

THE INFLUENCE OF COMPETENCY AND COMPENSATION ON PERFORMANCE: THE MEDIATING ROLE OF LOYALTY EVIDENCE FROM FMCG IN INDONESIA

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ABSTRACT

As one of the biggest dairy FMCG Company in Indonesia PT XYZ sees this growth as an opportunity and challenge to expand its influence and increase its market share in Indonesia, through their distributors. However, currently, the distributors experienced high salesman turnover. It is suspected that the salesman capability and compensation package was the main reason for high turn over. In the current condition, Salesman has a low compensation package, and below expectation capability. This thesis's main objective is to study the factor that affects the general trade business's salesman performance. The variables involved in the study to indicate factors that affected salesman performance are salesman competency, salesman compensation, salesman loyalty. The Structural Equation Model (SEM) is used to analyze the data from 532 samples across Indonesia using LISREL 9.10 as the main analysis tools. It's concluded that there is a significant correlation from Salesman Competency to improve Sales Performance directly. Together with Salesman Loyalty, a mediator between two variables can increase even better salesman performance by 28%. Salesman loyalty becomes a strong partial mediator (92.7% mediating power) of salesman compensation to salesman performance. This finding implies that putting loyalty in the context of salesman competency and compensation can significantly improve salesman performance—the suggestion for improvement and the future use of this research being discussed in this paper for references.

Key words: Employee Competency, Employee Compensation; Employee Loyalty; Employee Performance

INTRODUCTION

Fast Moving Consumer Goods (FMCG) industries, especially in Indonesia, has undergone tremendous growth in the past year. As one of the biggest dairy FMCG Company in Indonesia PT XYZ sees this growth as an opportunity and challenge to expand its influence and increase its market share in Indonesia. Currently, the company has 219 distributors to help distribute its product. The Salesman was hired to work for distributors, and as the essential backbone of the distribution, to ensure its sustainability. There are over 1200 salesman population in the general trade business. Over 75% of salespeople are handled by traditional retail business, which is directly covered by them in more than 300.000 outlets. The Salesman is the central fighting unit to help distribute products, especially on the wholesaler channel, as it is the biggest channel with positive growth. However, currently, the company is having a challenge with the Salesman. The traditional retail business continues to decline because distributors experienced high salesman turnover. On average, there is 46.87% turnover rate across all regions. There was the business impact of 24 B IDR loss at the time of Salesman being replaced compared to average sales. It is suspected that the salesman capability and compensation package was the main reason for high turn over. In the current condition, Salesman has a low compensation package, and below expectation capability.

Effective human resource management is established upon evaluating performance evaluation strategies based on selling goals, tasks, and performance availability (Zallocco, Pullins, & Mallin, 2009). This study will look at salesman capability and compensation, as well as the impact of salesman performance. Effective human resource management is required for successful sales performance. Some variables investigated in this study that may have an impact are salesman competency and salesman compensation. To contextualize salesman turnover, the researcher employs loyalty as a moderating factor that may influence performance.

LITERATURE REVIEW

Basir, Ahmad, and Kitchen (2010) studied the relationship between the salesman skills and sales performance and impact on the organizational commitment as moderator. The industry background in the study was in the telecommunication industry in Malaysia. They defined the skills into four types: interpersonal skills, salesmanship skills, technical skills, and marketing skills. Based on their research, it's found that interpersonal skills positively influence salesperson performance. However, other skills didn't influence salesperson performance. The other study from Hapsari, Indriani, and Sutopo (2017) found that salesforce capability can affect salesperson performance by looking at marketing support quality. The study was conducted in Semarang, Indonesia, in the banking industry. The study also found that sales training quality can positively affect sales capability that leads to salesperson performance.

Hapsari et al. (2017) found that salesforce capability can affect salesperson performance by looking at marketing support quality. The study was conducted in Semarang, Indonesia, in the banking industry. The study also found that sales training quality can affect the sales capability that leads to salesperson performance positively. Hadiprasetya, Ferdinand, and Kusumawardhani (2017) studied the effect of sales training program quality on the salesperson competency and distribution area management to increase sales performance in the pharmaceutical industry. It's also found that salespersons' competence provides neither major nor significant effect on salespersons' performance. Based on the previous study, the researcher concludes that:

H1 Salesman Competency has a positive impact on Sales Performance

A study from Yanuar (2017) found that compensation positively influences performance and motivation. However, motivation did not significantly influence the performance and motivation did not mediate the relationship between compensation and performance. Blazovich (2013) scrutinizes human resource compensation's effect on human resource performance in the United States. Their research intends to explore whether team members work harder and perform better when compensated based on team and individual performance. From that quantitative assessment, it was found that stronger team identity significantly leads to better team effort and human resource performance. Furthermore, individual-based compensation will boost individual performance, but it does not significantly contribute to the team effort. In that research, team-based compensation and team identity were combined, and from the quantitative estimation, those joint variables enhance human resource performance. Setiawan and Dewi (2014) studied the effect of the compensation and working environment on the organisation's performance. The analysis results proved that the compensation and work environment positively and significantly impact the performance of employees directly. Related to the study, it's found that the company needs to improve the holiday allowance as part of the compensation package to improve the organisation's performance. Based on the previous study, the researcher can conclude that:

H2: Salesman Compensation positively influence Sales Performance

Ganic, Babic-Hodovic, and Arslanagic-Kalajdzic (2018) examine employee performance on the recipient of the services, students, in a private university in Sarajevo, Bosnia. Specifically, 5 variables were quantitatively assessed in the academic research made by Ganic et al. (2018). Those variables consist of employee satisfaction, loyalty, and performance. From the students' observation, the variables that are assessed are student loyalty and satisfaction. The study uses the multilevel sample analysis To measure the connection,. The Relationship between employee and student variables is estimated with a regression-based model in a multilevel context. The research reveals that as the Hierarchical linear regression modelling.

Tomic, Tesic, Kuzmanovic, and Tomic (2018) assess the Relationship between employee loyalty, service quality, cost reduction, and company performance in Serbia and Bosnia. Their reason to examine the impacts of employee loyalty and company performance is from the academic discussions that services from the company are contributed to the loyalty and performance of their employee (Tomic et al., 2018). From their research, it was found that better employee loyalty led to better employee's service quality. With employee enthusiasm to attain service quality, the working climate was constructed to flourish for innovation, adaptive management, and nourish employee effort to ahead the corporate competitors (Tomic et al., 2018). Hence, in their research, service quality was a positive and significant effect to cost reduction. From that, cost reduction was statistically significant to affect the company's performance positively. Hence, their research indicated the significant and positive path relationships of employee loyalty, service quality, cost reduction, and organizational performance. Based on the previous study, we can hypothesize:

H3 Salesman Loyalty positively influence Sales Performance

DelVecchio (1998) studied a more positive correlation between salesperson competency and salesperson loyalty than perceived by the Sales manager. DelVecchio (1998) studied the theory of Leader Manager Exchange (LMX) in the field sales context. Based The study found that there was a positive correlation between salesperson competency and salesperson loyalty that was perceived by the Sales manager. Another study by Niehoff, Moorman, Blakely, and Fuller (2001) examined the Relationship between managerial empowerment behaviours, perceptions of job enrichment, and loyalty behaviours. The study was conducted for federal government research facility employees of the United States of America in 2001 who survive the downsizing and restructuring process. There were two hundred and three employees who registered the questionnaire that measures job characteristics and empowerment. The supervisors of the 203 employees were asked to assess the employees' performance of loyal boosterism behaviours. Based on the previous study, we can hypothesize:

H4: Salesman Competency positively influence Salesman Loyalty

Employee loyalty and compensation are two factors giving a reciprocal impact on the organization. A lot of assumption mentions that if the company gives adequate compensation, employee loyalty will automatically increase or positively impact, a direct correlation between both parameters found in many studies. Aloysius and Christy (2013) conducted one of the studies to assess the job satisfaction effect as a mediator of monetary rewards and employee loyalty of the sales staff. One of the hypotheses in that study mentions the direct correlation between monetary rewards and employee loyalty.

Manurung and Kasenda (2017) found a significant correlation between direct and indirect compensation to the employee's loyalty. Specifically, for indirect compensation, there is a 48% significant and positive correlation to loyalty. Another study by Armanu and Sudjatno (2017) found that the variable compensation was not directly significant on the employee's loyalty and motivation. The variable compensation also indirectly affects employee loyalty through employee motivation Onsardi (2012) found a direct positive influence of compensation, empowerment, and job satisfaction on employee satisfaction. It also found that compensation has a direct positive effect on employee loyalty of 149 employees. Based on the previous studies found a different effect between salesman compensation and loyalty. However, the most outcome was the positive effect between the two variables. It can be concluded that most of the researchers hypothesized that:

H5: Salesman Compensation positively influence Salesman Loyalty

The theoretical framework of the independent, mediating, and dependent variables can be seen in figure 1:

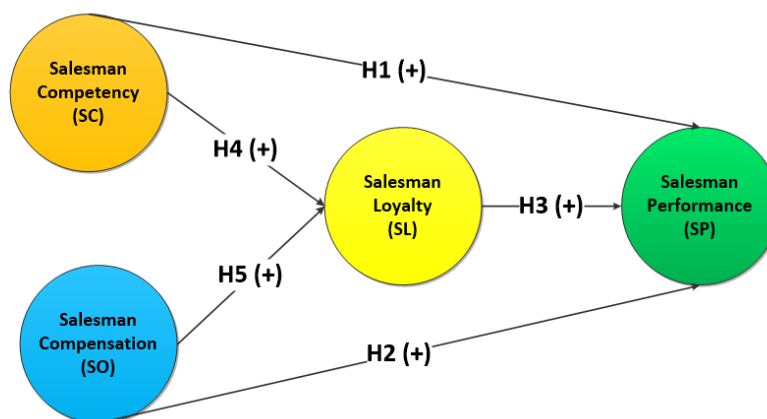


Figure 1: Path Diagram of the research framework and Hypothesis Development

RESEARCH METHOD

The researcher using the research onion approach Saunders, Lewis, Thornhill, and Bristow (2015). This research's philosophy is based on positivism, where the researcher using the fact from the salesman distributor with a large number of samples. The theory development approach uses the deduction method, where the researcher uses previous research in different industries as the background and base of the research. Several concepts and theories are being used as a base of the research to test the variable for the hypothesis that the researcher builds. The researcher also uses the induction method by using the experience of working with a salesperson or distributor. The quantitative method will be used to accomplish the research and answer the research question, to use survey data as the research strategy that will be conducted to all salesmen across Indonesia as mentioned in the fourth layer of research onion. The real case study is based on the fact that the researcher found at distributor is also being used to analyze the research result. The researcher uses an online survey in July 2019 through google forms that targeted the which currently work with more than a year all across the distributor. There are around 600 potential target salesmen who work for more than one year at distributor out of 1200 salespeople. Researchers use the above one year as the filter to ensure that an indicator of loyalty can be achieved in this research. The research questions pose characteristics to understand descriptive demographic respondent's data and to measure the influence of sales competency, sales compensation, salesman loyalty, and salespeople performance. Hence, to understand the descriptive and cause-effect multistage approach is delivered in this study. Firstly, a measure of dispersion, e.g., finding mean and mode characteristics will be performed to know the sample's demography (Sekaran & Bougie, 2016). More in-depth quantitative statistical analysis involves quantitative causal effect relationship of independent, mediating, and dependent variable

In this research, the questions are more on measuring quantitative causal effect, or deductive study between salesman competency, salesman compensation, salesman loyalty, and salesman performance. Hence, with such a deductive study, there are two stages of data collection. Firstly, the population characteristics of salesman products and formulating structural equation model took the secondary data sources. After the researcher understood the population characteristics, the next stage was to distribute a perception questionnaire to salesman respondents of general trade distributors Based on the calculation, the ideal number of samples for 600 salesman samples would be 240 samples. Sekaran and Bougie (2016) indicate that the higher the number of samples, the better the model fit. In this study, there are 532 salesman samples, and it's already above the number of samples required for this research

RESULT AND DISCUSSION

Salesman Competency (SC) has an average (mean) result above 4 out of 5. The median and mode for SC1 (Interpersonal Skills) and SC3 (Technical Skills) get a higher 5 out of 5. However, for SC2 (Salesmanship Skills), the respondent tends to give a 4 out of 5 and make the least indicator that can be improved in the future for development.

Table 1: Descriptive Statistic Result

Variables	Indicators	Mean	Median	Mode	Std Dev
Sales Competency (SC)	SC1	4.45	5.00	5.00	0.63
	SC2	4.31	4.00	4.00	0.70
	SC3	4.63	5.00	5.00	0.60
Sales Compensation (SO)	SO1	3.48	3.00	3.00	1.13
	SO2	3.45	4.00	3.00	1.18
	SO3	3.74	4.00	5.00	1.13
Salesman Loyalty (SL)	SL1	4.26	5.00	5.00	0.92
	SL2	3.90	4.00	4.00	0.98
	SL3	4.37	5.00	5.00	0.79
Sales Performance (SP)	SP1	4.22	4.00	5.00	0.82
	SP2	4.36	5.00	5.00	0.77
	SP3	4.41	5.00	5.00	0.75
	SP4	4.64	5.00	5.00	0.64

Source: Data Sample of salesman distributor

Salesman Compensation (SC) has an average (mean) result above 3.45 out of 5. It makes the Sales Compensation the least variable compares to others. Basic Salary (SO1) gets a mean of 3.48 with a median of 3 and a mode 3 out of 5 scales. Benefit (SO2) also tend to have the same result with Basic Salary (SO1) with a mean of 3.45 and 4 for median and 3 for mode out of 5 scales. The benefit seems to be the least indicators compare to all indicators in the model. Bonus/Incentive (SO3) is relatively better than another indicator in Sales compensation (SO) with the average 3.74 out of 5 scales. The mean of SO3 is 4 however the mode is 5 out of 5. It means, most respondents relatively feel good about the inventive/bonus that they get so far. The standard deviation for all indicators above 1 indicates that the spread of the respondent's output for this indicator is higher than another indicator.

Salesman Loyalty (SL) have an average (mean) result between 3.9 to 4.37 out of 5. The first indicator SL1 (the willingness to stay in the company until next year) has an average response of 4.26 out of 5. The median and mode for this indicator is 5 out of 5. It can be expected that the Salesman who already 1 year and above will stay in the distributor at least until next year. The second indicator (love to do the extra job if needed) have an average response of 3.9 out of 5. The median and mode output for the second indicator is the same with 4 points out of 5. It can be concluded that the Salesman still willing to do an extra job if needed. The 3rd indicator is about willingness to share a good story about the company. The average output is 4.37 out of 5 and becomes the highest average compare to another loyalty indicator. The median and mode output is 5 out of 5. It's a good sign that company can use a salesperson as a spoke person to spread the good news about the company.

Salesman Performance (SP) has an average (mean) result above 4 out of 5. The first indicator of SP1 is observing the target achievement perception. The average output for SP1 is 4.22 the least score compares to the other indicator of Sales Performance with median 4 and mode 5. It can indicate that most salespeople feel that they can achieve the company's target. Since the questionnaire only discusses perception, it needs to check with the actual achievement for further analysis. The questionnaire also doesn't describe the absolute number of achievements since the research method is purely based on salesman perception. The second indicator is the perception of company growth from time to time (SP2). The average output is 4.36 out of 5 with median and mode 5. It indicates that the Salesman felt that the company is growing and keep promising in the future. It's supported with the third indicator about the effort salesman to give the best contribution to the company (SP3), resulting in the average output 4.41 out of 5 with median and mode 5. It can indicate there is cheerful eagerness from Salesman to contribute to the company. The fourth indicator is about feeling energized every day to support the performance (SP4). The average result is 4.64 out of 5 with a median and mode 5. It's essential to have the feeling to achieve the target, and based on the output, most salesmen give a positive feeling.

The result of the test can be found in Appendix 4. The skewness for Salesman Competency (SP), Compensation (SO), Loyalty (SL), and performance (SP) are negative. It means that most of the symmetry of distribution for all variables tend to be on the right side. The other result that we can find in Appendix 4 is the kurtosis result. The kurtosis for variable Salesman Competency (SC), Loyalty (SL), and performance (SP) is positive. It means that the model's distribution peak has heavier tails than the normal distribution and usually lay in the center compared to normal distribution. However, for variable Salesman Compensation (SO) is negative. It means that the peak of Salesman Compensation is flatter than a normal curve with the same mean and standard deviation.

Based on the normality test result since P-value < 0.05, all the variables are not normally distributed. With large enough sample sizes (> 30 or 40), the violation of the normality assumption should not cause significant problems (Pallant & Manual, 2007). Since the sample used by the researcher are 532, the result of normality not affected the study. The researcher also uses Structural Equation Model (SEM) to analyze the model which is not normally distributed. SEM is the second generation of the multivariate method to test the hypothesis of existing theories and concept (confirmatory) or to develop a theory (exploratory) with a predictive focus model.

The goodness of Fit, or Goodness of Fit Indices (GFI) is a method to determine the model's accuracy when producing a covariance matrix. The goodness of Fit Indices has a value around 0 and 1. Based on the output LISREL 9.10, the Goodness of Fit Index (GFI) of this research model is 0.957. It means that the model is to meet the GFI test.

The researcher uses the ratio of Chi-square compare to the degree of freedom (χ^2/df). According to Ghozali and Fuad (2014) if the $\chi^2/df < 5$, the model is fit.

Based on the output LISREL 9.10, the Maximum Likelihood Ratio of Chi-Square is 154.806 and Degrees of Freedom is 54. The calculation of Adjusted Chi-Square is as per the below calculation:

Table 2: Result of Adjusted Chi-Square

Parameter	Result
Maximum Likelihood Ratio Chi-Square	154.806
Degrees of Freedom	54
Adjusted Chi-Square	154.806/54 = 2.867

Source: Data Sample of salesman distributor PT. XYZ

Based on the above calculation, this model passes the Adjusted Chi-Square test. Ghozali & Fuad (2014, p.32,437) suggests that for the RMSEA below 0.08, it is still included as the goodness of the fit of the model. Based on the output of the LISREL 9.10, the Root Mean Square Error of Approximation (RMSEA) is 0.0552. It means that the model passes the RMSEA test.

In LISREL, the validity test can be examined by examining the standardized loading factor. The best valid model is achieved if factor loading is above 0.7. However, the score between 0.5 and 0.6 in the standardized loading factor is sufficiently supported as a valid loading factor (Ghazali & Fuad, 2014). If the score loading is below 0.5, it shall be removed from the path analysis and re-run (Ganic et al., 2018). More of the standardized loading can be seen in the graphical and standardized loading factors, as shown below.

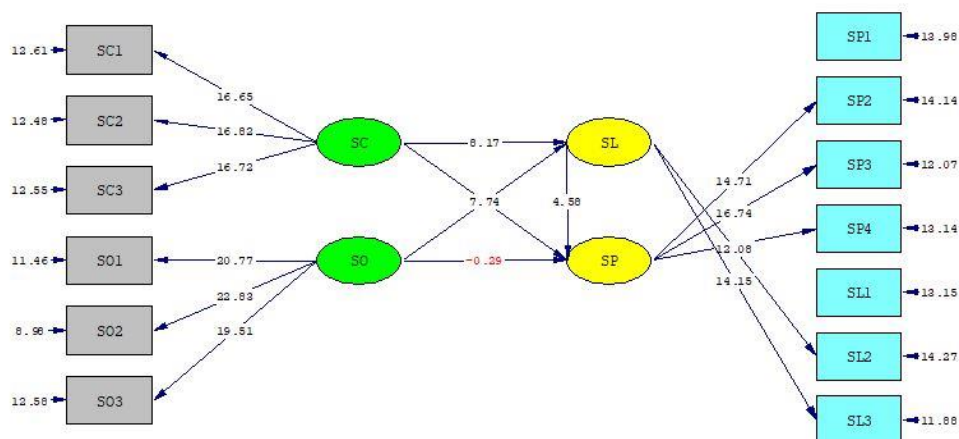


Figure 2: Path Diagram of the research framework and Hypothesis Development

There are five direct paths as part of the hypothesis that must be examined in the research models. There are several things to be considered To examine the hypothesis, Firstly, the test is to see the standardized coefficient correlation (see LISREL standardized estimate GAMMA)) and parameter significance (if T-statistics >1.96 or P-value is lower than 0.05 (Ghazali & Fuad, 2014). Based on the Figure 3, Coefficient Correlation for the direct path of Hypothetic are drawn below as can be seen in the table

Table 3: Result Coefficient Correlation of Direct Path

Variables	Coefficient Correlation	Correlation strength*)	Z-Statistic**	P-Value***)	Result
SC → SP	0.532	Moderate	7.734	0.000	Significant
SO → SP	- 0.0190	Negative	-0.286	0.775	Insignificant
SL → SP	0.462	Moderate	4.571	0.000	Significant
SC → SL	0.455	Moderate	8.167	0.000	Significant
SO → SL	0.526	Moderate	9.532	0.000	Significant

* Spearman's correlation coefficient

** Z-statistic is used since the data is above 400. The Z-value data is assumed as normal distribution. Hence the df has not been an issue in cumulative standardized distribution.

***Significant at alpha 0.05 (5%)

- H-1 Salesman Competency (SC) has a positive impact on Salesman Performance (SP).

The result of SEM indicates a positive correlation of 0.532 with moderate strength. It's the highest correlation among direct correlation. The Z-statistic is 7.734 and p-value 0.000 (<0.05). It means that the hypothesis is supported, the higher competency, the higher sales performance. Business organizations emphasize the importance to tailor management structure and corporate structure to achieve better business efficiency. To achieve this business efficiency, the company puts human capital as one significant asset to assist customer relationships and consolidate physical capital (Stainer, 2006). Specifically, sales performance is associated with Salesman and managers' mutual agreement to perform such acceptable sales standards such as fair price, satisfied service levels, acceptable quality from sales activities (Zallocco, Pullins, & Mallin, 2009). Such organizational performance is formed by some salespeople competencies, such as sales and professional services delivered to customers (Heffernan & Flood, 2000). Xu and Ye (2014) also found human resource performance signs if the adequate salespeople competency supported it. From the descriptive statistics, the modes for all indicators of sales performance are 5. It means the majority of respondent's salesman's distributors revealed an optimistic perspective regarding their salesmen performance. It is also found that the beta coefficient of sales competencies to sales performance has the highest among other relationships, about 0.532 and statistically significant. It can be concluded that the higher sales competency, the higher sales performance of for salesman distributor. This finding extends previous findings (Margaret & Flood, 2000) and Xu and Ye (2014) that associate the positive relationships between human resource competency and organizational human resource performance.

- H-2 Salesman Compensation (SO) has a positive impact on Salesman Performance (SP).

The result of SEM shows a negative correlation of -0.0190. The Z-statistic is -0.286 (<1.96) and p-value 0.775 (>0.05). Therefore, the hypothesis is rejected. It shows the higher compensation of Salesman. It does not have an impact on the sales performance of distributor PT. XYZ. Many references study said that compensation has a direct effect on the performance both in Indonesia and outside Indonesia. It happened in various industries. (Setiawan & Dewi, 2014) mention in their research in the sales and trading industry supported the hypothesis that there is a positive correlation between compensation and performance. In the garment industry, research from (Akter, 2016) also mentions a strong and positive relationship between compensation and job performance across 261 respondents. However, research from (Ramzan et al., 2014) in the banking industry found that even there are different results that compensation has a positive impact on employee performance. It is proved from correlation analysis that all the independent variables have a weak or moderate positive relationship. The educational background was one of the factors that influence the result based on descriptive analysis. In this research, the result showed a negative correlation -0.0190 between sales compensation and sales performance. The Z-statistic is -0.286 (<1.96) and p-value 0.775 (>0.05). Therefore, the hypothesis is rejected. Based on the descriptive analysis, it's also found that the standard deviation for all factors of compensation which are Basic Salary (SO1), Incentive (SO2), and Benefit (SO3) are above 1 with mode 3 for Basic Salary and Incentive. It shows the higher compensation of Salesman, and it does not impact the sales performance of the distributor.

- H-3 Salesman Loyalty (SL) has a positive impact on Salesman Performance (SP)

The result of SEM shows a positive correlation of 0.462 with moderate strength. The Z-statistic is 4.571 (>1.96) and p-value 0.000 (<0.05). Therefore, the hypothesis is supported. It shows that the higher the salesman loyalty, the higher the salesman Performance of Salesman PT. XYZ. In general terms, the more loyal employee, it's expected that the performance is better. Research from Ganic et al. (2018) mentions a significant effect on employee satisfaction on employee loyalty, thus influencing employee performance. Another research from Tomic et al. (2018) mention that employee loyalty led to better employee service quality at the end has a direct path with organizational performance. Based on descriptive statistical analysis, most salesman loyalty (SL) indicators and performance (SP) have mode 5 out of 5 except SL2 on willingness to do the extra job if needed with mode 4 out of 5. It also reflects in the mean which ranging from 3.9 to 4.64 out of 5. Based on this review, salesman distributor PT. XYZ has a positive attitude towards loyalty (SL) and performance (SP). In this study, we found a positive correlation of 0.462 with moderate strength between salesman loyalty and salesman performance showing by the beta coefficient of both variables. The Z-statistic is 4.571 (>1.96) and p-value 0.000 (<0.05). Therefore, the hypothesis is supported. It shows that the higher the salesman loyalty, the higher the salesman Performance of Salesman.

- H-4 Salesman Competency (SC) has a positive effect on Salesman Loyalty (SL).

The result of SEM shows a positive correlation of 0.455 with moderate strength. The Z-statistic is 8.167 (>1.96) and p-value 0.000 (<0.05). Therefore, the hypothesis is supported. It shows that the higher the salesman competency, the higher the salesman loyalty. One of the capabilities of the market-driven organization is sales competency. Sales competency is associated with the company's capability to learn about customers, competitors, and channel members to continuously sense and act on events and trends in the present and prospective markets (Day, 2013). In previous research, (Ahmad et al., 2010) found a significant positive effect between sales competency to sales loyalty. The more sales competency to have of the salesmen, the more convenient to work in that working environment, hence, more loyalty of the Salesman. Sales competency. DelVecchio (1998) also found that more positive correlation between salesperson competency and salesperson loyalty than perceived by the Sales manager. From the descriptive statistics, it was found that the majority of respondents revealed positive responses when they were asked related to sales competency's statements, as found of mode value between 4-5 (agree to extremely agree). This positive mode response, range of 4-5, was also found on sales loyalty. It can be indicated that the distributor's salesmen seem to express optimistic views about sales competency and sales loyalty. From the statistical inference, it is found that more salesmen competency led to more sales

loyalty for salesmen distributor of PT XYZ. This result also supported the previous study made by (Delvecchio, 2012). Hence, this finding strengthens the relationships of more sales competency will lead to higher sales loyalty.

In this research, the researcher found a positive correlation of 0.455 with moderate strength between salesman competency and salesman loyalty showing by the beta coefficient of both variables. The Z-statistic is 8.167 (>1.96) and p-value 0.000 (<0.05). Therefore, the hypothesis is supported. It shows that the higher salesman competency will improve the salesman loyalty of Salesman PT. XYZ.

- H-5 Sales Compensation (SO) has a positive impact on Sales Loyalty (SL).

The result of SEM shows a positive correlation of 0.526 with moderate strength. The Z-statistic is 9.532 (>1.96) and p-value 0.000 (<0.05). Therefore, the hypothesis is supported. It shows that the higher compensation, the higher the salesman loyalty of distributor PT. XYZ.

The Indirect path for this model as can be seen in Table 4.

Table 4: Result Coefficient Correlation of indirect Path

VARIABLES	INDIRECT EFFECT		RESULT
SC → SL → SP	0.455 x 0.462	0.21021	Significant
SO → SL → SP	0.526 x 0.462	0.24301	Significant

Source: Data Sample of salesman distributor PT. XYZ

As mentioned by Aloysius and Christy (2013) in their research, there was a significant positive relationship between monetary rewards and insurance agents' loyalty. Monetary rewards are one of the components that influence the total package of compensation in this research. It's also supported by other research conducted by Blazovich (2013) that scrutinizes the effect of human resource compensation on human resource performance in the United States. Their research intends to explore whether team members work harder and perform better when compensated based on team and individual performance. Based on descriptive statistics, both variables show the least average output ranging from 3.45 to 4.37 (undecided to agree) out of 5. The standard deviation of the indicator of sales compensation and loyalty also the highest compared to other indicators (0.79 to 1.18). It can reveal that the distributor's Salesman highly deviates for compensation and loyalty variable compared to another variable. However, the correlation across both variables can be explained in the correlation analysis. As mention in the hypothesis testing, there is a positive correlation of 0.526 with moderate strength between sales compensation and salesman loyalty. The Z-statistic is 9.532 (>1.96) and p-value 0.000 (<0.05). Therefore, the hypothesis is supported. It shows that the higher the basic salary, incentive, and benefit that the Salesman receives from the distributor the higher its respective distributor's salesman loyalty.

- H-6 Salesman Competency has a positive impact on Sales Performance mediating by salesman loyalty.

Based on SEM analysis's calculation on the indirect effect of Salesman Competency to salesman performance through salesman loyalty, it shows result 0.21 (positive). Therefore the hypothesis is supported. It shows the higher sales competency followed by sales loyalty will impact the distributor PT's higher sales performance. XYZ. Based on SEM analysis's calculation on the indirect effect of Salesman Competency to salesman performance through salesman loyalty, it shows result 0.21 (positive). Therefore, the hypothesis is supported. The power effect from the indirect path for salesman loyalty towards salesman competency and sales performance are:

$$\frac{(SC \rightarrow SL) \times (SL \rightarrow SP)}{SC \rightarrow SP + [(SC \rightarrow SL) \times (SL \rightarrow SP)]} = \frac{0.455 \times 0.462}{0.532 + [0.455 \times 0.462]} = \frac{0.21021}{0.532 + 0.21021} = 28.3\%$$

It can be concluded that salesman loyalty has a **medium** mediation effect for salesman competency and salesman performance (Memon, Cheah, Ramayah, Ting, & Chuah, 2018)

- H-7 Sales Compensation has a positive impact on sales performance mediating by salesman loyalty.

Based on SEM's calculation on the indirect effect of salesman compensation to salesman performance through salesman loyalty, it shows result 0.24 (Positive). Therefore, the hypothesis is supported. It can indicate that the higher the salesman compensation and salesman loyalty, the higher the distributor's sales performance. Based on SEM's calculation on the indirect effect of salesman compensation to salesman performance through salesman loyalty, it shows result 0.24301 (Positive). The power effect from an indirect path for salesman loyalty towards salesman compensation and salesman performance are:

$$\frac{(SO \rightarrow SL) \times (SL \rightarrow SP)}{|SO \rightarrow SP| + [(SO \rightarrow SL) \times (SL \rightarrow SP)]} = \frac{0.526 \times 0.462}{|-0.0190| + [0.526 \times 0.462]} = \frac{0.24301}{0.0190 + 0.24301} = 92.7\%$$

It can be concluded that the salesman loyalty is **high** mediation for the salesman compensation and salesman performance (Memon et al., 2018)

CONCLUSION

Based on the correlation among variables, four significant correlations influence the sales performance directly and indirectly. The direct correlation based on the rank is Salesman Competency (SC) to Salesman Performance (SP), Salesman Compensation (SO) to Salesman Loyalty (SL), Salesman Loyalty (SL) to Salesman Performance (SP), and Salesman Competency (SC) to Salesman Loyalty (SL). However, one insignificant factor influences the model, which is Salesman Compensation (SO) to salesman performance (SP).

From seven research objectives that initiate this study, the objectives can be achieved through this research except for the direct correlation between salesman compensation and salesman performance. The Salesman Loyalty as a mediating variable already proven can help Salesman to improve the power sales performance. The more loyal Salesman, together with high competency and suitable compensation, can help distributor PT. XYZ in improving sales performance.

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