EPH-International Journal of Business & Management Science

POWERING PERFORMANCE: THE IMPACT OF COMPENSATION AND INCENTIVE PRACTICES ON SALES FORCE EFFECTIVENESS IN THE PHARMACEUTICAL EQUIPMENT INDUSTRY

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Article History
Received: *2026-04-15*
Revised: *2026-05-25*
Accepted: *2026-06-03*
Published: *2026-06-15*

Abstract
This research aims to determine how compensation and incentive practices affect the sales force's effectiveness in the pharmaceutical equipment industry. This industry is notable for its high levels of pressure and complexity. Sales personnel must undertake product demonstrations, manage institutional customers, cope with long sales cycles, and carry out after-sales with an additional pressure of targets. The research used a quantitative methodology. A systematic questionnaire was used to gather data. The research looked at remuneration for recruiting and keeping people, compensation for performance, incentive alignment with sales objectives, motivating structure of compensation, compensation competition, non-financial appreciation, and sales staff performance. SmartPLS and SPSS were used to analyse the data. The results showed that the sales staff polled had a favourable opinion of the incentive and pay policies. The measuring model demonstrated the validity and reliability of the study components for further examination. The structural model stated that incentive and pay policies addressed sales staff performance. Within the studied variables, non-financial appreciation and compensation competitiveness were the strongest predictors of sales personnel performance. The study recommends that a balanced reward system, comprised of fair and competitive compensation, performance-based compensation, recognition, career advancement opportunities, and supportive practices be implemented to improve the effectiveness of the sales force in the pharmaceutical equipment industry.

Keywords: *Compensation, Incentives, Non-financial Recognition, Sales Force Effectiveness, Sales Personnel Performance, Pharmaceutical Equipment Industry, SmartPLS, Competitive Compensation.*

Vol. 12 Issue 3s (June 2026)
ISSN: 2208-2190 Pages- 11-20
DOI: https://doi.org/10.69980/s8py6q55

1. Introduction

The pharmaceutical equipment sector is a technically intricate, ultra-competitive marketplace. Here, the effectiveness of a sales force and product quality significantly affect sales(Kalra et al., 2021). Unlike standard consumer products, equipment such as diagnostic instruments, pharmaceutical manufacturing machines, sterilizers, packagers, quality control systems, and laboratory equipment involve regulatory knowledge, commitment to the client, and coordination of many consultative and technical after-sales steps. Sales personnel for this sector must understand and explain product features and benefits, respond to purchasing and institutional buyer coordination needs, facilitate product demonstrations, and build and sustain relationships with hospitals, laboratories, pharmaceutical companies, distributors, and research entities(Chung et al., 2020). The quality of client connections, coverage of the sales region, the correct product, the right customer, ethics, and customer retention are all important aspects of sales people performance in this industry, in addition to reaching monthly sales goals. Within this sector, incentive and compensation policies are powerful tools for management, since they have a high impact on commitment and selling behavior and the resulting performance. Sales compensation systems reflect a combination of fixed pay, commission, bonuses tied to goals, recognition, reimbursed travel, opportunities for advancement, and other rewards. Salesforce characterizes sales compensation systems as formal systems of salespersons' annual salaries, commissions, bonuses, and performance-related rewards(Waiser, 2021).

Compensation and incentive practices are uniquely important for the sales of pharmaceutical equipment because of the long sales cycles, large transactions, many stakeholders, and the pressure to hit budget numbers(Chung et al., 2021). A sales rep could have to identify and meet with potential customers, do a product demo, set up a product trial, negotiate the price, follow up on a request for a quote, set up a service intervention, and communicate with the customer to support them after the sale, and only then would he or she see the revenue from the sale(Rodríguez et al., 2024). Selling systems that reward only short-term revenue incentivize employees to focus on making the transaction and overlook customer satisfaction, the quality of service, ethics, and the customer service rep's long term account development. If this situation is balanced, and incentives reward decent sales, new customers, quality product demos, and keeping clients and developing the sales territory, then the sales rep will have a more sustainable sales behavior. In medicine, and the pharmaceutical sales industry, sales success is the sum of both quantitative sales metrics and qualitative metrics of relationship-based selling. Thus, pharmaceutical companies must give employee security in the form of a stable salary while giving employees the incentive to sell in the form of a bonus system(Zhang et al., 2024).

This research, "Powering Performance: The Impact of Compensation and Incentive Practices on Sales Force Effectiveness in the Pharmaceutical Equipment Industry," is relevant because of the centrality of sales force productivity to the success of organizations in technical B2B markets. Firms in the pharmaceutical equipment space invest substantial financial and other resources in product development, the building out of distribution systems, product demonstrations, and customer support(Ahearne et al., 2025). These investments yield a return only when the sales force is motivated and instructed in a strategic manner. Different forms of compensation and incentives influence the order in which salespersons deal with customers, the way they endeavor to manage sales and service areas, the company's operational style, and the extent of their allegiance to the company's goals(Ryari et al., 2021). The findings of several contemporary studies and industry reports suggest that incentive-based compensation that offer rewards directly correlate with a given level of attainment do offer advantages in terms of sales, profitability, and market and brand growth(Homburg et al., 2024). In the pharma industry, a research study on medical sales reps emphasized the positive and negative effect of sales incentive schemes on motivation and productivity, as well as the ethics of incentive design. Thus, evaluating the effects of compensation, monetary and non-monetary incentives, recognition, and equality in reward distribution on sales force performance in pharmaceutical equipment firms is the primary research challenge. It is anticipated that this research will shed light on the strategic value of compensation schemes and improve both the academic and practical discourse in the area(Fulmer et al., 2023).

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ISSN: 2208-2190 Pages- 11-20
DOI: https://doi.org/10.69980/s8py6q55

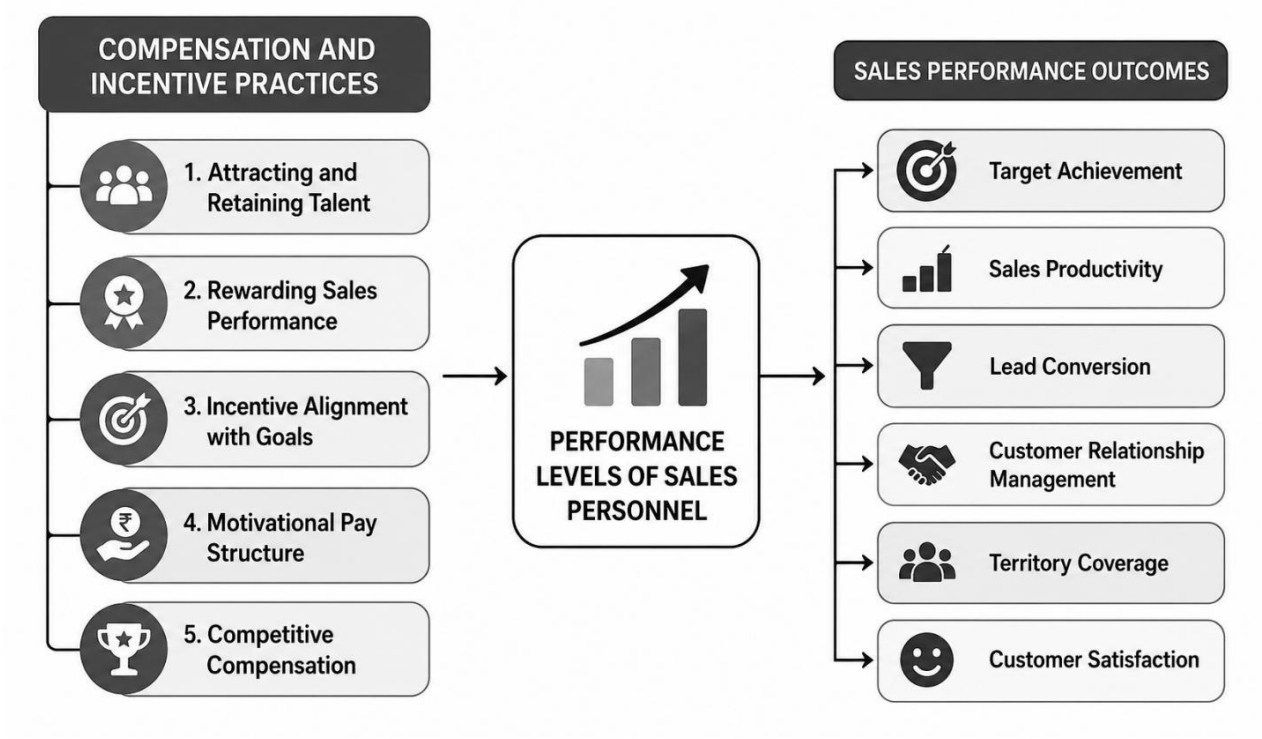


Figure 1.1: Conceptual Diagram of the Study

This study's conceptual framework is shown in Figure 1.1. The framework demonstrates how different incentive and pay schemes affect salespeople's performance levels. The framework identifies five interrelated components. The first is attracting and retaining talent. The other four are rewarding performance, incentive alignment, motivational pay structure, and competitive compensation. The framework suggests that the sales personnel practices of each of these components results in positive sales outcomes. These are achieving sales targets, increasing sales productivity, improving sales lead conversion and enhancing customer relationship management and satisfactory coverage, and improving customer satisfaction.

1.1 Conceptual Background of the Study

The market for pharmaceutical equipment is very competitive. Salespeople link businesses with clients, which might include institutions, manufacturers, hospitals, labs, and distributors. Sales personnel do much more than promote and sell products. They explain the products' value, demonstrate products, educate the customer and negotiate, and manage relationships before, during, and after the sale. Therefore, sales personnel, and their organizations, are interdependent. In the pharmaceutical equipment industry, sales are a long-term and sustained organizational effort. The Competitions and Incentive Practices in the Industry play a pivotal role for this sustained effort. A basic pay, commissions and incentives, recognition, travel assistance, and chances for further career development and promotion are all components of a fair remuneration plan. The compensation packages will be designed to attract skilled sales personnel, and retain and reward sales personnel, and sustain customer sales. The Sales in the pharmaceutical equipment industry are long, and often involve large sales to large customers. Therefore, compensation practices must focus on customer and sales personnel satisfaction and welfare. Sales personnel focused on customer satisfaction and welfare will achieve sustained growth to the organization. Sales personnel will achieve the desired sustained growth to the organization when they perceive compensation as fair, and motivational, and competitive practices within the industry. Therefore, this study will investigate the effects Compensation and Incentive Practices within the pharmaceutical equipment industry and their effects on the sales personnel.

2. Literature Review

According to (Bowen et al., 2024), regarding the compensation of sales personnel, variable pay and other performance-based rewards like commissions and bonuses, drive enhanced effort and performance. According to (O'Donnell & Marsh, 2022), different forms of compensation affect people's perceptions, behavior, the direction of effort, and the alignment with the organization. The response of salespeople is heightened when the reward system is explicitly aligned with the sales objectives. (Wang et al., 2025)

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examined uniform sales incentive contracts and stated that to achieve long-term sales results, incentive design should incorporate market conditions, sales efforts, and equity of contracts. (W. Zhou et al., 2025) researched resilient salesforce compensation, revealing that in market volatility, compensation types influence sales promotions in different ways; these include quantity-based incentives and percentage-based incentives. (Gowda V & Suvarna, 2025) discovered that incentives, financial and otherwise, both enhance motivation and performance in the corporate sector, which implies that reward systems in the corporate sector encompass salaries, bonuses, recognition, and opportunities for growth.

(Zhu et al., 2024) examined the motivational dynamics of salespersons and proposed that the enhancement of sales performance is contingent on the integration of the compensation scheme with the training regimen and the systematic management of the sales ecosystem. (Amenuvor et al., 2023) showed that both behaviour-based and outcome-based sales controls positively affect service-sales ambidexterity, but excessive pressure in a sales role may lead to greater emotional exhaustion and decreased job performance. (Lu et al., 2023) analyzed sales compensation disclosure and deceptive sales practices, demonstrating reward transparency and ethical accountability are critical in sales-related fields. (Nusraningrum et al., 2024) suggested that motivation can increase employee performance by advancing employee engagement. This shows that incentives are more productive when they increase engagement over merely extending short-term productivity. (Zhao et al., 2024) showed that three types of compensation, direct economic compensation, direct non-economic compensation, and indirect non-economic compensation, positively impact the effectiveness of incentives. These results particularly apply to companies selling pharmaceutical equipment as their sales representatives need to possess a mix of product knowledge, customer service, sales negotiation, compliance, and after sales coordination skills. Accordingly, balanced incentives can augment sales efficacy and minimize stress, unethical sales, and dissatisfaction.

(Alavi et al., 2024) have discussed the management of the salesperson lifecycle. They observe that the effectiveness of the sales force is a function of recruitment, compensation, training, performance evaluation, retention, and career development. (Prigge et al., 2024) state that including salespeople in new product development increases employee retention and performance, especially in pharmaceutical equipment firms. In this industry, product updates are frequent and highly technical. According to (Jeon & Yin, 2026), there is a mediation effect of perceived pay equity between empowering leadership and employee innovation. Fairness in compensation was shown to promote proactive and positive work behavior. According to (J. Zhou et al., 2025), pay-for-performance plans reinforce employee efforts through total reward systems, enhancing employee proactivity. According to (Lan et al., 2026), ability, motivation, and opportunity also influenced work proactivity, but retention and productivity focus increasingly emphasized value of non-monetary incentives. According to all of these research, pharmaceutical equipment salespeople should have incentive and pay plans that go beyond commission-only. To achieve a more effective sales force, the structure should include a base salary, performance-based incentives, equitable sales territory distribution, appreciation, advancement opportunities, training assistance, and incorporation of objective criteria.

2.1 Research Gap

Research has thoroughly addressed compensation, incentives, employee motivation, and sales performance pertaining to the general business, pharmaceutical, and corporate sectors. The impact of compensation and incentives on the effectiveness of sales forces has not been studied extensively in the pharmaceutical equipment sector. Transactions in this market require technical sales, lengthy sales cycles, sales to institutional customers, and post-sales integration. Therefore, the impact of fairness of compensation, alignment of incentives, the motivational structure of pay, and competitiveness of the sector on sales personnel performance should be investigated in this context.

2.2 Research Objectives

1. To examine the effect of financial compensation and incentive practices on the performance levels of sales personnel in the pharmaceutical equipment industry.
2. To analyse the influence of non-financial recognition on the performance levels of sales personnel in the pharmaceutical equipment industry.
3. To evaluate the combined explanatory power of compensation competitiveness, incentive alignment, motivational pay structure, and non-financial recognition in predicting sales personnel performance.

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ISSN: 2208-2190 Pages- 11-20
DOI: https://doi.org/10.69980/s8py6q55

2.3 Research Hypotheses

1. H_{01}: Financial compensation and incentive practices have no significant positive effect on the performance levels of sales personnel in the pharmaceutical equipment industry.
H_{11}: Financial compensation and incentive practices have a significant positive effect on the performance levels of sales personnel in the pharmaceutical equipment industry.
2. H_{02}: Non-financial recognition has no significant positive effect on the performance levels of sales personnel in the pharmaceutical equipment industry.
H_{12}: Non-financial recognition has a significant positive effect on the performance levels of sales personnel in the pharmaceutical equipment industry.
3. H_{03}: The combined compensation and recognition model does not significantly explain variance in the performance levels of sales personnel in the pharmaceutical equipment industry.
H_{13}: The combined compensation and recognition model significantly explains variance in the performance levels of sales personnel in the pharmaceutical equipment industry.

3. Research Methodology

The methodology of the research describes how incentive and pay policies impact salespeople's performance in the pharmaceutical equipment industry. Using a standardised questionnaire, 120 sales personnel provided primary data for the research, which used quantitative approaches. Compensation effectiveness, reward fairness, incentive alignment, motivating pay structure, industry competitiveness, and sales performance results were all evaluated by the questionnaire. Regression analysis, reliability tests, and descriptive statistics were all conducted using SPSS. The measurement and structural models were assessed using SmartPLS.

3.1 Research Design

The study examined the link between incentive and pay policies and sales staff performance using quantitative data and a descriptive and causal-explanatory approach. Since the information was gathered from the respondents all at once, a cross-sectional survey was used. The causal-explanatory design was used to examine how five pay-related factors affected sales employees' performance in the pharmaceutical equipment business, while the descriptive design clarified the current practices of incentives and compensation.

3.2 Research Approach

This study used a deductive methodology. The idea that incentive and pay policies have an impact on worker performance served as the foundation for the study. A hypothesis that was tested was developed using this theory. The goal of the study was to investigate the link between employee performance and remuneration rather than to create a new hypothesis. The study was carried out in the pharmaceutical equipment sector. Additionally, a positivist method was used. This method emphasises the use of quantifiable factors, organised replies, statistical analysis, and unbiased interpretation of results. By using this method, the researcher was able to gather data in a methodical manner while reducing the degree of subjectivity in the study.

3.3 Sample Size and Sampling Technique

This study was based on an adequate sample size of 120 respondents. This sample size worked for both quantitative analysis and structural equation modelling, given that the model had 5 predictor constructs and 1 outcome construct. Considering the focus of the study was on a particular industry and on respondents with direct sales experience, the researcher used the purposive sampling method. This method was apt for the current study since only those respondents were included with relevant knowledge of sales role compensation and incentive practices. Those respondents who were not directly involved with sales and/or were not in contact with performance systems linked with compensation were not included in the study. This determined that the responses provided were relevant, based on experience, and were fit to evaluate the proposed model of the research.

3.4 Data Collection Method

The research used a structured questionnaire to gather primary data in order to assess sales personnel's perceptions of the influence of incentive and pay practices on performance as well as the practices' probable effects on results. 120 salespeople in the pharmaceutical equipment sector were polled for the research. Uniform data collection and simple statistical comparison across different sample groups were made possible via a standardised questionnaire. The responses were captured using a Likert-type scale, which indicated the participants' extent of agreement to the statements. The Likert scale fit the study well because it helped

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transform the sales personnel's subjective perceptions on compensation and incentives to numerical data that were fit for analysis using the SPSS and SmartPLS statistical software. The responses were screened for completeness before analysis. Responses that were either inconsistent or irrelevant to the study were removed. The data entered into the SPSS for primary analysis were SmartPLS ready and transposed for further analysis on structural equation modeling.

3.5 Variables of the Study

There was one dependent variable and six independent factors in the research. Compensation for attracting and retaining talent, compensation for rewarding performance, incentives that are in line with sales goals, the motivational structure of compensation packages, the competitiveness of compensation packages within the industry, and non-financial recognition were among the study's independent variables. These variables are defined in terms of salary, incentives, bonuses, benefits, recognition, appreciation, fairness, and performance-linked rewards. The dependent variable was sales personnel performance. This performance was measured in terms of target and task performance, productivity, lead conversion and other measures of customer relations, coverage and satisfaction as well as total sales effectiveness.

3.6 Data Analysis Procedure

Data analysis had two main stages and involved the use of SPSS and SmartPLS. The first stage involved data preparation, cleaning through coding, and analysis of descriptive statistics and reliability using SPSS. Cronbach's alpha measures the questionnaire's internal consistency, whereas descriptive statistics show the participants' demographics and answer patterns. Multiple regression analysis was used to evaluate how incentive and pay policies affected sales employees' performance. PLS-SEM was performed in the second step using SmartPLS. Path coefficients, t-statistics, p-values, and R2 were used to evaluate the structural model, while outer loading, composite reliability, AVE, and discriminant validity were used to evaluate the measurement model. There was a more compelling justification for this combined analytical examination of the suggested study model.

3.7 Reliability and Validity Assessment

To assess the accuracy and quality of the research tool, reliability and validity were assessed. Cronbach's Alpha was used in SPSS to assess the items' internal consistency; levels greater than 0.70 were considered adequate. In addition to discriminant validity, SmartPLS examined composite reliability, average variance extracted, and outer loadings. These assessments verified the constructs' reliability and validity, as well as the extent to which they were distinct from one another; thus, permitting advanced analysis of the structural model.

4. Results and Discussion

The results of the analysis conducted on the original data obtained from respondents are described in this section. Demographic profiling, descriptive analysis, measurement model analysis, validity testing and reliability analysis, discriminant validity, structural model analysis, and hypothesis testing are all part of the analytical process. Using SPSS and SmartPLS, the link between incentive and pay policies and sales staff performance was examined. Discussion of the findings includes the relevant statistics and comparison to prior research in order to gain insight on the real-world impact of compensation practices on the sales personnel.

4.1 Demographic Profile of Respondents

The 120 respondents' demographics are categorised in this section. It shows their gender, age, education, years of selling, and sales designation. Understanding respondents' demographics helps to verify the sample drawn to analyze the relationship of sales compensation, sales incentives, and sales performance is correct.

Table 4.1: Demographic Profile of Respondents

Demographic Variable	Category	Frequency	Percent (%)
Gender	Male	59	49.2
	Female	45	37.5
	Prefer not to say	16	13.3
Age Group	Below 25 years	23	19.2
	25–35 years	38	31.7

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	36–45 years	40	33.3
	46 years and above	19	15.8
Educational Qualification	Diploma	38	31.7
	Graduate	30	25.0
	Postgraduate	29	24.2
	Professional Degree	23	19.2
Work Experience in Sales	Less than 1 year	21	17.5
	1–3 years	27	22.5
	4–6 years	26	21.7
	7–10 years	31	25.8
	Above 10 years	15	12.5
Current Designation	Sales Executive	43	35.8
	Senior Sales Executive	33	27.5
	Area Sales Manager	24	20.0
	Regional Sales Manager	20	16.7
Total		**120**	**100.0**

A sample of 120 respondents working in sales in the pharmaceutical equipment industry is described in Table 4.1. Gender distribution shows that the respondents were mostly male with 59 respondents making up 49.2% of the sample while female respondents were 45 making up 37.5% of the sample. A small percentage of participants, 13.3%, opted to keep their gender confidential. Most respondents were in the 36–45-year category (33.3%). Secondly most respondents were in the 25–35-year category (31.7%). This suggests that most respondents were from an older and working population. Concerning educational attainment, the largest group were diploma holders at 31.7%, followed by degree holders at 25.0% and those with postgraduate qualifications at 24.2%. The work experience data shows respondents with 7–10 years of experience in sales were the highest at 25.8%. This shows the respondents have experience in the industry. Regarding designation, sales executives were the highest respondents at 35.8%. Overall, the respondents were suitable to analyze the compensation, incentives, and sales personnel performance.

4.2 Construct Reliability and Convergent Validity

Cronbach's alpha, composite reliability, and Average Variance Extracted (AVE) were used to assess the SmartPLS measurement model. The findings demonstrate the validity and reliability of each concept. This is inferred from the fact that every AVE value is more than 0.50 and every Cronbach's alpha value is greater than 0.70. Therefore, the questionnaire's questions were useful for evaluating the structural model.

Table 4.3: Construct Reliability and Convergent Validity Results

Construct	Cronbach's alpha	rho_a	rho_c	AVE
Alignment of Incentives with Sales Objectives	0.893	0.910	0.926	0.757
Compensation Packages in Rewarding Performance	0.895	0.911	0.927	0.760
Compensation in Attracting and Retaining Talent	0.918	0.921	0.942	0.802
Competitiveness of Compensation Packages within the Industry	0.865	0.868	0.908	0.711
Motivational Structure of Compensation Packages	0.829	0.850	0.886	0.661
Non-financial Recognition	0.747	0.753	0.856	0.664
Performance Levels of Sales Personnel	0.843	0.847	0.889	0.615

4.3 Structural Model and Hypothesis Testing

The structural model was validated by bootstrapping using SmartPLS. There were six predictors for the performance levels of sales personnel. These included: compensation to attract and retain sales personnel, performance reward compensation, align incentives to sales goals, the motivational structure of compensation, competitiveness of compensation within the industry, and non-financial rewards.

Table 4.4: Path Coefficient and Hypothesis Testing Results

Path	β	t-value	p-value

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CART → SPP	0.110	1.467	0.142
CPRP → SPP	-0.157	1.846	0.065
AISO → SPP	0.147	1.880	0.060
MSCP → SPP	-0.088	1.097	0.273
CCPI → SPP	0.174	2.171	0.030
NFR → SPP	0.840	13.639	0.000

The findings show that Non-financial Recognition (NFR) has the greatest positive link with Sales Personnel Performance (β = 0.840, t = 13.639, p = 0.000). This suggests that gratitude, acknowledgement, acknowledgement of work, non-monetary prizes, and so on significantly increase sales staff performance. A positive and substantial effect is also shown by the Competitiveness of Compensation Packages within the Industry (CCPI), with β = 0.174, t = 2.171, and p = 0.030. Salespeople, then, perform better when they think their pay is comparatively competitive when compared to industry norms. Because the p-values for CART, CPRP, AISO, and MSCP were higher than 0.05, they were not statistically significant at a 5% threshold.

Table 4.4: R-square Results

Endogenous Construct	R-square	R-square Adjusted	Interpretation
Performance Levels of Sales Personnel	0.943	0.940	Strong explanatory power

The R-square and modified R-square for the Performance Levels of Sales Personnel are 0.943 and 0.940, respectively. Therefore, 94.3% of the variation in sales people performance may be attributed to salary and recognition. This model, which is thought to have a significant explanatory power, shows that competitive pay and recognition policies play a crucial part in improving the efficacy of the sales force in the pharmaceutical equipment industry.

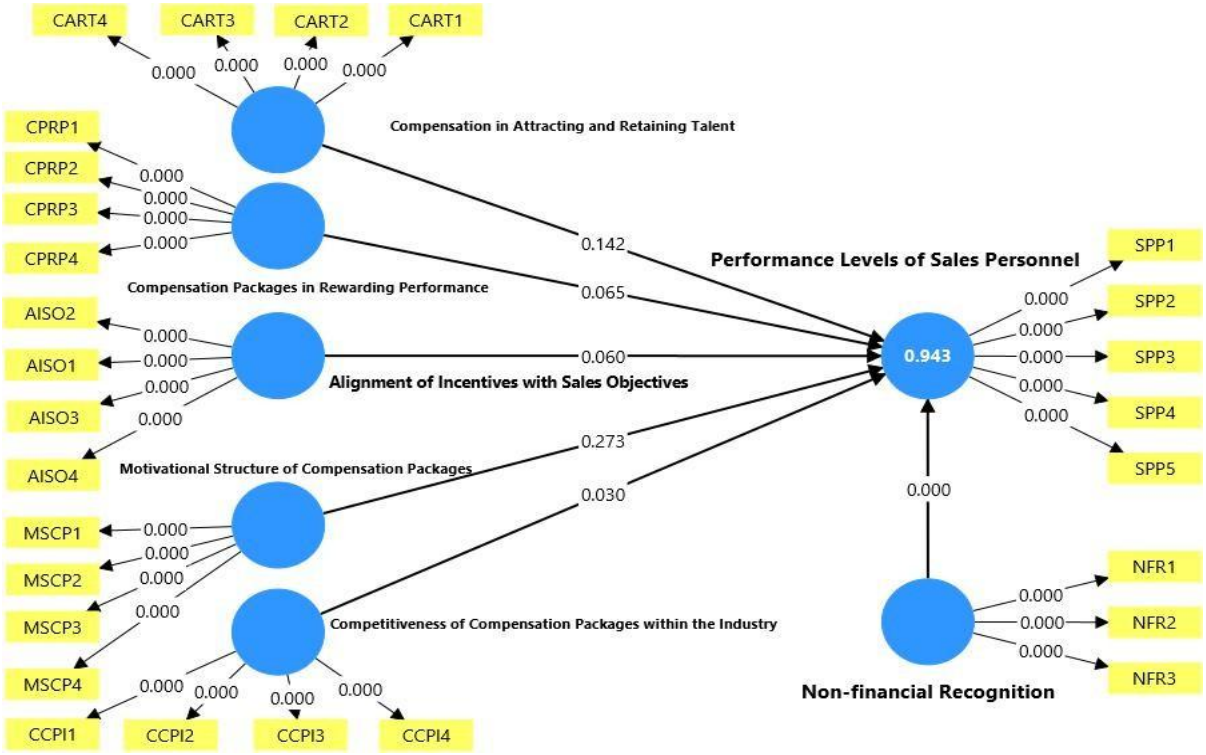


Figure 4.2: Updated SmartPLS Structural Model

5. Discussion

The study results show that incentive and compensation practices significantly enhance the performance levels of sales staff within the pharmaceutical equipment sector. Results indicate that sales performance is affected by financial incentives and the reward system established by the organization. In the pharmaceutical sector, sales staff deal with the explaining and demonstrating of technical products, dealing with institutional

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customers, communicating about tenders, coordinating after sales, dealing with long and continuous sales cycles, and working with continuous sales targets. This makes motivation crucial for the performance, productivity, and relationship management with customers of sales staff.

The study established that the absence of financial incentives paradoxically motivates sales staff. As a result, the alternative hypothesis about sales staff recognition was supported and the null hypothesis for H2 was rejected. This means that appreciation, acknowledgement, respect, encouragement, and recognition of efforts motivate sales staff and help them perform better. Sales staff satisfied with the recognition become committed to achieving targets and satisfied customers while also giving better coverage to the sales territory. The findings show the effects of financial compensation and incentive practices are real, but their effects are stronger where compensation is perceived fairly, competitively, and in line with employee expectations. Thus, H1 is partially confirmed. Salary, incentives, bonuses, and benefits are important, but may not encourage performance unless paired with fairness, transparency, acknowledgment, and competitiveness. This model of combined compensation and acknowledgment also accounts for the performance of sales personnel adequately. As a result, the alternative hypothesis is validated and the null hypothesis for H3 is rejected. This confirms that a combination of monetary and non-monetary compensation systems provide a sufficient foundation for improving sales force performance. From the context of the discussion, this means that pharmaceutical equipment organizations are called to deploy strategies for rewards that are balanced. This model of rewards is likely to cause improvements in motivation and retention of employees and enhanced selling complemented with positive effects on customer relationships and the performance of the organization as a whole.

6. Conclusion

The study comes to the result that the inducement and reward systems add value in the context of the productivity of pharmaceutical equipment sales personnel and that a higher sales performance derives from not only a higher financial remuneration, but from recognition, reward, and incentive systems. Among other systems of motivation provision, the compensation system, which includes recognition and payment in accordance with the current market trends, proved to have the largest impact on the motivation, satisfaction, commitment, and effectiveness of sales in the targeted market. This indicates that personnel will work more productively, where due recognition and fair compensation, as well as rewards for their work, are provided. Pharmaceutical equipment companies will therefore need to develop and implement compensation systems that are well designed to include not just salary and rewards, but a recognition system along with rewards and systems that promote career advancement. Such systems are likely to improve retention of personnel, and increase productive engagement with customers and improve the bottom line of the company.

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