murerwa (2021) stated that Pharmaceutical companies always strive to increase their turnover and maintain their competitiveness. Even though there has been a significant increase in the number of registered pharmaceutical products in the country, pharmaceutical companies have always used strategies to help them retain and attract customers in the current market (Ahmed et al., 2021). This is because it is challenging to target new customers in such a situation. The pharmaceutical industry plays an important role in the ongoing development, marketing, and production of medicines for potential customers who require their services (Naseer et al., 2021). John (2022) identified that Pakistan's pharmaceutical industry has become one of the fastest-growing in the world. Sales for all multinational pharmaceutical companies during the previous year was Rs.453.5 billion, an increase of 9% from the preceding year. On a quarterly basis, the total sales came to Rs.111.12 billion (Azeem et al., 2022). Additionally, sales help pharmaceutical companies in expanding their customer base by helping them in identifying new customers (Tanveer et al., 2022). Physicians were the main pharmaceutical companies' customers, but as the industry is

growing, so is the customer base (Bukhari & Nayyer, 2023). Singh (2023) indicated that pharmaceutical salespeople can base their sales and medicines on the actual consumer using a customer-driven sales approach. This guarantees that the product consistently meets the needs of the customer, which is crucial in the competitive and constantly evolving pharmaceutical industry (de la Torre & Albericio, 2023).

Statement of the problem

Firstly, the industry's biggest problem is the complete freeze on pharmaceutical product sales prices (Ray et al., 2022). Raees et al. (2023) noted that the price mechanism imposed by the government has prevented the pharmaceutical industry from raising prices of even those medicines whose costs have increased by more than 100%, while the cost of inputs like fuel, electricity, labor, and raw materials has increased drastically, making it very difficult for the industry to survive (Singh, 2023). Second, the pharmaceutical industry has long been troubled by the high cost of medicines in Pakistan (Hussain et al., 2023). The manufacturers constantly complain and misuse their power to increase prices seeming as though they are struggling and are not making profit. Multinational companies purchase raw materials from prequalified sources and earn from transfer pricing while local companies suffer losses (Karim et al.).

Qureshi and Raza (2022b) identified that pricing is considered as the most important and critical factors in Pakistan's pharmaceutical industry. Due to several issues with regulatory and price challenges, the industry is not growing rapidly and making a significant contribution to the country's economy (Qureshi & Raza, 2022a). Pakistan's exports also have decreased as a result of sales issues in pharmaceuticals (Areeba & Ali, 2021). Latif et al. (2021) indicated that high profile advertising and personal selling are another problems for the product's sales promotion since the company is unsure of the exact message to convey and the best way to do it (Sharif, 2022). The

sales strategies might not be used to increase brand equity or to analyze the market and competitors to help the company perform financially (Ahmed & Chandani, 2020).

Research objective

The study compares the effect of compensation on sales in the multinational and local pharmaceutical companies of Pakistan.

Significance of the study

Firstly, this is one of the first study to examine how compensation affects sales for multinational pharmaceutical companies in emerging economies, this study should be important for the stakeholders of the pharmaceutical industry. Second, this study provided practitioners useful resources for assessing the financial performance of pharmaceutical companies in developing countries. This study may also be extended by utilizing cross-industry comparisons to determine how compensation affects sales. Another practical significance of the present study lies on the extent to which the results might provide empirical evidence on various factors that impact sales. Because of this, managers may focus on allocating resources to positively affect such behaviors in local pharmaceutical companies by knowing what factors best drive sales.

Review of the Literature

Compensation

Pratiwi et al. (2023) described compensation is a systematic method for giving employees financial value in exchange for their work. Compensation may help in recruitment, job performance, and job satisfaction, among other factors (Mayastinasari, 2023). The most important factor of running a business that has the power to create or break a business is compensation. An effective compensation strategy may support an organization's development and competitiveness in its market (Ayuningtyas et al., 2023). Ariani and Harsono (2023) noted that organizations are

becoming more concerned with establishing employee compensation as a strategic human resource management function in order to gain a competitive advantage (Ismawati et al., 2023). Khurniansyah and Andriani (2023) stated that employees are an integral part of an organization; investing in them will increase productivity and profitability. Establishing a plan for their annual pay raise will increase the employees' loyalty and performance (Nurlina, 2022). Compensation includes salary or wages, commission, and any incentives or perks associated with the particular employee's position (Herlambang et al., 2022).

Fulmer and Li (2022) identified that compensation plays a crucial role in HRM decisions since it encourages employees and improves organizational effectiveness. Competitive compensation and benefits packages help in attracting and retaining the best employees (Tumi et al., 2022). Employees also consider the compensation package as fair if it covers for basic living expenses, keeps up with inflation, leaves some money for savings and leisure, and increases over time (Elisa et al., 2022). Yusuf et al. (2022) explained that compensation and benefits are important factors in determining an employee's job satisfaction since they have a direct influence on an employee's productivity and motivation. An organization must thus make sure that the compensation and benefits it provides for its employees are enough to keep morale high (Kang & Lee, 2021).

Pharmaceutical sales

Troiani (2023) described Pharmaceutical sales is the practice of salespeople who educate healthcare professionals about specific medicines developed by pharmaceutical companies in an effort to persuade them to prescribe them to patients rather than a competitor product or treatment method (Cheng et al., 2023). Sawad and Andrews (2022) told that Pharmaceutical sales provide physicians product samples and information about medicines. Pharmaceutical salespeople are also employed by pharmaceutical companies to convince physicians and healthcare facilities to use

prescription medicines (Jani & Chaudhary, 2023). Pharmaceutical sales representatives also build and maintain relationships with customers, for instance by scheduling meetings with physicians to discuss new pharmaceutical products (Chen, 2022).

Oamen (2022) revealed that Pharmaceutical sales people inform doctors about the uses and side effects of different prescription medicines in a company's product range. Pharmaceutical sales are used by distributors and manufacturers to educate physicians about their medicines (Lim & Yi, 2022). They encourage healthcare professionals to give prescribed medicine to those who might benefit from them by providing with crucial information and insights (Maldonado Velázquez, 2022). They cannot sell directly to customers; instead, they must convince providers of their value through their communications skills and product knowledge (Oamen, 2021a).

Additionally, pharmaceutical salespeople stay up on news and problems impacting the healthcare industry to better understand the needs of doctors and communicate with them (Oamen, 2021b). Sawad and Andrews (2022) emphasized that pharmaceutical sales people need to be knowledgeable about the diseases that their medicines are used to treat as well as the product lines that belong to their organization. They thus require an in-depth understanding of the medicines, comparable products available on the market, and physician concerns (Chen, 2022).

Relationship between compensation and sales

Keshavarz and Gölgeci (2023) stated that sales compensation is one of the utmost importance to both sales individuals and organizations because it is crucial to their working relationship. Compensation strategy decision regarding pay level and pay mix are both crucial in sales (Limakrisna & Anggiani, 2023). Organization must provide a compelling compensation plan to attract good salespeople (Graham et al., 2017). Sales representatives should be paid such that whatever they want to do for their personal benefit and gain is also in the best interests of the

company (Irwansyah & Zega, 2023). While the majority of companies focus financial incentives, other methods of increasing sales effort include public recognition, sales contests, and simple personal recognitions (Cletus Owuze & Akhimien).

Anggraeny et al. (2023) emphasized that companies must pay salespeople at least the current market rate in order to have a competitive sales force. An organization may develop and implement a successful sales strategy, as well as attract and retain motivated salesperson who directly contribute to the profitability of the company by creating a strong sales plan (Paramita & Supartha, 2022). It is assumed that sales are a positive but stochastic function of sales effort. The sale person is assumed to maximize anticipated utility, which is a positive function of compensation (Alavi et al., 2022).

Methodology

Research design

As a result, the study employed a mixed quantitative and qualitative approach, which seeks to corroborate one another in order to increase the validity of the findings (Vogl, 2023). Mukumbang (2023) explained that mixed method approach provides a wide range of instruments to achieve a study's aims and objectives and helps answer the research questions that cannot be addressed by quantitative or qualitative methods alone (Coşkun et al., 2022). Additionally, a qualitative study may be conducted to develop hypothesis that will be tested in a subsequent quantitative study (Nesher Shoshan & Wehrt, 2022).

Sample and population

Any country's health, lifestyle, and population depend heavily on the pharmaceutical industry. Additionally, the sector is highly dependent on imports to meet the basic raw material needs (Thorakkattu et al., 2022). Despite the large number of registered companies, the top local and

multinational companies (MNCs) dominate the market. The top 100 companies control 97% of the market, while the remaining 500 companies own just 3% of the market (McDermott et al., 2022). Also, the top 50 companies account for 80% of the market. Pakistan's pharmaceutical industry annually contributes approximately 1% to the country's GDP (Kaczmarek, 2022).

Data collection

Moreover, the survey method is very useful when a researcher aims to describe or explain characteristics of a large population (Sitio & Siregar, 2022). Bajon (2022) indicated that this method may also be used to quickly collect general information on the target population in order to help prepare a more targeted, in-depth study. Primary data collected through surveys is also rather easy to analyze (Rao & Suneela). In order to collect data, the study employed the survey method and a Likert scale questionnaire. Moreover, a qualitative research method that focuses on asking questions in order to gather data is an interview. As part of the study, top management personnel of the sample population were interviewed (Shafoat, 2022). Because interview questions are frequently open-ended, in-depth information may be gathered through the utilization of interviews in the study (Hoang, 2019).

Data analysis

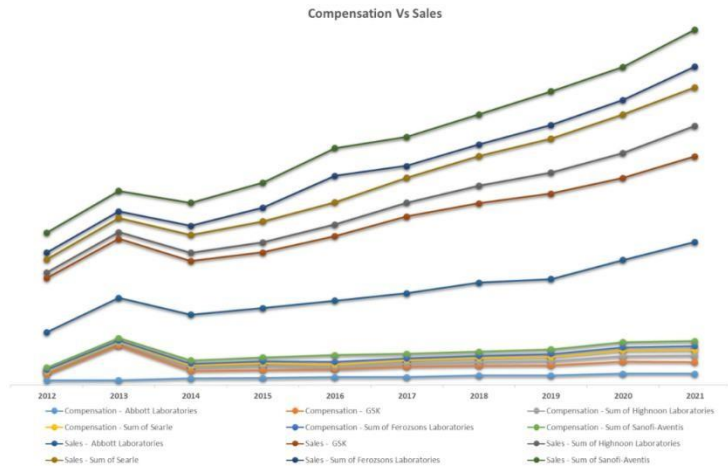
Descriptive statistics is the study of quantitatively defining a collection of data's key features, or the quantitative description itself (Supriyanto, 2022). Because descriptive statistics provide concise summaries of the sample and the observations made, they were employed in this study for a thorough investigation of the data (Ampofo et al., 2022). Ahsan et al. (2022) indicated that possible relationships between variables are also highlighted through descriptive analysis. Basic information about variables in a data set may be provided using descriptive statistics (Midiastuty et al., 2023).

Results and Findings

Following figure shows the graphical illustration of the relationship between compensation and sales of the pharmaceutical firms of Pakistan.

The sales trend of Highnoon laboratories, in the year 2012-2021 increased in the year 2013 and decreased in 2014 to rise again throughout the coming years till 2021.

The sales of Ferozsons laboratories too display the similar trend. The sales of



Searle increased in 2013 and decreased in 2014. The sales of Searle kept on increasing till the year 2021. The sales of Abbott, GSK, and Sanofi Aventis shows almost the same trends, i.e. their sales were going up in 2013 and the trend falls in 2014 but continued to increase till 2021. The compensation trend of Ferozsons laboratories, GSK, Sanofi Aventis, Highnoon laboratories, and Searle, all have shown the increase in the trend of compensation in the year 2013, fall in compensation in 2014, whereas, the trend remained constant till 2020, and in 2021 it again increased slightly. The compensation trend of Abbott remained constant

Primary analysis

Table 1 below shows the respondents' profile of 100 participants based on their category of ownership.

Table 1: Respondents' Profile (n = 100)

		N	%
Category of your Pharmaceutical Company	Multinational	48	48.0
	Local	52	52.0

Above table showed that among all 100 respondents, 48 respondents belongs to multinational pharmaceutical corporations of Pakistan comprising 48 percent of the total collected sample while 52 respondents (52 percent of the total collected sample) belongs to local pharmaceutical firms of Pakistan.

Table 2 below shows the descriptive analysis of the employees' perspective towards the relationship between compensation and sales performance in the pharmaceutical sector of Pakistan.

Table 2: Descriptive Analysis of the Employees' Perspective

Questions/Factors	Mean	Std. Dev.
I meet sales targets because of rewards.	2.250	1.086
Our company has a combination of salary and commission.	2.180	1.086
The criteria for reward in my company are not tedious.	2.310	1.143
Monetary rewards influence me.	2.290	1.047
The reward structure in my company is very effective.	2.250	1.058
Reward in any form is the basis for motivation.	2.300	1.133
Higher commissions on sales increase salesperson morale.	2.320	1.081
Salary above the industry average increases sales performance.	2.410	1.198
Yearly salary increments for employees boost their sales performance.	2.400	1.181

Proper medical allowance increases my sales motivation.	2.360	1.115
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Above table showed that salary above the industry (2.410 ± 1.198) and salary increments (2.400 ± 1.181) have been recognized as the most important factors for sales performance, followed by medical allowance (2.360 ± 1.115) is another important factor recognized by the pharmaceutical employees that encourage their sales performance. Higher sales commission (2.320 ± 1.081) also motivates them to improve their sales performance.

Furthermore, reward policy (2.310 ± 1.143) is another factor that motivates sales performance among pharmaceutical employees in Pakistan followed by reward system (2.300 ± 1.133) is a motivation factor for sales performance. More specifically, monetary rewards (2.290 ± 1.047) are considered important than non-monetary rewards providing that rewards (2.250 ± 1.086) are the motivation to enhance sales performance in the pharmaceutical companies of Pakistan. Lastly, effective reward structure (2.250 ± 1.058) in pharmaceutical companies are the least important factor while combination of salary and commission (2.180 ± 1.086) as final takeaway remuneration of pharmaceutical salesperson is another least important motivation factor for sales performance.

Qualitative analysis

After the data analysis and interviews, the hypothesis has been endorsed, i.e. there is a significant and positive effect of compensation on sales in the multinational and local pharmaceutical companies of Pakistan. Among other things, compensation may influence hiring, job satisfaction, and performance. Compensation is the most crucial aspect of running a business that has the ability to make or ruin a firm. A corporation needs a compelling pay plan in order to draw in strong salesmen. It is ideal for sales representatives to be compensated in a way that their personal interests and financial gain are aligned with those of the organization. The majority of businesses

emphasize financial incentives, but other methods, such as public acknowledgment, sales competitions, and straightforward individual praise for a job well done, may be quite successful in spurring more sales effort. To maintain a competitive sales force, businesses must pay salespeople at least the going rate in the market. By developing a solid sales plan, an organization may successfully establish and implement a sales strategy as well as recruit and keep motivated salespeople who directly contribute to the profitability of the business.

Conclusion and recommendations

Conclusion

The study examined how compensation affects sales in local and multinational pharmaceutical companies. The study employed a mixed method approach, which provides a range of tools to accomplish a study's aims and objectives. The study used a Likert scale questionnaire and the survey method to gather data. The study also employed descriptive statistics for quantitative analysis and thematic analysis for qualitative interviews while analyzing data.

Moreover, the pharmaceutical industry is essential in the ongoing development, promotion, and production of medicines for prospective customers who need its services. Additionally, sales helps pharmaceutical companies in expanding their customer base by helping in the identification of new customers. Doctors were mainly the target market for pharmaceutical companies, but as the market expands, so does the customer base. Using a customer-driven sales approach, pharmaceutical salespeople may base their sales and medicines on the actual consumer. An organization's growth and market competitiveness may be helped by a strong compensation system.

Further, compensation and benefits are important factors in evaluating an employee's job satisfaction, as they have a direct impact on an employee's productivity and motivation. An

organization must thus ensure that the compensation and benefits it provides to its employees are enough to maintain a high level of morale. Additionally, pharmaceutical sales give doctors product samples and knowledge about medicines. Pharmaceutical companies also use pharmaceutical salespeople to persuade doctors and hospitals to take prescription medicines. Pharmaceutical sales people also build and maintain relationships with customers by, for instance, scheduling meetings with physicians to discuss new pharmaceutical products.

Practical recommendations

A culture of consistent sales promotions should be adopted to improve employee satisfaction and the company's image. Managers should also support salespeople by rewarding extra effort, communicating changes, encouraging participation, and designating flexible individuals for key positions. Factors like work environment should also be considered while creating compensation policies. The use of new and enticing strategies to retain employees and salespeople should be implemented. Higher compensation increases job satisfaction and indirectly influences sales performance by encouraging better selling behavior. Salespeople should be included in the goal-setting process to determine the optimal level of difficulty. Sales incentives should be carefully configured for complex service innovations to ensure high problem-solving behavior and effort. Additionally, managers should be trained to improve leadership abilities and support salespeople in controlling performance pressure. Lastly, salespeople with higher salaries are more satisfied and motivated to make more sales. Managers should ensure job satisfaction by providing sales compensation or requesting a higher income level. These recommendations aim to enhance employee motivation, retain talent, and improve organizational sales performance in the pharmaceutical industry.

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