

# AN INVESTIGATION OF COMPENSATION EQUITY AND WORK-LIFE BALANCE BY ANALYSING USA BASED SALESPEOPLE

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## Abstract

The recent world pandemic quickly sent organizations into chaos as they adapted to changing health protocols that instantly interrupted organizational processes and strategy. Employees who never missed a day in the office were now in different roles. New technologies were utilized as salespeople ceased travelling, and the sales processes adapted quickly. Even with these drastic changes, many organizations saw increased production. Now, organizations around the world seek to understand a new work-life balance in a post-pandemic world where employee turnover runs rampant in boundary-spanning job roles, such as salespeople. Work-life balance for salespeople has been a topic of interest for many years because salespeople often have short-term demands and quotas that lead to more pressure than other employment groups. This study helps these efforts by exploring whether compensation equity impacts how salespeople perceive their work-life balance. The results indicate that both hours worked and compensation equity affect how employees perceive their work-life balance, while retirement benefits, health benefits, and total compensation did not have a significant effect on salespersons' perceived work-life balance.

**Keywords:** work-life balance, equity theory, salespeople

**JEL Classification:** M12, M31, J81

## 1. INTRODUCTION

A successful salesforce is essential to business success (Fogel et al., 2012). However, organizations often find it challenging to find and hire their needed staff because there is a shortage of qualified salespeople on both a domestic and global scale (Cummins et al., 2020). Acquiring and maintaining a sales force that performs and is committed has been one of the most critical aspects for recruiters (Spiller et al., 2020). Recent research has shown that sales account managers have a very low-risk level of losing their jobs because the demand for these positions is so high (Johnston et al., 2021).

Agnihotri et al. (2014) indicate that as much as 60% of all business students will be employed in a sales-related role upon graduation. Due to this demand, universities around the world have increased sales education efforts to assist students to better succeed in the field through developing sales curricula and experiential learning (Deeter-Schmelz et al., 2020; Strong and Hawes, 2020). In fact, the global demand for sales skills has even allowed for novel approaches to sales education, such as university sales programs that have implemented sales training to assist philanthropic efforts to elevate individual deficiencies in job skill sets to improve income and employability (Nielson et al., 2021). Even though these efforts are valiant, there remains a shortage of organizations that need to recruit, hire, and ultimately retain salespeople.

To complicate this issue, the post COVID work environment has seen the effects of the "Great Resignation" as it is becoming increasingly more common for employees to be swayed to leave their jobs, and alarmingly, the quitting trend has highly impacted boundary-spanning employees such as salespeople

(Fleming et al., 2022). Scholars have encouraged the consideration of strategies that can reduce turnover intention for salespeople (ibid). Thus, it is essential for organizations to not only have a solid recruiting strategy but also understand the factors that will keep an active salesforce intact. Researchers are actively studying factors that lead to burnout and turnover intentions (Westbrook and Peterson, 2020), while understanding the important role of work-life balance in this process (Bouzari and Karatepe, 2020). Our major research question is to investigate different factors that may affect salespersons' perceived work-life balance.

This research question leads us to explore factors that impact salesperson work-life balance. Specifically, an analysis was performed to determine if hours worked, retirement, health care, and total compensation impact perceived salesperson work-life balance. Furthermore, this study will test perceived compensation fairness and its relationship with how salespeople measure their work-life balance.

## 2. WORK-LIFE BALANCE

The role of professional selling continues to evolve (Kerr and Marcos-Cuevas, 2022). Salespeople are tasked with reaching out to potential clients and educating them on products or services in a tactful way while meeting the sales quota of their own organization. This can be done either face to face, on a phone, or with virtual technology. Updates in technology continue to change this process (Marcos Cuevas, 2018). Employment in a boundary-spanning role such as sales is demanding. Boundary-spanning employees can be identified into different groups within an organization (Richardson and Gosnay, 2022). Salespeople are required to have internal

relationships with others in the organization as well as external relationships with their customers (Mell et al., 2022), which makes them boundary-spanning employees. Balancing the internal and external relationships can be difficult. In addition, salespeople often work long, stressful hours, which can lead to a decreased feeling of work-life balance (Darrat et al., 2010). This has led to the call for more research efforts with respect to work-life balance in the sales profession (Miao, 2017). People have a limit for how much they are willing to work, especially if that work is stressful. Past research has indicated that hours worked significantly contribute to work-life balance in various industries (Lingard et al., 2010; Sturges and Guest, 2004). Thus,

H1: The number of hours worked will have a significant effect on the work-life balance for salespeople.

Turnover can be a detriment to an organization as employees who operate in sales positions take time to ramp up into a productive sales cycle and develop relationships (Fleming, 2022; Giauque, 2019). These efforts can be lost when a quality salesperson leaves an organization. Organizations and researchers seek to understand variables that may lead to a positive work-life balance. For example, research has shown that an abusive manager-salesperson relationship can have a negative effect on life balance for both parties (Gabler and Hill, 2015). Researchers have also recently found that salesperson traits such as optimism positively impact can help work-life balance (Bouzari and Karatepe, 2020).

Organizations find themselves in a new world where they must adapt to the changing needs of individuals in the workforce, especially in fields such as sales where there is a work shortage. Other things, such as retirement benefits and health care, should be important for employees as they measure their work-life balance (Fronstin, 2018). What worked for previous generations may need to be adapted for younger employees who could be less loyal. Research has shown that different generations have a new desire for better medical options (Piper, 2012) and retirement benefits (Xie et al., 2023). Analyzing the importance of these two factors leads to H2 and H3:

H2: Retirement benefits will have a significant effect on the work-life balance for salespeople.

H3: Health care benefits will have a significant effect on the work-life balance for salespeople.

If organizations don't make efforts to ensure their salespeople stay engaged and happy, those same salespeople may search for this balance elsewhere. People are going to consider their compensation with any job, which is the reason for employment. Recent research shows how to keep employees happy even if their compensation is frozen or cut (Yoon and Sengupta, 2023). It has been shown that compensation can be the main factor for women to ensure work-life balance at

universities in the USA (Kar, 2019). H4 will investigate if this is true of a sample of salespeople:

H4: Total compensation amount will have a significant effect on the work-life balance for salespeople.

### 3. EQUITY THEORY

Equity theory states that we perceive satisfaction based on how we feel treated or compensated compared to others in our social/work groups. Homans (1961) asserted that equity results when an individual obtains rewards proportional to his or her investments, less costs, when compared to the other party in the exchange relationship. Later, Adams (1963, 1965) indicated that individuals evaluate the fairness of their outcomes using an equity rule whereby they compare their own input-outcome ratios to a referent or comparison other. Thus, individuals perceive equity or fairness when the ratio or balance of their outcomes to their inputs is equal compared to their referent others (Adams, 1963; Adams, 1965). Early research in this theory found that those who felt there was inequity within the organization would simply withdraw from the organization, which could lead to turnover (Adams, 1965).

Data-based research efforts generally supported the theory's predictions of employee's actions to restore equity, which could lead to decreased effort or a desire to change positions (Rynes et al., 2004). The sales management literature is still working on confirming theoretical connections that are used in other fields (DelVecchio and Bryan, 2015). Sales scholars have utilized equity theory to advance the field in different ways, such as referral traction (Blanchard et al., 2018), and sales leadership principles (Schwepker, 2016). Equity theory has not been studied with the work-life balance of salespeople, although scholars continue to work to find the best way to ensure their sales force has found that balance. For example, a recent research effort has gone to the length of studying how salespeople post on social accounts to predict work-life balance and turnover intentions (Lam, 2022). Other efforts should be made to predict salesperson work-life balance, including equity fairness. This paper will analyze equity theory with respect to the work-life balance of salespeople. Thus,

H5: Perceptions of compensation fairness will have a significant effect on the work-life balance for salespeople.

### 4. METHODOLOGY

This study uses primary data from salespeople. The instrument used was developed as part of an assignment for students who were enrolled in a sales management class. Students were required to distribute the survey to current salespeople, and the respondents were asked to self-report their responses. All respondents were current salespeople located in the USA. The survey items were produced to help understand factors that would drive work-life balance for the student's future career, as well

as the managerial implications of factors that potentially impact work-life balance.

The study hypotheses were tested using multiple regression. The dependent variable is the perceived work-life balance of the sample (Y). The independent variables included hours worked (X1), retirement benefits (X2), health benefits (X3), total earnings (X4), and compensation equity (X5). Hair et al. (2010) recommend a 5:1 ratio for sample size to independent variables. Thus, with five independent variables, the sample size of 256 participants is adequate.

## 5. RESULTS

The completed surveys produced 256 usable responses. Since the students were reaching out to salespeople in their network, the response rate was 100%. The sample was from the United States comprising industries such as technology, medical, finance, construction, equipment supplies, and solar. The sample participants were comprised of 86% male and 14% female. The average salary was \$95,957, including base salary and commission. The average sample participant had 11.86 years of sales experience with an average age of 37. The descriptive statistics for the dependent and independent variables are presented in Table 1.

**Table 1 | Descriptive Statistics of Variables (N=256)**

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Work-Life Balance (Y)	256	1	5	3.66	1.02
Hours Worked (X <sub>1</sub> )	256	1	7	3.46	1.34
Retirement (X <sub>2</sub> )	256	1	5	3.61	1.08
Health Benefits (X <sub>3</sub> )	256	1	5	3.64	1.02
Total Earnings (X <sub>4</sub> )	256	30,000	270,000	95,957.03	43,015.75
Compensation Equity (X <sub>5</sub> )	256	1	5	3.73	0.99

**Table 2 | ANOVA (N=256)**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	59.935	5	11.987	14.750	.000
Residual	203.174	250	.813		
Total	263.109	255			

Dependent Variable: Work-Life Balance

**Table 3 | Regression analysis (N=256)**

Independent Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	2.952	.308		9.573	.000
Hours Worked (X <sub>1</sub> )	-.260	.043	-.344	-5.985	<b>.000</b>
Retirement (X <sub>2</sub> )	.080	.064	.085	1.252	.212
Health Benefits (X <sub>3</sub> )	.073	.065	.073	1.117	.265
Total Earnings (X <sub>4</sub> )	5.743E-7	.000	.024	.399	.691
Compensation Equity (X <sub>5</sub> )	.269	.061	.265	4.441	<b>.000</b>

Dependent Variable: Work-Life Balance; R: .477; R-Squared: .228; Adjusted R-Squared: .212; Std. Error of the Estimate: .901

The data was analyzed using multiple regression to predict work-life balance from hours worked, retirement, health benefits, total earnings, and compensation equity. A Durbin-Watson statistic of 2.11 assessed the independence of the residuals. There was no evidence of multicollinearity, as all VIFs ranged from 1.06 – 1.49. The assumption of normality was met, as assessed by a Q-Q Plot. The multiple regression model statistically significantly predicted work-life balance,  $F(5, 250) = 14.750, p < .001, \text{adj. } R^2 = .21$ . However, only two variables (hours worked and compensation equity) added significant effects to the prediction,  $p < .05$ . ANOVA results

are presented in Table 2. The regression analysis results are displayed in Table 3. The table gives the probability of error at an alpha level of .05 for each of the independent variables. The significant values have been bolded.

The regression results indicate that the total amount of hours worked and compensation equity were significant in the salesperson's work-life balance. The negative t-value of hours worked indicates that fewer hours lead to a higher work-life balance. The positive t-value for compensation equity indicates that a higher amount of perception of fairness leads to a higher work-life balance.

Retirement, health benefits, and total earnings had no significant results. Table 4 presents the study hypotheses, statistical findings, and results.

## 6. DISCUSSION

Organizations are constantly trying to find the right way to recruit, motivate, and retain salespeople (Steenburgh and Ahearne, 2012). This includes steps such as having an attractive starting salary package (Nielson et al., 2017) and the right merit pay allocation process (Ramaswami and Singh, 2003). The goal is driving profitability and keeping people happy about their compensation. Pay satisfaction represents an attitude and has been defined by Miceli and Lane as the “amount of overall positive or negative affect (or feelings) that individuals have toward their pay” (Miceli and Lane, 1991). Williams et al. (2006) argued that work-related outcomes can be mediated by attitudes toward pay. This study indicates that a salesperson’s work-life balance is connected to pay equity rather than just compensation amount in addition to the total number of hours that an employee works.

There are managerial implications for these findings with respect to compensation, equity theory, and salespeople. Pay satisfaction has been related to work-related outcomes such as absenteeism, turnover, and lack of production (Cordes and Dougherty, 1993; Thomas and Lankau, 2009). Employees who have a desire to change

jobs are of particular interest to management because turnover can be costly (Lengermann, 1996). Because of these costly outcomes, organizations need to ensure good levels of pay satisfaction by not only looking at the total compensation amount but also making sure that the system is set up where salespeople believe the compensation is equitable. The importance of equity theory with respect to salesperson compensation may be the greatest addition to the literature that this study has produced. This paper validates the importance of an organization understanding pay equity as an important factor as salespeople measure their work-life balance. It is also important for organizations to ensure that their sales staff are not overworked with respect to total hours on the job. It is hopeful that sales leaders will consider these findings while keeping their sales teams engaged and happy.

This study was limited as a cross-sectional study design. Additionally, the items used for measurement were created in a student assignment, which must be recognized as a weakness. Thus, validated scales for work-life balance and objective measures are study limitations. Better sampling techniques and detailed information on the salespeople and their specific sectors would be desirable in future studies. However, the exploratory results of this analysis are beneficial given the 250+ respondents of full-time salespeople.

**Table 4 | Hypotheses results**

Hypotheses	Findings	Results
<b>H<sub>1</sub>: The number of hours worked will have a significant effect on the work-life balance for salespeople.</b>	Supported	The t-value indicated that hours worked was a significant factor in salespersons work-life balance.
<b>H<sub>2</sub>: Retirement benefits will have a significant effect on the work-life balance for salespeople.</b>	Not Supported	No significant results were produced.
<b>H<sub>3</sub>: Health care benefits will have a significant effect on the work-life balance for salespeople.</b>	Not Supported	No significant results were produced.
<b>H<sub>4</sub>: Total compensation amount will have a significant effect on the work-life balance for salespeople.</b>	Not Supported	No significant results were produced.
<b>H<sub>5</sub>: Perceptions of compensation fairness will have a significant effect on the work-life balance for salespeople.</b>	Supported	The t-value indicated that hours worked was a significant factor in salespersons work-life balance.

## 7. CONCLUSION

This study investigated the importance of compensation equity in a sample of full-time salespeople. The results indicated that employees do find a greater work-life balance when they work less hours. The results also revealed that compensation equity was crucial in employee’s perception of work-life balance. This study did not show that total compensation, retirement benefits, or health benefits were conclusive in predicting salespeople’s perceived work-life balance. It is recommended that more studies will follow for different employee groups and working modalities. Hopefully, these results will be beneficial as organizations continue to find ways to keep their ever-important salesforce productive, engaged, and happy.

Future research could analyze different working modes that have been changing over the past few years (i.e., in-person, hybrid, or remote). Future research should analyze a post-pandemic world and the balance of flexible work options. Future research should also examine if different cross sections such as age, gender, or sector might affect these results. Studies should analyze how those in different work roles view compensation equity. For example, is it possible that those who work from home are even less worried about compensation equity because they feel it is such a benefit to have a flexible work schedule. Future efforts could explore whether salespeople are actively looking and switching roles that have better work-life balance efforts. All of these avenues could help organizations understand the best way to keep their sales force by creating a culture that fosters a positive work-life balance..

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