

ISSN: 2410-5392

# NUML

## International Journal of Business & Management

Vol 10(1), June, 2015



**National University of Modern Languages**

**Islamabad-Pakistan**

[www.numl.edu.pk](http://www.numl.edu.pk)

Copyright © 2015 NIJBM

## **NUML International Journal of Business & Management**

### **Patron-in-Chief**

**Major General (R) Ziauddin Najam**  
**Rector NUML**

### **Patron**

**Brigadier Riaz Ahmed Gondal**  
**Director General NUML**

### **Editor-in-Chief**

**Brigadier (R) Dr. Maqsood-ul-Hassan**  
**Dean, Faculty of Management Sciences**

### **Senior Editor**

**Dr. Naveed Akhtar, Faculty of Management Sciences**  
**Editor**

**Dr. Faid Gul, Faculty of Management Sciences**

### **Editorial Advisory Board**

- |   |   |
|---|---|
| Professor Dr. Bahaudin Mujtaba,<br>Huizinga, NOVA , Florida, USA  | Prof.Dr.Gurbuz Gokcen. School of<br>Economics and Administrative<br>Sciences, Marmara University  |
| Prof. Dr. Yan Li. Department of<br>Organization & HRM. Beijing<br>Institute of Technology, Heijing, P.R.<br>China       | Prof. Dr. Songsheng Chen. School of<br>Management and Economics, Beijing<br>Institute of Technology, Haidian<br>District, Beijing, P.R. China |
| Professor Dr. Canan CETIN, Marmara<br>University Faculty of Economy and<br>Administrative Sciences, Istanbul,<br>Turkey | Dr. M.Zahid Iqbal<br>COMSATAS, Islamabad.   |
| Professor Dr. Ayse Kucuk Yilmaz,<br>Anadolu University Turkey   | Dr. Waheed Akhtar<br>COMSATS, Lahore  |
| Professor Dr. Lisa Anderson,<br>University of Liverpool, UK.  | Dr. Aurangzeb Zulfiqar Khan<br>COMSATS, Islamabad   |
| Dr. Sermin Senturan<br>Bulent Ecevit University Zonguldak,<br>Turkey  | Dr. Sajid Bashir<br>Faculty of management Sciences MAJU   |
| Dr. Mehmet Sisman, Marmara<br>University, Istanbul  | Dr. Tasweer Hussain Shah, Department<br>of Management, C of E & ME, NUST,<br>Pakistan   |
| Prof. Dr. Erkan TASKIRAN<br>Duzce University, Trukey  | Dr. Melati Ahmad Anuar<br>Department of Accounting and<br>Finance   |
| Dr. Roya Anvari<br>Faculty of Management<br>Universiti Teknologi, Malaysia  | Universiti Teknologi, Malaysia  |
| Dr. Amtul Hafeez<br>Department of Economics, NUML   | Dr. Hina Rehman<br>Faculty of Management Sciences,<br>NUML  |
| Dr. Anjum Ihsan<br>Faculty of Management Sciences,<br>NUML  |   |

Volume: 10 - Numbers: 1 - June, 2015

## Table of Contents

1. Outsourcing in Higher Education Institutes: An empirical examination

Nisbat Ali Malik, Dr. Naveed Akhtar

2. Impact of Financing Methods on Risk and Return: Evidence from Non-life Insurance Sector of Pakistan

Fahad Najeeb Khan, Ghulam Shabir Khan  
Niazi, Muhammad Usman Arshad

3. Linking Personality and Knowledge Sharing Behavior: The Moderating Role of Team Work Culture

Dr. Hafiz Muhammad Ishaq, Madiha Akram,  
Kanza Samar, Asma Sarfraz

4. Impact of job satisfaction on organizational commitment in the pharmaceutical industry of Karachi

Muhammad Muzammil Ghayas

5. Analyzing the role of Social Reputation, Social Status, and Social Recognition towards Career Achievement: An Empirical Study of Business Oriented Organizations

Dr. Muhammad Zia-ur-Rehman, Dr. Naveed Akhtar

## **Outsourcing in Higher Education Institutes: An empirical examination**

Nisbat Ali \*

Dr. Naveed Akhtar\*

\* National University of Modern Languages, Islamabad

### **Abstract**

*To check the degree of implementation of outsourcing strategy and to find out the gratification of outsourcing measures in higher education institutions of Pakistan. Researcher used the survey questionnaire method for data collection and validity of questionnaire was tested. Data was collected form twin cities (Islamabad and Rawalpindi). According to the survey findings, it was found that most of the universities of Islamabad is following the outsourcing strategy to focus on their primary goal, which is providing higher education to the citizens of Pakistan. The research shows that the universities are outsourcing for two main reasons, one is to reduce the cost of outsourced service and the second is to increase the quality of outsourced service in the university because university is not specialized in those specific fields which have been outsourced. The degree of implementation of outsourcing strategy is greater in the Private than the Public Sector universities. Institutions of higher education are not mainly practicing outsourcing due to many reasons but mainly they may have fear to lose the control on activities. It was also found through survey that satisfaction level of outsourcing is less than the dissatisfaction level in the higher education institutions of Islamabad. For the complete and in-depth analysis on outsourcing in the universities of Islamabad and Rawalpindi a case study can be good option. **Keywords:** Higher education, Outsourcing, Cost, Service quality, Pakistan*

## **Introduction**

There was a time when natural resources of a country stair to success but now this theory has been old and a new theory evolve that a country cannot succeed without an intellectual capital because now the knowledge is key to success and the source of wealth (Levine, 2001). Higher education is very important now a day for succeed and to prosper as a developed nation (Boehner & Mckeon, 2003). For decades, higher educational institutional have been educating the citizens with the help of government educational funding but now to increase in the trend of higher education universities are lacking in funding along with the other constrains like space etc. Most of universities' tuition fees are rising and the quality of education and teaching is decreasing with the passage of time. In order to be competitive and to focus on the giving quality education, the universities are thinking about various strategies for enhancement of quality outsourcing is one of them. Outsourcing is most use full tool in which parent institutions have an agreement to other specialize companies to do some of the secondary activates (Wertz, 2000). Outsourcing is one the most effective way to do things quickly for the universities and the usage of this concept and strategy is increasing particularly in educational institutional (Kennedy, 2002). A study conducted by UNICCOW also found increasing trends in outsourcing (UNICCOW Service Company, 2002). Regardless of recent research on outsourcing, there is larger gap available for new conduction of surveys and research, especially in Pakistani higher educational institutes, the higher education institutes are accepting that researchers need such data as institutions are going to outsource more services and there are some institutes are in need of that data to work

on. For example, the National Association of Colleges and Auxiliary Services now keep the evidence or record of figures of outsourcing in educational institutes (Gupta, Herath & Nathalie 2005). On the other hand, higher education needs to work on the studies which are relevant to the measure of extent of outsourcing which is one of the purpose of this study. Focus of the present study is outsourcing on higher educational institutions while very limited knowledge are available in this context. Although every institution has its own merit and deficiencies in business environment as most of theories are recommended about the implication of outsourcing. This study will enrich the body of knowledge with empirical evidence. Managers in educational institutions can also be benefitted by opting outsourcing strategies in their respective organizations. Implication of outsourcing in Pakistani Higher education institutions may increase the efficiency of these institutions. This research explains about the processes involved during outsourcing implementation which will guide the managers.

### **Literature review**

Outsourcing refers to the contracting out the campus services to the private company or the external provider of the service. While outsourcing any service the institution must keep in mind the long term goals and objectives and the mission which it is going to achieve through outsourcing a specific service. The outsourcing services may include the bookstore services, housekeeping services, dinning services, security services and cleaning services etc. The contractor may take over the existing employees of the university or can replace the employees with its own employees (Ender & Money 1994).

Usually, people do not consider the influence of outsourcing on education when they outsource any service in the higher education to reduce the cost and increase the quality of that specific service associated with the education, it means that they should consider the influence of outsourcing on the education when they implement the outsourcing strategy in the higher education. When services other than providing education are being outsourced then universities can more focus on their core competency which is to provide the quality education to the society. Not long before the present years, universities are trying to decrease their cost of service and for that reason most of the universities are opting outsourcing (Agron, 2002). We have numerous examples of private service provider which provide variety of services rather than traditional services like mass media which includes television, radio, newspapers, and the internet. For instance, Few universities like University of Pennsylvania have it recruited some managers to manage its outsource projects (Kaganoff, 1998, Gilmer, 1997). Kirp (2002) analysis the same thing that 40 % of college's bookstores are now outsourced. Outsourcing in education has lot of reason like budget constraints and stakeholders satisfaction (Kennedy, 2002).

Outsourcing, when designed or carried out according to plan and influence skill fully is likely to produce distinct advantages, for instance minimized cost, better to speed up the process with quality. (Jefferies, 1996). Service providers are specialized in their specific area of operations and they have the most up to date information (Kaganoff, 1998). External service providers are more focusing on housing and food services because they can convince the colleges and universities that we they have better services like food, hostel facility

and the optimum cost and The University of Texas is an example that its has outsourced hostel facility (Gilmer, 1997). Outsourcing of bookstores is a also a common practice by the different higher education institutions and the example of outsourced bookstore operations is the Follett College Stores will have to upgrade its services as well during the contract (Sheffield, 1997). The University of Mississippi did also a new furnished building opportunity are provided by outsourced bookstores and the improvements in the facilities are very crucial because the University would not be able to finance and maintain the upgrades (Sheffield, 1997). Through best partnership business, both the partners will be able to focus on the core competencies and to produce an effect greater than the sum of their individual effects (Bartem and Sherry, 2001). Institutions can manage its resources, both human and financial, flexibly through outsourcing (Savarese, 2003).

A fundamental benefit that argue in favor of outsourcing in the higher education often indicate is that outsourcing provide an opportunity to concentrate on its main mission, and not on managing support services which can be provided by the external service provider (Bartem and Sherry, 2001). The things which make the higher education institution distinctive and play a critical role in its success are its core competencies. Advocates of outsourcing frequently highlight that the outsourcing can minimize the institution's labor (Ender & Mooney, 1994). There is also an indirect advantage of outsourcing that it creates an environment of competition between the employees of the higher education institution to achieve the high level of efficiencies, which is going to create a competitive advantage. The overhead cost of institution



associated with the hiring permanent staff can be eliminated through variable service contracts and this state leads to necessary cost savings by educational institutes (Gupta, Herath & Mikouiza, 2005). Outsourcing presumes that a service should be outsourced in a condition if institution is unable to manage that activity. Higher education institutions are doing experiments with these theories and trying to outsource more of their functional areas in order to save the cost (Jefferies, 1996). A negative aspect of outsourcing is that outsourcing in educational institutions can have negative effects as well. One most important thing to worry is the implication of outsourcing on the training and work conditions. The staff which outsourcer is going to provide only hold rudimentary skills and not the specialized skills and there can be a lack of obligation of the arena of higher education in the outsourcer's staff as well (Lafferty, 2000). Alike any other modern method of management, if not organized and administer in the right manner; outsourcing can be upshot in a several unskillfulness and troubles for institutions of higher education. Another school of thought is that outsourcing has divergent effect on the culture and missions of the higher education institutions. There is a big difference between the vendor's cultural norms and the norms of academic profession (Johnstone, 2004). Few researchers have the opinions that outsourcing may have adverse effect on commitment of the organization, job stress may also be increased and that also decrease the employee's productivities (Ender & Mooney, 1994). A new trend has also been introduced in governments sectors that they hired contract faculty with the less salaries and benefits (Gilmer, 1997). Contractual management staff has also issue for outsourcing, they may not properly handling the

outsourced activities, as they feel it's not their duty. Uncertainties related to the outsourcing has also impact on value of higher education which includes increase in cost, employees stress and loss of core activities. (Gupta, Herath & Mikouiza, 2005). The University of Pennsylvania is an example of outsourcing. However they breach their contract with Trammel Crow Company because they were not providing quality services. They claimed housekeeping and other maintenance of the institutions building was not up to the mark. University declared that main flaw is in outsourcing. (Werf, 1999). The situation indicates if outsourcing is not properly handled which may lead to severe loss to the parent institution. Van der Werf (1999) ancillary recommend that the university lose control when its contract with the external provider in the following areas which includes hostel charges , observing student security , discipline, and the quality of all services . In university of North Carolina happened the same thing (Gilmer, 1997). There is an additional example of Tufts University who had faced problems during outsourcing. In the end, significance or effect of outsourcing on higher education institutions must to be investigated from a altered standpoint, the perspective of the academician. So, the lesson is that it is crucial for the higher education institutions to add up more flexibility, entrepreneurship, responsiveness and efficiency and proper evaluation of outsourcing opportunities and threats because these qualities of the institution will support to achieve new goals and institutions will be able to try new things. The universities need to provide distinguish service which may strengthen the capabilities of the human resource and the last and the least which is most important that to focus on the mission an objective of the higher education institutions. (Bartem & Sherry,

2001). Outsourcing is a higher cognitive process which should involve a number of strategic issues to be addressed first and then management need to examine the all alternatives and choose some competitive strategies which may lead to enhancement of productivity of the institution and for that purpose SWOT analysis is the best option to make the fully informed choice of decision (Goldstein et al., 1993). The cultivating operationalization of outsourcing strategy in the higher education throughout the world is acceptable by educational bodies and that expecting to reduce in cost and will provide essential services to the institutions effectively and efficiently (Gupta, Herath & Mikouiza, 2005)

### **Research methodology**

Buttleman (2003) develop questionnaire, to measure the level of satisfaction among chief business officers in two-year colleges. Later, the instrument was refined by Cooper and Schindler to include the faculty, senior administrators in both public and private higher education institutions in the eastern USA. Gupta, Herath and Mikouiza (2005) rewrite the questionnaire for their research to measure the level of satisfaction of outsourcing in the higher education institutions of Maryland, North Carolina, and Virginia in the USA.

For the measurement there are six important factors conferring to the suggested criteria in Contract Management or Self Operation: Decision Guide for Higher Education (Goldstein et al, 1993) which is very crucial to analyze during the outsourcing decision making. These factors although vary from institution to institution and from functional area of one institution to functional area of another institution. These factors are given below:

- Financial implications
- Human resource implications,
- Institution's mission and cultural implications
- Managerial control and efficiency implications
- Quality of the service provided
- Legal and ethical implications

We have used only five factors to assess the level of satisfaction in the Higher Education Institutions. For that reason, we have made a conceptual model for research which is given on the next page (Figure 1)



*Figure-1: Schematic illustration of the Conceptual Model*

In the upper diagram, outsourcing is the Independent Variable and financial implications, quality of service provided; human resource implications, institution's mission and cultural implication, managerial control and efficiency implications are the dependent variables.

### **Data collection**

The survey was tested for validity after that it get filled by the total number of 160 high level management employees and/ or low level management employees of public and private universities of Islamabad in the Pakistan.

## Survey results

As it took lot of time and personal efforts to get 160 questionnaires filled. Some people were not willing to fill the questionnaires due to lack of time or lack of knowledge about the concept. But researcher makes it possible to brief about the importance of research and concept. In the previous research for similar studies, response rates were 19.6% and 41%, but our response rate was 93.75% (see Table I)

## Demographics

The institutions were classified according to the rate of enrollment of the students. We have received more responses from the bigger institutions of higher education of Islamabad which have enrollment over 5,000 students (Table II). Other demographic information includes the title of the participants which were top managerial employees and middle level managerial employees. We have received more responses from middle level managerial employees (85%) than top managerial employees (15%) because top managers were most time busy and were not available for the research purpose and the results of it are quantified in the Table III.

Surveys	Usable surveys	Response rate (%)
160	150	93.75%

**Table I.** Response rate for all surveys

Institution size	Usable surveys	Response rate (%)
2,001-3,000	39	18
3,001-4,000	33	27
4,001-5,000	38	20
5,000 +	40	35
Total	150	100

**Table II.** Response rate by enrolment

Title	Usable surveys	Response rate (%)
Top Level Management	45	15%
Middle Level Management	105	85%
Total	150	100%

**Table III.** Title of participant

**RQ1. To what extent is the board of the university supportive of the outsourcing effort?**

From the survey we obtained the results which shown in below mention table IV. In the survey 25% respondents think that, the board of the university is very much supportive for the outsourcing initiatives but there are 23% respondents think that board is not supportive and they oppose the outsourcing efforts in the university. There are other 25% respondents who think that the board of the university is neutral, which means that some time they do think about outsourcing initiatives but not very much supportive about it. Only 8% respondents think that the board of the university is strongly oppose the outsourcing efforts and according to them outsourcing is not beneficial for the higher education institutions (Table IV). Outsourcing is not an easy subject and it needs depth apprehension of the process and it is bound with the political condition existing in the institution (Agron, 2002) and that's why most respondents' point of view is neutral about outsourcing initiative in the institution.

CEO support	Usable surveys	Response rate (%)
Strongly opposed	27	18.3
Opposed	35	23.33
Neutral	32	25
Supportive	32	25
Strongly supportive	12	8.33

Total 150 100

**Table IV.** Board of University’s support for the outsourcing effort  
**RQ2. To what magnitude pretentious employees encompassed in the outsourcing verdict creating process?**

As per the survey 18% respondents think that board of the university involve the employees formally whenever, the board of the university thinks about outsourcing initiative and only 8% respondents think that board of university does not involve any employee in the outsourcing decision. 20% respondents says that board of the university sometimes or little bit involves the employees in the outsourcing decision but 40% respondents oppose them and says that no we are not included in the decision making process about outsourcing. The result shows that there is authoritative culture in Pakistani universities and there is lack of communication between the top managers and lower or middle level managerial employees that’s why top managers does not involve the lower or middle level managerial in outsourcing process (Table V). We suggest that Board of directors of the higher education institutions should recognize as to how and when to comprise their employees for a efficiently renovation of workforce.

Employee inclusion (%)	Usable surveys	Response rate
Formally excluded	12	8.33
Somewhat excluded	60	40
Neither excluded/included	20	13.33
Somewhat included	30	20
Formally included	27	18.33
Total	150	100

**Table V.** Inclusion of pretentious employees in the executive process

**RQ3. To what extent do you feel the use of outsourcing will increase or decrease in your own institution and all the institutions in the next five years?**

From the survey we obtained the results mention in table VI. It was interesting to see that 27% respondents think that outsourcing will increase slightly with the passage of time but 25% respondents think that outsourcing will increase rapidly and speedily with the passage of time. Only 13% respondents think that outsourcing will decrease slightly with the passage of time and 10% respondents says that outsourcing will decrease rapidly and speedily with the passage of time. But the most important thing to note here that 25%, which is very big percentage of respondents, they think that the outsourcing will not increase or decrease but will remain the same or constant (Tables VI and VII).

Level of outsourcing	Usable surveys	Response rate (%)
Decrease rapidly	9	10
Decrease slightly	12	13.33
Remain the same	38	25
Increase slightly	39	26.67
Increase rapidly	38	25
Total	150	100

**Table VI.** Nature of outsourcing in your institution in the next five years

Level of outsourcing	Usable surveys	Response rate (%)
Decrease rapidly	9	10
Decrease slightly	12	13.33
Remain the same	38	25
Increase slightly	39	26.67
Increase rapidly	38	25
Total	150	100

**Table VII.** Nature of outsourcing in institutions of higher learning in the next five years



### **Goals and motivations for outsourcing:**

RQ4. What motivations and/or goals are considered most important for outsourcing non-instructional services?

Accused were obligatory to position the connotation and importance of the motivation for outsourcing in the higher education institutions of Islamabad. *From the survey we obtained the following results.* 33% respondents said that the biggest motivation for outsourcing is, to improve the quality of a specific service, and 23% respondents said that Cost Savings or Budgetary Constraints are the main motivation for outsourcing. 21% respondents said that it is mandatory from the governing body of the institution. 13% respondents said that institution has lack of competence to deliver a specific service , that's why institution outsources that specific service. Safety Concerns and Pressure from Peer Institutions (3% and 5%) are the least motivational factors to outsource the specific service (Table VIII).

So, we can conclude that the Quality and Cost are the most important motivational factors to outsource a specific service.

Goal or motivation	Response Rate (%)
Cost savings and budgetary constraints	23.33
Improve quality of services, staffing or products	33.33
Lack of capability/skilled workers to provide service	13.33
Safety concerns or liability of service	3.33
Mandated by governing body	21.67
Pressure from peer institutions doing it	5

**Table VIII.** Importance for motivations for outsourcing

### **Concerns about outsourcing:**

RQ5. What are the greatest concerns for your institutions about outsourcing non- instructional services?

From the survey we obtained the following results. 18% respondents think that the greatest concern or fear about outsourcing is that the contractor and 15% respondents said that the Loss of Control, Decline in Quality of specific Service and Decline in the employee morale are the greatest concerns of outsourcing. Here, it is very important to note one thing that in institutions of higher education Quality of Service and Employee morale are most preferred things and the upsurge in the Cost of Service is the least important thing in outsourcing, specifically in higher education institutions (Table IX).

Concern about outsourcing	Response Rate (%)
Loss of control: inability to manage contracting agency	15
Decline in quality of services	15
Employee displacement or decline in employee morale	15
Loss of sense of community/culture	13.33
Fear of contractor not being able to respond to campus change	8.33
Costs associated with return to in-house service if contract does not succeed	6.67
Loss of profits to contracting agency	8.33
Increase in cost of service	8.33

**Table IX.** Concerns about outsourcing

Levels of satisfaction in the respective functional areas:

RQ6. To what extent are you satisfied with the level of outsourcing in the functional areas?

As per the results of the survey researchers obtained the following results. 36% respondents said that we are “Dissatisfied” with the outsourcing of Bookstore and 20% are “Satisfied” with the outsourcing of the Bookstore. 13% are “Extremely Dissatisfied” and 10% are “Extremely Satisfied” with the outsourcing of Bookstore. 20% respondents are “Neither Satisfied nor Dissatisfied” with the

outsourcing of the Bookstore of the university. Overall, 49% people are “Dissatisfied” and only 30% respondents are “Satisfied” with the outsourcing of the Bookstore of the Institution (Table X).

Bookstore	Score%
Extremely dissatisfied	13.33
Dissatisfied	36.67
Neither satisfied nor dissatisfied	20
Satisfied	20
Extremely satisfied	10

**Table X.** Levels of satisfaction in Bookstore

From the survey we obtained the following results. 30% respondents said that we are “Dissatisfied” with the outsourcing of the Canteen or Dinning services but 30% respondents said that we are “Satisfied” with the Dinning services. 8% respondents are “Extremely Dissatisfied” and 7% respondents are “Extremely Satisfied” with the outsourcing of the Canteen or Dinning services of the institution. 20% respondents said that we are “Neither Satisfied nor Dissatisfied” with the outsourcing of the Dining services. Overall, 43% respondent are “Dissatisfied” and 37% respondents are “Satisfied” with the outsourcing of Dinning (Table XI).

Dining	Score%
Extremely dissatisfied	8.33
Dissatisfied	35
Neither satisfied nor dissatisfied	20
Satisfied	30
Extremely satisfied	6.67

**Table XI.** Levels of satisfaction in Dining

From the survey we obtained the following results. 37% are “Satisfied” and 23% are “Dissatisfied” with the outsourcing of the Security services. 3% respondents are “Extremely Satisfied” and 13%

respondents are “Extremely Dissatisfied” with the outsourcing of the Security services. 23% respondents are “Neither Satisfied nor Dissatisfied” with the outsourcing of the Security services. Overall, 40% are “Satisfied” and 36% are “Dissatisfied” with the outsourcing of the Security services (Table XII).

Security services	Score%
Extremely dissatisfied	13.33
Dissatisfied	23.33
Neither satisfied nor dissatisfied	23.33
Satisfied	36.67
Extremely satisfied	3.33

**Table XII.** Levels of satisfaction in Security services

From the survey we obtained the following results. 40% respondents are “Satisfied” and 27% respondents are “Dissatisfied” with the outsourcing of the Cleaning service. 10% respondents are “Extremely Satisfied” and 12% respondents are “Extremely Dissatisfied” with the outsourcing of the Cleaning services. 11% are “Neither Satisfied nor Dissatisfied” with the outsourcing of the Cleaning services. Overall, 50% respondents are “Satisfied” and “39% are “Dissatisfied” with the outsourcing of the Cleaning services (Table XIII).

Cleaning services	Score%
Extremely dissatisfied	11.67
Dissatisfied	26.67
Neither satisfied nor dissatisfied	11.67
Satisfied	40
Extremely satisfied	10

**Table XIII.** Levels of satisfaction in cleaning services

(Tables X-XIII) outline the feedback of the participants that 157% are “Satisfied” and 167% are “Dissatisfied” with the outsourcing of four

functional areas discussed previously. Based on the analysis done, we can summarize now that those universities who have opt outsourcing are not satisfied and there can be couple of reasons that they are not happy and on these reasons, new research can be done a good option.

### **Conclusion**

Universal research regarding the condition or position of outsourcing in the higher education institutions over the USA gives the evidence that the trend is slightly increasing (Wertz, 2000) and that the case here may be but the research results should be taken carefully that the majority of the higher education institutions practicing the outsourcing concept and using it as a strategy to improve the Quality of Specific Service and to Decrease the Cost of Specific Service.

During research we also observed that the Private Sector Universities have outsourced more services than the Public Sector Universities. According to the survey, more respondents of Public Sector Universities were participated then the Private Sector Universities. So, on this basis we can say that there is a lack of management in the Universities that they cannot manage the Outsourced Services or there is some gap regarding coordination between the Universities and the Service Provider of the Specific Service that has been outsourced.

During research, we also observed that Public Sector Universities have the capability to captivate the costs of the thoughtful services such as Bookstore, Dining, Security, and Cleaning services etc, because government provides them a large amount of funds and these universities have the largest number of student applicants as well, that's why they have outsourced very less

services than Private Sector Universities. International Islamic University and the National University of Modern Languages in Islamabad are the examples of those Public Sector Universities. The other reasons for the least outsourcing in the Public Sector Universities are mainly due to a partial information about the notion, privation of understanding, a fear of loss of control, and the political itinerary public sector universities. Even though Outsourcing is one approach which is very easy to implement. It is very easy concept and if well executed and rightly interpreted, it can result into favorable returns on investment for the higher education universities. If we will concentrate only on the surveys to find out the level of satisfaction of outsourcing in the higher education institutions, then it can mislead us to the false conclusion because in fact many of those who participated in the survey had little knowledge about the concept. So, it is very important to increase the knowledge about the concept of outsourcing and this target can be achieved by educating through seminars and conferences regarding the outsourcing.

### **References**

- Agron, J. (2002). Privatization study: keeping it close to home, *The Chronicle of Higher Education*, 12(1), 5–11
- Atul Gupta, S. Kanthi Herath and Nathalie C. Mikouiza (2005). Outsourcing in higher education: an empirical examination, *International Journal of Educational Management*, 19(5), 96-412.
- Bartem, R. and Sherry, M. (2001). Outsourcing in higher education, *International Journal of Educational Management Change*, 33(1), 1, 42-67.

- Boehner, J. A., & McKeon, H. P. (2003). The College Cost Crisis: A Congressional Analysis of College Costs and Implications for America's Higher Education System. *22(2)*, 225-243
- Burke, J. C. (2005). The many faces of accountability. *Achieving accountability in higher education: Balancing public, academic, and market demands*, 1-24.  
*Education*, Washington, DC
- Ender, K. L., & Mooney, K. A. (1994). From Outsourcing to Alliances: Strategies for Sharing Leadership and Exploiting Resources at Metropolitan Universities. In *Metropolitan Universities: An International Forum*, *5(3)*, 51-60.
- Gilmer, S. W. (1997). The Winds of Privatization: A Typology for Understanding the Phenomenon in Public Higher Education. ASHE Annual Meeting Paper.
- Gupta, A., Herath, S. K., & Mikouiza, N. C. (2005). Outsourcing in higher education: an empirical examination. *International Journal of Educational Management*, *19(5)*, 396-412.
- Gupta, A., Herath, S. K., & Mikouiza, N. C. (2005). Outsourcing in higher education: an empirical examination. *International Journal of Educational Management*, *19(5)*, 396-412.
- Jefferies, C. L. (1996). The Privatization Debate: Examining the Decision to Outsource a Service. *Business Officer*, *29(7)*, 26-30
- Johnstone, D. B. (2004). Higher education finance and accessibility: Tuition fees and student loans in sub-Saharan Africa. *Journal of Higher Education in Africa*, *2(2)*, 11-36.

- Kaganoff, E. (1998), Collaboration, Technology, and Outsourcing Initiatives in Higher Education: A Literature Review, March, *The Foundation for Independent Higher*
- Kennedy, M. (2002). Tough choices. *American School & University*, 74(9), 66-79.
- Kirp, D. (2002). Avoiding the perils of outsourcing, *The Chronicle of Higher Education*, 15(1), 13-24
- Lafferty, G. (2000). Public sector outsourcing: implications for training and skills, *Employee, Relations*, 22(1), 76-85.
- Palm, R. L. (2001). Partnering Through Outsourcing. New Directions for Student Services, *The Chronicle of Higher Education*, 5-11
- Savarese, J. (2003). To Outsource, or Not to Outsource. That Is the IT Question So Many Schools Are Asking Right Now. (Technology). *University Business*, 6(1), 38-51.
- Wertz, R. T., Rosenbek, J. C., Mills, R. H., Ross, K. B., & Ashford, J. R. (2000). Inter-and intra-judge reliability of a clinical examination of swallowing in adults. *Dysphagia*, 15(2), 58-67.



## **Impact of Financing Methods on Risk and Return: Evidence from Non-life Insurance Sector of Pakistan**

Fahad Najeeb Khan\* Ghulam Shabir Khan Niazi\*\* Muhammad

Usman Arshad\*

\* University of Sargodha Sub-Campus, Bhakkar

\*\* Quaid-e-Azam University, Islamabad

### **Abstract**

*This study investigates the impact of financing methods on risk and return of non life insurance companies in Pakistan for the period 2006-2009. Financing method is operationalized by capital ratio i.e. total equity to assets ratio while risk and return are measured by coefficient of variation of return on equity (ROE) and ROE respectively. T-test is used which is a suitable test that compares the risk and return of the two groups of companies. Group 1 consists of companies using more equity financing and group 2 consists of companies using more debt financing. Findings indicate that there is no significant difference between the return on equity (ROE) of the two groups at the 5 % significance level but the difference is significant at the 10% significance level. Further, there is no significant difference between the risks of the two groups. Overall, there is higher ROE and lower risk of the group 1 (using financing method of more equity) than the group 2 (using financing method of more debt). It is suggested that the non-life insurance companies of Pakistan should use more equity financing in order to enhance their return while minimizing risk.*

**Keywords:** Financing method, Return on equity, Risk, Equity, Debt, Non-life insurance companies

## **1. Introduction**

“Insurance is a form of risk management, used to hedge against the risk of a contingent loss. It involves the transfer of the risk of potential loss from one entity to another in exchange for a risk premium (Pakistan financial sector assessment review, 2004). Given this role, the Insurance sector fosters financial stability by enabling economic agents to undertake various transactions with the facility of transfer and dispersion of risks. Insurance industry provides several economic benefits. The Insurance industry plays an important role in a growing economy as it indemnify the risks faced by companies as well as make institutional investments. It contributes towards employment generation; strengthen linkages with other sectors in promoting growth and stability, and creating a sizeable impact on the national income of a country (Pakistan financial sector assessment review, 2004).

Financing method can be either equity or debt in the capital structure (CS) of a firm through which assets are financed. Risk and return are two important concepts connected with the choice of financing method (Afrasiabi and Ahmadinia, 2011). The shareholders wealth maximization goal of financial management indicates that the firm should maintain an optimal capital structure that maximize the firm value and minimize the cost of capital (Weston & Brigham, 1992). All businesses face some kind of uncertainty and to minimize this uncertainty, they acquire the services of non-life insurance companies. If these companies stop providing their services then business firms may stop working which results in loss of jobs by workers and unavailability of products that ultimately effect country economic development. To satisfy their claims in case of loss to

businesses or damage to some property, non-life insurance companies besides premiums obtain funds by issuing equity or borrowing money (debt). Mixture of debt and equity is called capital structure.

The funds generated through capital structure are invested by the firm in assets which are used to generate revenues. If these assets are efficiently used then the firm will earn profit which is the basic purpose of any business. The value of a firm can be judged by its risk and return and the goal of every firm is to earn maximum return with minimum risk. The risk and return of a company is affected by the way the firm is financed by debt or equity.

### **1.1. Problem statement**

Besides premium non-life insurance companies also issues debts and equity to meet their financial needs. It is the goal of every firm to earn maximum return by taking minimum risk so which financing methods i.e. more debt or more equity can best achieve this goal. This issue will be addressed in this study.

The objective of this study is to empirically examine the effect of financing method (i.e. high equity or high debt in capital structure) on risk and return of non-life insurance companies in Pakistan.

The remaining paper is structured as: second section provides the relevant literature. Third section discusses the methodology. Fourth and fifth section provides results and discussion respectively. Sixth section concludes the paper and suggests recommendations.

## **2. Literature review**

Pioneer work in the area of CS and profitability can be traced back to Modigliani and Miller (1958). They argued that with no taxes and no market imperfections, no bankruptcy costs, the firm value and

the capital cost are independent of its CS i.e. no matter what is the mix of financing the firm value and the COC remains the same. Modigliani and Miller (1963) review their previous paper and include taxes in their model. They argued that the interest payments on debt is tax-deductible expense which reduce the amount of tax to pay, so the optimal capital structure of the firm is 100% i.e. there is no equity in the firm CS. This means that the firm's worth increases as debts increases.

However, the assumptions of Modigliani and Miller do not hold in the real world situation but it motivates many researchers to study the relationship between CS and profitability. For example, Jensen and Meckling (1976) presented agency costs theory. They have developed the well-known agency costs hypothesis i.e. high leverage decreases the agency costs of outside equity and raises firm value by motivating managers to act in the best interest of stockholders. The researchers further state that ownership and control separation in firms may result in manager's inefficiency and they may fail to maximize the firm value. Jensen and Meckling (1976) argued that high leverage reduces agency costs because managers have the threat of liquidation from creditors and they work efficiently which ultimately results in the firm value maximization.

Similarly, the other two dominant theories, the pecking-order and trade-off theory were developed. The former theory presented by Myers and Majluf (1984) suggest that firms will first rely on an internal source of fund such as retained earnings, in case of no information asymmetry, then they will go for debt and lastly they will issue shares for further funding requirements. Thus, according to the pecking order theory, profitable firms that retained most of their

earnings are expected to have less debt in their CS. Consequently, negative association could be expected between debt level and profitability. The trade-off theory which combine tax concept given by Modigliani and Miller (1963), bankruptcy costs concept given by Baxter (1976) and agency costs concept given by Jensen and Meckling (1976) can be used to determine the optimal CS. When the debt level increases, the bankruptcy and agency costs eventually become significant. The point at which the marginal bankruptcy/agency costs equal the marginal tax-shield benefits, the share value is maximized and cost of capital is minimized. At this point there is an optimal CS. Thus, accordingly trade-off theory (as reported by Ebaid, 2009), firms with larger profits have larger income to shield and thus should borrow more to save tax. Consequently, a positive relationship between CS and profitability could be expected.

Afrasiabi and Ahmadinia (2011) conduct a study on capital structure of listed companies on Tehran stock exchange for the period 2006 to 2009. Findings indicate that companies financed through the issuance of stock have less systematic risk than companies financed through debt. Findings further indicates that companies financed by the issuance of stock obtain more return and less risk in comparison with the companies having more leverage in their capital structure. Use of more debt in capital structure provide tax benefits i.e. interest is tax deductible however, it increases the risk of the firm specially bankruptcy risk. Brigham and Houston (2008) stated that using more debt will raise the risk borne by stockholders. However; using more debt generally increases the expected return on stock. Raheman, Zulfiqar, and Mustafa (2007) examined the relationship between capital structure and profitability of 94 non financial listed firms on

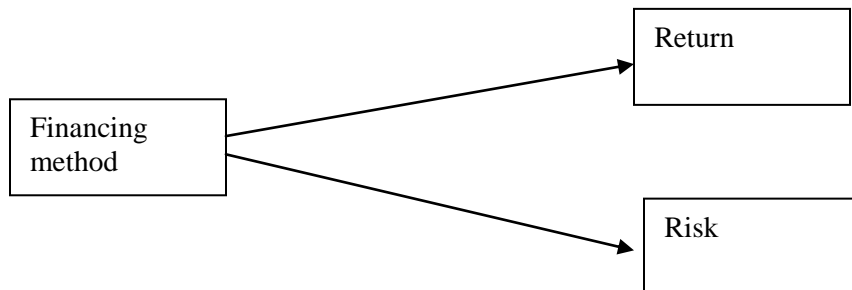
Islamabad stock exchange for the period of 1994-2004. Their results indicate that the capital structure has a significant effect on the profitability of these firms. Companies having high debt experience lower profits and vice versa. Sunder and Myers (1999) explained that the most profitable firms in many industries often have the lowest debt ratio. When debt increases, fixed claim on debt increases risk of stockholders residual claim and so stockholders increase their return on equity. The increase in debt also increases the risk of the firm especially financial risk. Huo and Kwansa (1994) observed that high leveraged companies i.e. having more debt in the capital structure experience larger variations in their earnings and hence higher risk. Gu (1993) (as reported by Yoon & Jang, 2005) showed that the more the company uses debt, the greater its financial risk. Prasad, Bruton, and Merikas (1997) analyzed the sample of 592 firms for the period 1969-1986. Their results show that financial leverage is negatively related with the firm business risk. Similarly, Dangl and Zechner (2004) examine the effect of dynamic capital structure adjustments on credit risk. They found that efficient use of debt in the firm capital structure reduces the credit risk.

Chen, Chen, Liao and Chen (2009) studied the influence of capital structure on operational risk and profitability of insurance industry in Taiwan. Structural equation modeling, which involves factor-analysis and path-analysis, is used. Findings show that the capital structure exerts a negative and significant effect on operational risk meaning that the higher the equity to assets ratio, the lower will be the risk. However, high equity ratio leads to lower profitability (return).

Michaelsen and Goshay (1967), Hammond et al. (1976), and Harrington and Nelson (1986) (as stated by Cummins & Sommer, 1996) all find some degree of support for the hypothesis that insurers with higher portfolio risk operate with lower leverage ratios.

Malik (2011) examined the determinants of profitability of 35 listed life and non-life insurance companies of Pakistan which cover the period of 2005- 2009. Author found that the volume of capital (total equity capital) is significantly and positively related to profitability. Loss ratio and leverage ratio showed negative but significant relationship with profitability.

The following research framework has been proposed on the basis of the related literature. The financing method can be debt or equity.



### 3. Methodology

#### 3.1. Sample and data

The sample consists of 10 non-life insurance companies of Pakistan. These companies are divided into two groups each having 5 companies. Group 1 consists of those companies which uses more than 50% equity financing while group 2 consist of companies using more than 50% debt financing. The division in two groups is made in order to see the effect of particular financing method on risk and return. Table 1 list these two groups of companies.

Table 1. High equity and high debt companies

Group 1 (High equity companies)	Group 2 (High debt companies)
1. Security general insurance company limited	1. Universal insurance company limited
2. International general insurance corporation of Pakistan	2. Shaheen insurance company limited
3. Excell insurance company limited	3. Reliance insurance company limited
4. Pakistan general insurance company limited	4. New jubilee insurance company limited
5. East west insurance company limited	5. Askari general insurance company limited

The data used in this study were obtained from the publication of state bank of Pakistan named financial statement analysis of the financial sector 2006-2009.

### **3.2. Variables**

#### **3.2.1. Independent variables**

Independent variables of this study are equity financing and debt financing. Capital ratio i.e., totals equity to assets ratio is used to operationalize the financing method. The high value of this ratio indicates the use of more equity financing and its lower value indicates more debt financing. If this ratio is greater than 50% or 0.50 then the company is considered to include in the group 1 and if it is less than 50% or 0.50 then the company be included in group 2.



### **3.2.2. Dependent variables**

The dependent variables include risk and return. Risk in this study is operationalized by the coefficient of variation (CV) of return on equity (ROE). Coefficient of variation of ROE is calculated as shown below:

$$CV = \frac{\text{Standard deviation of ROE}}{\text{Mean of ROE}} \times 100$$

The greater value of CV of ROE indicates higher risk. This measure of risk is used by several researchers ( Pandya & Rao, 1998; Afza, Slahudin, & Nazir, 2008 ).

The second dependent variable return is operationalized by return on equity (ROE). ROE is calculated as the ratio of profit after taxation to total shareholders equity. Higher value of it indicates better performance and efficiency in using owners fund to generate profits. This measure is also commonly used by researchers (Pandya & Rao, 1998; Afza, Slahudin, & Nazir, 2008; Abor, 2005).

### **3.3. Hypotheses**

The study uses two main hypotheses in order to see the effect of financing methods on risk and return of the non-life insurance companies of Pakistan.

First hypothesis;

Ho: There is no significant difference between the ROE of the two groups of companies

Ha: There is significant difference between the ROE of the two groups of companies

Second hypothesis;

Ho: There is no significant difference between the risks of the two groups of companies

Ha: There is significant difference between the risks of the two groups of companies

### ***3.4. Test used***

T-statistical test is used in this study as the main purpose of this study is to compare the risks of the two group of companies and also compare their returns. t-test is a suitable test for this purpose. The researcher use Microsoft excel program for running t-test on the company's data.

## **4. Results**

### ***4.1. Descriptive statistics***

Table 2 contains descriptive statistics of the variables in order to look at their nature. Both groups have five companies so N=5. The mean capital ratio of high equity group (Group 1) and high debt group (Group 2) is 78.45 and 32.86 respectively which clearly shows that a high percentage of assets of group 1 is financed by equity as compared to group 2 which have a high percentage of assets financed by debt. Minimum and maximum values of 59.16 and 94.87 are recorded for group 1 and 24.65 and 41.56 recorded for group 2 respectively.

Average ROE for group 1 and group 2 is 32.50 and 11.51 respectively which shows that group 1 performs better than group 2 in terms of profitability. ROE minimum and maximum values of 8.82 and 65.94 are recorded for group 1 and 4.50 and 19.22 recorded for group 2 respectively.

Average risk of 1.25 for group 1 and 2.20 for group 2 is observed which shows that the earnings of group 2 is more riskier and it is because of more use of debt financing that carries with it fixed interest charges. Minimum and maximum value of risk in group 1 is 0.78 and 1.81 and in group 2 it is 0.70 and 5.98 respectively.

Table 2. Descriptive statistics of the variables

<b>Variables</b>	<b>Mean</b>	<b>Standard deviation</b>	<b>Minimum</b>	<b>Maximum</b>
<b>Group 1 (N=5)</b>				
Capital ratio	78.45	12.95	59.16	94.87
ROE	32.50	21.16	8.82	65.94
Risk	1.25	0.41	0.78	1.81
<b>Group 2 (N=5)</b>				
Capital ratio	32.86	7.57	24.65	41.56
ROE	11.51	5.47	4.50	19.22
Risk	2.20	2.15	0.70	5.98

*Note.* ROE=Return on equity

#### **4.2. First hypothesis**

Table 3 shows the results for the first hypothesis. By using t-test, p-value of 0.06 is obtained. At the 5% significance level, the null hypothesis is not rejected as the p-value 0.06 is greater than the significance level 0.05. Results are not significant at the 5% significance level meaning that average ROE of 32.50% for group 1 cannot be interpreted as significantly higher than average ROE of 11.51% for group 2.

However, at the significance level of 10%, the null hypothesis is rejected and the alternative hypothesis is accepted as the p-value 0.06 is less than the significance level 10%. It means that the average ROE of group 1 is significantly higher than the average ROE of group 2. As a result, there is significant impact of the financing method (more equity or more debt) on the return of the companies. Companies financed through more equity earn more return than companies financed through more debt.

Table 3. Comparison of average ROE of the two groups

Variable	Financing type: high equity=group 1, high debt=group 2								p-value
	Mean group 2		t-value	df	n group		STD group		
	1	2			1	2	1	2	
	1	2	1	2	1	2	1	2	
ROE %	32.50	11.51	2.15	8	5	5	21.16	5.47	0.06*

Note. STD = Standard deviation.

\*Significant at 10% level

#### 4.3. Second hypothesis

Table 4 shows the results of the second hypothesis. At both 5% and 10% significance level, the null hypothesis is do not rejected as the p-value 0.36 is higher than the two significance levels 0.05 and 0.10. It indicates that there is no significant difference between the risks of the two groups of companies. Therefore, the financing method does not have significant impact on the risks of the companies. Even though the average risk 1.25 of group 1 is lower

than the average risk 2.20 of group 2 but it is not significant difference.

Table 4. Comparison of risks of the two groups

Variable	Financing type: high equity=group 1, high debt=group 2								
	Mean group		t-value	df	n group		STD group1		p-value
	1	2			1	2	1	2	
Risk	1.25	2.20	-0.97	8	5	5	0.41	2.15	0.36

Note. STD = Standard deviation.

## 5. Discussion

In the first hypothesis, it is found that that there is no significant difference between the average ROE of the two groups at the 5% significance level however the average ROE of group 1 (more equity financing) is greater than the average ROE of group 2 (more debt financing). At the 10% significance level, the difference is significant between average ROE of the two groups. The justification for higher average ROE of group 1 (using more equity financing) is that it avoids certain costs associated with debt. Certain costs specially fixed interest charges, financial distress costs is associated with debt that negatively affects ROE. This finding is partially consistent with the finding of Afrasiabi and Ahmadinia (2011), Sunder and Myers (1999), Raheman, Zulfiqar, and Mustafa (2007). This finding is however in contrast to the well known pecking order theory (Myers and Majluf, 1984) which suggests that the company should use debt before equity.

Results of the second hypothesis shows that there is no significant difference between the risks of the two groups of companies at both 5% and 10% significance level however, the risk 1.25 of the group 1 (having high equity) is lower than the risk 2.20 of the group 2 (having high debt in capital structure). Justification for lower risk of the group 1 is that having more debt in capital structure (as the case in this study with group 2) increases the chances of bankruptcy as the company may default on the debts which increase the overall risk of the company. Having high equity in capital structure minimize chances of the bankruptcy and hence minimize the overall risk of the company. This finding is consistent with the finding of Afrasiabi and Ahmadinia (2011), Huo and Kwansa (1994).

## **6. Conclusion and recommendations**

This study investigates the impact of financing method on risk and return of non life insurance companies of Pakistan for the period 2006-2009. Financing method is operationalized by capital ratio i.e. total equity to assets ratio while risk and return are measured by coefficient of variation of return on equity (ROE) and ROE respectively. T-test is used which is a suitable test that compares the risk and return of the two groups of companies. The overall conclusion drawn is that companies having high equity in capital structure bear less risk i.e. their coefficient of variation (which is a relative measure of risk) is low, earns more return in terms of return on equity which shows how much owners are earning on their investment, and are more profitable than companies using more debt in capital structure. Non life insurance companies of Pakistan which uses more equity (preferred and common stock financing) perform well both on the risk side and return side. High debt in capital

structure increases the chances of default and bankruptcy which raises the overall risk and reduces the return of companies. High debt also results in certain distress cost which is to be handled very carefully.

On the basis of the findings, it is recommended that the non-life insurance companies of Pakistan should use the financing method of more equity in capital structure in order to improve their performance. This will decrease their overall risk level and will also enhance profitability which is the ultimate goal of every business organization.

### **References**

- Abor, J. (2005). The effect of capital structure on profitability: an empirical analysis of listed firms in Ghana. *The journal of risk finance*, 6(5), 438-445.
- Afrasiabi, J., & Ahmadiania, H. (2011). How financing effect on capital structure, evidence from Tehran stock exchange. *International journal of academic research*, 3(1), 253-260.
- Afza, T., Slahudin, C., & Nazir, M. S. (2008). Diversification and corporate performance: an evaluation of Pakistani firms. *South Asian Journal of Management*, 15(3), 7-18.
- Baker, M., & Wurgler, J. (2002). Market timing and capital structure. *The journal of finance*, 57(1), 1-32.
- Bhandari, Lakshmi., & Chand. (1988). Debt/equity ratio and expected common stock returns: empirical evidence, *Journal of Finance* 43, 507-528.
- Brigham, B. E. F., & Houston, J. F. (2008). *Fundamentals of financial management*. South Western Publisher.

- Chen, J. S., Chen, M. C., Liao, W. J., & Chen, T. H. (2009). Influence of capital structure and operational risk on profitability of life insurance industry in Taiwan. *Journal of Modelling in Management*, 4(1), 7-18.
- Cummins, J. D., & Sommer, D. W. (1996). Capital and risk in property-liability insurance markets. *Journal of Banking & Finance*, 20(6), 1069-1092.
- Dangl, T., & Zechner, J. (2004). Credit risk and dynamic capital structure choice. *Journal of Financial Intermediation*, 13(2), 183-204.
- El-Sayed Ebaid, I. (2009). The impact of capital-structure choice on firm performance: empirical evidence from Egypt. *The Journal of Risk Finance*, 10(5), 477-487.
- Harris, M., & Raviv, A. (1991). The theory of capital structure. *The Journal of Finance*, 46(1), 297-355.
- Hatfield, G. B., Cheng, L. T. W., & Davidson, W. N. (1994). The determinants of optimal capital structure: the effect of firm and industry debt ratios on market value. *Journal of Financial and Strategic Decisions*, 7(3), 1-14.
- Huo, Y. H., & Kwansa, F. (1994). Effect of Operating and Financial Leverage on Firm's Risk. *Journal of the International Academy of Hospitality Research*, (8).
- Jensen, M., & Meckling, W. (1976). Theory of the firm: managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305-360.
- Kinsman, M., & Newman, J. (1999). Debt level and firm performance: an empirical evaluation. Paper presented at 28<sup>th</sup>



- Annual Meeting of the Western Decision Science Institute, 1999, Puerto Vallarta, Mexico. Retrieved from [www.google.com](http://www.google.com).
- Malik, H. (2011). Determinants of insurance company's profitability: an analysis of insurance sector of Pakistan. *Academic Research International*, 1(3), 315-321.
- Modigliani, F., & Miller, M. (1958). The cost of capital, corporate finance and the theory of investment. *American Economic Review*, 48, 261-297.
- Modigliani, F., & Miller, M. (1963). Corporate income taxes and the cost of capital: a correction. *American Economic Review*, 433-443.
- Myers, S. C., & Majluf, N. S. (1984). Corporate financing and investment decisions when firms have information that investors do not have. *Journal of Financial Economics*, 13(2), 187-221.
- Pandya, A. M., & Rao, N. V. (1998). Diversification and firm performance: an empirical evaluation. *Journal of Financial and Strategic Decisions*, 11(2), 67-81.
- Prasad, D., Bruton, G. D., & Merikas, A. G. (1997). *Journal Of Financial And Strategic Decisions*, 10(1), 47-58.
- Raheman, A., Zulfiqar, B., & Mustafa. (2007). Capital structure and profitability: case of Islamabad stock exchange. *International Review of Business Research Papers*, 3(5), 347-361.
- Salehi, M., & Biglar, K. (2009). Study of the relationship between capital structure measures and Performance: Evidence from Iran. *International Journal of Business and Management*, 4(1), 97-103.
- Shoib, A., & Gohar, R. (2010). Achieving the optimal capital structure and its impact on bank performance: Evidence from

banking sector of Pakistan. Retrieved from  
<http://ssrn.com/abstract>.

Shyam-Sunder, L., & Myers, S. C. (1999). Testing static tradeoff against pecking order models of capital structure. *Journal of financial economics*, 51(2), 219-244.

State Bank of Pakistan (2004). Financial Sector Assessment 2004.

Welch, I. (2004). Capital structure and stock returns. *Journal of Political Economy*, 112 (1), 106-131.

Weston, J. F., & Brigham, E. F. (1992). *Study guide to accompany: Managerial finance*.

Yang, C. C., Lee, C. F., Gu, Y. X., & Lee, Y. W. (2010). Co-determination of capital structure and stock returns—A LISREL approach: An empirical test of Taiwan stock markets. *The Quarterly Review of Economics and Finance*, 50(2), 222-233.

Yoon, E., & Jang, S. C. (2005). The effect of financial Leverage on profitability and risk of restaurant firms. *Journal of Hospitality Financial Management*, 13(1), 35-47.

## **Linking Personality and Knowledge Sharing Behavior: The Moderating Role of Team Work Culture**

Dr. Hafiz Muhammad Ishaq\* Madiha Akram\*\* Kanza Samar\*\*

Asma Sarfraz\*\*

\*Federal Urdu University of Arts, Science & Technology, Islamabad

\*\*MS Scholar, International Islamic University, Islamabad

### **Abstract**

*The purpose of the study is to build up and empirically test the relationship between two personality traits (Extraversion and Openness) and knowledge sharing behavior under the moderating role of team work culture. For this research data were collected from a sample of 315 respondents selected randomly from telecom sector of Pakistan through questionnaires. Data were analyzed using correlation and hierarchical regression. Results highlight that extraversion and openness are significantly positively related with knowledge sharing behavior. Team work culture positively moderates the relationship of extraversion and openness with knowledge sharing behavior. The results of this study will help the telecom companies to enhance the teamwork environment. Managers should do roles sharing and team making according to employees' personality traits.*

**Keywords:** Extraversion; Openness; Knowledge Sharing; Team Work Culture.

### **Introduction**

Knowledge sharing is now a crucial research topic in various management fields (Foss, Husted, & Michailova. 2010; Quigley, Tesluk, Locke, & Bartol. 2007). It has become an essential element of organisational activities. Where an organization participates in

knowledge creation, it must be construed that there are particular organisational activities in effect to convey and impart that knowledge. As a result, the sharing of information has a fundamental role in organisations. Yet, this information sharing does not come about naturally due to particular facets of knowledge, like the cost to duplicate it and its intrinsic ambiguity, which present overwhelming barriers in this process (Yong & Yang. 2012).

Knowledge sharing behaviour is an important course of action giving rise to innovative goods and services, increasing a company's information advantage and in realizing common business goals (Massa and Testa. 2009). Academics perceive knowledge sharing as an organizational advancement that leads to the distribution of original, inventive ideas with the capability to improve performance (Yi, 2009).

Appreciating the knowledge sharing behaviour of workers has significant consequences for organizations (Xue, Bradley, & Liang. 2011). Everyone has different knowledge sharing behaviours. Can these behaviours imposed by personality attributes? Certain individuals have a genuine will to share knowledge with friends, while others are indifferent. Many personal and contextual elements explain these differences. Halder, Roy and Chakraborty (2010) reveal that Personality is a crucial psychological element that influences behaviour .Personality is a key factor that impacts upon a person's behaviour to share information (Teh, Yong, Chong, & Yew. 2011). Previously effect of personality traits has been analyzed with special focus on agreeableness, consciousness and neuroticism. However, there is very limited research found on impact of Extraversion and Openness on knowledge sharing behaviour (McCrae and Costa,

1997) & Raja et al., 2004). Therefore, in this study two personality attributes namely Extraversion and Openness are taken. For knowledge sharing behavior these traits are especially important in Pakistan. People are more extroverts than having the trait of conscientiousness and agreeableness, similarly neuroticism has no impact on knowledge sharing. The research examines that how these two traits play a role in becoming the determinants of knowledge sharing behavior.

Jacobs and Roodt (2011) propose that the teamwork culture in the organization will enable a positive point of view in relation to knowledge sharing. Scholars perceive that when the team members enthusiastically participate in information sharing it will result in the accomplishment of knowledge sharing behaviour in teamwork culture (Lee, Gillespie, Mann, & Wearing. 2010).

There is a lack of research clarifying how individuals share information in business environments. Specifically, a detailed insight into information sharing within teams is required, as team-based design is commonly implemented by current businesses. Therefore this research will aid researchers comprehend how knowledge sharing is affected by the personality traits in the presence of team-related factors.

Along with being a factor in economic advancements, telecommunication technology allows commerce and manufacturing to develop at quicker rate. Concurrently, telecommunication infrastructure can be a reliable marker of economic progress. The telecom industry has increasing opportunities in Pakistan, which makes it appealing for potential investors. Furthermore,

developments in cellular technology have made cell phones available for the average citizen (Abideen & Saleem. 2011).

Following this speedy growth, the requirement for teamwork culture and knowledge sharing behaviour is inevitably rising in telecom sector. There is a continual requirement for the sharing of information and expertise and to increase collective understanding of the personality factors likely to motivate individual attitudes towards the knowledge sharing behaviour in teamwork culture. This study will examine the influence of a team environment on the relationship of personality and knowledge sharing behaviour of individuals.

## **Literature Review and Hypotheses**

### ***Impact of personality traits on knowledge sharing***

A variety of elements can influence the level of information sharing within a work environment and within groups. Abstract personality features and different motivational sources have an impact on individuals. Conventional research has considered knowledge sharing in light of the personality traits.

Personality traits serve as a “latitude and longitude ‘for personality research, organizing, harmonizing, and integrating previously disconnected taxonomies and findings (Ozer & Reise, 1994. p. 361). The personality factors make up the various behaviour attributes witnessed within and across organizations (Pie-Lee et al., 2011). Stable personality traits, namely extroversion, and openness positively affect knowledge sharing. Therefore, it may be argued those workers with greater levels of thoughtfulness and diligence are more willing to actively note information with the aim of sharing with team mates, to input this information into knowledge data bases, and to utilise and maintain such data bases (Kurt et al. 2008).

Regarding implied knowledge sharing in particular, personality characteristics also aid human relationships, because self assured workers feel less intimidated by competition. Moreover, workers experiencing low levels of tension are more likely to effectively contribute in situations concerning the communication and attainment of information, which tends to require patience and understanding. (Borges, 2012)

### **Extraversion**

Extroverts are more likely to be social and outgoing (*Besser & Shackelford, 2007*). Extroverts are emotionally assured and are comfortable when working in a group. They will actively share information with their colleagues to maintain a strong team. (Pie-Lee et al, 2011). Workers who are more extroverted have the tendency to communicate inferred knowledge as a result of their outgoing and lively traits (Borges, 2012). Therefore it is inferred that:

**H1:** Extraversion has a positive influence on knowledge sharing behavior.

### **Openness**

Openness refers to a high level of inquisitiveness in a person and the positive manner in which a person embraces new ideas. Open people are highly adaptable and creative also. (Thoms, Moore & Scott, 1996). McCrae and Costa (1987) hypothesise that openness is a sign of broad-minded, bold and independent behaviour. Openness refers to creativity, inquisitiveness, tolerance and independence leading towards knowledge sharing behavior. Thus it is proposed that:

**H2:** Openness has a positive influence on knowledge sharing behavior.

### ***Moderating role of Teamwork Culture***

In the current study I shall also research the tempering role that a team environment plays between personal characteristics and information sharing behaviours. The insertion of teamwork culture in the model is motivated by the observation that the atmosphere in a team considerably affects the individuals' point of view, subjective norms and use of technology.

Liang et al. (2010) discovered that an advantageous team atmosphere can create a setting where information sharing is promoted. Organisational team ethos has a great impact on knowledge sharing. Nevertheless, it encompasses many elements, and information sharing may be affected in a positive or negative manner depending on the type of culture (Suppiah & Sandhu, 2011). Workplaces that impose principles and approaches for individual participation in information sharing have a greater chance of realizing success in this area (Jalal et al., 2010).

The researcher notes that the feeling of community aids an organisation to put in place a culture focussing on team work and cooperation, which in turns encourages information sharing. Consequently, it can be argued that such organisational models stimulate greater employee participation in information sharing activities. When referring to the tacit information element, a workplace that appreciates accommodating, loyal, cooperative organisational model with a team focus are more likely to persuade their workers to communicate and impart knowledge in comparison to an organisational model geared towards personal outcomes (Borgs 2012).

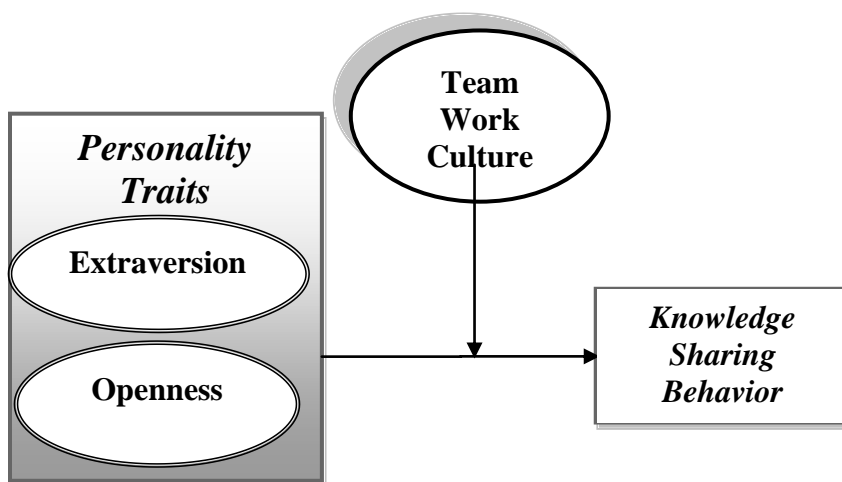


In contour with this reasoning, following hypotheses are offered.

**H3:** Teamwork culture moderates the relationship between extraversion and knowledge sharing behavior such that the relation is stronger for employees who enjoy working in teams and share their knowledge and weaker for those employees who are unable to adjust themselves in teamwork culture.

**H4:** Teamwork culture moderates the relationship between openness and knowledge sharing behavior such that the relation is stronger for employees who enjoy working in teams and share their knowledge and weaker for those employees who are unable to adjust themselves in teamwork culture.

**Conceptual Framework:**



**Methodology**

**Measures**

The measurement of personality traits (Extraversion and Openness) are done by means of NEO-FFI. NEO-FFI is an instrument developed by Costa and McCrae (2003) and is a 60-item inventory. It is the edited version of Big Five personality factors and has 12 items to calculate each of the five scales. No of items are

reversed scored in it. 7 items are used in this study for 2 personality traits and their reliability alphas are (.88) and (.83). Five-point scale where “1=Strongly Disagree”, “2=Disagree” “3=Neutral”, “4=Agree” and “5=Strongly Agree” was used for respondents so that they indicate their feelings by marking these scales.

Teamwork culture is measured by the items developed by Bocket al. (2005); Xue et al. (2004/2005) and Langfred (2004). The chronbach alpha of these items is (.92). The items used for knowledge sharing behavior are constructed by Bock and Kim (2002) and Draft (2001) and chronbach alpha is (.86).The item details are described in the Appendix.

### ***Population***

For the examination of the hypothesized linkage between extraversion, openness, teamwork culture and knowledge sharing behavior, the researcher gathered data from telecom sector. Population is comprised of all employees operating in telecom industry of Pakistan (approximately 1200 employees). The companies that the author approached are Ufone, Warid, Zong, Telenor and Mobilink.

### ***Sample size***

For the investigation of this research an individual is considered as the part of analysis. The respondents sampled are employees form telecom companies. The collection of primary data has been completed by questionnaires. Questionnaires were disseminated among 310 participants who are working in telecom companies in Islamabad and Rawalpindi.255 questionnaires out of 310 were given back to the researcher. The incomplete and inaccurate

questionnaires were 30. Therefore the remaining 225 questionnaires were complete and usable. Thus 72% is the response rate.

### ***Technique***

The technique which was used in the study was Convenience sampling technique. Generally this technique speculates a population which is homogeneous so one person is much similar to the other person. Researcher can access any individual who is available and willing to participate in research.

### **Results**

#### ***Correlation***

The results of correlation between variables, means and standard deviations are presented in Table 1. From the results it is indicated that extraversion and openness are positively correlated with knowledge sharing behavior. The association between personality traits and knowledge sharing behavior are:

Extraversion and openness ( $r=0.694, p=0.000$ ).

Therefore developed hypotheses H1 and H2 are accepted.

**Table 1: Correlation, Mean, SD**

Variables	1	2	3	4
1.Ext	(.88)			
2.Opn	.69***	(.83)		
3.Tmw	.70***	.76***	(.92)	
4.KS	.69***	.72***	.81***	(.86)
Mean	3.47	3.49	3.55	3.69
SD	1.00	.90	.91	.93

Correlation is significant at the 0.01 level (2-tailed). \*\*\* $P \geq 0.001$

#### ***Regression Analysis***

For the causal linkage between dependent variable, independent variable and moderator, and to test the hypotheses I used regression analysis. In regression analysis independent variables, moderator and

interaction terms of moderator and independent variables were analyzed to check the moderating effect and its hypotheses.

**Table 2: Regression Analysis (*Beta*,  $R^2$  and  $\Delta R^2$ )**

	<i>Beta</i>	$R^2$	$\Delta R^2$
<b>Independent Variables</b>			
Extraversion (Ext)	.368***	.588	
Openness (Opn)	.464***	.588	
			.588***
<b>Moderator</b>			
Teamwork culture (Tmw)	.561***	.701	
			.113***
<b>Interactive Terms</b>			
Tmw × ext	-2.64***	.733	
Tmw × opn	1.91***	.733	
			.038***

In Table 2 regression analyses indicates that extraversion and openness has the positive relation with knowledge sharing behavior. They have significant positive beta's ( $\beta=.368$ ,  $p\leq.001$ ;  $\beta=.464$ ,  $p\leq.001$ ) which shows that people with these personality traits have high level knowledge haring.

Therefore hypotheses H1 and H2 regression model explains the percentage of variation in knowledge sharing behavior so the 70% variation in knowledge sharing behavior is explained by the independent variables and moderator.

The contingent or moderating effect is also represented in Table 2.the results of moderation shows that the hypothesis H3 is accepted and it is in expected direction where as hypothesis H4 is not in expected direction. It means that there is negative effect of teamwork culture on the relationship of extraversion and knowledge sharing behavior. This effect will reduce their relationship.

## **Discussion**

The current study aimed to improve the understanding of people regarding knowledge sharing behavior in teamwork culture along with individual dispositions in the telecom sector. It is reported from the findings of the research that the uniqueness in the individual's personality influences the knowledge sharing behavior. It is shown that mainstream of employees have great understanding of knowledge sharing behavior. Majority of employees wanted to have a teamwork culture in their organizations in which knowledge sharing can play an important role in creating learning environment. From the results it is indicated that many employees in the telecom sector of Pakistan are extroverts and openness to experience and they enthusiastically share knowledge. Extraversion and openness are positively related with the knowledge sharing behavior according to the results. Cabrera, Collins, and Selgado (2006) also found that the knowledge sharing is strongly predicted by openness. For the reason that openness is an expression of a individuals' curiosity and uniqueness which in result are in quest of people's insights as a predictors. Hence, it is likely to anticipate that open persons have more expertise. Similarly Extroverts are emotionally assured and are comfortable when working in a group. They will actively share information with their colleagues to maintain a strong team (Pie-Lee et al, 2011). Workers who are more extroverted have the tendency to communicate inferred knowledge as a result of their outgoing and lively traits. (Borges. 2012).

The moderator teamwork culture has the significant positive impact on knowledge sharing behavior. The relationship between the openness and knowledge sharing behavior is strongly influenced by

teamwork culture it means teamwork culture enhance this relationship because the people with high degree of openness to experience work comfortably in team environment share their ideas with others and want them to involve in their innovative ideas. As telecom companies are now developing day by day they need uniqueness in ideas. Therefore when their employees are innovative open to experience them come up with the new ideas and when there is teamwork culture it will be easier for them to achieve their goals. They feel an opportunity in teamwork to fulfill them rather working on them individually.

On the other hand teamwork culture has the negative influence on the relationship of extraversion and knowledge sharing behavior. When we talk about telecom companies they have traditional teamwork cultures and centralized organizational structures in which hierarchy is there and rules and policies are tight. Every employee has to obey the orders of their boss so it is very difficult for extroverts to share knowledge. Another reason is that stress, work load and time constraints limit the knowledge of the people who has this personality trait. They have tough work and meeting to targets on time is more important in these organizations. Extroverts due to these factors don't have time to share their expertise and knowledge with others although they want to.

### **Managerial Relevance**

The present study indicates that personality traits are key components of knowledge sharing behavior. Teamwork culture moderates this relationship. A practical application of these consequences is that through people's screening knowledge sharing could be advanced in firms. Managers and team leaders with high

degree of extraversion and openness tend to share knowledge enthusiastically and voluntarily. As a result management can enhance the teamwork environment and in accordance with personality traits teams are composed and roles are shared among employees. Therefore new ideas and important thoughts are generated in teams which can be communicated. This will increase the performance and productivity of the firm and also the motivation of employees. Another important implication is to designing the teams; manage knowledge sharing and also to assign the different roles in teams. It is essential for the employees operating in telecom companies to adopt these terminologies in order to compete globally. In organizational structures these variables are also important for managing change.

### **Limitations and Future Research Directions**

Due to time and monetary restrictions, it was not achievable to undertake such detailed research taking into account all variables. Therefore, only telecommunications companies from Rawalpindi and Islamabad were included in the sample. The results indicate that the teamwork culture along with the extroversion is not a good predictor of knowledge sharing in telecom sector. A wider sample would indicate whether this result applies generally. In future, research can look at the practices of companies in other major cities. Some other factors such as gender, age, education and tenure which are demographic determinants could also influence knowledge sharing. Future result can indicate this relationship and also if all personality traits are studied in telecom sector in Pakistan influences are revealed more clearly. Moreover, it is suggested that same model should be tested in other contextual settings to generalize the study results. It would be note worthy if in future comparative study is conducted to

know the effect of personality traits on knowledge sharing behavior among western and eastern cultures.

### References

- Abideen, Zain Ul and Saleem, Salman. (2011). Effective advertising and its influence on consumer buying behavior. *European Journal of Business and Management*, 3(3), 55-65.
- Barrick, M.R., Parks, L. and Mount, M.K. (2005). Self-monitoring as a moderator of the relationships between personality traits and performance. *Personnel Psychology*, 58(3), 745-767.
- Benet-Martinez, V. and John, O.P. 1998. Los Cinco Grandes across cultures and ethnic groups: Multitrait multimethod analyses of the big five in Spanish and English. *Journal of Personality and Social Psychology*, 75(3) 729-750.
- Besser, A. and Shackelford, T.K. 2007. Mediation of the effects of the big five personality dimensions on negative mood and confirmed affective expectations by perceived situational stress: A quasi-field study of vacationers. *Personality and Individual Differences*, 42(7) 1333-1346.
- Bock, G. W., Zmud, R. W., Kim, Y. G. and Lee, J. N. (2005). Behavioral intention formation in knowledge sharing: examining the roles of extrinsic motivators, social-psychological forces, and organizational climate. *MIS Quarterly*, 29(1), 87-111.
- Bock, G.W. and Kim, Y.G. (2002). Breaking the myths of rewards: an exploratory study of attitudes about knowledge sharing. *Information Resources Management Journal*, 15, 14-21.
- Borges, R. (2012). Tacit knowledge sharing between IT workers: The role of organizational culture, personality, and social



- environment. *Management Research Review*, 36(1), 89-108.
- Cabrera, A., Collins, W. C. and Salgado, J. F. (2006). Determinants of individual engagement in knowledge sharing. *The International Journal of Human Resources Management*, 17(2), 245-264.
- Cho, N., Li, G. Z. and Su, C. J. (2007). Empirical study on the effect of individual factors in knowledge sharing by knowledge type. *Journal of Global Business and Technology*, 3(2), 1-16.
- Costa, P. T., & MacCrae, R. R. (1992). *Revised NEO personality inventory (NEO PI-R) and NEO five-factor inventory (NEO FFI): Professional manual*. Psychological Assessment Resources.
- Foss, N. F., Husted, K., & Michailova, S. (2010). Governing knowledge sharing in organizations: Levels of analysis, governance mechanisms, and research directions. *Journal of Management Studies*, 47(3), 455–482.
- Halder, S., Roy, A. and Chakraborty, P.K. (2010). The influence of personality traits on information seeking behaviour of students. *Malaysian Journal of Library & Information Science*, 15(1), 41-53.
- Jacobs, E. J., & Roodt, G. (2011). The mediating effect of knowledge sharing between organisational culture and turnover intentions of professional nurses. *South African Journal of Information Management*, 13(1), 1-6.
- Jalal, H. A., Toulson, P., & Tweed, D. (2010). Organisational cultural values for successful knowledge sharing: the case of Malaysia. In *Proceedings of the International Conference on Intellectual Capital, Knowledge Management, &*

- Organizational Learning* (pp. 547-554). Hong Kong: The Hong Kong Polytechnic University.
- Langfred, C.W. (2004). Too much of a good thing? Negative effects of high trust and individual autonomy in self-managing teams. *Academy of Management Journal*, 47(3), 385-99.
- Lee, P., Gillespie, N., Mann, L. and Wearing, A. (2010). Leadership and trust: their effect on knowledge sharing and team performance. *Management Learning*, 41(4), 473-91.
- Liang, H., Xue, Y., Ke, W. and Wei, K.K. (2010). Understanding the influence of team climate on IT use. *Journal of the Association for Information Systems*, 11(8), 414-32.
- Massa, S., & Testa, S. (2009). A knowledge management approach to organizational competitive advantage: Evidence from the food sector. *European Management Journal*, 27(2), 129-141.
- Matzler, K., Renzl, B., Müller, J., Herting, S., & Mooradian, T. A. (2008). Personality traits and knowledge sharing. *Journal of Economic Psychology*, 29(3), 301-313.
- Mayfield, C., Perdue, G., Wooten, K. (2008). Financial Services Review 17 (2008). Investment management and personality type. *Financial Services Review* 17, 219-236
- McCrae, R.R. and Costa, P.T. 1987. Validation of the five-factor model of personality across instruments and observers. *Journal of Personality and Social Psychology*, 52(1), 81-90.
- McCrae, R.R., & Costa, P.T., Jr. (1997). Personality trait structure as a human universal. *American Psychologist*, 52, 509-516.
- Ozer, D. J., & Reise, S. P. (1994). Personality assessment. *Annual Review of Psychology*, 45(1), 357-388.
- Quigley, N. R., Tesluk, P. E., Locke, E. A., & Bartol, K. M. (2007).

- A multilevel investigation of the motivational mechanisms underlying knowledge sharing and performance. *Organization Science*, 18(1), 71-88
- Raja, U., Johns, G., & Ntalianis, F., (2004). The impact of personality on psychological contracts. *Academy of Management Journal*, 47, 350-367.
- Shaffer, M.A., Harrison, D.A., Gregersen, H., Black, J.S. and Ferzandi, L.A. (2006). You can take it with you: Individual differences and expatriate effectiveness. *Journal of Applied Psychology*, 91(1), 109-125.
- Suppiah, V. and Sandhu, M.S. (2011). Organisational cultures influence n tacit knowledge sharing behavior. *Journal of Knowledge Management*, 15(3) 462-477.
- Teh, P. L., Yong, C. C., Chong, C. W., & Yew, S. Y. (2011). Do the Big Five Personality Factors affect knowledge sharing behaviour? A study of Malaysian universities. *Malaysian Journal of Library & Information Science*, 16(1), 47-62.
- Thoms, P., Moore, K.S. and Scott, K.S. (1996). The relationship between self-efficacy for participating in self-managed work groups and the big five personality dimensions. *Journal of Organizational Behavior*, 17(4), 349-362.
- Xue, Y., Sankar, C. S., & Mbarika, V. W. (2004). Information technology outsourcing and virtual team. *The Journal of Computer Information Systems*, 45(2), 9-16.
- Yajiong Xue, John Bradley, & Huigang Liang. (2011). Team climate, empowering leadership, and knowledge sharing. *Journal of Knowledge Management*, 15(2), 299-312.
- Yi, J. (2009). A measure of knowledge sharing behavior: scale

development and validation. *Knowledge Management Research & Practice*, 7(1), 65-81.

Yong Cao, Yang Xiang. (2012). The impact of knowledge governance on knowledge sharing. *Management Decision*, 50(4), 591-610.

## Appendix

### Dear Respondent!

As a student of MS (HRM) at International Islamic University Islamabad, I am conducting a research on the relation between big five personality factors and knowledge sharing under the moderating role of team work culture. The objective of this questionnaire is to find out this relationship in telecom sector.

This questionnaire will take 10-15 minutes from your busy schedule. Your information will remain confidential. I will be very grateful to you for your cooperation.

**Name:** \_\_\_\_\_

**Organization:** \_\_\_\_\_

For each of the statement below, Please indicate the extent to which you agree or disagree with the following statements by putting a tick (√) mark in the appropriate box.

The response scale is as follows:

1. **Strongly Disagree**
2. **Disagree**
3. **Neutral**
4. **Agree**
5. **Strongly Agree**

No.	Statement	Scale				
		1	2	3	4	5
1.	I really enjoy talking to people.					
2.	I often feel as if I'm bursting with energy.					
3.	I am a cheerful, high-spirited person.					
4.	I am a very active person.					
9.	I am intrigued by the patterns I find in art and nature.					
10.	I often try new and foreign foods.					
11.	I have little interest in speculating on the nature of the universe or the human condition.					
12.	I have a lot of intellectual curiosity.					
13.	I often enjoy playing with theories or abstract ideas.					
14.	My team encourages suggesting ideas for new opportunities.					
15.	My team encourages finding new methods to perform a task.					
16.	I feel I am really a part of my team.					

17.	If I had a chance to do the same work again in a team, I would rather stay in the same team.					
18.	If I had a chance to do the same work again in a team, I would rather join another team.					
19.	We trust one another a lot in my team.					
20.	I know I can count on the other team members.					
21.	I trust all of the other team members.					
22.	I share my job experience with my co-workers.					
23.	I share my expertise at the request of my co-workers.					
24.	I share my ideas about jobs with my co-workers.					
25.	I talk about my tips on jobs with my co-workers.					

**Thank you for your precious time and cooperation.**

# **Impact of Job Satisfaction on Organizational Commitment in the Pharmaceutical Industry of Karachi**

Muhammad Muzammil Ghayas

PhD Scholar, Iqra University

## ***Abstract***

*This study aims to study job satisfaction and the Organizational Commitment in the pharmaceutical industry of Karachi. A 28 item survey was used to collect the data and the data were collected from 282 employees of the pharmaceutical industry of Karachi. Multiple Regression Analysis was used as the statistical technique. Results indicated that the co-workers' attitude, compensation, work it-self, promotional opportunities, supervisor's support and the communications significantly predicts the organizational commitment in the Pharmaceutical sector of Karachi.*

**Keywords:** Job Satisfaction, organizational commitment, pharmaceutical sector, Karachi.

## **1. INTRODUCTION**

Creating a sustainable competitive edge had never been as difficult as it is in the twenty first century. The managers are now suggesting the importance of the Human Resources for creating the sustainable competitive edge. The realization of the importance of the human resources has raised the questions about the ways of increasing the efficiency and effectiveness of the human resources. A long search in the path to find the ways of increasing the efficiency and the effectiveness of the human resources resulted in the discovery that the increment in the level of job satisfaction can be helpful in increasing the level of Organizational Commitment of the employees.

The increased level of organizational commitment raises the levels of efficiency and effectiveness of the human resources and is thus in turn helpful in creating a sustainable competitive edge.

Few researchers (Azeem 2010; Suma and Lesha 2013) have studied the relationship between the job satisfaction and the organizational commitment; however no study has been conducted to test the relationship between the job satisfaction and the organization commitment in the pharmaceutical industry of Karachi. Therefore the basic scope/purpose of the study is to measure the impact of job satisfaction facets namely compensation, co-workers' attitude, supervisor's support, work it-self, promotional opportunities and communication on the organizational commitment in the pharmaceutical industry of Karachi and to suggest the measures that can increase the level of organizational commitment among the employees of the pharmaceutical industry of Karachi.

## **2. LITERATURE REVIEW**

### **2.1 Facets of Job Satisfaction**

Ashraf, Joarder and Al-Masum (2008) argued that compensation is significantly associated with job satisfaction. Gallardo, Sanchez-Canizares, Lopez-Guzman, and Jesus (2010) also found compensation to be significantly related to the job satisfaction. Saba (2011) used compensation as the facet of job satisfaction. Malik, Nawab, Naeem and Danish (2010) also used pay as the determinant of job satisfaction while studying the job satisfaction and the organizational commitment.

Suma and Lesha (2010) used satisfaction with the co-workers as the facet of job satisfaction while studying the job satisfaction and the organizational commitment. Kabir and Parvin (2011) also argued



that satisfaction with co-workers have positive association with the job satisfaction.

Lam, Baum, and Pine (2001) suggested that the work itself significantly predicts the job satisfaction. Whereas Malik et al. (2010) used work it-self as a determinant of job satisfaction while studying the organizational commitment. Ghayas and Siddiqui (2012) also used work it-self as the facet of job satisfaction while studying the job satisfaction and the turnover intentions.

Al-Ahmadi (2002) suggested that supervision is the determinant of job satisfaction. Chen (2006) supported the arguments of the supervision being a determinant of job satisfaction. Malik et al. (2010) used supervision as a determinant of job satisfaction while studying the organizational commitment. Joseph, Ng, Koh, and Ang, (2007) found promotional opportunities to be associated with the job satisfaction. Westlund and Hannon (2008) used promotional opportunities as a determinant of job satisfaction. Azeem (2010) used promotional opportunities as a facet of job satisfaction while studying the organizational commitment.

Ali and Haider (2012) suggested the existence of significant association between the communication dimensions and the Job Satisfaction. Ghayas and Siddiqui (2012) also used communication as the facet of job satisfaction. Saleem, Majeed, Aziz and Usman (2013) also found communication to be significantly related with the job satisfaction.

## **2.2 Job Satisfaction and Organizational Commitment**

Al-Aameri (2000) suggested that job satisfaction has strong correlation with the organizational commitment. Azeem (2010) asserted that the job satisfaction is a significant predictor of the

organizational commitment. Khan, Razi, Ali, and Asghar (2011) also confirmed the existence of positive association between the two variables. Suma and Lesha (2013) also found significant correlation between the job satisfaction and the Organizational commitment.

### **2.3 Job Satisfaction Facets and Organizational Commitment**

Malik et al. (2010) suggested significant relationship between the pay and the organizational commitment. Azeem (2010) supported the argument that pay is a significant predictor of organizational commitment.

Suma and Lesha (2013) argued the existence of positive relationship between the satisfaction with the co-workers and the organizational commitment. Azeem (2010) also found significant correlation between the two variables.

Malik et al. (2010) suggested positive association between the work it-self and the organizational commitment. Azeem (2010) also supported the arguments of the existence of positive relationship between the two variables. Suma and Lesha (2013) also found work it-self to be positively correlated with the organizational commitment.

Malik et al. (2010) advocates the existence of correlation between the supervisor's support and the organizational commitment among the public sector university teachers in Pakistan. Azeem (2010) confirmed that supervisor's support is a significant predictor of the organizational commitment. Suma and Lesha (2013) also found positive association between the two variables.

Azeem (2010) found promotional opportunities to be correlated with the organizational commitment. Suma and Lesha

(2013) also found positive correlation between the promotional opportunities the organizational commitment.

Zeffane, Tipu, and Ryan (2011) suggested positive association between the communication and the commitment. Lumley, Coetzee, Tladinyane, and Ferreira (2011) used communication as the determinant of job satisfaction while studying the organizational commitment.

### **3. Methodology**

Twenty four items were adapted from Job Satisfaction Survey (JSS) for measuring the six facets of job satisfaction. The survey was developed by Paul Spector in the year 1985. In order to measure the Organizational Commitment, four items were adapted from the scale developed by Currivan (1999). Cronbach alpha test was used to test the reliability. Fornell and Larcker (1981) asserted that an instrument is considered to be reliable if the value of alpha is 0.7 or greater. The test indicated that all the variables used in the research were reliable as the value of Cronbach's alpha for compensation is 0.967, coworkers' attitude is 0.970, supervisor's support is 0.972, work itself is 0.969, communication is 0.967 and promotional opportunities is 0.968. Whereas the alpha value of the dependent variable organizational commitment is 0.967. As the research focuses only on the pharmaceutical sector therefore purposive sampling was used to select the respondents and the data were gathered from the 282 employees working in the pharmaceutical sector of Karachi. Multiple Regression Analysis was used as the statistical technique to test the relationship between the dependent and the independent variables.

## 4. RESULTS

### 4.1 Demographic Results

**Table 1.** *Demographic Results*

<b>Demographics</b>	<b>Category</b>	<b>Respondents</b>	
<b>Percentage</b>			
Age	21 – 30 years	82	29%
	31 – 40 years	72	26%
	41 – 50 years	65	23%
	Above 50 years	63	22%
Gender	Male	211	75%
	Female	71	25%
Level of Education	Below Bachelors	49	17%
	Bachelors	135	48%
	Masters	72	26%
	MS/M.Phil	26	09%
	PhD	0	0%
Income Level (PKR)	20,000 or less	61	22%
	20,001 – 30, 000	83	29%
	30,001 – 40, 000	58	21%
	40,001 – 50,000	42	15%
	More than 50,000	38	13%
Tenure	Less than 1 year	112	40%
	1 – 5 years	127	45%
	6 - 10 years	37	13%
	Above 10 years	6	2%
Years in Industry	Less than 1 year	96	34%
	1 – 5 years	107	38%
	6 - 10 years	56	20%
	Above 10 years	23	08%

Table 1 shows the demographic results. Percentages of respondents are mentioned with respect to different categories of age, gender, education, income level, years of services and tenure.

## 4.2 Model Specification and Regression Analysis

Model specification was checked through the RAMSEY RESET Test. The value of Chi-square Likelihood Ratio was 0.6592 which indicates that the model was correctly specified. Whereas normality was tested through the Jarque-Bera test, the p-value of the Jarque-Bera test was 0.113340 which indicates that the residuals were normally distributed. Moreover, Breusch-Pagan-Godfrey test was used to test the homoscedasticity, the sig value of F-Statistics was 0.2211, hence the data were homoskedastic. Multicollinearity was tested through the VIF, the VIF values for all the variables were less than 2 (VIF Values: Comp = 1.073, CA = 1.006, WS = 1.028, SS = 1.009, PO = 1.032 and COMM = 1.043) which suggests that multicollinearity does not exist in the data.

The results of the multiple regression analysis indicated that all the facets of the job satisfaction used in the study have significant positive impact on the organizational commitment. Compensation has the highest  $\beta$  value ( $\beta$  value = 0.3112, sig value = 0.000, SE = 0.047) and thereby has the strongest association with the organizational commitment as compared to the other facets of the job satisfaction. The compensation is followed by the Supervisor's Support ( $\beta$  value = 0.3009, sig value = 0.00, SE = 0.044), Work it-self ( $\beta$  value = 0.2469, sig value = 0.000, SE = 0.046), Promotional Opportunities ( $\beta$  value = 0.1389, sig value = 0.002, SE = 0.046), Co-workers' Attitude ( $\beta$  value = 0.132, sig value = 0.003, SE = 0.045), and Communication has the lowest  $\beta$  value ( $\beta$  value = 0.125, sig value = 0.007, SE = 0.046) and thereby it is concluded that it has significant but weak relationship with the organizational commitment.

The Adjusted  $R^2$  was 0.387 which indicates that the 38.7 % of the variance in the dependent variable organizational commitment can be explained by the facets of the job satisfaction. The F-statistics was 30.637 and the sig value was 0.000 which indicates that the model was statistically fit.

## **5. CONCLUSION**

As the purpose of the study was to examine the impact of job satisfaction facets on the organizational commitment therefore the relationship between the facets of the job satisfaction with the organizational commitment is tested through the multiple regression analysis. All the studied facets of the job satisfaction namely compensation, co-workers' attitude, supervisor's support, promotional opportunities, work it-self and communication have significant impact on the organizational commitment. Hence in order to increase the commitment in the staff, the managers in the pharmaceutical industry of Karachi must focus on increasing the levels of the studied facets of the job satisfaction. As the study is conducted in pharmaceutical industry of Karachi, therefore future researchers may conduct similar studies in other sectors and cities as well.

## **References**

- Al-Aameri, A. S. (2000). Job Satisfaction and Organizational Commitment for Nurses. *Saudi Medical Journal*, 21(6), 531-535.
- Al-Ahmadi, H. A. (2002). Job Satisfaction of Nurses in Ministry of Health Hospitals in Riyadh, Saudi Arabia. *Saudi Medical Journal*, 23(6), 645-650.

- Ali, A. and Haider, J. (2012). Impact of inter organizational communications on employee job satisfaction – Case of some Pakistani Banks. *Global Advanced Research Journal of Management and Business Studies*, 1(10), 38-44.
- Ashraf, M. A., Joarder, M. H. R., & Al-Masum, R. (2008). *Job Satisfaction of the Employees in the Mobile Phone Corporates in Bangladesh: A Case Study*(No. AIUB-BUS-ECON-2008-22). American International University- Bangladesh, Office of Research and Publications (ORP).
- Azeem, S. M. (2010). Job Satisfaction and Organizational Commitment among Employees in the Sultanate of Oman, *Psychology*, 1, 295-299.
- Chen, C. F. (2006). Job satisfaction, organizational commitment and flight attendants' turnover intentions: A note. *Journal of Air Transport Management*. 12, 274-276.
- Currivan, D.B. (1999). The casual order of job satisfaction and organizational commitment in models of employee turnover. *Human Resource Management Review*, 9(4), 495-524.
- Fornell, C. and Larcker, D.F. (1981). Evaluating Structural Equation Models with Unobservable Variables and Measurement Error: Algebra and Statistics. *Journal of Marketing Research*, 18(3), 382-388.
- Gallardo, E., Sanchez-Canizares., S. M., Lopez-Guzman, T., and Jesus M. M. (2010). Employee Satisfaction in the Iberian Hotel Industry. *International Journal of Contemporary Hospitality Management*, 22(3), 321-334.
- Ghayas, M. M. and Siddiqui, S. J. (2012). Impact of Job Satisfaction on Turnover Intentions in the Pharmaceutical Industry of

- Karachi. *South Asian Journal of Management Sciences*, 6(2), 47-54.
- Joseph, D., Ng, K. Y., Koh, C., and Ang, S. (2007). Turnover of Information Technology Professionals: A Narrative Review, Meta-Analytic Structural Equation Modeling, and Model Development. *MIS Quarterly*, 31(3), 547-577.
- Kabir, N. M. M. and Parvin, M. M. (2011). Factors affecting employee job satisfaction of pharmaceutical sector. *Australian Journal of Business and Management Research*, 1(9), 113-123.
- Khan, H., Razi, A., Ali, S.A., and Asghar, A. (2011). A Study on Relationship between Organizational Job Commitment, and its Determinants among CSRs and Managerial level Employees of Pakistan (Telecommunication sector). *Interdisciplinary Journal of Contemporary Research in Business*, 3(8), 269-284.
- Lam, T., Baum, T., and Pine, R. (2001). Study of Managerial Job Satisfaction in Hong Kong's Chinese Restaurants. *International Journal of Contemporary Hospitality*, 13(1), 35-42.
- Lumley, E. J., Coetzee, M., Tladinyane, R., and Ferreira, N. (2011). Exploring the Job Satisfaction and Organisational Commitment of Employees in the Information Technology Environment. *Southern African Business Review*, 15(1), 100-118.
- Malik, M. E., Nawab, S., Naeem, B., and Danish, R.Q. (2010). Job Satisfaction and Organizational Commitment of University



- Teachers in Public Sector of Pakistan. *International Journal of Business and Management*, 5(6), 17-26.
- Saba, I. (2011). Measuring the Job Satisfaction Level of the Academic Staff in Bhawalpur Colleges. *International Journal of Academic Research in Business and Social Sciences*, 1(1), 1-8.
- Saleem, S., Majeed, S., Aziz, T., and Usman, M. (2013). Determinants of Job Satisfaction among Employees of Banking Industry at Bahawalpur. *Journal of Emerging Issues in Economics, Finance and Banking*, 1(2), 150-162.
- Spector, P.E. (1985). Measurement of Human Service Staff Satisfaction: Development of the Job Satisfaction Survey. *American Journal of Community Psychology*, 13(6), 691-713.
- Suma. S., and Lesha, J. (2013). Job Satisfaction and Organizational Commitment: The Case of Shkodra Municipality. *European Scientific Journal*, 9(17), 41-51.
- Westlund, S.G., and Hannon, J.C. (2008), Retaining Talent: Assessing Job Satisfaction Facets Most Significantly Related to Software Developer Turnover Intentions. *Journal of Information Technology Management*, 19(4), 1-15.
- Zeffane, R., Tipu, S. A., and Ryan, J. C. (2011). Communication, Commitment & Trust: Exploring the Triad. *International Journal of Business and Management*, 6(6), 77-87.

## **Analyzing the Role of Social Reputation, Social Status, and Social Recognition towards Career Achievement: An Empirical Study of Business Oriented Organizations**

Dr. Muhammad Zia-ur-Rehman\* Dr. Naveed Akhtar\*\*

\*National Defense University, Islamabad

\*\*National University of Modern Languages, Islamabad

### **ABSTRACT**

*The study attempts to highlight various factors, which may create significant impact on employee's career achievement. The main objective of the study was to know the impact of Social Reputation, Social Recognition and Social Status on Career Achievement. In today's world of competition, it is very important to utilize all the available talent in an organization, and for employees, it is very essential to be successful in their career. That is why this study tried to help the employees, who want to grow in their career and for organizations, which wish to get maximum output from their employee and achieve targeted goals. Data were collected through questionnaire-based survey from 250 employees of banking sector, on 5 Point Likert Scale. Regression and reliability analysis has been applied to generate results. Three hypotheses were proposed and tested. The results show that social Status, Social Recognition and Social Reputation exist significantly among employees, irrespective of their gender.*

**Key Words:** Social Recognition, Social Reputation, Career Achievement, Employee's career

## **INTRODUCTION**

Career is the property of the individuals, who may be inspired by new social norms, but on the other hand, for employed people, it is planned and managed to a large extent by their organizations. For some people, financial success is their main target and if they succeed in achieving it. They consider their career as highly successful perceived career achievement. It is seen that with passage of time for an individual his/her aims and ambitions changes with the time. Researchers define career as the moving perspective in which persons orient themselves with reference to the social order and of the typical sequences and concatenation of office.

Status may have different forms including social status, which signifies a position of high social standard and power or interpersonal influence. Social status is awarded to people on the basis of the visible characteristics or attributes they possess. Sometimes it happens that actions of giving and receiving help, information, support and advice, acts as an important source of provision of social status. Forcing the upper level administration consider that person to be a highly motivated person and organizations always prefer highly motivated employees for higher positions. From this we can say that status helps a lot in the growth of an individual and career achievement.

In a research conducted to study the morale of employees, in banks, it was noticed that when it comes to social status, the employees working at low positions always look for other jobs and are more dissatisfied from jobs having less social status and respect (Nazrul Islam, Mohanjan and Datta, 2012). This shows that social status has affect on employees' continuity of job. To be successful in

career, it is very important that the employees learn certain skill, which needs time. If an employee changes jobs quickly, he/she won't be able to learn such skills effectively. This is that if an employee does a good job and he/she is motivated accordingly from performance point of view, it can prove to be one of the top motivators. This performance also affects career of an individual, and sometimes indiscriminately 'thank you cards' if handed out to the participants, they may increase in performance was noticed due to recognition of workers. Past studies show that there is a strong and positive relationship between recognition and performance of an employee (Burt, 2008).

Another important factor that affects career of an employee is reputation, which can be either good or bad. Good reputation is reward of good work done and good behavior showed; where as bad reputation is result of poor work and bad behavior (Burt, 2008). Employee, having high work-related reputation gathered after long time period, can still get benefits of reputation even that employee does not show good performance at the current timing.

### **Problem statement**

Based on prior studies, the argument for developing career achievement has got more significance in current world. In order to see through it, social reputation, status and recognition seem to have greater role, which is yet to be understood deeply. The study, thus focused on the subjects more significantly influencing career achievement in the no a days world. Successful career of an employee and career achievement is when one's superior thinks that the employee has all the quality and skill not only needed for his/her position but for the position one's step higher to his/her. A position

after achievement, one feels respected and worthy of what he/she gets. The major factors affecting employee career achievement are status and recognition. Social Reputation is also a factor, which enables a person to get a good position in an organization. The reputation of an individual shows his/her attitude in certain condition. Science has changed and improved people lives and living standards. It is observed that employees of today are not happy with their jobs as their expectations and needs have changed with time. They don't want a job where they just have job with some fringe benefits. They want a career that shows their talent, Interests, personality matching their life style. Different tools and experiences provided by organizations fail to help employees. That's why employees of companies are always on a look for a career achievement, which means something more than a job with benefits. This study will attempt to highlight various factors, which can impact on employee career. There are various factors that can impact but focus will be kept on measures like social reputation, social recognition and social status on career achievement.

### **Significance of the study**

In today's world of competition, it is very important to utilize all the available talent in an organization and for employees it is very essential to be successful in career. The study may also help the employees who want to grow in their career and for organization who want to get maximum output from their employee and achieve targeted goals. This study can be applicable to all types of organizations because every organization has an HR department and every employee is interested in his/her career achievement. Variables studied in the paper are of significant level because these variables

also affect turnover rate of organizations. If an employee is not recognized and not given proper status he/she will resign. In result he/she will not get enough time to learn proper skills for that position hence affecting career of employee negatively.

### **Research Objectives**

The study focused on identifying and then empirically analyzing the aspects effecting careers of employees, especially elements like social status, social recognition and social reputation. Employees are considered the most precious asset of any company, as they are the ones who put their hard work in the production and made the organization successful. If a person has bad reputation he/she will never get a position in the organization, as the administration will not believe on him/her. If the employees can achieve the variables like social status, social recognition and social reputation, it will affect the employee career achievement. As a result employees will be motivated. They will perform better job resulting in organization better performance. Some specific objectives of the study are:

- To identify elements influencing career achievement.
- To empirically analysis the interplay of social status, recognition and reputation in promoting career achievement.
- To investigate the influence of social status on career achievement.
- To analyze the impact of social recognition on career achievement.
- To examine the impact of social reputation on career achievement.

## **Literature review**

Career success basically improves quality of life and it is something, which is actually perceived career achievement, satisfaction and growth that is the result of work experiences. Career success is buildup of positive, good work and emotional outcomes, which results from work experiences, power and authority (Seibert, Kraimer and Chen Yu, 2011). Therefore career success can be conceptualized as feeling which a person feels towards his or her own career when one performs his/her job without any problem and have good relations with colleague and supervisor while doing that. Different studies have acknowledged that success of career is associated with individuals' opinion about achievement or feeling good from own job (Chen Yu, 2011). According to the studies like social recognition, reputation means that how well known an entrepreneur is in industry and what type of image he/she has as a business-person. Recognition is very essential for success of an entrepreneur in a society and is a key factor for success (Lau et al., 2007). That is why it is seen that in terms of social recognition majority of entrepreneurs are ranked high (Vallone, 2008).

The variable of social status, which can be good or bad, is directly related to the success or failure of an entrepreneur. Studies show that people are motivated by outward status, signs of position and respect because of rank. They also added in their research that people make comparisons between their inputs at work with others. For examples they will compare their experience, qualifications, effort, outcomes they receive with experience, qualifications, effort, qualifications of others and outcome they receive. It can also be the

comparison between pay, compensations, status and conditions at work.

The status of an employee also affects its career growth, as if an employee is always stressed out because of his financial problems he/she will not be able to concentrate on work and hence his performance will keep on decreasing, lowering his chances of promotion or career growth. Therefore, it is can be said that social reputation and recognition affects career of an employee a lot. It is observed that variables like recognition and social status are important for business owners and employees of the owner because of the fact that both works in the same industry and both work in the same environment.

Self-actualization and factor of motivation like recognition, status, greater individual growth or responsibility are called as intrinsic remuneration. They are needed to keep an employee faithful and obsessive about the organization where they work. In other words it can be said that they gets involved in their job rather than the extrinsic remuneration which eventually will result into good performance of the employee and growth of career of employee (Tinofirei, 2011). From this it is found that these findings match Maslow theory of self-actualization of needs. At this level need of an individual are not much related to money or job security rather at this level it is more related to status, increased responsibility, greater individual growth, and recognition, as compared to others. Employee of an organization keeps on looking for opportunities to learn new things and improve skills level in order to improve their status, associated with their career promotion opportunities. An employee career revolves around its work, and the work of that individual gives



him/her purpose of his/her life, challenge, personal satisfaction and source of income. Other than that for an employee, his/her work is a source of individuality, originality, challenge of life, status and a source to be involved in the processes of social networking. In an organization organizational hierarchy is just like a ladder that the employee has to climb. With the climbing of this ladder career success can be measured through the rate at which the employee climb the ladder upward plus external signs of accomplishment like salary and social status. Each organization should give its employees with choices to attain career success but now a day the spirit of career has changed and so did the meaning of career success. Now career success means different for different people. Internally, it shows that how a person thinks or judge development of his/her career when it comes to his inner values, ambitions and goals. Externally, It shows that how a person career success is observed by external environment in terms of status, hierarchy, income and power. Organizationally it shows that how the individual is affective in terms of organizational power and influence. In past it was measured by the advancement in organizational hierarchy ladder but these days it is done in number of ways. In a Society level it shows that how much that individual has value in labor markets. How much he/she is professionally developed.

With the change of time in order to face the market competition organizations are increasingly becoming dependent on the human resource because if the employee performs well then it will be much easier for the organization to compete. That is why organizations should always have appropriate ongoing employee development programs based on the fact that organizations are

becoming more and more dependent on organizational human resources they have (Schein, 1987). Other variable then social recognition are the one affecting the success of an individual personal satisfaction, perceived financial attainment and career achievement, social status and social reputation. When entrepreneurs where asked about above-mentioned variables they was high level of agreeability was found among entrepreneurs. Though when it comes to apparent financial accomplishment was concerned it was noticed in the study that entrepreneurs think of themselves to be financially stable but at the same time they were of the point of view that they wouldn't be financially stable future (Vallone, 2008). Job satisfaction is a form of approach of an employee towards the work conditions, features or aspects that he/she has to face (Wiener, 1982). Two researchers noticed in their study that it is a universal and important element of career development that attitude of an employee towards his/ her job is either in the form of liking or is in the form of disliking. Philosopher and practitioners accepts the supposition that nearly everyone hunts for satisfaction in his/her work.

Human has different needs if these need are not fulfilled it is difficult for an individual to give good performance. There is one need that is called authority motivational need. This is a need if not fulfilled the chance of employees performing better than before is quite slim. This need is a proof that individual who is actually the employee of organization is authority-orientated and has a desire to be powerful and influential. Employees want to be powerful and influential in a way that they leave a positive impact on others minds. Individuals have this need for a reason that is they always struggles to have status; respect and they support the change through affecting

others or by power (Armstrong and Murlis, 2004). Through different researches it is proved that such individuals who have this need of authority can lack people skills and flexibility in their personality (Grobler et al, 2006; Marnewick, 2011; Safferstone, 2007). Therefore it can be said that whatever type of motivational need it is but it is essential for an employee to be motivated so that they can be satisfied from their job and gives good performance, a Performance that can lead employee to his or her career growth.

In the field of the of the current study, researchers gave two factor theory and postulated that hygiene factor is important in order to keep employees away from feeling dissatisfied but employee can feel motivated incase if motivators can lead workers to feel satisfied (Herzberg, Mausner and Sydenham, 1959). For employees these motivating factors can be any career growth, accomplishment, work itself, assignment of responsibility, recognition, and achievement (Bartol and Martin, 1998). Hence for an organization it is important to motivate its employees so that they can be satisfied from their job and be loyal to the organization that will ultimately result into good performance of employee and organization, leading to the promotion of employee.

Considering various studies through literature review, the study focus may be deduced that to be successful it is essential to have status. Just like social recognition, social reputation is an important factor in the success of an entrepreneur. The variable social reputation shows that how well an entrepreneur is known among the people in industry and what type of reputation he/she enjoys. In the above mentioned research 100% entrepreneurs' thought that they have good reputation as a businessman in the industry. 53.1% of

entrepreneurs thought they are not well known in the industry in which they work. In the research it was found that 21.9% of the entrepreneurs considered that they are successful businessman. The reason why it can be said that research supported this fact because 90.6% of the entrepreneurs who took part in that study agreed that one of the factor of success of their business was that they were well known in their business area (Vallone, 2008). Social recognition is an important factor in the success of an individual. In few researches there was mixed response for social reputation (Lau et al., 2007) but in other researches respondents 100% agreed to the statement “I have a good reputation in the business field” (Vallone, 2008). By receiving such a strong response of agreement to this statement one can conclude shows that successes are based on ones social reputation.

On the other hand, financial issues, such as; a high pay can motivate an individual but up to a specific limit after that limit other motivational sources reasons such as recognition, status, responsibility can be required to keep employee faithful and passionate about organizational work allotted to them (Armstrong and Murlis, 2004; Cheminais et al., 1998; Cronje et al., 2001; Erasmus et al., 2005; Globe, 1970 and Maslow, 1943).

Now a days, good organizations, instead of financial reward prefer to give their employees non-financial rewards because financial rewards motivate employee up to a certain level but non-financial rewards motivate employee much longer then financial rewards (Armstrong and Murlis, 2004; Cheminais et al., 1998; Cronje et al., 2001; Erasmus et al., 2005). In contrast to the extrinsic remuneration intrinsic remuneration rewards are attributable to the needs of job it's self and have effects which lasts more than any

person can experience instantly and for longer duration (Armstrong and Murlis, 2004; Cheminais et al., 1998; Cronje et al., 2001). Intrinsic remuneration includes increased responsibility, authorization to make decisions, more involvement in organizational decisions making and chance for personal growth and progression. Researchers have found that financial rewards do not make it sure that employee will give continuous best performance for long term. According to the research everyone in this world has different wants, hopes, wishes, targets and goals (Armstrong and Murlis, 2004; Cronje et al., 2001). Some features of job itself for example the degree of recognition, pleasure of performance, increased responsibility, opportunities for career development and promotion prove to be a motivator for the employees of organization (Herzberg, 1966). Status refers to one's standing in a social hierarchy as determined by respect, deference and social influence. In past social scientists agreed that status is an intrinsically valued social resource. The same way another scientist called status recognition as ego-reward that is a highly valued thing related to the emotional side of a human that can be forgo by lower-powered partner in a trade to increase the higher-powered partner's emotional investment in order to maintain power balance.

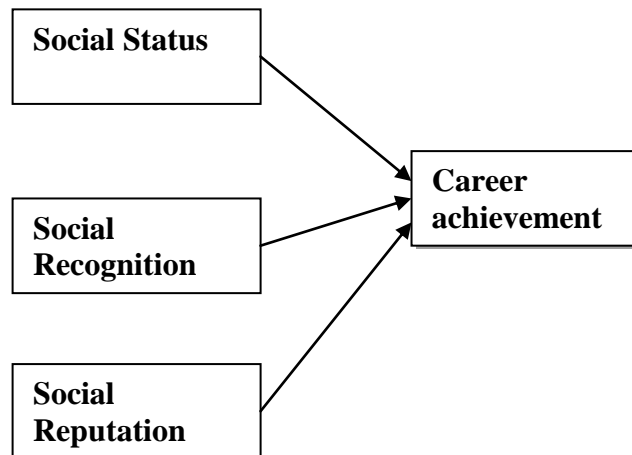
After discussing variables like motivation and job satisfaction it can be deduced that these are the factors that result into good performance of an employee. Which one way or another affect perceived career achievement of employee but motivation and job satisfaction of an employee is not possible until factors like status, recognition and social reputation works in a positive way for an employee. If these three factors negatively work for an employee

then the two factors of job satisfaction and motivation will also decrease and ultimately result in bad performance of individual then before.

### **Theoretical Framework**

Career of an individual, needs appropriate employee development programs, which should be based on the recognition as organizations are becoming more dependent on the human resources (Schein, 1987). The success of the business is measured by different factors of social reputation, recognition, career achievement, demographic information, educational background etc. A research conducted about success of Chinese entrepreneurs (Lau, Shaffer & Au, 2007).

In order to measure success business achievement is measured through factors like social recognition and social status (Lau et al., 2004). Success can be measured by personal assessment and social recognition is one of them. Recognition from others or society is one way of many ways entrepreneurs determine the success of their business. From studies it is proved that recognition of entrepreneur and his business is of great values (Lau et al., 2007). Some researchers include recognition, status, admiration and respect into human needs, which every individual enjoys (Tinofirei & Gouws, 1995).



Based on the existing literature review, it has been brought to lime light career achievement is much needed and sought out among employees no a days. The study focused on the affects of variables like status, recognition and social reputation on perceived career achievement. Different hypothesis are drawn from then which are:

H1: Social reputation is significantly and positively related to career achievement.

H2: Social recognition is significantly and positively related to career achievement.

H3: Social status of an employee is significantly and positively related to career achievement.

### **Methodology**

The sample of the study was the employees of the banks from Pakistan especially from the twin cities of Islamabad and Rawalpindi. All the employees of the banks are considered the respondents of the study regardless of their role and position. Approximately there were 1500-2000 employees, and the sample size was considered to be 250. Convenient sampling was used to in order to collect the data. The

data have been collected through questionnaire-based survey from the sample of population of 250 employees of banking sector. This research study is limited to the employees of Rawalpindi and Islamabad.

As the research has its basic objective to study the variables like social status, social recognition and social reputation affect on career achievement so the tool selected to study the effect was questionnaire which was retrieved from a published article “Entrepreneurial career success from a Chinese perspective: conceptualization, operationalization and validation”. The reason of selecting this article was that in this article same variables are been studied to study their affect on success of entrepreneurs. The respondents have rate their answer between scales of 1 to 5. The data has been collected through questionnaire-based survey from the sample of population of 250 employees’ of banking sector. The questionnaire was submitted directly to employees of banking sector. The data has been analyzed using Statistical Package for Social Sciences through regression and reliability.

### **Analysis and Results**

In order to use the instrument for data collection and analysis, it was tested for its reliability. The reliability summary of the variables is elaborated in the below table.

**Table 1: Reliability Statistics**

<b>Variables</b>	<b>Cronbach's Alpha</b>	<b>N of Items</b>
Social Status	.721	3
Social Recognition	.699	2
Social Reputation	.658	3
Career Achievement	.741	4



In Reliability Statistics, all the items on the Social Status were tested for Reliability. Cronbach's Alpha was used to test the reliability of the items. It is evident that research is reliable, as the value of the Cronbach's alpha is .721 (since .721 is  $> 0.6$ ). Reliability Summary of Social Recognition is shown in the table. Secondly, all the items on the Social Recognition were tested for Reliability. Cronbach's Alpha was used to test the reliability of the items. The value of the Cronbach's alpha is was found.699 (since .699 is  $> 0.6$ ). Reliability Summary of Social Reputation is shown in the table. Thirdly, all the items on the Social Reputation were tested for Reliability. Cronbach's Alpha was used to test the Reliability of the items, and the value of the Cronbach's alpha is .658 (since .658 is  $> 0.6$ ). Reliability Summary of Career Achievement is shown in the table. Fourthly, in Career Achievement Reliability Statistics, all the items on the Variables were tested for Reliability, resulting in having high Cronbach's Alpha Value. Cronbach's Alpha was used to test the Reliability of the items and the value of the Cronbach's alpha is .741 (since .741 is  $> 0.6$ ). Regression Variables of Career Achievement is shown in the table.

Then, the model signifies the multiple models in a single regression command. This tells number of the model being reported. Variables Entered displays the variables into a regression in blocks, and allows stepwise regression. Hence, which variables were entered into the current regression? Variables Removed lists the variables that were removed from the current regression. Usually, this column will be empty unless doing stepwise regression. Method signifies the method that SPSS used to run the regression. "Enter" means that

each independent variable was entered in usual fashion. Regression Model Summary of Career Achievement is shown in the table.

**Table 2: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.734(a)	.692	.681	.24312

a Predictors: (Constant), Social Status Mean, Social Recognition Mean, Social Reputation Mean

In Table 2, R-value shows relationship of independent variable Social Status, Social Recognition, Social Reputation with dependent variable Career Achievement and relationship is 73.4 percent, which is highly significant relationship. As seen from the Table the R Square value that shows the proportion of the variance in the value of the independent variable Social Status, Social Recognition, Social Reputation by the dependent variable (Career Achievement), is .692, which shows that 69.2 percent of the variation in the dependent variable can be explained by variation in the independent variable. Regression ANOVA of Career Achievement is shown in the table.

**Table 3: ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	37.002	3	12.667	104.791	.000(a)
Residual	34.316	267	.123		
Total	71.317	270			

a Predictors: (Constant), Social Status Mean, Social Recognition Mean, Social Reputation Mean

b Dependent Variable: Career Achievement

Table 3 shows sig. value is less than .05 (.000<.05), so we conclude that there is a statistically significant relationship between

independent variable Social Status, Social Recognition, Social Reputation and the dependent variable (Career Achievement). Regression Coefficients of Career Achievement is shown in the table.

**Table 4: Coefficients**

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	B	Std. Error
1 (Constant)	.167	.082		1.940	.045
S. Status Mean	.372	.052	.413	7.376	.000
S. Recognition Mean	.225	.057	.236	3.561	.000
S. Reputation Mean	.281	.055	.240	4.456	.000

a Dependent Variable: Career Achievement

There is positive relationship in all three of independent variable Social Status, Social Recognition, Social Reputation variable and dependent variable (Career Achievement). At Social Status the Beta= .372, Significant Std. Error= .000, At Social Recognition the Beta= .225, Significant Std. Error= .000, At Social Reputation the Beta= .281, Significant Std. Error= .000. Correlations Summary of Career Achievement is shown in the table.

**Table 5: Correlations**

		S. Status Mean	S. Recog. Mean	S. Rep. Mean	C. Achiev. Mean
S. Status Mean	Pearson Correlation	1	.675**	.584**	.635**
S. Recog. Mean	Pearson Correlation	.675**	1	.575**	.628**
S. Rep. Mean	Pearson Correlation	.584**	.575**	1	.573**
C. Achiev. Mean	Pearson Correlation	.695**	.628**	.573**	1

\*\* Correlation is significant at the 0.01 level (2-tailed).

Correlation analysis shows a strong positive relationship among all variables. The first variable Social Status has a positive effective on other variables Social Recognition, Social Reputation and Career Achievement with  $.675^{**}$ ,  $.584^{**}$  and  $.695^{**}$  with a significance value at  $.000$  less than  $0.05$ . It clearly shows that the relation between the Social Status with Social Recognition, Social Reputation and Career Achievement is positive, thus denying the Null Hypothesis and approving the original Hypothesis. The next variable Social Recognition is again positive effective with other variables of  $.675^{**}$ ,  $.575^{**}$  and  $.628^{**}$ . The significance value at  $.000$  is less than  $0.05$  showing positive relation with other three variables and thus by rejecting the Null Hypothesis and accepting the Hypothesis. Next variable Social Reputation is again positive effective with other variables of  $.584^{**}$ ,  $.575^{**}$  and  $.573^{**}$ . The significance value at  $.000$  is less than  $0.05$  showing positive relation with other three variables. Last variable Career Achievement also have positive effective on other three variables with significance at  $.000$  lesser than  $0.05$  showing the positive relationship thus proving the matter that is acceptable for the alternate Hypothesis. All the variables are strongly related with each other.

### **Discussion**

Research on The Impact of Social Reputation, Social Recognition and Social Status on Career Achievement is quite vast and filled with many opportunities for further research in many categories. The managers should practice the alternatives which include job sharing, which will make the employees job secure and will minimize the risk of downsizing. It will reduce the stress level of employees on the job. Employees should be given counseling classes

that will be beneficial in managing job related stress. Managers should enrich the jobs, which may be helpful for increasing job performance and make employees productive. Once the employees perceive the security on the job they will be more involved and committed with their jobs. Successful career of an employee and perceived career achievement is when ones superiors think that the employee has all the quality and skill not only needed for his/her position but for the position one-step higher to his. The company and their employees that he/she is worthy for that title should respect position that is achieved by the employee. The organization should use different set of tools and packages for the employees to stay loyal at one side so that the organization would not have to suffer the turnover situation because employees are always looking for career in the organization that is providing effective benefits. Hopefully, the employee will conduct further research to identify other factors that can contribute to Career Achievement.

### **Conclusion**

This study explored the identification of factors that are affecting the career of employee in their social status, recognition and reputation. The Three Hypotheses are proved of having significant relationship with the Career Achievement with the help of reliability analysis thus denying the Null-Hypothesis for the study. From going through the results we got to know the impact of Social Status is higher as compare to the Social Recognition or Social Reputation which means employees are focused on more on the status part while progressing towards the Career Achievement. Current recession and financial crunch all over the globe has also played vital role in embedding the element of Job Value among employees. From all the

above discussion it is now revealed that Value of the Job exists among employees and it is negatively affecting their performance, efficiency and working if the employees are not being treated to their standards. Results have clearly shown that Status, Recognition and Reputation exist significantly among employees irrespective of their gender. Organizations covered for this study has laid off significant number of employees at their end, hence creating fear of loss of job among the rest. It is observed that employees of today are not happy with their jobs as their expectations and needs have changed with time. They don't want a job where they just have job with some fringe benefits. They want a career that shows their talent, Interests, personality matching their life style.

### **Recommendations**

The Impact of Social Reputation, Social Recognition and Social Status on Career Achievement has been investigated in the different context, but the future research can be conducted in different culture and in different organizations to enhance the scope of the study. Managers should enrich the jobs, which will be helpful for increasing job performance and make employees productive. It is important that once the employees perceive the security on the job they will be more involved and committed with their jobs. Successful career of an employee and perceived career achievement is when ones superiors think that the employee has all the quality and skill not only needed for his/her position but for the position one-step higher to his. The company and their employees that he/she is worthy for that title should respect position that is achieved by the employee. Therefore it would be having a likely effect if the study is extended in

its scope through testing in some other organizations and by investigating it with relevant to different culture.

## References

- Armstrong, M., & Murlis, H. (2004). *Reward management: a handbook of remuneration strategy and practice*. Kogan Page Publishers.
- Bartol, K. M., & Martin, D. C. (1991). *Management*. New York: McGraw-Hill.
- Baruch, Y. (2004). Transforming careers: from linear to multidirectional career paths: organizational and individual perspectives. *Career development international*, 9(1), 58-73.
- Grobler, P., Wörnich, S., Carrell, M. R., Elbert, N. F. and Hatfield, R. D. (2006). *Human Resource Management in South Africa*. 3rd Edition. London: Thompson Learning.
- Herzberg, F., Mausner, B., & Sydenham, B.S. (1959). *The motivation to work*. New York: John Wiley & Sons.
- Islam, J., Mohajan, H., & Datta, R. (2011). A study on job satisfaction and morale of commercial banks in Bangladesh. *Int. J. Eco. Res*, 152-172
- Lau, V. P., Shaffer, M. A., & Au, K. (2007). Entrepreneurial career success from a Chinese perspective: conceptualization, operationalization, and validation. *Journal of International Business Studies*, 38(1), 126-146.
- Schein, E. H. (1987). *Increasing organizational effectiveness through better human resource planning and development*. New York: Oxford University Press.

- Tinofirei, C. (2011). The unique factors affecting employee performance in non-profit organisations. University of South Africa
- Vallone, A. (2008). *A study of the success and failure of apparel entrepreneurs* (Doctoral dissertation). Auburn University.
- Wiener, Y. (1982). Commitment in organizations: A normative view. *Academy of management review*, 7(3), 418-428.
- Yu, C. (2011). Chinese Knowledge Employees' Career Values, Perceived Organizational Support and Career Success. *iBusiness*, 3(3), 274-282.