THE EFFECTS OF SALESPERSON TRAINING PROGRAM QUALITY ON SALESPERSON COMPETENCY AND MANAGEMENT OF THE DISTRIBUTION AREA TO INCREASE SALESPERSON PERFORMANCE
(Differences Study on Distribution Pharmacy Company in Central Java, Indonesia)

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ABSTRACT

A quality training program for sales persons will optimize sales persons’ performance through several variables, which are the competence of sales persons and the quality of distribution territory management. The problem of this research is how does the improvement of sales persons’ competence affecting the improvement of seller territory management quality is able to fill the gap between sales persons’ training program and sales persons’ performance. The samples were 166 respondents who are sales persons and have followed training program from various pharmaceutical distributor companies in Central Java. In addition, data was analyzed using the Structural Equation Modeling (SEM) of AMOS 23 program.

To improving the performance of sales persons, their competence is significantly affected by sales persons training program, and the quality of distribution territory management is also significantly affected by sales persons' competence, while the performance of sales persons is significantly affected by the quality of distribution territory management. Meanwhile, the competence of sales persons provides neither major nor significant effect on the performance of sales persons.

Keywords: salesperson training quality, salesperson competency, quality of territory management, salesperson performance.

1. INTRODUCTION

Pharmaceutical companies in Indonesia employ the distributor services from other parties and also subsidiaries to optimize the sales in terms of territory distribution control, sales domination and efficient steps to the development of sales management structure.

Salespeople or salesman who then will be referred to as sales persons are the key person of a distribution company because sales persons have direct contact with grassroots of sales, namely outlets and retailers, in this circumstance, the pharmacists working in pharmacies in various regions in Indonesia.

The achievement of distribution companies sales are not obtained in a short term but, it passes through various processes and challenges in the field, different perceptions in work, different levels of sales persons’ education, different lifestyle and background, races and culture of each sales persons, and the difference in mastering technologies (Honeycutt Jr, Karande, & Jantan, 2002) that cannot be denied as a considerable improvement over the past two decades.

One of methods to balance and adjust the differences that exist on sales persons and companies is sales persons training, hereinafter referred to in training.

It is important for all companies in the world to have a good and quality training, including Indonesia. The qualities required by each company are different, it depends on its

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needs and situation. The distributor company faces the following phases; information exchange, delivery service, customer value, and customer satisfaction (Hamilton, 2009).

sales persons enables the company to achieve full Performance of Sales persons, but it may not be separated from a good distribution territory management process. The distribution territory is closely related to the customer area, the grassroots of business process and the customer who sells the company's products to the public to be consumed.

Management is a process that helps in formulating the organizational policies and goals. So, the sales persons, who are the spearhead to sell company’s product require a good management in order to achieve the goals of the organization or company they manage.

The research conducted by (David Burgoyne, 1980) finds an interesting result about the management of the distribution territory, where the results obtained from samples of 100 people shows that the management of distribution territory was Poor (19%), Fair (21%), Satisfactory (26%), Good (20%) and Excellent (14%). What makes this research interesting is that there were sales persons who were successful in managing the distribution territory properly and perfectly, in contrast, there were also failed sales persons. Therefore, this research suggests the company to manage the distribution territory properly.

Research conducted by (Johlke, 2006) and (Román & Iacobucci, 2010) resulted in the research about the relationship between training programs and sales persons’ competence & performance.

Sales persons training integrates several systems such as visiting schedule, reporting programs, selling configurations and establishing relationship with supervisor to obtain efficient and effective results, but (Ahearne, Jelinek, & Rapp, 2005) research reveals that most companies invest a lot of time of sales persons for a lot of trainings, even Ahearne finds that sales persons who infrequently follow the training are more accomplished and productive than those who frequently follow the trainings, he speculated on relation between the time for training and the times that can be used for customer visit.

The points mentioned by the researcher above have similarities with the results obtained by (Heijke, Meng, & Ris, 2003) that the level of competence is needed as a complementary thing, but there is no significant result between competence and training, however, the sales persons only need competence that already exist in their ability and then it is adjusted to the needs of the job.

The paper written by (Stares, 2003) explains that Territory Management needs to be executed to optimize company’s sales, and gives a clear boundary between sales potential and Sales persons’ Performance.

<table>
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<tr>
<th>Problems</th>
<th>Research Gap</th>
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<tr>
<td>There are different views on the effect of training programs on competence, management and its relationship with Sales persons’ Performance</td>
<td>The sales persons who infrequently follow the training are more accomplished than those who frequently follow the training.</td>
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<tr>
<td>There is no significant correlation between training program and competence improvement.</td>
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2. LITERATURE REVIEW

2.1 Training Program for Sales Persons

For distribution companies, training methods are necessary to lead the company to advanced progress in terms of needs, goals, programs and evaluations (Honeycutt Jr et al., 2002).
(Honeycutt Jr et al., 2002) concludes that the company which implements technological-based training obtains better, more planned, guided and evaluated results than those who do not implement it.

It is important for the companies to design a well and structured training program in order to produce training material and method used, therefore the cost for training will end with satisfied results (Sunardi, Widyardini, & Tjakraatmadja, 2012).

Based on the research performed by (Pelham & Kravitz, 2008), Development of Customer Problem–Solving Skills is the significant training program that is useful for the sales persons’ needs. In addition, training, communication, and managements’ performance are required to be executed consistently, so that the training program will be successful (Lu & Betts, 2011).

The success of training program is affected by trainers’ talent and characteristics, such as the level of intelligence, the nature and personality of the trainers (Dubinsky, 1981). Motivation to follow training program is commonly based on three things: First is expectation that training will improve the performance, next is as a tool used to improve their performance, and last is desire to obtain promotions/rewards (Dubinsky, 1981).

2.2 Sales persons’ Performance

Sales Territory Management aims to optimize the company sales persons’ performance, in which the sales persons are aligned with sales potential in sales territory. (Stares, 2003) finds how to allocate the number of sales persons in a sales territory so that the sales persons are not over-resourced and under-resourced, and they can be effective in accordance with sales territory condition.

(Babakus, Cravens, c, Ingram, & LaForge, 1996) research finds that the bigger control level executed by sales management, the higher customer’s satisfaction level in sales persons’ territory is. Additionally, this research also reveals that the bigger customer’s satisfaction in the territory, the higher sales persons’ performance will be.

Performance is an evaluation of sales persons’ work and objective settlement of a company. Sales persons’ performance is divided into habit or activity conducted by sales persons and the result that comes from their effort (Cravens, Piercy, & Low, 2006).

(Douglas N. Behrman, 1982) in his research explains three measuring instruments to quantitatively measure the performance, which are first, observing company’s data, next, obtaining evaluation from sales managers based on the performance of sales persons, and last, performing self-evaluation by the concerned based on self-performance report and company objectives.

3. RESEARCH MODEL & HYPOTHESIS

3.1 Theoretical Framework.

Based on the literature review and hypotheses developed above, therefore, theoretical framework can be improved that is presented in the following picture:
3.2 Research Hypotheses

Based on the review of literature that has been described earlier, it is obtained some research hypotheses, as follows: H1: The more quality training program for sales persons, the more competent sales persons are. H2: The more competent sales persons, the higher sales persons’ performance is. H3: The more competent the sales persons, then the quality of the management of the distribution territory will be improved. H4: The higher quality of the management of distribution territory, the higher sales persons’ performance is.

3.3 Competence of Sales persons

"The future industry needs self-managed, self-directed and self-motivated sales persons," as explained by (Wotruba, 1996)

The effects of sales persons’ control and competence level are positively affected the performance of sales persons, especially with the support from the competence of supervisor and manager to create superior Sales persons’ Performance (Piercy, Cravens, & Lane, 2009). In addition, research conducted by (Wang & Netemeyer, 2004) as well as (Wang & Miao, 2015) find that innovation and creativity also support the Sales persons’ Performance, as we know that innovation and creativity are parts of the competence of a quality sales persons. Besides, according to (Artur Baldauf, 2002), it is important for sales persons to not only have considerable knowledge but they also should have high motivation, and in order to achieve goal, it is necessary to consider the management and recruitment carefully and organize a proper training.

3.4 Quality of Distribution Territory Management

When sales persons are assigned in a sales territory, they will face a very complex problem (Parasuraman, 1975). The sales persons must be aware that the distribution territory where they do their jobs should be properly organized and processed. The success of territory management depends on the ability to develop and implement the plan of the sales persons in the territory effectively. (Joseph A. Bellizzi, 1981) concludes Territorial Design and Territory Management as one of the solutions to the lack of skilled resources within the company.
There are several problems faced by sales persons who do their job in one or several territories. They find diverse challenges and the challenges are changing over time. In addition, they also face possibility of sales territory changes (Lei, Laporte, Liu, & Zhang, 2015). There is a possibility that the capabilities and the characteristics of sales persons are different from one to another, customers in a particular territory may require quality sales persons who are expected to be able to meet customer needs, and not all customers in a territory are important to promote the division of sales territory (Parasuraman, 1975).

4. METHODOLOGY

4.1 Sample and data collection

In this research, there were 16 indicators used as primary data including quality of training program for sales persons (4 data), competence of sales persons (4 data), quality of distribution territory management (4 data), and performance of sales persons’ (4 data). Data sources were obtained directly from questionnaires distribution to sales persons at pharmaceutical distributor companies in Central Java.

The population used in this research was the sales persons at pharmaceutical distributor company in Central Java. Pharmaceutical distributors in Central Java amounted to ± 327 which consisted of large and small companies, but researcher selected 25 companies as research populations.

The number of sales persons in those companies was ± 498 sales persons, with 11 large companies that had ± 30 sales persons and the small companies that had ± 12 sales persons. Here is the sample formula:

\[ n = \frac{N \times (e)}{1+N(e)^2} \]

\[ n = \frac{498 \times (0.05)}{1+498(0.05)^2} \]

Therefore, it was obtained the total sample of 221 sales persons.

According to Sekaran in (Ferdinand, 2014), a good SEM analysis requires samples ranging from 100 to 200 samples. Based on Sekaran’s opinion and the considerations stated above, it was concluded that the number of sample taken was 221 people.

4.2 Measurement

Observation in this research was performed using a questionnaire method (structured questionnaire) and the questionnaires were given to the respondents registered in the list. The lists of questions given to the respondent were close questions and each variable contained open questions at the end of the page as an index guide.

Interval scale was used to derive data in which if the data was processed, it would show the correlation between variables, and it was presented in close questions. Qualitative data was obtained through open questions and it will be used as a reference of implications index in company’s managerial.

This research used bipolar adjective interval scale. This scale was a development of semantic scale, so that responses obtained from the respondents met the interval scaled data (Ferdinand, 2014). The interval of scale range in this research was 0-10 intervals.

5. ANALYSIS & RESULTS

The result of SEM analysis meets the Goodness of Fit Index Criteria namely: namely Chi Square = 110.680, p = 0.162, TLI (0.992); CFI (0.993); CMIN/DF (1.141); RMSEA (0.029); GFI (0.927), AGFI value (0.898). Of four hypotheses that are examined, there are three hypotheses accepted. Additionally, in improving the performance of sales persons, their
competence is significantly affected by sales persons training program of 0.803, and the quality of distribution territory management is also significantly affected by sales persons’ competence of 0.918, while the performance of sales persons is significantly affected by the quality of distribution territory management of 0.700. Meanwhile, the competence of sales persons provides neither major nor significant effect on the performance of sales persons.

The result of SEM analysis then was used to test research hypotheses, here are the results of hypotheses test based on SEM analysis: the result of Hypotheses Tests, The Result of Effect Analysis (regression analysis?):

Based on the table above, the following results were obtained:

1. **P value, the effect of STQ on SC is *** (** it is assumed that the value is very small, close to 0.000, which means < 0.05) and with positive CR value of 9.927 > 1.96, indicating that STQ provides positive and significant effects on SC. The higher the STQ, the higher the SC is and vice versa.**

2. **P value, the effect of SC on QTM is *** (** it is assumed that the value is very small, close to 0.000, which means < 0.05) and with positive CR value of 10.834 > 1.96, indicating that SC provides positive and significant effects on QTM. The higher the SC, the higher the QTM is and vice versa.**

3. **P value, the effect of QTM on SP is 0.002 < 0.05 with positive CR value of 3.301, indicating that QTM provides positive and significant effects on SP. The higher the QTM, the higher the SP is and vice versa.**

4. **P value, the effect of SC on SP is 0.431 > 0.05 with positive CR value of 0.787 < 1.96, indicating that SC provides no significant effect on SP.**

4.1.1 Direct and Indirect Effect

Based on the table above, it was obtained the calculation result of direct and indirect effect as follows:

1. The result of SEM model estimation shows that SC variable significantly affects QTM and QTM variable significantly affects SP variable, it shows that path coefficients between SC and QTM as well as QTM and SP are significant. Based on the table above, the path coefficient value from SC to QTM is 0.971 and the path coefficient value from QTM to SP is 0.769, this means that the indirect effect value of SC to SP through QTM is 0.971 x 0.769 = 0.747, which is in accordance with indirect effect value in the table above and the path coefficient is significant. This means that although SC variable is not able to directly affect SP variable, it can indirectly affect SP through QTM variable. The QTM variable can be a good mediator for the SC variable in affecting the SP. The high of SC will increase QTM and further it will increase SP.

2. The result of SEM model estimation shows that STQ variable significantly affects SC variable and SC variable significantly affects QTM, then QTM variable significantly affects SP variable. It shows that path coefficients between STQ and SC, SC and QTM, as well as QTM and SP are significant. Based on the table above, the path coefficient value from STQ to SC is 0.742, the path coefficient value of SC to QTM is 0.971 and the path coefficient value from QTM to SP is 0.769. It means that the indirect effect of STQ to SP through SC and QTM is 0.742 x 0.971 x 0.769 = 0.554, which means that although STQ variable is not able to directly affect SP variable, STQ variable is able to indirectly affect SP through SC and QTM variables. Moreover, SC and QTM variables are able to be good mediators for STQ variable in affecting SP. The high of STQ will increase SC and further it will increase QTM and then it will increase SP.
4.1.2 R Square

Based on the table above, it is obtained several results as follows:

1. R Square value of SC variable is 0.645. In research model, SC variable is affected by STQ variable. It means that STQ variable provides big contribution to SC variable that is 64.5%, while the rest 35.5% of SC variance is affected by other factors outside STQ variable.
2. R Square value of QTM variable is 0.843. In research model, QTM variable is affected by SC variable. It means that the contribution given by SC variable to QTM variable is 84.3%, while the rest 15.7% of QTM variance is affected by other factors outside SC variable.
3. R Square value of SP variable is 0.748. In research model, SP variable is affected by SC and QTM variables. It means that the contribution given by SC and QTM variables to SP variable is 74.8%, while the rest 25.2% of SP variance is affected by other factors outside the SC and QTM variables.

6. DISCUSSION

The result of SEM analysis was then used to test the research hypotheses. Here are the explanations:

**Hypothesis 1:** The more quality training program for sales persons, the more competent the sales persons are

The analysis result of hypothesis 1 shows that the sales persons are able to provide a good and polite service, have initiatives to offer and explain the products and other supplies, have a good planning and performance, analyze outlet needs, establish good relationship with customer, have ability to analyze and solve problems in the field. All of these can be obtained after they have followed quality training program for sales persons, it is proved by the conformity with the indicators of training program for sales persons.

**Hypothesis 2:** The more competent sales persons, the higher Sales persons’ Performance is

The analysis results of hypothesis 2 shows real conditions in the field that 61% sales persons are 26-40 years old, 27% are 15-25 years old, with 47% were senior high school graduates. This indicates that pharmaceutical distributor companies do not prioritize the level of sales persons’ education; it is further proved by the analysis results in the previous paragraph. Sales persons who deal directly with pharmacies and drug stores often obtain orders and the orders tend to be stable (pharmaceutical products and have expiry date), therefore, the sales persons’ competence and education do not significantly affect the level of outlet’s sales, sales persons are only assigned to follow the procedures as stated in indicator X6: they should be able to increase the level of sales in accordance with the existing procedures.

**Hypothesis 3:** The more competent the sales persons, the higher quality of the distribution territory management is
The analysis result of hypothesis 3 shows sales persons competency indicators, which are: the ability to analyze and solve problems, the ability to increase the sales in accordance with existing procedure, the ability to plan working hours and job properly, the ability to have a good presentation performance to improve quality of distribution territory management. It is proved by research finding and respondents’ perceptions that respondents perceive themselves to be able to plan their job regularly, to evaluate results and analyze their sales territories, to evaluate sales targets periodically, to have a good communication, to have complete sales and outlet data, and to provide additional knowledge to the customers.

**Hypothesis 4: The higher the management of the distribution territory quality is, the higher the Sales persons Performance is**

The analysis result of Hypothesis 4 shows that a good distribution territory management that is already and will be executed by sales persons such as territory analysis, outcome evaluation, competitor recognition, complete sales and outlet registration, and new outlets launching schedule in every period may result in a satisfactory performance. If all respondents’ perceptions are properly executed then, indicator of quality of the sales territory management will be supported, which are: having a good sales persons rotation, creative ideas in the development of new relationship networking, good customer category segmentations and routine territory evaluation and analysis, therefore, it can be confirmed that sales persons’ performance will be achieved and fulfilled.

**Conclusion**

The result shows that a quality training program for sales persons will improve sales persons’ competence, and as the sales persons’ competence improves, the quality of distribution territory management will also improve, therefore, sales persons’ performance will be higher. The summary of relationship among variables is described as follows:

![Diagram](Figure 2 Variables Relationship)

7. **THEORITICAL & MANAGERIAL IMPLICATIONS**

**Theoretical Implication**

Theoretical implication that has been developed based on the variable of quality of training program for sales persons in its purpose to improve sales persons’ performance through sales persons’ competence and the quality of distribution territory management was
adapted from the following research: (Honeycutt Jr et al., 2002), (Cardy, 2006), (Parasuraman, 1975), (Johlke, 2006), (Sunardi et al., 2012), (Gibbert, Golfetto, & Zerbini, 2006), (Babakus et al., 1996).

### Table 1 Theoretical Implication

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<tr>
<th>Current Research</th>
<th>Theoretical Implication</th>
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<tr>
<td>The quality of training program for sales persons positively and significantly affects sales persons’ competence</td>
<td>This research supports (Pelham &amp; Kravitz, 2008) finding that significant training program that is useful for sales persons’ need is Development of Customer Problem – Solving Skills</td>
</tr>
<tr>
<td>The sales persons’ competence does not significantly affect sales persons’ performance</td>
<td>This research rejects the results of research conducted by (Wang &amp; Miao, 2015), (Wang &amp; Netemeyer, 2004) finding that innovation and creativity supported sales persons’ performance, as we know that innovation and creativity are parts of the self-competence of quality sales persons.</td>
</tr>
<tr>
<td>The sales persons’ competence significantly and positively affects the quality of distribution territory management</td>
<td>This research supports the research conducted by (Parasuraman, 1975) explaining that there is possibility of sales persons’ ability and characteristic that are different from one to another. Customers in a particular territory may require quality sales persons who are expected to be able to meet customer needs, but not all customers in such territory are important to promote the division of territory sales.</td>
</tr>
<tr>
<td>The quality of distribution territory management positively and significantly affects sales persons’ performance</td>
<td>(Harish Sujan, 1994) and (Rapp, Ahearne, Mathieu, &amp; Schillewaert, 2006) concludes that working smart and working hard significantly affects sales persons’ performance, so it can be described that working hard in the sales environment and being smart in managing the territory sales are important aspects for the success of company’s sales persons performance.</td>
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### Managerial Implication

Based on the research findings, it was found several policy implications in accordance with the priority that can be used as an input of company’s management measured by: the achievement of sales and performance target in each period, the growth of sales transaction value, the high increase in market share for the company and the achievement of the company's sales standard, which are arranged in table 5.2 as follows:

### Table 2 Managerial Implication

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<th>Managerial implication</th>
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<td>As efforts to improve sales persons’ performance through the distribution territory</td>
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management, then:

- The Company should continue to meet monthly targets, to properly plan a career system, both in salaries and benefits and rewards that can be given to accomplished sales persons.
- The Company should strive to always provide good and quality products and comprehensive distribution system to customers to ensure the growth of transaction value.
- The Company should provide products that are in accordance with the agreement, and the delivery should not be late. They should also provide rewards to customers so that market share of the company's products can win market competition.
- The company should maintain the target sales to be achieved in 100%, 100% of achievement and 95% of billing target must be fulfilled.

As efforts to improve the quality of distribution territory management through the sales persons’ competence, then:

- The Company needs to monitor consumer progress and know the boundaries of sales territory and have a good mapping system.
- The Company should have up-to-date technologies and be able to provide additional knowledge to consumers.
- The Company should classify customers based on sales volumes, have complete outlet data, priority scale and must have accurate data of loyal outlet, distribution and profound effect for a company.
- The Company should analyze and evaluate sales results periodically, know and understand the competitors properly.

As efforts to increase the sales persons’ competence through training program for sales persons, then:

- The Company should implement well-targeted and structured training program that has clear objectives for participants, and it should have good, clear and objective materials.
- The Company should have appropriate training methods that are suitable with the conditions of sales persons and their relationship with the company. The training also should have trial period, result evaluation and should be supported by supporting facilities and logistics on the method that is carried out.
- The Company should employ professional and experienced interviewees and motivators, and establish a good communication between trainers, participants and interviewees.
- The company is able to implement trainings that train sales persons strategies, train participants to solve problems, deliver the required materials, train participants' attitudes and emotions supported by a comfortable, relaxing and time-efficient training atmosphere.

8. LIMITATION & FUTURE RESEARCH

Based on the thesis discussion above, it can be concluded several limitations as follows: Respondents of the research were chosen using probability sampling method, so the research result from various companies was randomized, and then it should be able to be divided into small and big companies in accordance with the training used.
Researcher found limitation to reach all cities in Central Java. The respondents of this research only came from Semarang city, Regency of Semarang, Ungaran, Salatiga, Demak, Tegal, Kudus and Pekalongan.

Because direct face-to-face interview between researcher and respondent who are located away from Semarang city was infrequently performed, therefore, it allowed the possibility to make mistake in filling the questionnaire and eventually it generated outlier data.

Future Research Agenda

The future researcher is expected to obtain more fitted model fulfilling all criteria of Goodness of fit model, for example by eliminating path that is proven to be insignificant, which is the path connecting the variable of sales persons’ competence to the sellers’ performance.

In addition, it is expected that the future research may add the path from the quality of sales persons training to territory management in order to find the effect of good mediation, which is the quality of the distribution territory management variable to the effect of training quality on sales persons’ performance. It is also necessary for the future research to add path from training quality to the sales persons’ performance because there is a possibility that training quality may directly affect sales persons’ performance.

By selecting a better and more structured sampling method, then the respondents can be grouped easily during data processing, therefore, the research will produce more accurate research results and describe the very actual conditions.

REFERENCES


