The Role of Pay, Job Security and Sales Force Motivation in Supply Chain Performance: A Case of Indonesian Distribution Companies

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Abstract- Objective of this study is to examine the role of employee pay, job security and sales force motivation to expedite supply chain performance (SCP). For this purpose, Indonesian distribution companies were selected, and employees of these companies were preferred as the respondents of the study. Questionnaires were distributed among the employees of distribution companies with the help of cluster sampling. Five hypotheses were developed in this study with the help of previous studies. Structural Equation Modeling (SEM) was used to test the hypotheses. It is found that employee’s pay and higher job security are the most important factors which has significant contribution to the motivation of sales force. Results of the study highlighted that employee pay, job security and sales force motivation have positive effect on SCP. Better the employee’s pay and higher job security lead to the sales force motivation which shows positive effect on SCP. Therefore, Indonesian distribution companies should focus on employee pay, job security and sales force motivation to enhance SCP.

Keywords: Supply chain performance, employee pay, job security, sales force motivation, distribution company.

1. Introduction

Distribution industry is one of the most important industries in every country to contribution in economic growth. Various countries depend heavily on this industry because most of their operations are based on distribution of goods. As it is evident from literature that distribution companies have key importance nationwide [1-3]. Therefore, it has vital importance for most of the countries. However, in the current decade, the downward trend has been seen in this industry. Decrease in the performance of this industry has significant consequences to the nation’s gross-domestic product (GDP). This downward trend has been shown in various countries, particularly in Indonesia. Due to the decrease in performance of distribution companies, most of the countries are facing issues to enhance the supply chain performance (SCP) in this industry.

SCP is most important element for the growth of distribution companies. As these companies are heavily based on supply chain activities. Increase are decrease in supply chain has major effect on the performance of these companies [4-7]. Therefore, this study is an attempt to expedite SCP in Indonesian distribution companies. Because the low performance of these companies is due to the ineffective SCP. However, it is important to identify that what are the factors which can enhance the SCP in distribution companies. The current study is also an attempt to identify these factors.

According to the current study, motivation has crucial to enhance SCP. Motivated employees always lead to the better SCP. As it is also highlighted by previous studies that motivation has positive effect on performance [8-10]. Increase in the level of employee motivation has the ability to increase SCP among distribution companies. According to [11], employee pay and job security has positive effect to increase the sales force motivation. Therefore, if the distribution companies provide better pay and provide the job security, it will lead to the higher sales force performance and SCP. It is also proved by [12] that job security, employee pay and sales force motivation has significant relationship with each other’s. Therefore, objective of this study is to examine the role of employee pay, job security and sales force motivation to enhance SCP.

This study provides the significant contribution to the body of literature by examining the role of employee pay, job security and sales force motivation in SCP. Various studies are available in the literature which investigate the phenomenon of supply chain [13-15], however, previous studies did not examine the role of employee pay, job security and sales force motivation in supply chain. Particularly, the role of employee pay, job security and sales force motivation are significantly missing in distribution companies of Indonesia. Thus, this study has vital importance for distribution companies as well as other practitioners. There are only two studies which discussed the role of employee pay, job security and sales force motivation [11, 12], however, these studies did not consider SCP.

2. Literature Review

People always hope to achieve their expectant goals through their efforts, if individual thinks that higher probability to achieve his/her goals with higher confidence, then it will motivate them to put best force in work; contrarily, if individual thinks that the goals are too high and it’s impossible to be achieved by efforts, then he/she might put less efforts in work with lower
confidence, because he/she already lose the intrinsic motivation result in working with passiveness [16]. Motivation is always showing key contribution to the better efforts and efforts lead to the higher performance. Therefore, companies must insure the reasonable satisfaction level among their employee. Increase in motivation lead to increase the SCP among the distribution companies. SCP among the distribution companies is most key factor to increase the overall company performance, therefore, it is one of the responsible factors of low performance among Indonesian distribution companies which must be cured to achieve higher performance in supply chain.

If employee gains the rewards by good performance, his/her work enthusiasm will be improved. As the rewards and better employee pay lead to the higher performance [17, 18]. To satisfy personal goal needs as promotion is most important motivational factor. As [16] said that the individual goal needs are different, so the same rewards will give different satisfaction for different people, also it will make different motivation for different people. This process may be illustrated in the following way in Figure 1:

![Figure 1. Effort lead to the better outcomes](image)

It is suggested in the survey that employees perceived a higher level of motivation from a performance-based pay scheme than from a fixed pay scheme. Therefore, along with the fix pay, performance-based increments should also be considered to enhance the employee performance. As the performance-based rewards has positive effect on employee motivation. Sales organizations’ incentive system is mostly based on the compensation incentive model. The pay schemes of companies usually have five models composed, they are pure wage model, salary plus bonus model, commission system, salary plus commission, and base pay, commission and reward payment mixed model. All these models show the employee pay has positive role in motivation.

The research hypotheses for this study are derived from research studies conducted by [19] and [20] and based on the Maslow’s hierarchy of needs theory. The result of their survey indicated that the employee’s perceived “pay and “job security” for advancement and development” as the top important motivators for them put effort in workplace. Although there are many researches focuses on investigated job motivators for employees and ranked them in the list of motivators, but there is none really to investigate its relationship with motivation exactly. Therefore, the study according to these two factors to determine the exact relationship with motivation, whether they are positive to motivation of sales force in Indonesian distribution companies.

Moreover, how essential is paying in motivating individuals to work? It is important to enhance the job security. As [21] said that individuals will probably underreport than to over report the significance of pay as a motivational factor in various situations. With the social advancement, the pay to be a more critical motivator for the vast majority, as the proof provided by [21]. He conducted a survey and ask people to rank motivational factors which proved that pay is most important to motivate employees. Along these lines, supervisors should consider both financial and nonfinancial factors for motivating and holding workers. As [21] illustrated, the significance (or potential significance) of money related rewards in a specific circumstance can be assessed by considering both the situational factors (e.g., pay variability) and individual factors (e.g., performance level) that best portray the setting of a specific manager's choice.

[22] investigated that money is the most important incentive, no other motivational method comes even close to money with regards to its instrumental value. Therefore, a good pay package is most important to enhance job security, sales force performance and overall marketing performance to enhance the distribution company’s performance in Indonesia. As most of the studies provides the evidence that the pay is most crucial to enhances the employee’s performance [23-26]. Therefore, a good pay package can enhance the job security, sales force performance which ultimately increases the marketing performance among distribution companies.

2. Framework Development

Success of any research based on how measures involved in the research are well demarcated as well as followed with essential authorities to support the validation of choosing the approach used in conducting the research. Consequently, the research framework of this study was developed based on the views to integrate present theories to be designed. According to the hypotheses that mentioned below, the research framework of this study as discussed in the literature review, the two factors namely; employee and job security as independent variables that influence sales force motivation which is a mediating variable. Further, sales force motivation has positive effect on SCP. Figure 2 shows the framework of the current study.

![Figure 2. Framework of the current study](image)
motivation deeply. As the above research framework showed, there is a relationship that payment influences sales force motivation. Increase in the pay increases the employee performance. As it is also revealed by the previous studies that payment to the employees always has positive role towards performance and employee satisfaction [9, 27]. Better pay lead to the fulfilment of employee needs which increases the performance.

By the drastic marketing competition of distribution companies in Indonesia, many small and medium distribution companies facing tough time for survival due to high competition. This leads to their employees afraid the companies’ competitive capacity result in the high rate of employee’s turnover, because they worried about their job security, it is true as the employees’ jobs are dependent on the company’s ability to compete effectively. In other words, job security could ensure employees to remain in the company with long time, and the company retirement benefits as well as stock programs are significant factors in keeping employees on their job. So, job security is important for sales force and motivating them to retain and offer their best efforts in the work which increases the SCP. As the motivated employees always perform better which lead to the SCP.

Also, esteem needs are important to employees those who want to be able to think of themselves as “the best” at their own jobs, and to be visible to upper management in overall organization. In fact, many employees want doing their best in everything they do through their real skills and capacities put to use on their jobs to project themselves in order to gain more opportunities to advance their career and develop themselves. On the other hand, opportunities for employees’ advancement and development could motivate them to try their best efforts in the job and stimulate enthusiasm to work. Therefore, both employees pay and job security lead to the employee motivation which shows positive effect on SCP. Hence, from the above discussion, below hypotheses are proposed:

**Hypothesis 1:** Employee pay has positive influence on sales force motivation.

**Hypothesis 2:** Job security has positive influence on sales force motivation.

**Hypothesis 3:** Sales force motivation has positive influence on SCP.

**Hypothesis 4:** Sales force motivation mediates the relationship between employee pay and SCP.

**Hypothesis 5:** Sales force motivation mediates the relationship between job security and SCP.

### 3. Research Methodology

This study attempts to examine the relationship between pay, job security, sales force motivation and SCP in Indonesian distribution companies. The research framework developed is integrated present theories and previous studies on motivational preferences which is most important to employees’ motivation, these two motivational preferences (pay, job security) were ranked high top important factors in previous studies as independent variables to influence dependent variable motivation. The study used survey questionnaire which distributed through self-visits to the distribution companies in Indonesia with the help of cluster sampling.

It is very critical to determine an appropriate sample size in the survey research [28]. For minimizing the total cost of the sampling error, it is necessary to have an appropriate sample size. For minimizing the total cost of sampling error, the power of statistical test has to be taken into account. Researchers have generally explained the power of statistical test as the probability that null hypothesis (which predicts no significant relationship between variables) will be rejected when it is in-fact not true. This study used the recommendations of [29] to determine the sample size. Therefore, this study chooses to distribute 300 questionnaires among the employees of distribution companies of Indonesia.

All the items in the questionnaire were answered using a five-point Likert scale. In fact, Likert scale has been widely used scale. Specifically, in order to meet its objectives, the current study employed a five-point Likert scale ranging from “1” as “Strongly-Disagree” to “5” as “Strongly-Agree” for pay, job security, sales force motivation and SCP measures. Additionally, it becomes quite easy for respondents to report their respective perceptions with regards to attitudinal and behavioural assessment. Secondly the choice of five-point Likert scale is made solely due to the consideration of the past research for using it. Accordingly, seven or more points on a scale require more time and effort; hence it could confuse the respondents with hair-splitting difference between the response levels. Therefore, the present study employed a five-point Likert scale.

The questionnaire was divided into two main sections. In the first section, respondents were requested to give information of demography regarding gender, age, job position and job experience in the questionnaire and other basic background information about the respondents, this is aimed at knowing the distribution among respondents hence it gives an information about the respondent; The second section contains the main questionnaire for all the research constructs according to whether important each factor as independent variable which was motivating their efforts in the work, and whether they are motivated effectively with these factors. The section was divided into three scales, namely each scale respectively as three factors to be surveyed whether important and motivate the sales force, the fourth scale is SCP, its attempt to confirm whether the sales force as respondents are motivated and satisfied exactly and effectively in their organization and influence on SCP. Preliminary analysis for data screening is highlighted in Table 1.
4. Data Analysis

Majority of participants are male as 70 percent, whereas 30 percent are female respondents. And the majority participants’ age at 25 to 29 as 60 percent, 30 percent are 20 to 24 years of age, and 10 percent are above 30 years old. About 51 percent respondents accepted above college education, 38 percent of participants hold college education, and high school education acceptors only 11 percent. The 69 percent of participants are working as sales representatives; the following is representative as 15 percent, 6 percent of sales executives and 10 percent of field managers also accepted the investigation. Of the respondents, 15 percent have less than 1-year job experience, 50 percent have 1 to 2 years' experience, 24 percent have 3 to 5 years’ experience and only 11 percent worked more than 5 years in the present job.

Regarding the wage formation, when the respondents were asked, almost half of the respondents (50 per cent) revealed that their wage form is the salary and bonus. The secondary widely used wage form is based pay, commission and rewarding payment, the frequency percent are 18. Salary and commission form are used in 12 percent; pure wage model and commission are used in only 8 percent and 11 per cent respectively. When the respondents were asked about the monthly income according to their revealed, the most of participants’ monthly income waving between 30000 and 40000 (Indonesian Rupiah) as 45 percent. The second group of respondents’ (33 percent) income is from 20000 to 30000. About 13 percent of respondents’ income above 40000. In the investigation conducted, respondents were asked their desired income monthly, in order to attest whether they are satisfied with the current payment and be motivated by the payment presently getting, the majority of participants (90 percent) hope their monthly income above 70000. The respondents also were asked about what stimulate their enthusiasm in sales job could? The results showed that, about 45 percent of participants thought challenging and opportunities provided by companies could stimulate their enthusiasm in the work. 20 percent of participants thought paying and bonuses are important factors to stimulate enthusiasm. Each of work environment and autonomy free in company were thought respectively 10 percent of participants.

Further analysis was carried out through Partial Least Square (PLS) to check the reliability, validity and hypotheses testing. Measurement model shows the reliability and validity of the data. It is highlighted in Figure 3. Factor loadings should be above 0.7, composite reliability should be above 0.7 and average variance extracted (AVE) should also be above 0.5 [30]. All the values are under minimum threshold level as shown in Table 2. Discriminant validity is given in Table 3.

![Figure 3. Measurement Model](image)

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<th>Table 2. Alpha, CR and AVE</th>
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<th>Table 3. Cross-Loadings</th>
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Five hypotheses were tested with the help of structural model. The Figure 4 shows the structural model. Results of the structural model are highlighted in Table 4. Three hypotheses were based on the direct effect and one hypothesis were based on the indirect effect of sales force motivation. Result shows that all the hypotheses are supported. It indicates that employee pay, job security and sales force motivation have positive effect on SCM. Increase in employee pay, job security and sales force motivation increase the SCP among distribution companies. Table 5 shows the indirect effect results. Additionally, r-square value is 0.687 which is substantial [31].

Table 4. Direct Effect Results

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<th>(STDEV)</th>
<th>T Statistic</th>
<th>P Values</th>
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<tr>
<td>Employee Pay -&gt; Sales Force Motivation</td>
<td>0.584</td>
<td>0.59</td>
<td>0.099</td>
<td>5.897</td>
<td>0</td>
</tr>
<tr>
<td>Job Security -&gt; Sales Force Motivation</td>
<td>0.335</td>
<td>0.33</td>
<td>0.097</td>
<td>3.45</td>
<td>0.001</td>
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<tr>
<td>Sales Force Motivation -&gt; Supply Chain Performance</td>
<td>0.829</td>
<td>0.83</td>
<td>0.022</td>
<td>38.42</td>
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Table 4. In-Direct Effect Results

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<th>T Statistics</th>
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<tr>
<td>Employee Pay -&gt; Sales Force Motivation -&gt; Supply Chain Performance</td>
<td>0.484</td>
<td>0.49</td>
<td>0.084</td>
<td>5.771</td>
<td>0</td>
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<tr>
<td>Job Security -&gt; Sales Force Motivation -&gt; Supply Chain Performance</td>
<td>0.278</td>
<td>0.274</td>
<td>0.081</td>
<td>3.432</td>
<td>0.001</td>
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5. Conclusion

There are many researchers focuses on employee’s motivational system of sales organization, but in rare cases any study investigated pay and job security of sales force motivators in Indonesia. There are a lot of problems in distribution sales management in various distribution companies at present, many variables impacting sales force motivation in such as pay and job security. The significance of this study can be viewed both from the theory and practice of investigation. It is found that
employee’s pay and higher job security are the most important factors which has significant contribution to the motivation of sales force. Employee pay, job security and sales force motivation have positive effect on SCP. Better the employee’s pay and higher job security lead to the sales force motivation which shows positive effect on SCP. Hence, Indonesian distribution companies should focus on employee pay, job security and sales force motivation to enhance SCP. In distribution companies, to explore and determine the factors that influence sales force motivation and provide an insight on sales force management of distribution companies, so that the sales force manager can design the effective incentive mechanism to motivating sales force put their best efforts in workplace.

6. Implication
The result of this study has given an avenue for distribution companies in Indonesia under study for update or switch their present incentive system in practice. According to the results of this study, it suggests distribution companies should have to change their compensation incentive system to enhance the supply chain activities through sales force motivation. The new incentive system should more consider employees’ esteem needs, such as advancement, development and challenge of competition. Since based on the results of this study, employees have been satisfied with the payment as basic needs, and it is no longer serves to motivate. They are more consider to their advancement in organization and their development, the job security also has to be considered and guaranteed, as well as other esteem needs, such as praise and acknowledgment, public recognition and status also should be considered.

7. Limitation of the Study
This study focuses on researching work motivation among the Indonesian distribution companies, as Indonesia is a developing country, that is why results cannot be generalized in developed countries. Also, the investigational questionnaires have had been translated to Indonesian language for the respondents to ease the answers process. This may limit the authenticity and validity of investigation as well as practicality. Other problem perhaps is the universality. As a result of the research assistants were not universally distributed the questionnaires in same organization more extensive, in other words, the research assistants might be distributed the questionnaires in same organization more than others, or some samples which from small companies were neglected. So, the universality of samples was suspicious to some extent.

References


