


The Effect of Progressive Incentive Compensation Strategy on Improving Business Consultant Performance and Company Performance (Case Study of a Premium Vehicle Distributor)

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Article Info	ABSTRACT
<p>Keywords: performance-based compensation strategy, progressive incentives, profit before tax, customer driven company.</p>	<p>The aim of the study is to establish the effect of performance-based compensation strategies on employee performance and company's profit; a case study in one of premium vehicles distributor. The study has two research objectives. The first is to determine if there is any influence of progressive incentives on the performances of Business Consultants. The second is to find out the effect of the performances of Business Consultant on the company's Profit Before Tax. The study uses a qualitative method by collecting the primary data through a set of interviews involving several business consultants and managers who were working in the Company in 2018 and 2019. Monthly sales productivity, and monthly profit before tax as quantitative data were analyzed and interpreted using the Pearson Correlation method which evaluated the regular relationship between two continuous variables in the study. Data triangulation is used to analyze the results of interviews. The study finds that progressive incentives promote Business Consultants' performances and lead to annual profit before tax increase. The vehicles distributor company itself is a customer driven type of company whose one of its success factors systems is from interactive communication with customers. Business Consultant is a key person that the company must retain as he/she will maintain the company's loyal customers.</p>
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INTRODUCTION

A company's operational activities are designed to maximize revenue, while its support activities facilitate the operational team's role in maximizing revenue for the company's sustainability (going concern). Both operational and support teams work hand-in-hand. Support teams within a company organization include the Finance Division, Human Capital Division, Accounting Division, GA Division, and others. Meanwhile, the operational team is the revenue-generating team, such as Marketing, or even a separate business unit.

A Limited Liability Company, a distributor of several brands of four-wheeled vehicles, has many business units categorized by the brands of vehicles the company sells. These business units are included in the revenue-generating Operational Team. At the end of 2018,

the four-wheeled vehicle distributor company began considering the possibility of forming a Supporting Team in almost all of its business units. The company's management is considering establishing Human Resources Business Partners (HRBPs) in all business units without exception.

Human Resources Business Partner is a strategy where a support team such as the Human Resources Division is involved in forming, formulating, and implementing management strategies to achieve revenue, and with the presence of HRBP, it is expected to understand the operational activities of its business unit more deeply, so that it can participate in providing considerations to management regarding strategies or decisions to be taken, not only from the personnel side, but also operational. In her article, Agustina (2016) found that there are several factors that can increase the profits of 137 companies listed on the Indonesia Stock Exchange in 2012 to 2013, namely the company's financial ratio, sales level and economic growth, but if viewed partially it was found that only the sales level can have a significant effect on profits. The limitation of the study is that it does not involve the variable of management intelligence as one of the factors that can influence the company's profit growth.

In a study conducted by Kimani et al. (2017), Mayson and Barrett (2016) emphasized that an organization's ability to attract, motivate, and retain employees through competitive salary offers and appropriate rewards will impact organizational performance and growth. Kimani et al. (2017) also cited the results of research by Ines and Pedro (2015) which stated that the compensation system applied to sales employees will have a significant impact on the individual performance of these employees and the effectiveness of the organization.

With the 2019 financial report recording that Profit Before Tax (PBT) or Earning Before Tax (EBT) in the premium car sales division reached a positive figure and exceeded the annual profit target where in 2018 the PBT value experienced a loss of up to billions of rupiah, the management of this premium car suspects that the new remuneration and compensation strategy for Business Consultants has a positive effect on their performance so that it also has an impact on the number of vehicle sales units and increases PBT. This study is to determine whether there is an influence of the new Progressive Incentive compensation strategy on the performance of Business Consultants and the performance of premium car companies.

Literature Review

Human Resource Management

In an organization, HR managers have a special department or division called the Human Resources Department / Division, another name for this department or division is now the Human Capital Department / Division. The difference between the terms Human Resources and Human Capital refers to how the organization positions its human resources. Human Capital is the part of the organization where employees are valued as assets. According to Mathis and Jackson (2011), human resource management (HRM) is the design of formal systems within an organization to ensure the effective and efficient use of human talent to achieve organizational goals. HRM plays a vital role in determining the survival,

effectiveness, and competitiveness of an organization.

Compensation

According to Hasibuan (2017), compensation is all income in the form of money, goods, directly or indirectly received by employees as a reward for services provided to the company. The establishment of an effective compensation system is an important part of human resource management because it helps attract and retain talented jobs. According to Nawawi (2011), compensation is an award/reward for workers who have contributed to realizing their goals, through activities called work. According to Sutrisno (2009), compensation payment systems that are commonly applied include time-based, results-based, and piece-rate. An example of time-based compensation is an employee's monthly salary, while an example of results-based compensation is incentives for employees who achieve or exceed their work targets. These three compensation systems can be combined depending on the needs of the organization.

Performance Management

Performance according to the Indonesian Language Thesaurus (2008) means ability, appearance, achievement, and capacity. According to Mathis and Jackson (2011) in Ekananta (2018) there are three main factors that influence employee performance, including: (1) Individual ability to do work, (2) Effort made, (3) Organizational support. According to Ulrich et al. (2009) believe that organizations that have good talents will be more successful. They believe that there is a simple formula related to this talent, namely talent is the result of the multiplication of competence, commitment, and contribution. If one component is missing then the other components cannot replace it.

RESEARCH METHODS

This research method is descriptive with a qualitative approach. According to Idrus in Suratman (2019), the descriptive method is a method for examining the status of human groups, objects, conditions, and systems of thought. The results of this descriptive method are descriptions of the facts, characteristics, and relationships of the phenomena being investigated (Tarigan, 2011). A qualitative approach considers individual perspectives, examines life pressures, and strives for uniform descriptions (Miles 1999 in Suratman 2019).

This research step begins with a case study as a preliminary stage of the research, namely by conducting observations and literature studies on the phenomena that are currently occurring in one of the four-wheeled vehicle distribution companies, specifically in the premium car business unit. Then, the data collection techniques, the data used in this writing are primary data and secondary data. Secondary data are obtained from sales data per unit in the business, incentive data, and annual financial reports as an indicator of the success of the implemented strategy. Meanwhile, primary data are obtained from interviews with informants who are employees of this premium car business unit. On the secondary data, a correlation analysis will be conducted to see the relationship between data on changes in the new compensation and benefit strategy with Business Consultant productivity (car units), which also impacts the showroom Profit Before Tax figure year to

date.

RESULTS AND DISCUSSION

Correlation Analysis

To determine the strength of the relationship between two variables, the Pearson coefficient is used. The following data shows the strength of the relationship between the Number of Units Sold and Profit Before Tax (PBT) and the relationship between productivity and Profit Before Tax. The data tested were monthly unit sales reports, monthly Business Consultant data, and Profit Before Tax data from monthly business unit financial reports available in 2018 and 2019.

Table 1.1 Sales data for 2018 and 2019 and the number of employees for 2018 and 2019 which have been disguised

BULAN	TOTAL UNIT 2018	TOTAL UNIT 2019	MPP 2018	MPP 2019	PROD 2018 (Unit/MPP)	PROD 2019 (Unit/MPP)
JAN	114	108	154	142	0.74	0.76
FEB	106	154	170	132	0.62	1.17
MAR	146	130	172	140	0.85	0.93
APR	156	84	182	132	0.86	0.64
MAY	176	144	168	128	1.05	1.13
JUN	134	76	174	122	0.77	0.62
JUL	134	100	168	122	0.80	0.82
AUG	248	154	178	116	1.39	1.33
SEP	192	140	192	116	1.00	1.21
OCT	136	96	186	126	0.73	0.76
NOV	190	130	178	126	1.07	1.03
DEC	114	96	174	122	0.66	0.79

Table 1.2 Monthly Profit Before Tax data in 2018 and 2019 which has been disguised

BULAN	PBT 2018	PBT 2019
JAN	(12.918.057,782.98)	(9.351.106,655.10)
FEB	(14.169,005,632.98)	5.190,637,874.40
MAR	20.580,464,642.04	(6.262,032,536.26)
APR	(16.103,544,822.10)	(1.913,503,280.30)
MAY	532,892,029.06	(2.555,886,516.14)
JUN	(11.915,819,387.58)	(6.290,311,117.64)
JUL	(10.564,366,538.24)	996,334,885.68
AUG	(11.069,991,599.10)	3.249,590,874.62
SEP	899,445,143.70	8,361,319,626.44
OCT	(13.928,119,734.88)	4,158,962,866.14
NOV	2,221,259,656.70	8,642,645,830.90
DEC	18,528,822,986.86	8,653,872,581.96

A correlation analysis was carried out on all the data above and the following results were found:

Table 1.3 Results of correlation analysis

Variabel	Koefisien	Keterangan
Unit Terjual pada PBT 2018	0.006	tidak ada korelasi
Unit Terjual pada PBT 2019	0.302	korelasi rendah
Produktivitas pada PBT 2018	0.002	tidak ada korelasi
Produktivitas pada PBT 2019	0.443	korelasi cukup kuat

From the data, it can be seen that there is no correlation or relationship between the variables, either the number of premium car units sold or productivity with PBT in 2018, in contrast to what happened in 2019 where the number of premium car units sold had a correlation with PBT even though the correlation was considered low, while there was a fairly strong correlation between productivity in PBT 2019.

Two of the three levels of strategy presented by Wheelen (2010), namely Corporate Strategy and Business Strategy, require management to maintain customer satisfaction levels for the company's sustainability. On the other hand, the third level of strategy according to Wheelen (2010) is a functional strategy that emphasizes maximizing resource productivity, directing competencies that can contribute to competitive advantage is a collaborative role between management and the HRD team. The implementation of progressive incentives in 2019 in the premium vehicle business unit is a functional strategy carried out to be able to increase human resource productivity, thereby impacting competitive advantage and also positively impacting the desired profit. Viewed from the type of competitive setting profile, this business unit is a customer-driven company, where customers are partners, Business Consultants and customers interact with each other for mutual interests, no longer just as buyers. In this position, industry changes can occur at any time, Competitors begin to disappear, so close relationships with customers are a competitive advantage. The transfer of Business Consultants to another dealer will also have an impact on the loss of customers. It can be said that customer satisfaction depends on the service provided by Business Consultants, Business Consultants have become key persons of the company. Organizations need to support and meet the needs of Business Consultants in their efforts to achieve targets, and recognize and reward employees who have performed well. A progressive incentive scheme, which complements the regular incentive scheme, has a significant impact on employee productivity and, furthermore, company performance. The implementation of progressive incentives has seen a significant shift in mindset. Business Consultants are considering not just selling one premium vehicle per month but aiming to sell more to qualify for the progressive incentive. "This is actually a positive aspect. We are paid based on our efforts. If we work harder, we get more," said AN (2021) in an interview.

On the other hand, the informant also believes that the support system, leadership style, and appreciation or recognition also play a big role in maintaining and improving work enthusiasm, resulting in good performance. One of the informants, a Business Consultant, stated that the Supervisor's leadership style has a very big influence on the mindset as conveyed by the informant AN (2021) "not only compensation, but also who the leader is,

how he shares knowledge with me, how he teaches me to sell, tips and tricks for seeing the type of potential customers, that is also important for me", marketing style and approach to potential customers, and can raise enthusiasm to prove that input from the Supervisor will produce positive output in the form of increased sales of the informant.

A similar statement was made by Resource Person JF (2021) as follows: "Besides progressive incentives, we as leaders must be able to understand our team, their origins, their backgrounds, and their mindsets. These different conditions also require us to take different approaches to each person on the team. Some people are not particularly concerned with income, so an appreciation approach is more effective. Others don't care about appreciation as long as the progressive incentives are running smoothly." This supports research by Kimani et al. (2017) which found that various reward and recognition components significantly influence employee behavior and can provide employees with a strong reason to continue working or be loyal to their employer.

CONCLUSION

Based on the research that has been conducted, the following conclusions were obtained: (1) From the results of interviews with several sources, it was found that compensation given based on performance (performance-based compensation) in the Business Consultant of the premium car business unit of the vehicle distribution company, especially compensation in the form of progressive incentives, had a positive impact on the performance and productivity of Business Consultants in 2019, (2) From the results of the correlation analysis, it was found that there was an increase in the company's Profit Before Tax with an increase in the performance and productivity of Business Consultants with a Pierson coefficient value of 0.443 which was interpreted as a fairly strong relationship between the variables, namely the productivity variable and Profit Before Tax, (3) If calculated partially, the number of vehicle units sold does not have a strong relationship with Profit Before Tax. Meanwhile, if the number of vehicle units sold is calculated as a component for calculating productivity, a relationship will be found with Profit Before Tax related to the number of workforce components and labor costs which will also affect the company's Profit Before Tax.

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