

**EXAMINING SALESPERSON PERFORMANCE IN PHARMACEUTICAL  
INDUSTRY IN MALAYSIA : INFLUENCE OF CONTROL,  
EMPOWERMENT, ADAPTIVE SELLING BEHAVIOR  
AND EMOTIONAL INTELLIGENCE**

**by**

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**KAJIAN PRESTASI JURUJUAL DALAM INDUSTRI  
FARMASEUTIKAL DI MALAYSIA : PENGARUH KAWALAN,  
PEMBERIAN KUASA, PERLAKUAN PENJUALAN ADAPTIF  
DAN KECERDASAN EMOSI**

**ABSTRAK**

Kajian ini bertujuan untuk mengkaji pengaruh faktor-faktor pengurusan dalam bentuk kawalan penyeliaan dan pemberian kuasa terhadap prestasi jurujual dalam industri farmaseutikal di Malaysia. Kawalan dan pemberian kuasa sering dikaitkan sebagai amalan pengurusan yang bertentangan dan jarang dikaji serentak. Walau bagaimanapun, pengkaji berpendapat amalan kawalan dan pemberian kuasa harus wujud bersama dalam konteks pengurusan moden. Oleh itu, kajian empirikal ini bertujuan untuk mengesahkan bahawa amalan kawalan dan pemberian kuasa perlu dipraktikkan bersama demi peningkatan prestasi para jurujual. Kajian ini juga menyiasat kesan perantaraan perlakuan penjualan adaptif jurujual terhadap hubungan antara amalan pengurusan tersebut dengan prestasi jurujual. Di samping itu, kajian ini juga mengkaji bagaimana kecerdasan emosi jurujual menyerdakan hubungan antara perlakuan penjualan adaptif dengan prestasi mereka. Penemuan empirikal kajian yang melibatkan 133 jurujual dengan menggunakan kaedah Partial Least Square membuktikan bahawa dimensi kawalan dan pemberian kuasa yang tertentu boleh wujud bersama. Kawalan aktiviti, amalan pemberian kuasa seperti penggalakan penyertaan, pemberian keyakinan dan autonomi mempunyai kesan yang signifikan ke atas prestasi jurujual dan perlakuan

penjualan adaptif mereka. Perlakuan penjualan adaptif jurujual juga didapati menunjukkan kesan perantaraan separa dalam hubungan antara kawalan aktiviti, penggalakan penyertaan, pemberian keyakinan dan autonomi dengan prestasi jurujual. Kecerdasan emosi didapati mempunyai kesan penyerdahanaan ke atas hubungan antara perlakuan penjualan adaptif dan prestasi jurujual. Implikasi teori dan pengurusan telah dibincangkan. Kekangan kajian dijelaskan dan cadangan untuk kajian akan datang juga disarankan.

**EXAMINING SALESPERSON PERFORMANCE IN PHARMACEUTICAL  
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**ABSTRACT**

This study aims to examine the influence of managerial factors of supervisory control and empowerment on salesperson performance in the pharmaceutical industry in Malaysia. Control and empowerment were often seen as contradictory managerial practices and these practices were rarely studied simultaneously. However, scholars opined that control and empowerment practices should co-exist in the context of modern management. Thus, this empirical study intends to validate that both control and empowerment practices have to be present to enhance salesperson performance. This study also investigates the mediating effect of salesperson's adaptive selling behavior on the relationships between these managerial practices and salesperson performance. Besides that, it also examines how emotional intelligence of the salesperson moderates the relationship between salesperson's adaptive selling behavior and salesperson performance. The empirical findings involving 133 salespersons using Partial Least Square method revealed that certain dimensions of control and empowerment can co-exist. Activity control, empowering practices such as promoting participation, expressing confidence and providing autonomy were having significant impact on salesperson performance as well as on adaptive selling behavior. Adaptive selling behavior partially mediated the

relationship between activity control and salesperson performance, between expressing confidence and salesperson performance and between providing autonomy and salesperson performance. Emotional intelligence was found to have a moderating effect on the relationship between adaptive selling behavior and salesperson performance. Theoretical and managerial implications were discussed. Research limitations were presented and recommendations for future studies were proposed.

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.0 Introduction**

The first chapter of this thesis presents the background of the study by giving an overview of the pharmaceutical industry in Malaysia, its importance in Malaysia and the importance of salesperson performance in this particular industry. This chapter further discusses the problem statement and the findings of the preliminary study that contribute to the development of the research objectives and research questions. Following these are the discussion of the scope of the study, the significance of the study, the definition of various key terms used and lastly, a brief outline of the organization of this thesis.

#### **1.1 Background of the Study**

The present study aims to examine the influence of sales managerial practices, salesperson's adaptive selling behavior and emotional intelligence on salesperson performance in the pharmaceutical industry in Malaysia. The following subsections describe the overview of the pharmaceutical industry in Malaysia, why it is important and the importance of salesperson performance in this highly competitive and dynamic industry.

### **1.1.1 Overview of Pharmaceutical Industry in Malaysia**

In general, firms in the pharmaceutical industry in Malaysia can be distinctly categorized into the local and the foreign multinational firms. All these pharmaceutical firms are registered as members with the Pharmaceutical Association of Malaysia (PhAMA). These firms offer a broad range of drugs that are regulated by the Drug Control Authority (DCA) under the Malaysian Ministry of Health (MOH). Both these local and foreign multinational firms play the key roles in managing and controlling a number of non-communicable diseases such as diabetes, communicable diseases such as typhoid, and potentially life-threatening diseases such as cancer and AIDS.

According to the Malaysian Organization of Pharmaceutical Industries (MOPI), pharmaceutical products can be broadly categorized into four groups, namely ethical drugs, over-the-counter (OTC) drugs, traditional medicines and health supplements. Ethical drugs are controlled medicines which can only be obtained from licensed healthcare professionals. Ethical drugs can be further grouped into Group B and Group C drugs, where the former requires a prescription to be purchased while the latter does not. Therefore, ethical drugs are also commonly referred to as prescription drugs. In general, ethical drugs are mainly the patented innovator drugs, though they can also be available in their generic versions if the original patents expire. OTC drugs are usually the less expensive drugs used to treat common illnesses. Hence, OTC drugs can be purchased from the shelf and used by patients without prescriptions from the licensed healthcare professionals. In Malaysia, pharmaceutical products can be purchased from retail pharmacies, clinics, hospitals and medical centers.

The functions of these pharmaceutical firms can be broadly divided into manufacturing, importation and distribution. The local pharmaceutical firms focus primarily on manufacturing and marketing of traditional medicines, vitamins, health supplements, OTC drugs and generic ethical drugs. Some local pharmaceutical firms are also doing contract manufacturing for overseas pharmaceutical firms. These local pharmaceutical firms have the capability to produce almost all forms of generic drugs. The importation and distribution functions are mainly dominated by the foreign multinational pharmaceutical firms which are responsible for bringing to Malaysia a variety of internationally accepted and rigorously tested patented ethical drugs which efficacy, safety, and quality have been proven, backed by their respectively strong research and development capabilities (PhAMA, 2012).

Local pharmaceutical firms which are involved in the production of traditional medicines, vitamins, supplements, OTC drugs and generic ethical drugs, have their entire value chain from local research and development (R&D) to the sales and distribution set up in Malaysia (PhAMA, 2012). However, of all these foreign multinational pharmaceutical firms with sales and marketing presence in Malaysia, only 13% of them have local manufacturing operations, whereas 7% have manufacturing partnership arrangements with local firms. In other words, the remaining 80% of the multinational pharmaceutical firms are only involved in importing and marketing of life-saving and relatively new drugs in Malaysia. As a result, Malaysia still relies quite heavily on imported patented ethical drugs to fulfill the needs of the locals to treat contemporary diseases. It is estimated that as much as 70% of the local demand for ethical drugs is imported and that means the price of

ethical drugs is relatively expensive and beyond the affordability of the poor (Hassali et al., 2009; PhAMA, 2012).

Both the foreign multinational and local firms play quite distinct yet complementary roles and together, they have ensured that the pharmaceutical needs of the nation are fulfilled. While the foreign multinational firms have taken up the challenge of developing and producing new patented drugs and vaccines for a broad type of diseases, local pharmaceutical firms have gone the extra mile to produce the generic version of these patented drugs that are more affordable to the people. Typically, new drugs have patents valid up to 20 years, which give exclusive rights to the patent holders (or the innovators) of the patented drugs to maximize their profits. After the patents expire, any local pharmaceutical firm is allowed to manufacture the generic version of the patented drugs and market them within Malaysia or overseas at much lower prices (Hassali et al., 2009). This opens up an avenue of opportunity for local pharmaceutical firms to expand and grow. The local pharmaceutical firms are also venturing into the halal drugs market which has created a source of new business opportunity with growing exports to the Middle Eastern countries (PhAMA, 2012).

Globally, the pharmaceutical sales are expected to maintain a robust growth of 6.9% annually to reach US\$1.61 trillion by 2018 (Deloitte, 2015). The percentage of generic drugs is expected to increase from 10.0% (in 2014) to 11.4% (in 2018) (Evaluate Pharma, 2015). North America's market is currently leading the growth while the Asia Pacific region holds good growth potential for the future. Being an Asia Pacific emerging economy, Malaysia is expected to record a stronger growth during this period (PEMANDU, 2013). According to Malaysia Pharmaceuticals & Healthcare

Report 2015(BMI Research, 2015), the total pharmaceutical sales in Malaysia is estimated to grow at a rate of 9.2%from 2014 to 2015 in local currency.Malaysia's pharmaceutical market which includes the sales of patented drugs and generic drugs is forecast to increase to US\$3.54 billion in 2018 with a compoundedannual growth rate (CAGR) of 8.6% in local currency (Deloitte, 2015). The contribution of pharmaceutical sales to the country's gross domestic product (GDP) is expected to gradually increase from 0.67% in 2013 to 0.73% in 2018 (PEMANDU, 2013).According to the statistics from PriceWaterhouseCoopers (PwC, 2012) and the surveys conducted by Research And Markets (R&M, 2013) and IMS Health Study (IMS, 2014), the forecast positive growth of the pharmaceutical industry is expected to be contributed by the growing population, increase of ageing population, changes in lifestyles and urbanization which lead to increased incidence of chronic and lifestyle diseases across the entire population and the increased awareness of the need to lead a healthy lifestyle in order to preserve well-being.

### **1.1.2 The Importance of Pharmaceutical Industry in Malaysia**

The importance of the pharmaceutical industry can be seen in several aspects of its contributions. The most significant contribution of the pharmaceutical industry is the discovery of new drugs which save millions of lives and help those suffering from diseases to recover and lead more productive lives.Although it is not entirely attributable to the pharmaceutical industry, globally the increase in life expectancy, reduction in adult mortality rate andthe reduction in premature death of newborn babies are largely contributed by pharmaceutical innovation (Smith, 2012).

As the pharmaceutical industry is recognized as one of the most innovative, robust and research-intensive sectors in the world, investment in research and development (R&D) and high technology manufacturing has been one of the pillars of industrialized economies (Smith, 2012). Multinational pharmaceutical firms have consistently invested heavily in R&D even in times of economic crisis and in fact, the pharmaceutical industry has the highest annual R&D spending among all the high-technology industries (Smith, 2012).

Besides the huge positive impact of R&D and manufacturing investments, the pharmaceutical industry also contributes to positive socio-economic impacts such as industry-university research collaboration and knowledge transfer. Malaysia has been gaining the benefit through the dissemination of knowledge in the form of offshore manufacturing activities and technology transfer from the developed countries (PEMANDU, 2013). Innovation and technology transfer have enabled people to enjoy a better quality of life and enhanced prosperity of the society through improved health, competence and knowledge (Smith, 2012).

Another enormous contribution of the pharmaceutical industry is in the aspect of job creation. High-skilled jobs are created directly and indirectly by the pharmaceutical industry. Indirect job creation refers to various job opportunities from business establishments that are formed to support the pharmaceutical research and manufacturing activities such as in the services sectors. The increase in the number of direct and indirect employment opportunities has elevated the economic status of the people and subsequently contributes to the well-being of the country through the collection of income taxes and consumption taxes for the country.

The research-based pharmaceutical industry is also a foundation for the existence and growth of the generic pharmaceutical industry in Malaysia. It gives a positive impact to Malaysia to further improve innovative capacity, through the technology diffusion in the development and production of generic drugs. With the impending patent expiry of major blockbuster drugs, there is a huge opportunity for local pharmaceutical firms in Malaysia to capitalize and tap into the development and production of generic drugs business with an estimated total potential value of US\$132 billion for the country (PEMANDU, 2013).

In an effort to tap the huge market potential to produce generic drugs to substitute patented drugs, the government of Malaysia has included healthcare as a key focus in its Economic Transformation Programme (ETP) which was launched on 25 September 2010. ETP aims to accelerate the country's economic transformation to achieve high-income status by 2020. ETP consists of 12 National Key Economic Areas (NKEAs) which represent the key economic sectors of major contributions. Healthcare has been targeted as one of the NKEAs due to its robust growth achieved over the past decades and the potential to create significant multiplier effects. The Healthcare NKEA focuses on bringing both the public and private sectors into collaboration and aims to identify initiatives and opportunities, particularly from the private sector, to further develop the entire healthcare eco-system in a more organized and coherent manner. This Healthcare NKEA is expected to generate RM35.3 billion in incremental Gross National Impact (GNI) and 181,000 new jobs by 2020. Specifically, the pharmaceutical industry, which is one of the four sectors within the Healthcare NKEA, is targeted to increase its GNI contribution by 22% to RM16.6

billion, generates tens of thousand of jobs by 2020 and contributes to income taxes for the country (IFPMA, 2011; PEMANDU, 2013).

With the record of strong growth and profitability compared to other economic sectors over the years, the healthcare sector is expected to be a powerful engine of economic growth for the country (PEMANDU, 2013; PhAMA, 2012). The pharmaceutical industry has been delivering strong performance all these years (PEMANDU, 2013). It is expected to maintain its importance to the country's GDP and remain as a crucial contributing industry in Malaysia for many years to come (PEMANDU, 2013).

### **1.1.3 The Importance of Salesperson in Pharmaceutical Industry in Malaysia**

On the global arena, the pharmaceutical industry is among the most dynamic and fastest growing industries (R&M, 2013). In view of the high growth potential, global pharmaceutical firms are investing and developing new drugs to capture the largest share of the markets. In order to achieve the required Return-On-Investment (ROI), these pharmaceutical firms are aggressively spending billions of dollars annually in marketing new drugs that they develop and manufacture. They employ aggressive marketing strategies to reach out to target customers. They use various forms of methods and strategies to maximize revenue. Patents of innovator drugs can only last up to 20 years which give the drug firms the exclusive rights to market the drugs (Hassali et al., 2009). A large amount of money and time are invested in the marketing of these patented drugs within this short span of time to maximize the Return-On-Investment (ROI). When these patents expire, any other pharmaceutical firms have the

rights to obtain the formulae to manufacture these drugs as generic versions and sell them at greatly discounted prices in comparison to the patented drugs.

Similar to other high-technology industries, there is a threat that the pharmaceutical industry will decline into a commodity business due to the intense competition and price war (Smith, 2012). The competition is particularly severe in developing countries such as Malaysia where the demand for generic drugs is increasing as the government encourages the proliferation of use of generic drugs due to lower cost reason (Hassali et al., 2009). Imported generic drugs from lower cost countries are also making inroads into the highly competitive Malaysian pharmaceutical market in recent years due to the regional trade initiatives (Hassali et al., 2009). The situation worsens with the practice of parallel import of branded drugs from less developed countries such as from India (Hassali et al., 2009). Parallel import refers to the practice of drug manufacturers to import similar branded products from countries in which they can sell at a cheaper price than in Malaysia (Hassali et al., 2009). While parallel import benefits consumers as the price of the similar products can be cheaper, it does not benefit the local manufacturers as it introduces more competition and price war in the local market. Some major players may have greater control over the market by employing selling strategies that could create competitive advantages over their rivals which in turn raise their returns on sales. Selling intensity is evident by the increase in the firms' business performance which in turn affects the pharmaceutical market structure. The Malaysian pharmaceutical market structure is classified as highly concentrated (oligopoly), but its market concentration is significantly affected by the lagged returns on sales (Chong & Chan, 2014).

Generally, in the pharmaceutical industry, there are various types of drugs in the market offered by different pharmaceutical manufacturers which are used to treat the same type of diseases. Because of the highly competitive nature of the industry, pharmaceutical firms focus extensively on their marketing efforts and strategies. By providing the necessary information, these pharmaceutical manufacturers rely largely on healthcare professionals such as doctors and pharmacists to recommend and prescribe their pharmaceutical products to the patients. When products become commodities particularly in the generic drugs market, it is getting increasingly more difficult to differentiate the products among competing firms. In light of this, the competitive differentiation of competing firms has shifted to the uniqueness and capabilities of their human capital (Cron & DeCarlo, 2009) and effectiveness of managing their human resources (Zakaria, Zainal, & Nasurdin, 2012). According to Barney's (1991) Resource-Based View, in general, human capital is the biggest asset of any firm and they play a pivotal role in creating and sustaining competitive advantage for the firms. In view of this, pharmaceutical firms continue to invest in developing salespersons in a big way (Zoltners, Sinha, & Lorimer, 2008, 2013) because of the effectiveness of personal selling's consultative approach and the direct human interaction during the selling process with the healthcare professionals. Most often, healthcare professionals do not have sufficient knowledge about a newly launched pharmaceutical product. Hence, the pharmaceutical salespersons who engage in the personal selling process will assist in explaining the new products, clarifying concerns, offering alternatives and developing relationships with the healthcare professionals (Dogramatzis, 2002). In order to effectively build up the healthcare

professionals' preference for a particular product, salespersons would repeatedly provide the same promotional message to the healthcare professionals over a period of time. This approach is called 'medical detailing' (Fanning, Mitchell, & Brideau, 2014) and because of this traditional approach, pharmaceutical salespersons are also known as 'medical detailers'(Rollins & Perri, 2014).

It is reckoned that the single most effective way to convince the healthcare professionals to prescribe products is the use of pharmaceutical salespersons (Zoltners et al., 2013). The use of pharmaceutical salespersons is an effective form of personal selling where direct one-to-one interaction and communication between the seller and the prospective customer takes place (Rollins & Perri, 2014). Personal selling is a form of business-to-consumer (B2C) marketing approach. In the business-to-consumer (B2C) marketing approach, the salespersons directly interact with the customers who are the decision makers. In the pharmaceutical industry, the healthcare professionals are the decision makers who recommend drugs to the patients, therefore the use of pharmaceutical salespersons to market and promote drugs to healthcare professionals plays an extremely important role.

Specifically in this role, pharmaceutical salespersons are deemed to possess vast and up-to-date information about the new drugs that they are promoting. The role of the pharmaceutical salespersons is to promote new products and provide important information about the new products to the healthcare professionals. The prescribing healthcare professionals are the primary decision makers of what drugs to be purchased and recommended to their patients. Generally, the sales approach of promoting ethical drugs and OTC drugs is slightly different because the decision

maker for ethical drugs is usually the doctors while the decision maker for OTC drugs is primarily the pharmacists (Rollins & Perri, 2014). Nevertheless, both the doctors and pharmacists need to be fully convinced about the efficacy of the drugs in order for the drugs to be prescribed to the patients.

It has been a long history that the pharmaceutical firms have been using the personal selling method in promoting their products. This is evident from the sizable sales force in the pharmaceutical industry (Zoltners et al., 2008, 2013). Pharmaceutical salespersons are the frontline personnel who represent their pharmaceutical firms and they connect their firms with the healthcare professionals (Zoltners et al., 2008). In this context, the pharmaceutical salespersons play a key influencing role on healthcare professionals in their decision-making process of prescribing medicines and at the same time they try to build long-term relationships with the healthcare professionals (Clark, Vorhies, & Bentley, 2011). In this regard, the relationship quality between the pharmaceutical salespersons and the healthcare professionals significantly influences the level of trust in the pharmaceutical salespersons (Crosby, Evans, & Cowles, 1990; Wright & Lundstrom, 2004).

Relationship building is a form of investment of time, effort, money, and resources by the pharmaceutical salespersons. Relationship building is important because in times of heightened competition, pharmaceutical salespersons would most likely be able to conduct their business with their customers whom they have developed the relationships (Boles, Brashear, Bellenger, & Barksdale, 2000). One of the critical success factors in customer relationship sustainability is that the pharmaceutical salespersons must be seen as valued partner or consultant in the eyes

of the healthcare professionals which can only be achieved if the salespersons possess the knowledge and know how and where they can play an important role in their own organizations as well as in their customers' business (Boles et al., 2000). As healthcare professionals are now dealing with more educated patients and are much more pressed for time than they used to be, to stay abreast of medical advances, knowledgeable salespersons would be most helpful to the healthcare professionals (Hassan, 2006). Hence, the success of the pharmaceutical salespersons depends largely on the relationships they have built with the healthcare professionals (Boles et al., 2000; Rhee, 2009; Rollins & Perri, 2014).

In general, the performance of each salesperson greatly affects the overall performance of the firms as their sales performance contributes to their firms' revenue and sales effectiveness (Babakus, Cravens, Grant, Ingram, & LaForge, 1996). Due to this reason, many pharmaceutical firms embark on aggressive marketing strategies by increasing their sales force headcounts. However, there is a high cost involved in hiring and managing a large sales force (Zoltners et al., 2008, 2013). Furthermore, the healthcare professionals are very busy and have limited time interacting with pharmaceutical salespersons (Clark et al., 2011; Fanning et al., 2014; Parson & Abeele, 1981). Not all healthcare professionals have the same attitude toward the pharmaceutical salespersons (Elling, Fogle, McKhann, & Simon, 2002; Wright & Lundstrom, 2004). Hence, it is imperative that the pharmaceutical salespersons are trained to observe and engage in the best and most effective selling approaches when interacting with the healthcare professionals. They use the information they gather and understand what it takes to sell the drugs they promote. Conversations and sale pitches

need to be carefully tailored to fit the particular personality type of the healthcare professionals. Hence, there is a need to look into enhancing the effectiveness of every pharmaceutical salesperson by understanding how an adaptive selling approach can lead to increased performance and what drives the salespersons to engage in adaptive selling behavior (Blackshear & Plank, 1994). In view of this, the study of pharmaceutical salesperson performance has become more important today than it has been in the past as what influences the performance of pharmaceutical salespersons needs to be understood. Nevertheless, improving salesperson performance remains a challenge for many pharmaceutical firms.

## **1.2 Problem Statement**

Although the pharmaceutical industry has been recording strong growth over the past decades, it is facing challenging times ahead. According to pharmaceutical industry analysis adapted from World Preview 2016 (Evaluate Pharma, 2015), although the pharmaceutical industry grew at an astounding rate of between 10% to 15% from 2002 to 2007, but from 2008 onwards, the growth rates have slowed down to between 2% to 3%. If considering the factor of inflation, the adjusted growth is literally flat.

In response to all these challenges, senior management of pharmaceutical firms would react by focusing on shrinking the costs (or reducing the bottom-line). As investment in R&D dictates a firm's future, spending in R&D is projected to grow modestly at 2% per year (Evaluate Pharma, 2015). Hence, most often, it is the operational costs that would be reduced (Hassan, 2006). Within the sales organization, one easy way is to shrink the sales force and re-assign tasks to existing salespersons

(Smith, 2012). However, shrinking sales force is causing huge negative consequences. A study undertaken by CEB, a US-based management consulting firm, on thousands of companies in the United States revealed that companies which had done well consistently were actually competing on non-price differentiators and prioritizing on growing revenue (or focusing on growing the top-line) over reducing costs (Raynor & Ahmed, 2013). Their study substantiated the need to focus on enhancing the sales force as the key business differentiators to grow the firm's revenue.

It is crucial to have highly capable, effective, smart and high-performing salespersons to ensure a firm's business sustainability. However, there are several management issues and operational challenges facing firms today in using salespersons. Managing and motivating salespersons is a challenging task and requires a huge amount of time, money and effort (Sinha & Zoltners; 2005). Ineffective and unproductive salespersons can cost firms to suffer losses due to loss of customers, loss of business opportunities, re-hiring and re-training (Walker, Churchill, & Ford, 1977). A firm's long-term growth and profitability are highly dependent on the effectiveness of its salesperson performance (Churchill, Ford, Hartley, & Walker, 1985). Hence, according to Corcoran, Petersen, Baitch, and Barrett (1995), salesperson performance warrants rigorous examination when studying factors affecting a firm's sales performance.

A sales job in the pharmaceutical industry is no different compared to other industries because in general, a sales job is unique, challenging and stressful by itself. Pharmaceutical salespersons are usually independent, proactive and are required to spend most of the time in the field meeting healthcare professionals (Kow & Yew,

2012). In addition, the expectations from sales management are high because being the frontline employees of the pharmaceutical firms, a salesperson performance directly impacts the firms' sales performance. Coupled with the pressures to meet the monthly sales target and rejection from the healthcare professionals, it is no surprise that pharmaceutical salespersons may face a high degree of frustration and stress (Sinha & Zoltners, 2005). The challenge is how to keep the pharmaceutical salespersons constantly motivated, effective, committed and result-oriented in order to achieve the best performance.

Employing salespersons accounts for a substantial amount in marketing expenditures of the firms and it is a significant investment that cannot be ignored (Zoltners et al., 2008, 2013). For instance, in the pharmaceutical industry, the budgets to maintain a sales force are typically 10% to 20% of the firm's sales revenue (Sinha & Zoltners; 2005). Although sales force expenditure has been escalating in many firms, salesperson performance is still far from satisfactory (Zoltners et al., 2008, 2013). This was reflected in the global surveys conducted by Accenture (Accenture, 2010a, 2010b, 2012), Chief Sales Officers of countries including Malaysia, who participated in the global surveys, revealed that typically only the top 20% of the salespersons bring in more than 60% of the firm's revenue while the remaining 80% of the salespersons are considered ineffective (Accenture, 2010a, 2010b, 2012). In addition, the survey respondents collectively agreed that sales function is the most important functional area within their respective firms and they collectively emphasized that their top priority is to increase salesperson performance.

Past research attempting to find the highest predictors of salesperson performance has not been successful because past research which focused in examining predictors related to salesperson's individual factor, organizational and environmental factors was still unclear and the results have been inconsistent (Jaramillo, Grisaffe, Chonko, & Roberts, 2009; Jaramillo, Ladik, Marshall, & Mulki, 2007; Verbeke, Dietz, & Verwaal, 2011; Vinchur, Schippmann, Switzer, & Roth, 1998). Attempts to investigate factors related to personal characteristics and attributes of individual salesperson performance have not been able to adequately explain the variance in salesperson performance too (Donassolo & de Matos, 2014; Morgan, 2012; Singh & Koshy, 2010).

A sales manager is the organizational link between the upper management and the salesperson as the firm's vision and values are communicated through this link (Flaherty, Pappas, & Allison, 2014; Wieseke, Ahearne, Lam, & Dick, 2009). Typically, a sales manager executes the management strategies established by the organization (Baldauf, Cravens, & Piercy, 2001a). Scholars have noted that guidance provided by sales management may influence salesperson's selling behaviors (Weitz, Sujan, & Sujan, 1986). Hence, managerial practices conducted by a sales manager are reckoned as an important factor influencing salesperson performance and effectiveness (Brown & Petersen, 1993; Churchill et al., 1985; Dubinsky, 1999; Mulki, Jaramillo, & Locander, 2005; Weitz et al., 1986; Zallocco, Pullins, & Mallin, 2009) and in conducting marketing intelligence activities (Le Bon & Merunka, 2006). Despite knowing that factors associated with sales management are important and are the plausible explanation to salesperson performance, there are very few empirical studies

done on understanding the influence of sales managerial practices on salesperson performance (Avlonitis & Panagopoulos, 2007; Jaramillo & Mulki, 2008; Jaramillo et al., 2009). Cravens, Le Meunier-FitzHugh, and Piercy (2011) further supported that constructs related to what the sales managers do, such as managerial practices should be integrated into the studies of salesperson performance. Guenzi, Baldauf and Panagopoulos (2014) mentioned that other supervisory-related factors should be explored in addition to the extensively researched supervisory controls. Due to this, there is an emerging body of research focusing on factors related to sales management rather than the personal characteristics and attributes of the individual salesperson (Verbeke, Dietz, & Verwaal, 2011). Another emerging area of research is to understand what drives a salesperson's selling behavior such as adaptive selling behavior (ASB) as individual selling behavior has a huge impact on salesperson performance and building long-term customer relationship (Franke & Park, 2006; Jaramillo et al., 2007). However, the number of empirical studies to understand how organizational or managerial factors influence salesperson performance through an intervening variable of salesperson's selling behavior is limited (Guenzi, Baldauf, & Panagopoulos, 2014). This motivates the present study to be conducted to examine the influence of managerial practices on salesperson performance with the mediating factor of salesperson's adaptive selling behavior (ASB).

As salespersons are usually independent and spending most of their time in the field, the appropriate managerial practices needs to be provided by the sales management to achieve optimum outcomes. Specifically, in examining the influence of managerial practices, there is very limited past research which examines the

combined influence of supervisory control (or supervision) and supervisory empowerment (or autonomy) simultaneously in the context of sales (Lambe, Webb, & Ishida, 2009; Simintiras, Ifie, Watkins, & Georgakas, 2013). In the past, supervisory control and empowerment were often perceived as contradictory but interrelated managerial approaches that often exist simultaneously, persist over time and create a certain amount of tension within the organization (Smith & Lewis, 2011). This is also known as the paradox in the management continuum model. However, the study conducted by Nash, Brown and Sutton (2014) suggested that control and empowerment can coexist. Nevertheless, studies examining the elements of paradox particularly in the context of sales have been generally lacking. Specifically, Simintiras, Ifie, Watkins, and Georgakas (2013) examined the direct relationship of supervisory control and empowerment on adaptive selling behaviors, while Lambe, Webb, and Ishida (2009) studied the simultaneous direct relationship of the influence of control and empowerment on sales team performance. Very few scholars explored the indirect relationship between the influence of control and empowerment on salesperson performance (Simintiras et al., 2013). Hence, it would be interesting to explore the extent of supervisory control and empowerment influence on salesperson performance through the mediating factor of salesperson's adaptive selling behavior.

The nature of a sales job often deals with different human natures and diverse selling situations. Timor and Tuzuner (2006) suggested that one of the factors which determine a salesperson's success in selling is the salesperson's interpersonal skills, which include social abilities such as persuasion, empathy and problem-solving. All these skills and qualities are related to the ability of the salespersons to manage their

own emotions and of others, and make use of this emotional information to the benefits of their interactions. These skills and abilities are referred to as emotional intelligence. Although emotional intelligence has been gaining popularity in sales force research, past research examining the moderating effect of emotional intelligence in the context of salesperson performance is still lacking (Kidwell, McFarland, & Avila, 2007; Kidwell, Hardesty, Murtha, & Sheng, 2011). Hence, it would be interesting to explore how emotional intelligence can play a moderating role in influencing the strength and direction of the relationship.

Looking into the number of literature, there is limited sales literature published in comparison to marketing literature. Sales research is often regarded as a stepchild in the realm of marketing. Research in the area of sales force over the last ten years only accounts to 3% of the academic articles in four leading journals (Zoltners et al., 2008, 2013). Of the forty eight articles published in 2011 by the Journal of Marketing, only one addressed the aspect of sales (Fogel, Hoffmeister, Rocco, & Strunk, 2012). Furthermore, past studies in the area of understanding the determinants of salesperson performance have been primarily conducted in the Western countries (Alias, 2008; Baldauf, Cravens, & Piercy, 2001b) while the limited studies done in developing countries have been producing inconsistent results due to differences in political background, income, and culture (Piercy, Low, & Cravens, 2011). Hence, it would be worthwhile to conduct the present study to understand the influence of managerial practices on pharmaceutical salesperson performance in the context of Malaysian workforce.

Specifically focused on the limited number of sales literature published in the field of pharmaceutical industry, studies related to pharmaceutical salesperson performance were mainly done in developed countries (Ahearne, Jones, Rapp, & Mathieu, 2008; Ahearne, Mathieu, & Rapp, 2005; Longino, 2007; Ryerson, 2008). It is evident that there is a dearth of research done in understanding factors affecting pharmaceutical salesperson performance in Malaysia. The most recent study was conducted by Kow and Yew (2012) who found that extrinsic factors and demographic factors motivate pharmaceutical salespersons in Malaysia. Other local researchers have studied various factors from different perspectives related to salesperson performance in different industries in Malaysia (Basir, 2007; Nor Azila, 2005; Omar, 2008).

Based on the above-mentioned issues and problems, the present study seeks to address the gaps and aims to contribute to the existing body of knowledge in sales performance research. The present study attempts to find out the influence of managerial practices of supervisory control and supervisory empowerment on salesperson performance, with the mediating variable of salesperson's adaptive selling behavior and moderating influence of salesperson's emotional intelligence in the pharmaceutical industry in Malaysia.

### **1.3 Preliminary Study**

In order to validate the problem statement and support the research objective of this study, a preliminary study was initiated with the task of eliciting information and obtaining opinions from sales managers in the pharmaceutical industry in Malaysia.

The preliminary study is in qualitative form with the aim to explore the complex and emerging business-related issues. The open-ended questions employed are of a semi-structured type. The primary purpose of conducting the preliminary study is to obtain a more realistic picture of the current situation of salesperson performance and the related contributing factors from the perspective of the sales managers in the pharmaceutical industry in Malaysia.

This preliminary study was conducted by means of electronic mail and then followed up with telephone calls for clarifications. The period of the preliminary study was from October 2014 to November 2014. Electronic mails were sent out to the Human Resource Department of the identified Malaysian firms to seek permission and subsequently forwarded to their firm's sales managers who agreed to participate. The pharmaceutical sales managers were asked to provide their opinions freely on their salesperson performance, managerial practices engaged, the importance of salesperson's adaptive selling behavior and the importance of salesperson's emotional intelligence. The preliminary study questionnaire is shown in Appendix A.

Four pharmaceutical sales managers from different Malaysian pharmaceutical firms participated in the preliminary study and shared their opinions. The four Malaysian pharmaceutical firms are labelled as Firm A, Firm B, Firm C and Firm D. All four firms are large-scale Malaysian companies with a sizeable sales force covering the Malaysia market.

Firm A has been established in Malaysia over seventy years from being a herbal medicine manufacturer to become a large-scale generic drugs manufacturer. Firm A is one of the local pioneers to market generic drugs to the overseas market.

Firm A was listed on the second board of the Kuala Lumpur Stock Exchange in 2005 and subsequently transferred to the main board in 2006. In 2014, Firm A achieved an annual revenue of RM183 million with a gross profit of RM25 million.

Firm B was founded in 1982 in Malaysia and is actively involved in the development of various types of medicines and health supplements. Firm B was listed on the main board of Kuala Lumpur Stock Exchange in 2007. Recognized for its leadership in delivering customer value and innovation, Firm B was bestowed twice the title Malaysia Pharmaceutical Company of The Year for 2011 and 2014 by Frost and Sullivan, a US-based consulting firm. In 2014, Firm B had an annual revenue of RM147 million with a gross profit of RM6 million.

Firm C started in 1962 in Malaysia as a pharmaceutical retailer. It subsequently set up its manufacturing facility in Singapore in 1967 and relocated to Malaysia in 1974. Firm C was listed on the second board of the Kuala Lumpur Stock Exchange in 2000 and transferred to the main board in 2003. Firm C is currently involved in development, manufacturing, sales, distribution and wholesaling of a wide range of pharmaceutical products. In 2014, Firm C achieved an annual revenue of RM500 million with a gross profit of RM116 million.

Firm D is a privately held company under a parent company with its headquarters in the United States. It has a wide network of branches in Asia with strong warehouse and distribution facilities. Although it does not have local manufacturing plant in Malaysia, Firm D has a large sales force which markets a broad range of pharmaceutical products for a number of overseas principal companies. The

financial information of Firm D is not available publicly. Excerpts of their responses to each of the questions are presented in Appendix B.

### **1.3.1 Findings and Implications of the Preliminary Study**

The preliminary study managed to obtain some key information pertaining to the actual situations and the issues faced by the pharmaceutical sales managers. Although only four sales managers participated in the preliminary study, the response from each of the sales managers was quite consistent and similar. The findings of the preliminary study revealed the following key information from the perspective of the sales managers.

#### ***Salesperson performance***

The findings revealed that salespersons play a key role toward the success of the pharmaceutical firms. In general, the performance of the pharmaceutical salespersons varies. All the sales managers concurred that salesperson performance is a high priority and needs to be continuously improved to counter the competitive forces from rival firms.

#### ***Managerial practices***

The findings revealed the concerns of the sales managers about their salespersons' performance and they have actively engaged in managerial practices with the aim of making sure their salespersons are capable of performing and achieving their respective firm's goals. In terms of the types of managerial practices engaged, they