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EGYPT CURRENCY CRISIS: ANALYSIS OF THE CAUSES

Tatjana Boshkov, PhD

Abstract
Currency crisis is a currency market disturbance where speculative foreign exchange strike leads to a devaluation or comes to a point when the authorities sell their foreign exchange reserves or raise interest rates to defend their exchange rate. Currency crises are usually defined in the context of the financial crisis, including a ban and debt crisis (Claessens and Kose, 2013).

Considering the fact that Egypt is a small and open economy, it was hit by a sharp decline in food, energy and other commodity prices in 2007/2008. Given that the middle group of Egyptian society spends about 45% of its income on food products, this brought economic policy under tough pressures and demanded a quick response to mitigate the shock in order to maintain social and economic stability. Evaluation of existing crises can explain the disruptions in the financial system or collapse of the exchange rate. Also, here we determinate the reasons and implications of Egypt currency crisis, as the crucial role of the foreign exchange reserve for a country in such a circumstances.

Key words: currency crisis, factors, exchange rates, Egypt.

1. Introduction

Economic theory did not encounter specific definition about currency crisis that is acceptable as universal. However, when we think about currency crisis the first thing we recall is a massive escape of investors from the currency for which they fear will depreciate thus affecting that this devaluation to really happen at a more financial repressive dimension than usual. In such a situation currency loses its stability and confidence, and if there are no sufficient international reserves then this can result in serious financial crisis. Economic losses caused by currency crisis are spending the fiscal costs of restructuring the financial sector, a fall in economic activity, a distortion in distributable income, a decline in credibility emphasize the importance of crisis prevention and the use of all available tools that can help in early identification of the financial weaknesses of the crises system. For this reason, some kind of systems could identify the vulnerability indicators or predict a currency crisis in order to take on time true measures to avoid the crisis. Utilizing theoretical knowledge about currency crises and focusing on the evaluation of existing theoretical

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models, over the last fifteen years, simultaneously were developed different theoretical models of currency crises in order to explain disruptions in the financial system or collapse of the exchange rate.

2. Literature review

The theory for currency crisis distinguishes several types of crises. In the literature on the currency crisis, three generations can be distinguished for explanation of currency reasons. The first generation ("speculative attack models") appeared as an attempt to explain the currency crises in Mexico (1973-1982) and Argentina (1978-1981) (Agenor et al., 1991; Garber, 1994). The first formal model of the currency crisis is presented by Krugman (1979) which gives a basic intuitive insight into the first-generation currency crisis model. Krugman argues that the currency crisis is caused by a large budget deficit financed by credit expansion. Such a situation results in a gradual loss of foreign exchange reserves. Namely, assuming the money market balance and the satisfactory interest rate at a fixed exchange rate (the domestic interest rate is the same as that of the overseas), the extension of the money supply offers will resolve the demand for the domestic currency. Due to the higher liquidity on the market, in the money market will increase demand for foreign currency. To be in that situation, the monetary authority brought the money market in balance, the central bank must sell foreign currency reserves for domestic currency. Also, international reserves will decrease at a rate equal to the growth of domestic credit. When international foreign exchange reserves are fully exhausted, the regime of foreign exchange must change, as the central bank no longer has foreign reserves for maintaining a fixed exchange rate regime.

Because of the simplicity of Krugman's model, his model include additional assumptions and characteristics of currency crises - low level of credibility of the exchange rate regime, slow price adjustment, the uncertainty of the speculative attack, uncertainty over credit expansion, various foreign exchange rates, sterilization policies, alternative exchange regimes after the collapse of the existing regime, borrowing on the foreign capital market and capital controls, the salary agreements and are influenced by future expectations, endogenous economic policy as would have approached the model to the real situation (Garber and Svensson, 1994; Esquivel and Larrain, 1998; Jeanne, 1999; Dahel, 2000; Peltonen, 2002). For these modifications, it is important to highlight some different factors of foreign exchange crisis which are important for the empirical research of currency crises.

Second generation of models approach exchange rate as a conditional obligation - the country that has opted for a fixed exchange rate regime, is obliged to maintain the fixed exchange rate as long as it considers it favorable. The obligation to maintain the fixed exchange rate is limited by the existence of an exit clause; the possibility of abandoning the fixed exchange rate, if the economic policy for its
maintenance has negative and negligible effects on other macroeconomic variables. This was the collapse with the Exchange Rate Mechanism (ERM), which was associated with inadequate consequences of raising the interest rates needed to avoid a successful speculative attack in a situation of high unemployment. In other words, the decision to abandon the current regime is related to the comparison of benefits (for example, the benefit derived from the theory of the optimal currency area) and costs (for example, due to a reduction in the reputation of economic policy) for maintaining a fixed exchange rate, together with a certain economic situation - unemployment, problems in the banking sector or high public debt. In the second generation of models, economic policy is not predetermined, but responds to changes in the economic system, and private investors base their expectations on such behavior by economic policy makers. The expected change in the exchange rate regime will affect those variables (for example, higher wages, lower employment, higher interest rates) which change increases the costs of maintaining the liquidity regime. When these costs become too high, economic policy holders can decide to devalue the currency and so will verify the currency crisis of market participants. Therefore, the currency crisis in terms of the model of the exit clause appears in a situation in which speculators, together with the given conditions in the economic system, consider that they are economic bearers of the policy on the margin of exploitation of the exit clause (Krueger, Osakve, Strana, 1998).

The model of third generation relies on interpretation of the causes of the currency crisis and the effect of infection. There are various explanations for transferring crises from one country to another. One of the interpretations relies on the negative impact of the same exogenous shock in several countries. The crisis can also be transmitted through trade links when the currency depreciation of a country means reduced competitiveness of another country. Financial interdependence can contribute to the expansion of the crisis when problems in servicing external debt in some countries force external creditors to repay loans to some other countries. Currency crisis in a particular country can worsen the perception of the state of the economic situation in the country with similar characteristics of the system. Explanations of the effect of infection contain elements of the first and second generation of the currency crisis model (Peacenti and Till, 2000).

3. Overview of Egypt currency crisis

Over the past few years, the Egyptian economy has felt the culmination of more than 15 years of continuous reform efforts. The reform program dates back to the 1990s when Egypt launched economic reforms and a structural adjustment program (ERSAP) aimed at stabilizing the economy and boosting economic growth. The program helped to improve growth to 5.9% in 1999/2000, compared with 1.9% in 1991/92. In the background of several external and domestic shocks, the reforms were halted, but since 2004 there has been a new trajectory for sustainable and better diversified growth in the Egyptian economy.
However, through reforms, emerging global turbulences, such as the notable rise in world food and energy prices (2007-2008) followed by global financial changes that continue to date, have increasingly challenged the ability of economic policy to fulfill its goal. In response to such crises, there was a need for harmonization of the economic policy to mitigate its adverse effects on the economic and social sides. The implemented package of measures in response to shocks was a general direction undertaken by the government to implement fiscal consolidation, respond flexibly to the challenges arising from them, and help fruiting growth in order to obtain a certain level of revenue. Faced with the global financial crisis, the government was also prompted to respond quickly with the introduction of a fiscal stimulus package worth 1.5% of GDP for accelerated implementation of infrastructure projects to preserve the growth momentum. Considering the fact that Egypt is a small and open economy, it was hit by a sharp decline in food, energy and other commodity prices in 2007/2008. Given that the middle group of Egyptian society spends about 45% of its income on food products, this brought economic policy under tough pressures and demanded a quick response to mitigate the shock in order to maintain social and economic stability. Measures for mitigating the crisis are being developed as a solution. Characteristic of this law was that it aimed to increase sustainable resources in order to finance the additional costs associated with adjusting the salary framework for employees in the state, increasing the minimum wage for employees, higher pensions, as well as to pay additional amounts of rice, sugar and cooking oil through the system of ration cards. In doing so, the social package was fiscally neutral and in that way helped in maintaining adequate social and economic balance.

2008 is year when the global financial crisis starts, which is a double challenge for Egypt. In this year, rising prices have fueled domestic inflation and the fall in global demand, which undermined growth and caused an increase in unemployment in Egypt. Thanks to sound regulations and strong banking, sectoral oversight and early reforms, the Egyptian economy was immune to the first effects of the rapid collapse of global financial markets. However, over time, the effects of the global financial crisis began to spill over into the real economy, and the government reacted by designing a package. The purpose of this package was to maintain demand, along with other specific measures and place the target on those sectors that were directly affected by the crisis. The decrease in foreign demand meant slowing down the export of goods and services, reducing economic growth and increasing the unemployment rate.

4. Analysis of the Causes

Egypt had problems with its governing currency system at the end of 2012. Since 2003/2004, the stability of the exchange rate system depends on the capacity of the Central Bank to accumulate large foreign reserves that would cover 9 or 10 months of annual imports. The central bank can use these
reserves to meet the demand for dollars needed to pay for imported goods, and therefore can effectively defend the value of the pound. For a net food and fuel importer such as Egypt, the management of the exchange rate was important to control inflation, and in particular the price of primary products.

During 2011 and subsequent political turmoil, growth rates dropped significantly as well as foreign exchange reserves. The reason for this was that Egypt suffered from a decline in capital and a dramatic decline in foreign direct investment and the tourism sector. Between 2011 and 2012, the Central Bank used its reserves to defend the value of the pound by financing the import of basic food products and fuels by state agencies. By December 2012, the foreign reserves had a $35 billion contract compared to January 2011 to $15 billion. This reduced the capacity of the Central Bank to meet the demand for dollars. However, the largely politically motivated expansion of foreign loans gave aid in the form of long-term deposits in the Central Bank and artificially maintained the system's life. In July 2013, Egypt received about $8 billion, mostly from Qatar, and to a lesser extent Turkey. After the collapse of Muhammad in 2013, these special relations abruptly broke down (much of the Qatari deposits and loans were returned), be replaced by even greater support from Saudi Arabia, the UAE and to a lesser extent Kuwait.

5. Ending of Egypt crisis

During the period 2011-2016, Egypt received a total of $29 billion in aid, cheap loans, long-term deposits in the Central Bank and free oil and gas shipments (Sobh, 2016). The absence of an economic vision by the management and the unwillingness to stem costs, however, meant that the lost opportunity of these unprecedented inflows was lost. Until GCC support came, which could help mitigate the contractionary impacts of savings and facilitate the implementation of reforms to address the longstanding structural weaknesses in Egypt's finances. Aware of the volatility that may come with rising prices and dismissals of civil servants, they want to build support for a new military-backed regime, so the new leadership chose to use these funds instead of avoiding reforms.

Governor of the Central Bank of Egypt, Tarek Amer said that the prices will drop in 2018, and Egypt's financial crisis is over.

The situation in Egypt in 2017 had these characteristics:

- GDP in 2017 significantly increased compared to 2016
- the prices will drop in 2018 and will return to the normal rate before the fluctuated exchange rate.
- the prices jumped double and triple successively to the liberalization of the Egyptian pound against foreign falsities.
- subsidies have been reduced for oil products and electricity, and subsidies for petroleum products have almost been removed in the last 3 years.
- the increase in prices almost affected all products and services.
- the import dropped from $4.3 billion to $3.8 billion
- the GDP growth now shows good signs to start importing
- the budget is under control
- now there is only one market-official, and the black market is significantly limited
- AC-Ghitany discusses the value of the currency that is in the main focus of all citizens, 1 $ = 17.5-18 EGP and if it reaches 14-15, it will be a significant progress to start in the face of inflation and reach 32%
- in July 2017, the price of electricity and oil grew again
- market prices depend on price measures.

The currency can be improved against the US dollar, yet it still stands at 15-17 EGP which means prices will not drop significantly. The market will need a lot of time to adjust to the price change. In November 2016, Egypt announced a fluctuation of the currency against all foreign currencies as part of a package of economic reforms to receive a $12 billion loan from the proudly produced by the IMF (Christine Lagarde and Stanley Fisher) because this is considered "Egypt will increase its competitiveness to the outside ". In August 2016, the IMF sees and gives a loan of $12 billion. According this, Kristin Lagarde stresses the currency crisis and has suggested a rapid devaluation to tackle the widening gap between official and black market prices.-On the black market at a moment prices are just high, i.e. the trading of the dollar, which already the turning of import and businesses on the black market, due to a lack in the Central Bank, makes the businesses unachievable.

**What kind of measures IMF asked for?**

All details have not been published. However, the package consists of austerity measures, reduction of subsidies to consumer goods, privatization of state-owned enterprises in line with the IMF's vision of an economic free market. Egypt borrowed money from abroad to meet the terms of the IMF loan. The creditor requires Egypt to increase its foreign exchange reserves before sending the money. In September Egypt gets a loan of $2 billion from Saudi Arabia used to provide regular monetary injection to increase the Egyptian economy:
- to build its foreign reserves
- it is believed that Egypt needed $6 billion before getting it from the IMF
- to increase external competitiveness, with “Floating currency” to support (encourage) exports, tourism, and to attract FDI.

According to Auesh, an Egyptian analyst, the IMF loan will reduce the pressure on Egyptian pounds but will take time to see the effect.

**6. Foreign exchange reserves as a solution**

When a devaluation is expected on the market, downward pressure on the currency can only be settled (neutralized) by increasing the interest rate. In order to increase the rate, the Central Bank must reduce the money supply, which in turn will cause an increase in demand for the currency. The bank can do this by selling foreign reserves to create an outflow of capital. When a bank sells part of its foreign
exchange reserves, it receives a payment in the form of a domestic currency, which keeps it outside the turnover as a means. Also, the reliance on the exchange rate can not last forever, both in terms of the reduction of foreign reserves, as well as economic and political factors, such as the increase in unemployment. Devaluing the currency through an increase in the fixed exchange rate results in domestic goods being cheaper than foreign, which increases demand for workers and increases the output. In the short run, devaluation also raises interest rates, which must be settled by the Central Bank by increasing the money supply and increasing foreign reserves.

As it is mentioned above, earlier the suspension of the fixed exchange rate can "eats" through the foreign exchange reserves of the country quickly, and devaluing the currency can bring back the reserves. Egypt's imports at a time of lack of foreign exchange inflows. They were used to support the Egyptian pound against the US dollar to postpone the effect of the low demand on the Egyptian pound. President Abdel Futtaha Al-Sisi is elected in 2015 and Governor of the Central Bank was Hishaiu Ramez. He was replaced by Tegic Amel in November 2015. The purpose of the two governors was to increase foreign reserves. At the end of 2016, Egypt has the highest amount of foreign exchange reserves of $ 24.26 billion in the last 5 years. The lowest amount of foreign exchange reserves was in June 2013 with amount of 14.94 billion. If we make comparison, in 2014, foreign exchange reserves are beginning to grow as a result of grant from Saudi Arabia, Kuwait, the Emirates and the Adriatic. Governor Rames faces the goal - an increase in foreign exchange reserves due to the pressure of a piece of foreign currency due to:

- small export
- world trade movements hit the revenues of the sued canal
- the presence of tourists

Prime Minister Holding gives a statement that in December in Egypt, a World Bank enters a loan tranche, and then from the African Development Bank.

Foreign exchange reserves are increasing due to 4G licenses for mobile network operators, although from the sale of treasury bills in the US dollar and euros. Remittances to Egyptians working overseas are rising by 33.2% or $ 1.7 billion, a total amount of $ 422 billion.

Natec condemns this increase in foreign reserves for several reasons:

- Egypt has the worst imports
- the lack of foreign currency and imports affects the production of many goods to those who import
- inflation (the demand for goods and services is still high, which affects the rise in prices and inflation)
- Egyptians lost almost 25% of their money due to the high inflation rate

Expectation of the IMF is rise of gross foreign reserves of Egypt on record $ 29 billion in the fiscal year 2017/2018 and for the fiscal 2018/2019 on $ 33 billion. If we compared the rise of foreign exchange reserves as much as it is, it's not sufficient in the realization of the obligation to service the public debt. If the reserves are compared with the external debt, they are 50% less than the debt. The only solution for solving the problem with the foreign currency is the export, and of course attracting FDI and
improving the investment climate. Also, the arrival of remittances as the arrival of foreign aid will contribute to resolving the crisis, but at a slower rate as Egypt has more short-term liabilities and government funding for which foreign exchange reserves are used.

7. Conclusion

The prediction when a country enters a currency crisis involves an analysis of various i.e. complex ranges of variables. There are several common factors that relate to recent crises: the countries borrowed a lot (current account deficits); the value of the currency is rapidly increasing; the insecurity associated with the Government's activities makes the investors nervous. The high level of public debt increases the cost of defending the exchange rate, but increases the dangers of speculative attacks. A high unemployment rate leads to difficulty in defending the exchange rate with a higher interest rate. The fact that the government will not tolerate a high unemployment rate may lead to currency depreciation (Lestano and Jacobs, 2007). When the expectations for the devaluation embedded in the nominal interest rate, the greater the interest cost of the debt will lead to an increase in the cost of maintaining the exchange rate. Speculative attacks can occur even when the currency is overvalued. The overvalued currency causes current account deficits, and in some cases deflationary pressure that leads the monetary authority to assess that the cost of defending the exchange rate is greater than the benefits. Expectation of the IMF is rise of gross foreign reserves of Egypt on record $ 29 billion in the fiscal year 2017/2018 and for the fiscal 2018/2019 on $ 33 billion. The only solution for solving the problem with the foreign currency is the export, and of course attracting FDI and improving the investment climate. Also, the arrival of remittances as the arrival of foreign aid will contribute to resolving the crisis, but at a slower rate as Egypt has more short-term liabilities and government funding for which foreign exchange reserves are used.

Reference


ANTECEDENT ROLE OF RISK MANAGEMENT CULTURE TO DRIVE FIRM PERFORMANCE AND COMPETITIVE ADVANTAGE WITH THE MEDIATION EFFECT OF AGILITY IN RESILIENT SUPPLY CHAINS

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Abstract

The term ‘Supply Chain Resilience’ has attracted much attention lately and continues to remain a hot topic among researchers engaged in many disciplines. However, the question of identifying the major elements that contribute to the resilience and separately studying those elements has not been adequately addressed either in the product development or supply chain literature. In this study, we focused on two main resilience elements, viz. supply chain risk management culture (SCRMC) and agility. We identified SCRM C as the main requirement of a resilient organization, and a model was developed with agility as the mediator. We empirically tested the role of agility as an element of supply chain resilience and its antecedents from the perspective of dynamic capability. By studying 89 apparel firms, we found that agility can positively and partially mediate the firm performance as well as firm competitive advantage. This has implications for the development of academic theories and management practices.

Keywords: Agility, Apparel industry, Dynamic Capability View, Supply chain resilience, Supply chain risk management culture
1. Introduction

The dynamic nature of the world business environment is now a well-known phenomenon as it is changing every day. Constant changes in the world market create many challenges and risks for firms, making them vulnerable. Because of that, companies seek out low-cost solutions to increase their profit margins. Resilience may not be the most economical cost option for them, but it is capable of coping with unexpected disruptions (Carvalho et al., 2012a) as resilience represents the ability to return to the original state or to create a new and more stable situation. The concept of Supply Chain Resilience (SCRes) is at the forefront of researchers’ and practitioners’ attention due to its importance in the current global supply chain (SC). However, there is still a lack of identified sub-constructs for SCRes (Ponomarov and Holcomb, 2009). In the last few years, considerable numbers of researchers have suggested various elements to measure SCRes, and sometimes in the literature, those elements have been interchanged with each other. But identifying resilient elements and studying their antecedents and enablers also has rarely been discussed in SC management and production management literature. Thus, our primary objective is to contribute to academic knowledge by viewing agility as a resilience element, developing it as a theory, and offering practical guidelines in the realm industrial or manufacturing related research areas applicable to a short product lifecycle industry, such as the apparel industry. The simultaneous development of agility and supply chain risk management culture (SCRMC) with dynamic capabilities under the resilience domain is sure to enhance the SC performance and competitiveness.

First, we gave our attention to what we believed were the fundamental building blocks of agility from the SCRes perspective and accordingly identified SCRMC which is the main element and primary requirement of a resilience-based enterprise. Christopher and Peck (2004) asserted that SCRes is achieved through four main capability elements, viz. re-engineering, agility, collaboration, and SCRMC. Of those, Agility is the most potent method to establish a resilient SC (Bernon and Cullen, 2007) through the resilience domain. In sum, firms need to continuously scan their environment in order to adjust and react accordingly. From the resilience point of view, agility can be described as the ability to react quickly and adapt effectively to situations to overcome any turbulence. The success of a business firm depends on its ability and willingness to adapt itself rapidly to meet the challenges then changes that occur in the market environment.

SCRMC is another main element in this study. There is not possible to change an organization without creating a SCRMC (Liu et al., 2018). According to Liu et al., (2018), leadership and organizational practices are the main elements of SCRMC. As per Kamalahmadi and Parast (2016), leadership and innovation are the two main elements of SCRMC. In our study, we developed some measurements of elements to measure the SCRMC based on previous literature.

Then, we propose our conceptual framework for analyzing the relationships and identifying the mediation effect of agility under the resilient and dynamic capability perspectives. Further, we argue that agility is representing a dynamic capability and positively influenced by the firm performance and competitive advantage. Moreover, due to the practical usefulness and relevance of agility to resilient organizations, we focus our attention on identifying agility antecedents and enablers and evaluate to which extent agility is
capable of building its utmost level of efficiency. Within the context of our study, we define firm performance and competitive advantage as a firm’s position compared with other companies. Further, firm age, firm size, management experience in the apparel industry and the gender of employees were considered as control factors in this model.

To achieve the stated objectives, this study is arranged as follows. In section 2, we offer the theoretical rationale and empirical evidence through hypothesis development. In section 3, we discuss the research instrument development and method of data collection. Then part 4 presents the results of the analyzed data with SEM-PLS. Then those findings and their implications are discussed in section 5, and we conclude the study and suggest further research opportunities.

2. Theoretical foundation

To establish the theoretical basis required to prove that building the resilient SC through agility will enhance the firm performance and its competitive edge, we concluded the review of former literature in the following manner. First, we discussed the SCRes and theoretical foundation; then we developed the hypotheses relationships with SCRMC, agility, firm performance and firm competitive advantage; lastly, the moderating relationships were examined.

2.1 Dimensions of Supply chain resilience (SCRes)

The simple sense of SCRes is the ability to bounce back from disruptive situations. Looking at it another way, SCRes characterizes the system’s adaptive capacity to tolerate any temporary disruptive events (Soni et al., 2014). To ensure that, organizations should adopt a series of different precautionary measures to cope with disruptions (Pettit et al., 2013). Organizations should identify in advance their vulnerabilities and potential risks that can threaten their business and then evaluate the organizations’ response level to mitigate the disruptions (Pettit et al., 2010). In previous literature, a considerable number of authors have identified various SCRes capability measures. However, there is a huge disparity in the variety of SCRes measures. Sometimes SCRes capability elements are interchangeable with one another and to understand the interactions and resilient capability. Thus, clear and well-fined measures are required in this subject area (Liu et al., 2018).

Some authors have claimed that SCRes is a unidimensional construct (Brandon-Jones et al., 2014; Ambulkar et al., 2015), whereas some others have argued that resilience can be achieved through agility and robustness (Wieland and Wallenburg, 2012; 2013). Many elements have used to evaluate the SCRes by Pettit et al., (2013, 2010); Pereira et al., (2014); Soni et al., (2014) and Hohenstein et al., (2015) researches. For example, Pettit et al., (2013) used as many as 14 capability factors; 1) Flexibility in Sourcing, 2) Flexibility in Order Fulfillment, 3) Capacity, 4) Efficiency, 5) Visibility, 6) Adaptability, 7) Anticipation, 8) Recovery, 9) Dispersion, 10) Collaboration, 11) Organization, 12) Market Position, 13) Security, and 14) Financial Strength. The classification used by Christopher and Peck, (2004) is widely used in SCRes researches, viz. agility, collaboration, re-engineering, and risk management culture. Based on Christopher and Peck, (2004)
frameworks, recently Liu et al., (2018) developed a framework to evaluate the SCRRes in the shipping industry. Therein he argues that SCRMC is the most important and nothing is possible without proper SCRMC.

2.2 Supply chain risk management culture (SCRMC)

Organizational culture should be strategic, systematic and enablers of the handling of a crisis to achieve organizational goals by creating a favorable and sustainable environment (Kuhn and Youngberg, 2002; Mello and Stank, 2005). To build up the SCRMC in the organization, the firm should confirm its resilience by the way it manages the risks and vulnerabilities. Hence, a proper SCRMC means that the firm will be subject to less vulnerability and possess a higher capability to adapt to the changing environment. Reducing uncertainty in the organization means that it would positively influence both the organization and all its members (Christopher and Peck, 2004). The success or unsucccess of the responses of the organization is entirely dependent on the level of prioritizing of their culture. Indeed culture is the most difficult to change as well as is the most complicated to define (Sheffi, 2005a). Kamalahmadi and Parast, (2016) emphasized two aspects of SCRMC; leadership, and innovation. Furthermore, they stated that the role of the leaders and behavior of the top management can change the culture of the organization and it will not be able to make any changes in the organization without the support and commitment of the management.

The most important condition to be resilient is that the organization should develop its management policies and follow appropriate procedures; continuous practice is also a vital requirement (Scholten et al., 2014; Wilding, 2013). For that, education and security training will have to be adopted as common practices at the organizational level (Rice and Caniato, 2003). Innovation is vital to be competitive in the business and to ensure long-term survival (Santos-Vijande and Álvarez-González, 2007). It indicates how the company is able to adapt to the changing world. It has been discovered that the organizational level of innovativeness goes hand-in-hand with the learning culture and decision making (Hurley and Hult, 1998). Reinmoeller and Baardwijk, (2005) found that the organization could overcome the disruptions and disturbances only by building and allocating the necessary resources for innovations. Hence, innovation is the key element needed for changing the culture and enabling a resilient culture.

2.3 Agility

Among the resilient capability components, researchers have identified agility as the most powerful methods of reaching the resilience SC (Bernon and Cullen, 2007). The capability to adjust rapidly to any quick changes in the SC should also be a necessary quality to maintain the system sustainability and uninterrupted operations; this is referred to as agility. Wieland and Wallenburg, (2013) define agility as “the ability of a SC to rapidly respond to change by reverting to its initial stable configuration” (p.302). In the literature, agility has been viewed from two different perspectives; one is agility described as a driver of resilience, and the other is agility described as a part of the agile SC (Carvalho & Cruz-Machado, 2011; Carvalho et al., 2012b). Since our study focuses on SCRRes, we address agility from the resilience point of view.

According to Wieland and Wallenburg, (2013), resilience in the SC has two different dimensions, proactive
and reactive. In the proactive dimension, it is concerned with and deals with robustness, and in the reactive dimension it is concerned with and deals with agility. Hence, agility is associated with the responsiveness of the SC during situations of emergencies and disruptions (Bernon and Cullen, 2007; Ponomarov and Holcomb, 2009). Soni et al., (2014) identified agility as the most important element among 14 enablers of resilience. After conducting a case study, Cabral et al., (2012) found that agility was an essential component of their Volkswagen AutoEuropa business. Liu et al., (2018) also identified agility was an important element in the shipping industry. Two dimensions of agility have been proposed by Christopher and Peck (2004); visibility and velocity.

According to Pettit et al., (2010) visibility is “Knowledge of the status of operating assets and the environment.” In simple terms, Christopher and Peck, (2004) have defined this term as, “visibility is an ability to see the pipeline from the other end.” Visibility is also examined from two perspectives, as the driver of agility and driver of resilience (Kamalahmadi and Parast, 2016). As literature shows, visibility is assumed to be a driver of resilience, but it is separate from agility (Blackhurst et al., 2011; Carvalho & Cruz-Machado, 2011; Jüttner and Maklan, 2011). Blackhurst et al., (2011) highlighted that to understand how to mitigate the disruption effects in their empirical study and further they assumed that visibility is the discovery phase for a resilient SC. As per the view of Datta et al., (2007), he stated that the possibility of enhancing resilience by monitoring the different nodes regularly in a real sense is a crucial requirement when practicing agility. In another sense, visibility facilitates SC managers to become aware of the changes without delay (Wieland and Wallenburg, 2013).

Velocity is the vital component of agility that enables the SC to bounce back from the disruptions; Christopher and Peck (2004) stated that it refers to the distance over time. Velocity means focusing on the flexible adaptation (Stevenson and Spring, 2007). Concerning that relationship, velocity determines that speed with which a SC is able to recover from disruptions (Jüttner and Maklan, 2011) and they identified velocity had a positive influence on firms’ revenue targets and supported flexibility. Manuj and Mentzer, (2008) classified the speed of risk into three stages: 1) rate at which the event leading to loss happens, 2) rate at which losses happen, and 3) how quickly the risk event is discovered. Moreover, improve the velocity and acceleration can be done by streamlining the processes, reduce inbound lead time, and reduce non-value added time (Christopher and Peck, 2004).

2.4 Theoretical background

To theoretically build up our argument in this study, we rely on the Dynamic Capability View (DCV) of the firm which is grounded on the Resource-Based View (RBV) theory. The main premise of the RBV is that the organization should centralize the analysis of their firm’s resources. If the firm resources can be characterized as rare, vulnerable, non-substitutable and inimitable, such firms can be categorized according to their capabilities, enabling an organizational competitive advantage (Barney, 1991). Previous researchers in the field of business management widely used RBV with most of them focusing on the heterogeneity of resources (Wernerfelt, 1984; Barney, 1991), and considering their configuration (Teece et al., 1997). Likewise, the RBV
stresses that organizations need to develop their capabilities. However, Allred et al., (2011) have cautioned that heterogeneous resources may not be enough and that it is also essential to consider developing the resources. Based on this realization, Teece et al., (1997) have made an evaluation of the DCV concept. “The firm’s ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments” is referred to as Dynamic capability (Teece et al., 1997, p 516). The main premise of DCV is the organization’s capacity to integrate and reconfigure firm resources by using their process to respond to external environmental changes and uncertainties when designing the new strategies (Teece et al., 1997; Eisenhardt and Martin, 2000). Based on the DCV, the firm must possess the ability to adjust, integrate, as well as reconfigure their resources. Ponomarov and Holcomb, (2009) emphasize the importance of resources and their measurements to sustain profitability by serving to improve the resilience balance in the SC.

2.5 Hypothesis development

Utilizing the theoretical background as the foundation, we developed our research model. In the first category of hypotheses, we link SCRMC to agility and then postulate its effects on organizational performance and competitive advantage. This is followed by the hypothesis that agility serves as a mediating relationship in this study. Those relationships are graphically presented in Fig 1.

(a) Linking SCRMC to agility

The firm can by effectively incorporating SCRMC positively influence the whole organizational operating structure (Sheffi and Rice, 2005). Christopher and Peck (2004) emphasized that one of the obstacles to firm visibility was inadequate information sharing. As a result of reduced practical visibility, organizational members lack awareness of disruptions could lead to a greater likelihood of unsafe conditions. Proper communication about the prevailing situation and potential changes had to be maintained with SC members (Wieland and Wallenburg, 2013). When establishing the risk awareness programs, unfettered knowledge sharing about risk management was essential (Faisal et al., 2006). Therefore, it is vital that managers should continuously strive to establish appropriate management policies and procedures, and conduct a continuous evaluation of the practices to be able to recover from uncertainties (Kuhn and Youngberg, 2002). For that, top
managers should communicate with their subordinates and grant them the authority as needed. Consequently, members will be able to improve both visibility and speed of recovery (Santos-Vijande and Álvarez-González, 2007). Based on the above statements, we postulated the first hypothesis as follows:

\( H1: \) SCRM culture positively influences the SC agility

\( b) \) Linking Agility to firm performance and competitive advantage

Lee et al., (1997) showed that improved visibility is the correct path for alleviating the harmful effect of the bullwhip effect. Hence, developing visibility is a crucial requirement for any company (Barratt and Oke, 2007). Velocity (speed) is vital to fulfill the tasks of the firm well and to compete successfully in the industry (Wieland and Wallenburg, 2013). Previous literature has highlighted the relationship between agility and firms’ performance (Swafford et al., 2008; Wieland and Wallenburg, 2013; Tse et al., 2016). Swafford et al., (2006) stated that agility is the quality of reacting speedily to market changes (p.182) and responding to customer and market needs quickly. As per Tse et al., (2016) viewpoint, agility has a direct effect on performance. Based on the above theoretical foundation, we developed hypothesis H2a and H2b as follows:

\( H2a: \) Agility positively influences the business performance of the firm

\( H2b: \) Agility positively influences the competitive advantage of the firm

\( c) \) The mediating role of agility

Swafford et al., (2008), Vickery et al., (2010), Blome et al., (2013) and, Chan et al., (2017) evaluated the mediation effects of agility on the performance of their studies. Liu et al., (2018) considered the SCRMC and analyzed the mediation effect of agility and they identified that agility directly and positively affects firm performance by studying the risk management performance of the Taiwan shipping industry. Based on the above theoretical foundation, we postulated the mediation effect of agility through hypotheses H3a and H3b, which raise the question of whether agility alone mediates or whether there is a direct effect of SCRMC on firm performance and competitive advantage that bypass agility.

\( H3a: \) Agility mediates the effect of SCRMC on the business performance of the firm

\( H3b: \) Agility mediates the effect of SCRMC on the competitive advantage of the firm

3. Methodology

3.1 Research constructs

To measure the above hypothesis, we developed a multi-item measurement scale based on many literature sources from different authors. Some question statements previously used in the field by SCRes researchers were directly used, while some of the question statements were modified, and further newly developed questions were added according to the industry requirements. The firm performance and competitive advantage related question statements were developed based on Li et al.,’s (2006) work, which was previously used to measure the SC management practices. The Agility measures were adapted according to Swafford et al., (2006, 2008), Blome et al., (2013), Wieland and Wallenburg (2013), and Pettit et al., (2013). In the section
on SCRMC, some question statements (Q:1, 2, 3, and 6) were developed based on the theories of Kamalahmadi and Parast (2016), and new measurement scales. Remaining question statements were adapted according to Liu et al., (2018). Except for the theoretical constructs, we used demographic variable factors, which can explain the variance in the dependent variable. In this study, we considered the firm related controllers (firm size and firm age) and respondent related controllers (their gender, management experience, and education level), as they can significantly impact on firm performance and competitive advantage.

3.2 Sampling and data collection

Data were collected from export-oriented apparel manufacturers from Sri Lanka. Today, the Sri Lankan apparel sector is in a strong position and is represented in the premier apparel outsourcing hubs of the world. We selected apparel manufacturers who were registered under the BOI laws and regulations. Those falling under this category are all export-oriented manufacturers. There were 250 apparel related manufacturers who were engaged in commercial operations at the time of data collection. Data collection process were started at the end of October 2017 and concluded at the end of January 2018. The top management (CEO/ GM/ director), and one of the logistic related managers (logistic/ procurement/ purchasing/ merchandising) was picked as the representative to respond to the questionnaire. We considered only those with more than five years working experience when selecting the respondents.

Data were collected using a predesigned questionnaire (see Appendix). Different rating scales have been used to measure psychometric variables by different authors. The five-point Likert scale (Swafford et al., 2006; Akgün et al., 2012; Soni et al., 2014; Liu et al., 2017) and seven-point Likert scale (Wu et al., 2006; Ambulkar et al., 2015; Tse et al., 2016) are the most commonly used. But according to Dawes (2008), there is hardly any difference between the mean score values of five-point and seven-point Likert scales once they have been rescaled. Thus, we used a five-point Likert scale to measure all variables in this study with the scale ranging from 1 = ‘strongly disagree’ to 5 = ‘strongly agree.’ Before the final data collection, the content validity of the designed questionnaire was checked with five academic experts and seven industrial experts. Subsequently, all question statements were refined to improve their wording, format arrangement, industrial relevance, and comprehensibility.

A secure, cost-effective and user-friendly online survey method was used to collect the data from respondents (Dillman, 2000; Griffis et al., 2003). Because the target group of respondents was able to use a computer within their office premises, that made it easy to access them (Krishnan and Pertheban, 2017). We collected the contact details of the respondents from the Board of Investment (BOI) and emailed the link of the online questionnaire as well as WORD format questionnaire with a cover letter. Out of the 250 target samples, 64 were bounced due to wrong email addresses, and we contacted them over the phone. We explained our requirements and re-sent the questionnaire. Two weeks later reminders were sent to non-responding firms. To improve the response rate, the second reminder was sent after four weeks.
4. Data analysis

End of the data collection period we collected 97 of the questionnaires; but from those, we removed some questionnaires that were either incomplete or contained monotones answers. Finally, 89 completed questionnaires were used to conduct the analysis. The total response rate was 35.6% in this study. The analytical steps are shown in Fig 2.

The SPSS analysis software pursued common method bias and non-response bias tests. The partial least squares-structural equation modeling (PLS-SEM) technique was applied to test validity, reliability, hypotheses, controller effect and mediation effects. To evaluate the measurement model and structural model analysis, we followed the analytical steps suggested by Hair et al., (2017) with SEM-PLS. In our study, PLS is preferred over traditional co-variance-based techniques due to the following reasons: 1) PLS can provide valid and accurate results even with small sample size (Chin et al., 2003; Hair et al., 2011), 2) non-normal data can also be accommodated (Chin, 1998; Hair et al., 2017), and It allows to analyze the mediator effects effectively (Chin et al., 2003).

4.1 Assessment of non-response bias and common method bias

Non-response bias test was conducted considering the early and late respondents (Armstrong and Overton,
1977). We split our final sample into two groups based on the dates on which the responses were received. According to the t-tests, results reveal that there is no significant difference between the p-values of the two groups, which amounts to less than 0.05.

Harmon one-factor test (Podsakoff and Organ, 1986) was performed to test the common method variance. We employed exploratory factor analysis for all measurement items with un-rotated factor solution. The results revealed that the first factor is responsible for only 43.84% of the explained variance. Since no dominant factor emerged, we concluded that common method bias is not a serious issue in this study.

4.2 Validity and reliability analysis

In our model, all measures were arranged according to the pattern of first order reflective measurements structure. Thus, reliability and validity were assessed as the first step of SEM-PLS measurement (Hair et al., 2017). Indicator reliability was evaluated with factor loadings; four loadings were within the 0.4-0.7 range, viz. SCRMC 4 (0.665), SCRMC 5 (0.674), Agi 4 (0.662), and Agi 6 (0.647). But as they did not affect the average variance extracted (AVE), we retained them (Wong, 2016). All other measures achieved a 0.5 threshold level. The item loadings and cross-loadings present in Fig 3 and Table 1.
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<td>3.914</td>
<td>1.080</td>
<td>0.856</td>
<td>0.452</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.363</td>
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<tr>
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<td>0.856</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.579</td>
</tr>
<tr>
<td>FP1</td>
<td>3.765</td>
<td>1.114</td>
<td>0.932</td>
<td>0.521</td>
</tr>
<tr>
<td></td>
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<td>0.536</td>
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<td>0.719</td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td>0.932</td>
</tr>
<tr>
<td>FP2</td>
<td>3.790</td>
<td>0.952</td>
<td>0.835</td>
<td>0.383</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.387</td>
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<td></td>
<td>0.661</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.835</td>
</tr>
<tr>
<td>FP4</td>
<td>3.951</td>
<td>0.942</td>
<td>0.893</td>
<td>0.434</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.434</td>
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<td>0.714</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.893</td>
</tr>
<tr>
<td>FP5</td>
<td>3.765</td>
<td>0.959</td>
<td>0.884</td>
<td>0.498</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>0.480</td>
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<tr>
<td></td>
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<td></td>
<td>0.782</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.884</td>
</tr>
</tbody>
</table>
Internal consistency reliability was evaluated with composite reliability. In this study, composite values exceeded the acceptable range of 0.7 (Fornell and Larcker, 1981; Chin, 1998; Hair et al., 2011). Convergent validity was measured with AVE; statistical results show that all the AVE values for the constructs exceed 0.5 which is considered an adequate level; this implies that latent variables account for more than 50% of the variance of their indicators (Bagozzi and Yi, 1988).

The heterotrait-monotrait ratio (HTMT) test method was used to determine discriminant validity, which is a recent and superior performance method for assessing discriminant validity in variance-based SEM (Henseler et al., 2014; Hair et al., 2017). The HTMT value for each latent construct was below the 1 (unity) threshold level. Fornell and Larcker (1981) opine that the square root of each latent variable’s AVE value should be higher than the latent variables’ correlation coefficients. Additionally, the findings were further confirmed for discriminant validity by a comparison of the items’ cross-loadings (Wong, 2016). Discriminant validity results presented in Table 2.

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>Cronbach's Alpha</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA (1)</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>0.914</td>
<td>0.935</td>
<td>0.744</td>
</tr>
<tr>
<td>FP (2)</td>
<td>0.882</td>
<td>1</td>
<td></td>
<td></td>
<td>0.909</td>
<td>0.936</td>
<td>0.786</td>
</tr>
<tr>
<td>SCRMC (3)</td>
<td>0.583</td>
<td>0.592</td>
<td>1</td>
<td></td>
<td>0.842</td>
<td>0.878</td>
<td>0.548</td>
</tr>
<tr>
<td>Agility (4)</td>
<td>0.617</td>
<td>0.569</td>
<td>0.537</td>
<td>1</td>
<td>0.846</td>
<td>0.886</td>
<td>0.566</td>
</tr>
</tbody>
</table>

### 4.3 Hypothesis tests

To determine the SEM results, re-sampling technique (bootstrapping) was used. A minimum sample size of 5000 was used to decrease the random sampling errors (Hair et al., 2017; Sarstedt et al., 2017). In the first step, we assess the significance and relevance of the structural model. Hair et al., (2017) have stated that the Path coefficient ($\beta$) value lies between -1 and +1 and that values closer to +1 $\beta$ indicate strong and positive relationships, while values closer to 0 $\beta$ indicate weak relationships. The results supported our hypotheses in respect of SCRMC and agility (H1: $\beta=0.519$; p<0.001). Agility also has a significant positive relationship with competitive advantage (H2a: $\beta=0.564$; p<0.001), and firm performance (H2b: $\beta=0.523$; p<0.001). The t-value and p-value of the hypothesis are depicted in Table 3 and effects shows in Fig 4.
Table 3: Hypotheses testing

| Hypotheses   | Path coefficient (β) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | One-tail P Values | Decision | Effect size (F²) |
|--------------|----------------------|-----------------|-----------------------------|--------------------------|-------------------|----------|-----------------|
| H1 SCRMC -> agility | 0.519                | 0.537           | 0.082                       | 6.372                    | 0.000             | Accepted | 0.368           |
| H2a agility -> CA | 0.564                | 0.577           | 0.074                       | 7.521                    | 0.000             | Accepted | 0.467           |
| H2b agility -> FP | 0.523                | 0.538           | 0.078                       | 6.789                    | 0.000             | Accepted | 0.377           |

In the second stage, the predictive power (R²) of the structural model was determined. Results revealed that 26.9% of the variance in the agility is explained by SCRMC (R²=0.269) and additionally, 27.4% of the variance in firm performance (R²=0.274) and 31.9% of the variance in competitive advantage (R²=0.319) were explained by the agility.

SEM-PLS blindfolding procedure was used to evaluate the quality of the model. Predictive Relevance (Q²) of the Model is larger than zero, and according to the criteria of assessment, 0.02 is small, 0.15 is medium, and 0.35 is large. Based on that scale, Q² of the competitive advantage is 0.207, firm performance is 0.191, with agility showing 0.122. Hence, the results confirm that the model has adequate prediction quality.

Apart from the above tests, effect sizes coefficients (f²) and (q²) were evaluated. f² and q² values of 0.02 (small effect), 0.15 (medium effect) and large effect with 0.35 on the endogenous latent variables were considered (Hair et al., 2017). In this study, all f² values and q² values remained above the 0.02 range with a small effect which is in the acceptable range for all endogenous constructs.
4.4 Effects of control variables

Demographical control variable results show that firm related controllers such as firm size or firm age cannot create any differences between the SCRes agility practices. Firm age also did not exert a noticeable level of impact on increasing the firm performance through agility. Moreover, the majority of respondents were male (86.4%), and this is quite usual for top positions in the apparel industry. We considered their years of management experience in the relevant industry. The viewpoints of managers with more than ten years and less than ten years of experience were considered, with the results proving that those with longer experience contributed more than those with less experience. But the level of their education did not make much of a difference to their performance.

4.5 Mediation analysis

The mediating property of the agility, as postulated in our compound hypotheses of H3a and H3b was tested for the mediation effect by using smart PLS. The total direct effect and specific indirect effect were measured instead of doing the Sobel test (Hair et al., 2017). The empirical t-value of the indirect effect ($\beta=0.293$) for the SCRMC->competitive advantage relationship is 3.880, yielding a p-value of 0.002. Similarly, for the indirect effect ($\beta=0.271$) of the SCRMC->firm performance relationship, we obtained a t-value of 3.562, indicating a p-value of 0.003. Furthermore, in both relationships 95% confidence intervals are; SCRMC->competitive advantage (0.161, 0.432) and SCRMC->firm performance (0.127, 0.409), respectively.

Table 4: Mediation analysis

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Direct effect</th>
<th>95% confidence t-value</th>
<th>p-value</th>
<th>Sig</th>
<th>indirect effect</th>
<th>95% confidence t-value</th>
<th>p-value</th>
<th>Sig</th>
<th>Mediation effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCRMC -&gt; CA</td>
<td>0.195</td>
<td>(0.091,0.328)</td>
<td>3.166</td>
<td>0.002</td>
<td>Yes</td>
<td>0.293</td>
<td>(0.161,0.432)</td>
<td>3.880</td>
<td>0.002</td>
</tr>
<tr>
<td>SCRMC -&gt; FP</td>
<td>0.171</td>
<td>(0.075,0.297)</td>
<td>2.924</td>
<td>0.003</td>
<td>Yes</td>
<td>0.271</td>
<td>(0.127,0.409)</td>
<td>3.562</td>
<td>0.003</td>
</tr>
</tbody>
</table>

As per the results (Table 4), direct effect of the SCRMC->competitive advantage ($\beta=0.195$) relationship is significant ($t=3.380$, $p=0.002$). SCRMC->firm performance relationship is also significant with a t-value of 2.924 and p-value of 0.003. Hence, according to the mediation analysis procedure (Hair et al., 2017), we can conclude that agility partially mediates the relationship of SCRMC-> competitive advantage and relationship of SCRMC->firm performance.
5. Discussion and implications

This study has paid attention to SCRes and investigated its two main elements, which are SCRMC and agility. Our research positioned the strategy of agility as a central component of resilient organizations in the apparel industry, especially in a turbulent environment. The ability to adjust quickly to any unforeseen changes in the SC should also be a necessary quality to maintain the system sustainability and uninterrupted operations; this is referred to as agility. Agility-based resilience culture is always better at identifying the disruptive situations and then recovering within a short period as it is enabling a firm to respond rapidly in order to cope with unexpected changes. To investigate the relationships, we collected data from the Sri Lankan apparel industry.

We considered agility as a central component that contributes as a mediator of firms’ competitive strategy. Our findings postulate empirical evidence for the mediating role of agility in the reputation model. More specifically, agility epitomizes the relationship between SCRMC and firm performance as well as SCRMC and competitive advantage. SCRMC promotes agility, and agility in turn, leads to better business performance and competitive advantages in the apparel industry. In the relationship between SCRMC and business performance as well as SCRMC and competitive advantage, agility plays a partial complementary mediating role. Our discoveries in this study are also in line with earlier findings. Liu et al., (2018) have studied the mediation effect of SCRMC and agility in the Taiwan shipping industry.

Findings proved that agility positively influences firm performance and competitive advantage and that it has much practical importance. Furthermore, dynamic capabilities contribute to better performance, and to stay competitive in the industry; the firm should react appropriately to the changing environment and adapt itself to it. It enables the production processes to effectively react to dynamic changes by falling back on the available resources. This is a vital quality that is essential to deal with the ever-changing apparel market.

6. Conclusion and further directions

Whereas past researchers have focused their attention on agility for achieving performance, relatively little research work that investigates matters from the SCRes perspective has been published. In our study, we have addressed that gap and studied the importance of agility as an element from the dynamic capability perspective.

We identified SCRMC as the main element in SCRes and agility was identified as a mediator of firm performance and competitive advantage. From our understanding of the emerging model of agility, it acts as a dynamic capability, as an antecedent, and as a performance enhancer. This study has offered worthwhile contributions to SCRes literature, as described above. Results have proved that the leaders’ managerial experiences could influence the firm performance and competitive advantage in the industry. Furthermore, we developed new measurement elements for SCRMC.

Although our study can provide some valuable and intriguing insights, limitations are also present. Thus, additional avenues for further studies exist in this area. Especially, in our study, we considered only the
apparel industry and worked with small sample size. New researches can use larger sample sizes with same model and methods as well as future researchers can explore other industries, and that would provide further confirmation to build strong theories.

Appendix

01: Questionnaire

Agility

Agi1. We have information systems that accurately track all operations.
Agi2. We have real-time data on the location and status of supplies, finished goods, equipment, and employees.
Agi3. We have a regular interchange of information among suppliers, customers, and other external sources.
Agi4. We are sensitive for the changes in the market and opportunities
Agi5. We can quickly respond to the changing market
Agi6. We use computer-based technologies to design and improve our processes

SCRMC

RMC1. In our company, management actively seeks and encourages innovative ideas.
RMC2. In our company, innovation is readily accepted in management.
RMC3. In new product/service introductions, our company is faster in bringing new products or services to the market.
RMC4. In comparison with competitors, our company has introduced more innovative products and services during the past five years.
RMC5. In our company, use different means to encourage employees to share risk management knowledge
RMC6. Typically adopts a bold posture, which results in an increased probability of making profitable decisions
RMC7. Our company, train employees for creative problem-solving in a wide variety of skills
RMC8. Our company practice risk awareness actions

Firm performance

Perfo1. We have a high market share growth.
Perfo2. We have high sales growth rate
Perfo3. Our products command a significant share of the market
Perfo4. We have a high-profit margin on sales
Perfo5. We have a high return on sales

Competitive Advantage

CA1. Our brands have excellent customer recognition
CA2. We have a strong reputation for quality
CA3. Our customers can differentiate our products
CA4. Our customers are very loyal to our products.
CA5. Our firm has strong, long-term relationships directly with each of our customers
We are delivering the right quantity with the right quality at the right time

Reference


Kuhn, A. M., & Youngberg, B. J. (2002). The need for risk management to evolve to assure a culture of safety. Quality and Safety in Health Care, 11(2), 158–162.


THE ROLE OF STRATEGIC MANAGEMENT IN SMES
INTERNATIONAL BUSINESS UP-GRADING

PhD, Tatjana Boshkov, 1
PhD, Ljubomir Drakulevski2

Abstract
Strategic management is a relatively new scientific discipline, whose goal is to enable the company to work in the modern business environment and the everyday changes that businesses face, both from outside and from the inside. The main goal of strategic management is to equip the company to new operating conditions dictated by market and technical and technological changes, seize opportunities in terms of profit and avoid the threats from uncontrolled factors. So taking this into account, the challenges for SMEs development are multi-dimensional. As trade barriers, transport and communication costs fall, SMEs are required to add more value to their products to stay ahead and compete with lower cost rivals. Consumer demand is changing rapidly as incomes rise and choices increase when imported products become easily available in domestic markets. Competition within the developing world for export markets, foreign investment and resources is also intensifying.

This was motivation to focus in this paper on SMEs, its export competitiveness, business strategies, access for financing and the impact of strategic management. Enhancing SME competitiveness requires creation of enabling legal, regulatory and administrative environments and capable institutional structures, and most importantly human capital and a sustainable environment. Public and private sectors in transition and developing countries must work together to improve the functioning of markets at home, while intensifying efforts to integrate into the world economy.

Key words: SME, strategy management, internationalization, profits, competitiveness.

1. Introduction
Strategic management is a relatively new scientific discipline, whose goal is to enable the company to work in the modern business environment and the everyday changes that businesses face, both from outside and from the inside. The main goal of strategic management is to equip the company to new operating conditions dictated by market and technical and technological changes, seize opportunities in terms of profit and avoid the threats from uncontrolled factors. Strategic management is actually a kind of special long-term organizational planning, in the direction of achieving long-term positive results, with which the organization will achieve a better competitive position in the future. The main goal of strategic

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management is making quality decisions, which will mean achieving profitability. These decisions are made by strategic managers and the very process of their adoption is very complex, because modern business operations are characterized by turbulent surroundings, and the quality of the decisions taken are a prerequisite for successful operation and development.

Many transition and developing countries, in particular face a need to promote and strengthen the long term development of the SME sector, which requires access to market opportunities, as well as to new technology and management know-how, often in a situation of considerable resource scarcity.

However, there is growing evidence of changes in patterns of foreign direct investment, involving a wider range of source and destination countries and the increasing involvement of SMEs as foreign investors. There is evidence that a growing number of medium sized firms, in particular, are internationalising their operations as a strategic response to increasing competitive pressure. In this context, internationalisation represents a means of reducing costs, as well as of opening up new market opportunities, thereby enabling them to combine greater flexibility with cost reduction (ACCA, 2012a). This reflects the fact that globalisation is not exclusively a multinational or large firm issue, as a growing number of SMEs are looking to expand their markets internationally. In general, SME internationalisation is greater in smaller, open economies and less in larger economies. One of the best examples is Italy, where 70% of exports are contributed by SMEs (Meghana, Beck and Kunt, 2003). In addition, supply chains in sectors such as “high-tech” and component manufacturing are becoming increasingly global in character, contributing to the development of new business opportunities for SMEs as potential suppliers world-wide, and opportunities for local SMEs in developing countries as second or third tier suppliers to main contractors.

Many companies and industries are confronted with an array of changes in their core markets, presenting strategy researchers and executives with complex challenges but also exciting opportunities. These new challenges are driven by demanding customers with altered value requirements, aggressive global competition, market turbulence, rapid emergence of new technologies, and the escalating globalization initiatives of many companies (Chakravarthy, 1997).

Companies confirm that management under economic and political pressure is very hard to do and any step is hand-in-hand with big risks. Taking into account that modern business operations are characterized by turbulent surroundings, the quality of decisions is very important to keep the company’s profit as it export-led growth.

This paper covers the idea that there is direct connection between good strategy management and export-led growth strategy that influence the level of profit of the company as its competitiveness and performance in the global economy.
2. Literature review

Strategic management is a continuous process that monitors and controls the business and industries in which the company operates, monitors competition, and sets out strategies and goals to identify all existing and potential competitors, and then reviews the strategy on a regular basis to determine how it is implemented and whether it is successful or it is necessary to replace it. In this part of the paper, we examine a few authors and its opinion about strategic management as one of the biggest challenge today.

According this, the biggest challenge that today's companies face in the modern environment are rapid and sudden changes and the emerging conditions of operation caused by globalization (Daniels et al., 2011). The authors process several chapters as essential elements that need to be understood when solving the problems that companies face like managing the international value chain, operational goals and assets, the challenges and control of international operations and the care of the individual and the company.

David A. Ecker in his book covers the strategic elements and concepts, competition analysis, consumers and market analysis. This author provides guidance how to understand the market dynamics and the advantages of companies so that they can create winning business strategies enabling business success as well as managing strategic change and uncertainty.

Another authors focused on strategic management in a time of globalization and competitiveness (Heath et al., 2014). Their research includes inputs of strategic management, strategic actions (strategy creation and strategic actions), strategy implementation. These authors through theoretical presentations aim to establish a new standard in strategic management and provide a rich and comprehensive analysis of the concepts and tools of strategic management. Schmarmhorn (1996) helps readers about the foundations of managerial work, not only to see the basics of managerial discipline, but also to understand and foster their personal potential and develop their managerial tools and career skills. Through this analyze, the author explains the six conceptual sections that he considers to be the foundation of managerial work, such as management, environment, planning, organizing, leadership and managing.

In the era of competitiveness, some authors determinate and underline the crucial meaning of operational management (Chase et al., 2004). These authors explain the methods for effective production and distribution of products and services by the company. The book focuses on operational strategy and change management, process selection and design, as well as the design of the supply chain and its planning and control. As the main issue that is elaborated is the strategy and its implementation, where the authors state that each company must have a detailed business plan that is supported by three main strategies as financial strategy, marketing strategy and operational strategy.

3. Up-grading the competitiveness through Internationalisation of SMEs

Internationalisation has become increasingly important to the competitiveness of enterprises of all sizes. In today’s environment, SMEs that start with a global strategy can move quickly to take advantage
of cross-border activities, which provide opportunities not only for revenue growth but also for the exchange of knowledge and the enhancement of capabilities, thereby strengthening the long-term competitiveness of the firm. Despite the common understanding of the importance of internationalisation, there are still many internal and external barriers that impede the internationalisation of SMEs. Moreover there is a lack of data on the actual export performance of SMEs and the challenges and issues they face.

It is important to note that while the prospects for SME success are tied with macroeconomic developments, they by no means identically mirror all of them. As the majority of SMEs operate in sectors that serve domestic demand, for example, they did not share in the benefits of increased foreign demand, which was the key macroeconomic driver of growth from 2008 to 2013. Many SMEs are not in export-oriented sectors, particularly the micro and small enterprises. Thus, programmes supporting SME exports benefit directly only a sub-set of SMEs. However, indirectly, all SMEs benefit to some extent from growth in exports as higher exports raise: a) overall income levels, and hence the demand for goods and services sold by domestic demand facing SMEs, and b) the demand for goods and services originating from exporting-oriented enterprises.

In an increasingly internationalised world, there are competitive advantages for those businesses that begin with a global strategy and can move quickly to take advantage of cross-border activities. Providing further, tailored support for this growing asset class would form a key step in allowing SMEs to leverage the benefits of increased foreign demand for goods and services (Boskov and Kokaroski, 2014).

Looking ahead, there is a positive outlook and the promise of a strengthening of the recovery on the horizon. Total value added generated by SMEs has already surpassed its pre-crisis level and is now expected to rise (from 2.8% in 2014 to) 3.4% in 2015. Improvements in EU SME’s performance depend critically on the further evolution of the macro-economic recovery. However, specific measures for improving the SMEs business environment play an important enabling role to ensure that SMEs are able to reap the full benefits of a return to solid and sustainable macroeconomic growth. However, international activities are mostly geared towards other countries inside the internal market and only about 13% of EU SMEs are active in markets outside the EU. The results showed that export-oriented SMEs show higher growth of turnover and employment than SMEs catering for the domestic market. In addition, export oriented SMEs are also more innovative. So, it is in the public interest to support SMEs to internationalise.

Why is important to support greater internationalisation? Could be mentioned several reason (Tas, 2002):

1. International SMEs create more jobs
2. International SMEs are more innovative
3. Public support goes largely un-noticed
4. European SMEs are more internationally active than US and Japanese SMEs. Overall, European firms are more active than their counterparts in Japan or the US. Even if only extra EU exports are considered they still perform better;
5. Most often SMEs start international activities by importing.

The opportunities from the internalization of SMEs are better connecting European SMEs to international markets, and specific measures to facilitate the access of European SMEs to these markets. The clear policy implication is that, while any measures to stimulate exports by SMEs may benefit only a limited number of SMEs, their increase in export activity will eventually benefit all SMEs, including those active in very low or low export intensity industries (Boskov, 2018). However, the overall gains are more limited for the SMEs active in low-export industries than for the SMEs active in industries with a higher propensity to export.

4. Companies Benefits from international markets

Opening up a country's market to the international markets allows a country more efficient production and allocation of resources as the country can concentrate on the production of goods in which it has a comparative advantage based on its factor endowments. Thus, world trade markets allow producers and consumers of the participating countries to benefit from lower prices, higher-quality products, more diverse supply of goods, and higher growth. Export-led strategies allow an expansion of aggregate demand without much inflationary pressure and without the danger of a wage-price spiral, compared with strong domestic demand injections. This partly stems from the real appreciation of the currency that result from large export earnings, which tame inflation and allow real wages to rise (Henriques, I. and Sadorsky, P., 1996).

Following this, through ELG is also embodied in the characteristics of the firm like:

- the current efficiency and effectiveness of the use of resources,
- the willingness and the ability to relate profitability to growth of capacity (i.e. the willingness to invest), and
- the ability to innovate to improve technology and organization and thus improve efficiency and effectiveness.

It is up to the companies to implement competitive business operating practices and business strategies. Presently, transition and developing countries seem to have a plethora of policies and strategies that relate to the private sector in one way or another: private sector development strategy, company development strategy, trade and investment policies and strategies, export strategy (Boshkov and Kovacevski, 2017). Yet, the responsibility for implementing these various national strategies and programmes are disbursed throughout the public sector institutions, where both capacities and authority to coordinate are weak. Furthermore, there is need to establish dialogue and partnerships between the government, SMEs, the civil society and the academia to appropriately assess and prioritize SME challenges and to implement remedial actions.
5. Relationships between strategic management elements and business performances

Strategic management elements are essential to understand for achieving successful strategy execution. This is strongly associated with the realization of four business benefits. Four elements that play a key role in achieving successful strategy execution are (Peppard, 2007):
- engendering and reinforcing an organizational culture of continuous change,
- managing the on-going change portfolio, conflict resolution, resources and interdependencies,
- establishing accountability and governance of each change program, and
- harmonizing the strategic leadership team to support the change portfolio.

Each of the business benefits is dependent for its realization on at least one of these four elements. The relative influence of these elements in securing each business benefit is typically greatest. So, to realize business benefit, there must be an organizational culture in which accountable managers balance their optimism and motivation with realism. The strategic leadership team must encourage and support such behavior, and it must be prepared to act decisively in eliminating non-viable programs. Also this demonstrates the strong influence the strategic leadership team’s behavior and organizational culture have on an organization’s ability to abort ill-conceived change programs during execution (Boskov and Drakulevski, 2017).

Increasing confidence in management’s ability to deliver change programs is business benefit that is unique in a way it is the only one out of the other business benefits that is dependent for its realization on the effective performance of all four key elements of strategy execution. Another important business benefit is speedy delivery of change programs. The “speedy delivery of change programs” is dependent on the effective performance of the management elements.

Minimizing variance of actual to forecast cost as business benefit is important in means that realization of this business benefit is determined by the effectiveness with which the elements “engendering and reinforcing an organizational culture of continuous change” and “harmonizing the strategic leadership team to support the change portfolio” are performed. Upon reflection, this is understandable: the forecasted costs are determined in the planning stage and, as our focus group discussions indicated, the honesty of these estimates can be questionable as they are significantly affected by the organizational culture and the “togetherness” of the leadership team.

6. Macro-economic environment in the time of strong strategic policy: SMEs position in EU

The general macro-economic environment in the EU-28 in 2016 strengthened SME activity in all industries due to the expansion of all categories of final demand. In previous years, the main driver of SME recovery was exports. The year 2016 marked the third consecutive year of steady increases in EU-28 SME employment and EU-28 SME value added. In total, employment by EU-28 SMEs increased annually by 1.6 % in 2015 and 2016 and the value added generated by SMEs rose by 1.4 % in 2016
following an increase of 5.8% in 2015. As inflation continued to remain low over these two years in the EU-28, this increase in value added largely reflected a real-term increase in the volume of economic activity of EU-28 SMEs in 2015 and 2016. As a result of the recent upturn, EU-28 SME employment has finally recovered from the 2008/2009 economic and financial crisis and even slightly exceeded the 2008 level in 2016.

All Member States except Greece and Poland also saw SME value added increase in 2016. It rose by more than 2% in 22 Member States and by more than 5% in Bulgaria, Croatia, Ireland, Malta and Romania. EU-28 SME employment expanded in practically all sectors of the economy, reflecting a balanced economy-wide growth of 2016, with some sectors recording growth of 3% or more. However, these sectors with a higher growth of SME employment account for only a small percentage of total EU-28 SME employment. Consequently, the impact of their strong performance on overall EU-28 SME employment was limited. Annual growth in EU-28 SME employment varied considerably across the main non-financial business sectors in 2016, ranging from 0.9% in “construction” to 2.8% in “business services”. The employment recovery in SMEs was most dynamic in services industries. Employment growth in “wholesale and retail trade”, “accommodation and food services” as well as in “business services” expanded by an estimated 1.7%, 1.8% and 2.8%, respectively, while employment in ‘manufacturing’ was estimated to have increased by 1.1% in 2016. Even with this recent upswing, SME employment in “manufacturing” was still about 11% below the employment levels at the start of the financial crisis in 2008. Technology intensive sectors played a prominent role in SME’s growth. This refers in particular to the group of knowledge intensive services such as high tech services, which recorded the strongest SME employment growth in the EU-28.

SMEs in the European Union After declining for a number of years following the 2008/2009 economic and financial crisis, EU-28 SME employment has picked up more recently and has outshone the economy as a whole. EU-28 SME employment grew by 5.2% from 2013 to 2016, almost 50% faster than overall employment in the EU-28 economy over the same period.
In terms of its contribution to sectoral employment and value added, SMEs are the most important enterprise size class in the “construction” sector, and also, to a lesser extent, in ‘business services’, ‘accommodation and food services’, and ‘wholesale and retail trade’. In 2016, the contribution of SMEs in these four sectors ranged from 70 % to 88 % in terms of employment, and 66 % to 80 % in terms of value added (Figure 2). In the EU-28 manufacturing sector, where large enterprises are generally dominant, SMEs still accounted for 58 % of total employment and 42 % of total value added in 2016.

**Figure 1**: Change (in %) of EU-28 SME, 2008 to 2013 and 2013 to 2016

**Source**: Eurostat, 2017

Even when SMEs account for a large share of employment and/or value added in a particular sector, they are still significant contributors to the overall economy of the EU-28.
sector, this does not necessarily imply a correspondingly large share of SME employment/value added in the overall non-financial business sector. This is because the sector concerned may be relatively small. The evidence suggests that SMEs are vitally important in both high-income and low-income economies, worldwide. SMEs were adversely affected by the global financial crisis of 2008. Some have continued to struggle, with revenues and employment levels remaining subdued in the following years. Others have recovered relatively fast, indicating the resilience of the SME sector. Many have suffered from reduced access to finance and increased costs of credit. Governments around the world have responded in a variety of ways. To assist SMEs in particular, policymakers’ attention has focused on supporting working capital, easing access to finance, implementing a better regulation agenda, and encouraging SME investment in new technologies or markets.

7. Conclusion

It is up to the companies to implement competitive business operating practices and strategic management. The options available to companies are also closely related to the quality of institutions, markets and organizations that constitute the business environment. It is the efficiency and effectiveness of institutions, markets and organizations that encourage or discourage companies to take their cues for learning new ways of doing business, compare their own competitive characteristics with those of their rivals, and make their decisions to invest, including the introduction of innovations into their business strategies.

Evidences show that when SMEs become internationalised, particularly when they start exporting to foreign markets, their contribution to their home economy increases. For this to happen, substantial barriers need to be overcome. SMEs can face difficulties in financing international activity, identifying opportunities and making appropriate contacts in their target markets.

Opening up a country’s market to the international markets allows a country more efficient production and allocation of resources as the country can concentrate on the production of goods in which it has a comparative advantage based on its factor endowments. Thus, world trade markets allow producers and consumers of the participating countries to benefit from lower prices, higher-quality products, more diverse supply of goods, and higher growth. Export-led strategies allow an expansion of aggregate demand without much inflationary pressure and without the danger of a wage-price spiral, compared with strong domestic demand injections.

Each country has to find its own way to strengthen the legal, policy and institutional frameworks in which SMEs operate and which set the quality of the enabling environment. Strategic support should be provided for project risk analysis, business plan development support and the organisation of brokerage events for SMEs to meet with investors and other potential collaborators for fund-raising and commercialisation of output.

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MODERATING EFFECT OF PSYCHOLOGICAL OWNERSHIP ON
THE RELATIONSHIP BETWEEN JOB SATISFACTION AND JOB
PERFORMANCE AMONG ACADEMIC STAFF OF FEDERAL
UNIVERSITY, DUTSE, NIGERIA: CONCEPTUAL MODEL

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Abstract
Performance of academic staff is linchpin to the progress and wellbeing of any university. Universities are usually established to create prepared minds for productive contribution and to discover through research and disseminate knowledge across for the betterment of the society. Therefore, performance and contribution of academic staff is of utmost importance towards the realization of the target of the universities. Psychological is opined to be a possible resource for achieving employee performance whereas conclusions on whether job satisfaction leads to job performance are inconsistent. This study is a conceptual study that proposes to examine moderating effect of psychological ownership on the relationship between job satisfaction and employee performance. The study is going to be quantitative and survey research design will be adopted. Cluster and convenient sampling technique will be used to obtained responses from sample of 255 employees. Regression analysis will be used for data analysis through SPSS version 20.

Keywords: Job performance, psychological ownership, job satisfaction.

1. INTRODUCTION
Organization is a pool of individuals coming together to pursue a common goal. Thus, organisations are established and operated by individuals and performances of these individuals at any level constitute the performance of the organization at large. Employee performance is a necessary tool for achieving goals and objectives of an organization whether public, private or charity organisations. Individual job performance is germane for the existence and wellbeing of organizations (Sonnentag, Volmer & Spychala, 2008). One of the most important responsibilities carried out by managers of organisations is to ensure that employees achieve higher levels of performance (Armstrong, 2010). Therefore, performance of employees determines the performance of an organization and the better the employees perform the better the organization perform and vice versa. Thus, performance of academic staff is linchpin to the performance and wellbeing of universities. Academic staff are the focal point that determine the prestige
and reputation of university hence the need for university management to ensure that academic staff feel a sense of psychological ownership and are satisfied with their job.

Psychological ownership (PO) is the emotional experienced phenomenon where an employee develops possessive feelings for the target (Van Dyne & Pierce, 2004). Pierce, Kostova and Dirks (2001) define psychological ownership as that state where an individual feels as though the target of ownership or a piece of that target is ‘theirs’ (i.e., it is MINE!). These definitions implied that PO is a sense of possessive ownership toward a particular target which reflects a bonded relationship between an individual and the target (material or immaterial). Therefore, employees who developed a sense of PO perceived themselves as owners and the possessions become part of their self-concept (Tian & Belk, 2005). Employees are psychologically entwined with their organizations, and the feeling of being owners is accompanied by a feeling of responsibility and a sense of commitment for the effective functioning and success of the organization (Pierce et al 2001). Thus, PO can be a positive resource for improving employee performance in an organization (Avey, Avolio, Crossley & Luthans, 2009).

Job satisfaction is an important indicator of how employees feel about their jobs and a predictor of work behaviours such as organizational citizenship, absenteeism, and turnover (Ciarniene, Kumpikait and Vienažindien, 2010). Job satisfaction is the attitudes and feelings people have about their job, thus positive and favourable attitudes towards the job indicate job satisfaction (Armstrong, 2014). Highly satisfied work force is an ingredient for achieving higher employee performance for higher organizational performance (ÖLÇER, 2015). Culibrk, Delic, Mitrovic, and Culibrk (2018) opined that satisfied employees are imperative for contemporary organisations and is one of key factors that distinguish successful organisations from the alternative. Job satisfaction is one of the key elements of work motivation and one of the fundamental determinants of employees’ behavior in an organization (Culibrk et al, 2018). Therefore, creating a satisfied employee is essential for the betterment of the organization and is one of the ways of getting the best out the employee.

However, despite the fact that there is vast literature on the relationship between job satisfaction and job performance, extent literatures reported conflicting conclusions on the effect of job satisfaction on job performance. Christen, Lyer, and Soberman (2006) argued it is difficult to obtain support on the view that job satisfaction has a significant effect on job performance and thus one of the least successfully resolved relationships in literature (Hochwarter, Perrew, FrrisBrymer, 1999). Zeffane, Ibrahim and Al Mehairi (2008) opined that even though several researchers have attempted to address the relationship between job satisfaction and job performance, their study conclusions could not agree on the strength or direction of the relationship. This problem highlighted that an examination of possible moderating effect will extend our understanding on the strength or direction of the relationship. Moderating variable is often considered when there is unexpectedly weak or inconsistent relationship between a predictor and dependent variable across studies (Baron & Kenny, 1986: Kim, Kaye and Wright 2001). Thus, the framework model of this research work will extend the boundaries of previous literatures by examining the moderating effect of psychological ownership on the relationship between job satisfaction and job performance, hence the research gap to be filled by this study.

Furthermore, very few studies examined moderating effect on the relationship between job satisfaction
and job performance e.g. Valaei & Jiroudi. 2016: Hochwarter et al, 1999: Pettit, Goris, & Vaught, 1997 and none of these studies used PO as moderating variable. In addition previous literatures focus their attention mostly on technical core and contextual performance aspects of job performance thereby neglecting the other core dimension of job performance i.e. counterproductive work behavior. This study will fill this gap by considering all the three dimensions of job performance. Finally, this study will fill the cultural gap suggested by Valaei and Jiroudi (2016) by observing sample from Nigeria in order to provide a more useful insight on how cultures from other countries other than Malaysia perceived the moderating effect relationship between job satisfaction and job performance. Thus, the conceptual framework model of this study is depicted below.

**Figure 1.1 Conceptual Framework Model of the Study**

1.1 Underpinning Theories

1.1.1 Maslow hierarchy of needs

Maslow (1943) hierarchy of needs theory will be used to explain the relationship between job satisfaction and job performance. The theory poses that peoples’ behavior (performance outcome) is determined by their believes to satisfy a progression of physiological, social and psychological needs (Cole & Kelly, 2011). Maslow concluded that when one set of need is satisfied that need no longer motivates and the next need on the hierarchy ignites. Some research used theory of hierarchy as underpinning theory to explain the relationship between job satisfaction and job performance e.g. Met, Ali, and Ali (2015).

1.1.2 Social exchange theory

Social exchange theory is based on the premised that people maintain mutual relationship based on the expectation that the relationship will be rewarding. These rewards could be economic that include tangible items such as salary, promotion, praise, information etc. or social that include immaterial items such as friendship, prestige etc. (Miles, 2012). Therefore, social exchange that takes place within organisations enables individuals to satisfy their material or immaterial needs to psychologically own

*Source: literature review*
their organisation and as a result reciprocate with positive work behaviours such as extra work performance. Social exchange theory was used by many researchers to underpin PO e.g. Bora and Harun (2015), Rapti (2016).

2. METHOD

2.1 Participants
The sample size of this study, based on Kricie and Morgan (1975) sampling table is 255 employees from a population size of 505 academic staff in Federal University, Dutse (as at 1st April, 2018). Cluster sampling technique will be adopted and all the five faculties and the two research centers in the university (as at 1st April, 2018) will be considered as clusters. However, elements within the clusters will be conveniently selected.

2.2 Measurement of Research Variables

2.2.1 Job satisfaction
A generic job satisfaction scale developed by McDonald and Maclyntyre (1997) will be adapted to measure employee job satisfaction. The instrument was used by many researchers (Mohamad, 2012; Marcinkus, Whelan-Berry & Gordon, 2007; Carbon and Cigran, 2001) and an internal consistency of .88 was reported by Marcinkus et al (2007). The instrument has 10 items and scaled based on five point Likert scale from strongly disagree to strongly agree. The questionnaire will be adapted from the work of McDonald and Maclyntyre (1997).

2.2.2 Psychological ownership
A questionnaire developed by van Dyne and Pierce (2004) will be used to measure PO. The instrument has received wide recognition and was used by at least eighteen empirical studies in the last ten years (Dawkins, Tian, Newman, & Martin, 2015) and an internal consistency of .87 was reported by Jian, Ling, Lutao, and Jason (2015). The instrument has seven items and is scaled based on five point Likert scale from strongly disagree to strongly agree. The instrument will be adapted from the work of van Dyne and Pierce (2004).

2.2.3 Employee performance
A questionnaire on individual work performance (IWPQ) developed by Koopmans, Bernaards, Hildebrandt, de Vet, and van der Beek (2013) will be adapted to measure employee performance. The advantage that IWPQ has over similar instruments on work performance is that it has covered all the three critical dimensions of individual work performance (task performance, contextual performance and counterproductive behaviours) and thus can be used for all types of occupations (Hrdzic, 2016). The questionnaire has eighteen items and scaled based on five point Likert scale. The instrument, with an internal consistency of above .7, will be adapted from the work of Koopmans et al (2014).

3. CONCLUSIONS
This study is a conceptual study that primarily intends to improve on existing literature by examining new model of relationship between job satisfaction and job performance through the moderating effect of psychological ownership in a new cultural setting. The study has both theoretical and practical contributions. This study will, for the first time, examine the relationship between job satisfaction and job performance using all three core dimensions of job performance through the moderating effect of
psychological ownership. On the other hand, the study will provide practical insight to policy makers and managers on how a combination of job satisfaction and psychological ownership can be used as bait to get an employee perform desirably.

REFERENCES


STRATEGIC MANAGEMENT AND LEVEL OF COMPANY’S EXPORT COMPETITIVENESS UNDER ECONOMIC UNCERTAINTY

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Abstract:
Strategic management is a relatively new scientific discipline, which goal is enabling the company to work in the modern business environment that businesses face, from outside and from the inside. So, business leaders are under pressure from stakeholders to comply with their demands while maintaining the organization’s competitiveness in increasingly complex markets. Leaders are striving to continuously formulate strategies with management elements that will help them deliver more value to their customers and stakeholders in the host country and abroad.

Also, it’s necessary to analyze the relevant forces creating new markets as identifying business strategy requirements. Therefore, management elements and management models are used as guides for managerial activity in the business world for increasing a firm’s competitive advantage especially in time of economic and political uncertainty. Companies confirm that management under this kind of pressure is very hard and any step is hand-in-hand with big risks. Taking into account that modern business operations are characterized by turbulent surroundings, the quality of decisions is very important to keep the company’s profit as it export-led growth.

This paper covers the idea that there is direct connection between good strategy management and export-led growth strategy that influence the level of profit of the company as its competitiveness and performance in the global economy.

Key words: strategic management, export-led growth, business performance, competitiveness, Macedonia.

1. Introduction

The main goal of strategic management is to equip the company to new operating conditions dictated by market and technical and technological changes, seize opportunities in terms of profit and avoid the threats from uncontrolled factors. Strategic management is actually a kind of special long-term organizational planning, in the direction of achieving long-term positive results, with which the organization will achieve a better competitive position in the future (Boskov and Drakulevski, 2017).
The main goal of strategic management is making quality decisions, which will mean achieving profitability. A strategic thinking framework is need to guide for examining all markets that are relevant to the core business of interest. Also this is important to determine the strategic implications for the relevant markets. Strategic thinking in changing markets requires developing a revised conceptual perspective and new thought processes concerning market analysis and targeting and positioning strategy formulation. Many companies and industries are confronted with an array of changes in their core markets, presenting strategy researchers and executives with complex challenges but also exciting opportunities. These new challenges are driven by demanding customers with altered value requirements, aggressive global competition, market turbulence, rapid emergence of new technologies, and the escalating globalization initiatives of many companies (Chakravarthy, 1997).

Companies confirm that management under economic and political pressure is very hard to do and any step is hand-in-hand with big risks. Taking into account that modern business operations are characterized by turbulent surroundings, the quality of decisions is very important to keep the company’s profit as it export-led growth.

This paper covers the idea that there is direct connection between good strategy management and export-led growth strategy that influence the level of profit of the company as its competitiveness and performance in the global economy.

2. Literature review

Strategic management is a continuous process that monitors and controls the business and industries in which the company operates, monitors competition, and sets out strategies and goals to identify all existing and potential competitors, and then reviews the strategy on a regular basis to determine how it is implemented and whether it is successful or it is necessary to replace it. In this part of the paper, we examine a few authors and its opinion about strategic management as one of the biggest challenge today. According this, the biggest challenge that today's companies face in the modern environment are rapid and sudden changes and the emerging conditions of operation caused by globalization (Daniels et al., 2011). The authors process several chapters as essential elements that need to be understood when solving the problems that companies face like managing the international value chain, operational goals and assets, the challenges and control of international operations and the care of the individual and the company (Boshkov, 2018).

David A. Ecker in his book covers the strategic elements and concepts, competition analysis, consumers and market analysis. This author provides guidance how to understand the market dynamics and the advantages of companies so that they can create winning business strategies enabling business success as well as managing strategic change and uncertainty.

Another authors focused on strategic management in a time of globalization and competitiveness (Heath et al., 2014). Their research includes inputs of strategic management, strategic actions (strategy creation and strategic actions), strategy implementation. These authors through theoretical presentations aim to establish a new standard in strategic management and provide a rich and comprehensive analysis.
of the concepts and tools of strategic management. Schmarmhorn (1996) helps readers about the foundations of managerial work, not only to see the basics of managerial discipline, but also to understand and foster their personal potential and develop their managerial tools and career skills. Through this analyze, the author explains the six conceptual sections that he considers to be the foundation of managerial work, such as management, environment, planning, organizing, leadership and managing.

In the era of competitiveness, some authors determinate and underline the crucial meaning of operational management (Chase et al., 2004). These authors explain the methods for effective production and distribution of products and services by the company. The book focuses on operational strategy and change management, process selection and design, as well as the design of the supply chain and its planning and control. As the main issue that is elaborated is the strategy and its implementation, where the authors state that each company must have a detailed business plan that is supported by three main strategies as financial strategy, marketing strategy and operational strategy.

3. Companies Benefits from Export-Led Growth Strategy

Opening up a country's market to the international markets allows a country more efficient production and allocation of resources as the country can concentrate on the production of goods in which it has a comparative advantage based on its factor endowments. Thus, world trade markets allow producers and consumers of the participating countries to benefit from lower prices, higher-quality products, more diverse supply of goods, and higher growth. Export-led strategies allow an expansion of aggregate demand without much inflationary pressure and without the danger of a wage-price spiral, compared with strong domestic demand injections. This partly stems from the real appreciation of the currency that result from large export earnings, which tame inflation and allow real wages to rise (Henriques, I. and Sadorsky, P., 1996).

Following this, through ELG is also embodied in the characteristics of the firm like:

- the current efficiency and effectiveness of the use of resources,
- the willingness and the ability to relate profitability to growth of capacity (i.e. the willingness to invest), and
- the ability to innovate to improve technology and organization and thus improve efficiency and effectiveness.

It is up to the companies to implement competitive business operating practices and business strategies. Presently, transition and developing countries seem to have a plethora of policies and strategies that relate to the private sector in one way or another: private sector development strategy, company development strategy, trade and investment policies and strategies, export strategy (Boshkov and Kovacevski, 2017). Yet, the responsibility for implementing these various national strategies and programmes are disbursed throughout the public sector institutions, where both capacities and authority to coordinate are weak.
Furthermore, there is need to establish dialogue and partnerships between the government, SMEs, the civil society and the academia to appropriately assess and prioritize SME challenges and to implement remedial actions.

4. Relationships between management elements and business benefits

Management elements are essential to understand for achieving successful strategy execution. This is strongly associated with the realization of four business benefits. Four elements that play a key role in achieving successful strategy execution are (Peppard, 2007):
- engendering and reinforcing an organizational culture of continuous change,
- managing the on-going change portfolio, conflict resolution, resources and interdependencies,
- establishing accountability and governance of each change program, and
- harmonizing the strategic leadership team to support the change portfolio.

Each of the business benefits is dependent for its realization on at least one of these four elements. The relative influence of these elements in securing each business benefit is typically greatest. So, to realize business benefit, there must be an organizational culture in which accountable managers balance their optimism and motivation with realism. The strategic leadership team must encourage and support such behavior, and it must be prepared to act decisively in eliminating non-viable programs. Also this demonstrates the strong influence the strategic leadership team’s behavior and organizational culture have on an organization’s ability to abort ill-conceived change programs during execution (Boskov and Drakulevski, 2017).

Increasing confidence in management’s ability to deliver change programs is business benefit that is unique in a way it is the only one out of the other business benefits that is dependent for its realization on the effective performance of all four key elements of strategy execution. Another important business benefit is speedy delivery of change programs. The “speedy delivery of change programs” is dependent on the effective performance of the management elements.

Minimizing variance of actual to forecast cost as business benefit is important in means that realization of this business benefit is determined by the effectiveness with which the elements “engendering and reinforcing an organizational culture of continuous change” and “harmonizing the strategic leadership team to support the change portfolio” are performed. Upon reflection, this is understandable: the forecasted costs are determined in the planning stage and, as our focus group discussions indicated, the honesty of these estimates can be questionable as they are significantly affected by the organizational culture and the “togetherness” of the leadership team.

5. Competitive Business Practices and Strategies

It is up to the companies to implement competitive business operating practices and business strategies.
However, the options available to companies are also closely related to the quality of institutions, markets and organizations that constitute the business environment. It is the efficiency and effectiveness of institutions, markets and organizations that encourage or discourage companies to take their cues for learning new ways of doing business, compare their own competitive characteristics with those of their rivals, and make their decisions to invest, including the introduction of innovations into their business strategies. If the environment is weak, SMEs’ ability to detect market signals that would enable them to invest and grow will also be weakened (OECD, 2000).

Presently, transition and developing countries seem to have a plethora of policies and strategies that relate to the private sector in one way or another: private sector development strategy, company development strategy, trade and investment policies and strategies, export strategy, and so on. Governments usually consult with the private sector, though mostly with large and foreign investors, when setting policies since public-private dialogue enhances ease of implementation, political credibility and sustainability strategies. However, there are also capacity deficiencies that must be overcome on the side of company membership organizations as discussants (Boshkov and Drakulevski, 2017).

6. ELG in a time of political uncertainty

Concerns about the political situation in Macedonia affected investment, which subtracted 1.3 pp from growth in 2016. Political uncertainty took a toll on growth in 2016 and early 2017, but a recovery is expected as confidence is being restored. Growth fell to 2.4% in 2016 (from 3.8% in 2015), supported mainly by household consumption linked to rising employment, wages, pensions, and credit. The economy contracted by 0.9% in the first half of 2017, as investment declined by double digits. Private consumption growth remained positive, while net exports had a marginal negative contribution. Construction and services, traditional drivers of growth, contributed negatively in the first half of 2017, while other sectors had small positive contributions.

The current account deficit widened from 2.1% of GDP in 2015 to 3.1% in 2016 but remains manageable. The solid increase of exports was not enough to compensate for higher dividends and profit repatriation, pushing up the current account deficit, which narrowed back to 2.1% of GDP in the first half of 2017, helped by strong exports. Net FDI, which performed well until May 2017, declined significantly in June but was partially compensated by other financial investments.
In the second quarter of 2017, net exports had a positive contribution to the economic growth, with higher annual growth of exports from imports of goods and services. The real export of goods and services registered a small quarterly decline of 0.8% and a real annual growth of 8.5%, which was the component with the highest positive contribution within the GDP. All categories have a positive share in the growth of the nominal export, of which more important is the industrial procurement and investment products. This is associated with the positive developments in the new production capacities as well as with the export activity of the metalworking industry. The import of goods and services in real terms increased by only 3.5% on annual basis.

The foreign trade in the second quarter of 2017 amounted to EUR 2,956 million, or 28.9% of GDP. Compared with the second quarter of the previous year, an increase of 13.1% was registered, with the simultaneous growth of the two components. In the second quarter, export of goods continued to grow rapidly, reaching an annual growth rate of 19.5%, the highest achievement since the third quarter of 2011. The main driver of the good export performance remains the foreign industrial capacities, whose export activity continued to grow in the second quarter of 2017. Most traditional sectors in the economy also made a positive contribution to the export growth, with a marked increase in the categories "metal ore", "tobacco" and "iron and steel". The growth of the export of the metal processing sector is a combined effect of the increased exported quantities and higher prices, in line with the growth of the prices of metals on the world stock exchanges.
In the second quarter of 2017, import of goods increased by 8.8% on an annual basis, which is a slowdown compared to the first quarter of 2017 (annual growth of 15%). The energy imports, the import of equipment and machinery and the raw materials of new foreign companies in the economy are driving factors for the growth of imports. The increased import of fuels is due to all component components, with significant growth in the import of oil derivatives and electricity. Moreover, the annual increase in the import of oil derivatives fully reflects the price effect, as a result of the increase in the price of oil on the world stock exchanges, with almost unchanged imported quantities. At the same time, the import of food and metal ore also contributed positively to the import growth. The annual changes of the two components of the foreign trade led to narrowing of the deficit in the trade in goods by 13.8%. Such a change arose from the narrowing of the non-energy balance, amid a deepening energy deficit.
In 2017, the growth rate was reduced from 2.5% to 0.5%, while the rate for 2018 remained unchanged (3.2%). Further moderate acceleration of growth is expected in 2019 3.5%. Reducing the growth rate in 2017 is a reflection of the achievements in the first half of the year, when economic activity declined. This deviation is largely due to the lower investment demand, but also to the more pronounced import
pressures. However, with the gradual exhaustion of the uncertainty of domestic political developments, the return of investor confidence and improved expectations of economic agents, GDP growth is expected. Assuming a fully stabilized domestic environment and a more favorable path of external factors, growth in the next two years is expected to accelerate, with domestic companies also expected to show greater export and profit.

7. Main drivers of growth in Macedonia

The main growth factors, as in the previous projection cycle, remain the activity of new foreign export-oriented capacities, public investments in road infrastructure, whose dynamics should accelerate after the temporary slowdown in 2017, as well as the stable expectations of households. Exports of goods and services are expected to have the highest positive contribution to growth in 2018 and 2019. This is based on the expectations for the growing activity of new foreign capacities, the further improvement of the global environment and the recovery of some of the traditional export sectors. In addition to exports, the growth in the next two years will be supported through the investment activity, in conditions of stable environment and continued positive action of the basic factors of the investment activity, ie growth of foreign investments and the continuation of the cycle of public capital investments. The favorable economic environment is expected to stimulate further growth of private consumption by increasing wages and employment in the private sector, and additional impact is expected from the credit support of the banks. It is expected that the growth of components of domestic demand and exports will lead to higher imports. The increase in imports will be in line with the foundations and will not lead to distortion of the external balance.

8. Conclusion

It is up to the companies to implement competitive business operating practices and strategic management. The options available to companies are also closely related to the quality of institutions, markets and organizations that constitute the business environment. It is the efficiency and effectiveness of institutions, markets and organizations that encourage or discourage companies to take their cues for learning new ways of doing business, compare their own competitive characteristics with those of their rivals, and make their decisions to invest, including the introduction of innovations into their business strategies.

Opening up a country's market to the international markets allows a country more efficient production and allocation of resources as the country can concentrate on the production of goods in which it has a comparative advantage based on its factor endowments. Thus, world trade markets allow producers and consumers of the participating countries to benefit from lower prices, higher-quality products, more diverse supply of goods, and higher growth. Export-led strategies allow an expansion of aggregate demand without much inflationary pressure and without the danger of a wage-price spiral, compared with strong domestic demand injections.
The current condition, the amount of the current account deficit and its structure do not indicate imbalances in the economy till 2019. From the aspect of the financial account, it is expected that the financing of the current account in this three-year period will be provided through non-debt and debt financial flows in the long term, ie mainly through foreign direct investments and indebtedness of the public and private sectors abroad. In the period 2017 - 2019 it is expected that the current account deficit will be fully covered by the financial flows, which will enable additional growth of the foreign reserves. The general view is that there is weaker economic growth, weaker monetary and credit movements, a lack of price pressures and a balance of payments position that provides further maintenance of foreign reserves at the appropriate level. The risks surrounding the realization of this macroeconomic scenario are mainly related to the external environment, with the gradual reduction of the risks from the domestic environment as a result of the stabilization of the political environment in the country.

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THE RELATIONSHIP BETWEEN TOTAL QUALITY MANAGEMENT (TQM) IMPLEMENTATION AND ORGANISATION PERFORMANCE: EVIDENCE FROM THE AIRLINES COMPANIES IN UAE

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Abstract

This study aimed to study the relationship between TQM implementation and organizational performance from the perspective of top managers within Emirati airline companies. The data was collected using questionnaires that were distributed, employing the convenience sampling, to 144 employees from four Emirati airline companies. The researcher reached that there is a positive relationship between TQM and the organizational performance. The study recommends holding more training courses, seminars and workshops on the importance of the TQM implementations, practices and tools in increasing the performance of both employees and organisation. Additionally, the airline companies should seek the path of TQM in reaching the quality award systems like the ISO certification, which will play a huge role in increasing their market share. This study is considered one of the very few empirical studies that examine the effect of TQM and OP within Emirati airline companies.

Keywords: TQM, TQM Planning, project performance, UAE.
1. Introduction

With the technological developments that are taking place in the world; people now are more aware of the term quality, and they do realize that they have the right to receive the best quality. In addition, business operators and owners have the same realization of the importance of the quality upgrading in their facilities, bearing in mind that the competitive advantage among other services/products operators is based on giving the best and most accurate quality. Accordingly, organisation nowadays are focusing more on the idea of how to develop the internal consistency of their organisation in order to give the most suitable quality to the end user (Mbohwa and Iaeng, 2015). One of the management approaches that can be adopted to achieve continuous quality improvement is TQM (Abu-Hussein et al (2016); Oruma et al., 2014; Sweis. et al, 2011).

To meet the challenge of this global competition and to satisfy customers, numerous organisations have put considerable assets in adjusting and implementing TQM strategies. TQM has been treated as an international remedy for most of the organisational problems like increasing the quality, raise the income, satisfy customers and develop performance. When it comes to performance, the applicability of a certain remedy can be of hard process noting that the high performance is the employment of the organisational processes and many other factors and systems within the organisation.

The role of TQM is broadly perceived like a basic determinant in the success and survival of both administration and manufacturing organisations in the present competitive environment. The successful implementation of TQM is considered as a source of the increasing in the market share and customer retention (Haar and Spell, 2008). Joiner (2007) further indicated that firms that implement TQM might have a competitive advantage over those that do not implement TQM.

The relationship between TQM and organisational performance is an intermittent subject in a few branches of administration, and it is important to both scholastic researchers and honing managers. However, it is alleged that there is a positive relationship between TQM and high performance (Zehi and Sadıkoğlu, 2009; Brun, 2010; Sweis,2015; Jandali, et al (2018)). There is an absence of experimental confirmation in regards to the degree of TQM implementation and its impact on performance of UAE
airlines companies. Air transport to and from the United Arab Emirates (UAE) generates different types of economic advantage. Typically, it is contribute to gross domestic product (GDP), jobs and tax revenues, supply chain. Also it benefits are created for the customer, the passenger or shipper, using the air transport service.

This research is an attempt to measure the influence of applying TQM in UAE airlines companies on the performance of those companies. This study might be of importance for the managerial departments of airline companies in UAE to understand how important TQM standards can be in case the application is done in a professional way.

This study aims at answering the following main question

- What is the relationship between the TQM as a concept and the performance of Emirati airline companies?

To achieve the objectives, the current paper constructed as follow: The next section provides the literature review and set out the study’s hypotheses. The theoretical framework and the methodology the researchers used in answering the main question of the study is then introduced. The next section offerings the main findings followed by conclusion and managerial implications.

2. Literature Review

2.1 Total Quality Management (TQM)

TQM is one of the most popular and durable management concepts (Benavides-Velasco et al., 2014; Sweis, 2019). According to Gul et al., (2012) TQM is a business approach aiming at providing quality products to achieve customer satisfaction. It is also defined as an integrated set of practices and management philosophy that emphasizes on meeting customers’ requirements, long-range thinking, continuous improvement, reducing work, improving employees’ involvement, process design, teamwork, and competitive benchmarking (Osman and Ali, 2009).

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Per Bahri et al., (2012), the general goal of TQM is to guarantee continuous improvement in the organisation’s individuals, systems, processes and environment to accomplish improved consumer service and amplified profits through efficiency and effectiveness in the entire organisation.

2.1.1 Dimensions of TQM

As a management philosophy, the critical success factors of TQM were distinguished and clarified in numerous studies vary as indicated by their investigation setting and condition. For instance, There are ten major dimensions of quality management; employees training, higher management commitment and assistance, quality of organisation, participation of employees, supplier quality management, continuous support, leadership, enhancement in quality procedures, focus on customers, analysis and information, satisfaction of employees, use of statistical techniques (Laohavichien et al., 2011). According to Prajogo and Sohal, (2003) and Shanmuganathan et al., (2013) there are six dimensions used by most researchers to evaluate TQM: information and analysis, customer focus, strategic planning, leadership, people management, and process management. While Curkovic et al., (2000) identified top management support, employee empowerment, and customer focus as the most successful TQM dimensions.

Per Shenawy et al., (2007) there is no single study that has explicated the main dimension of TQM and this inconsistency makes it difficult to identify the actual dimensions of TQM. However, for majority of researchers, the most significant TQM dimensions include continuous improvement, customer focus, top management support, and employee involvement (Prajogo and Sohal, 2003; McAdam and Amstrong, 2001). For this study, top management commitment, customer focus, communication, employee involvement, continuous improvement and organisational culture will be used to measure TQM following (Jancikova and Brychta, 2009; Talib et al., 2010; Sathishkumar and Karthikeyan, 2016)

2.1.1.1 Top Management Commitment

Top management support or commitment exemplifies circumstances involving the top management playing an active role in the functioning of the organisation (Zakuan et al., 2012). As pointed out by Arshida and Agil, (2012) that top management commitment as a vital component for guaranteeing successful TQM implementation.
A vital task for any management is to outline quality goals, quality policies and quality plans in accordance with the four sides of the TQM pyramid. This is extremely important in fact, in many firms, that top management (the board of directors) ought to review the firm’s quality goals and policies and if necessary reformulate them so that they conform to the four sides of the TQM pyramid. Just as important, these goals and policies should be clear and meaningful to all employees in the firm. (Baidoun, 2003; Omware; 2012)

2.1.1.2 Customer Focus

The key objective of using TQM strategy is to meet customers’ latent and current needs by offering quality services and products. Osman, and Ali (2009) suggest that there should be effective and continuous communication between the firm and its customers. Shan et al. (2013) further suggests that an organisation should also establish strong relationships with customers, directly interact with the customers, continuously monitor their satisfactory levels; and always try to meet their future expectations and changing needs.

2.1.1.3 Communication

A firm can only succeed to implement all the elements of TMQ by communicating them clearly. Communication is effective when the information communicated is understood by all members within a firm. Effective communication occurs when issues being communicated by the firm are understood and decision made according for effective change to be initiated (Benavides-Velasco et al., 2014). According to Fuentes et al., (2004) allowing employees to communicate work-related anxieties is an efficient way to achieve the organisation objectives.

2.1.1.4 Employee Involvement

Employee involvement is seen as a way to empower employees to take part in solving problems and making decisions in an organisation (Eng and Yusof, 2003). According to Kahreh et al., (2014) employee involvement motivates employees to work towards achieving the organisational objectives. It makes employees to feel that they form an important part of the organisation. Harrington et al., (2012) claim that empowered and trained employees are likely to recognize the achievement of that organisation.
According to Green (2012) and Sweis et al. (2013), the object of employee empowerment is to encourage constructive thoughts and creative thinking among employees. Creativity enables employees to have the ability to apply administrative and technical innovative ideas to explore opportunities to meet customer needs and to meet total quality standards (Al-Zoubi, 2012).

2.1.1.5 Continuous Improvement

Continuous improvement is a significant standard of TQM. As TQM is a long-term approach, the improvement accomplished in performance is relied upon to hold on and accumulate over time prompting a cycle of continuous improvement (Schoten et al., 2016).

The notion of continuous improvement is connected to the capacity of solving problems in little strides small steps, at a high frequency and having short cycles of change Boer et al. (2000). According to Bessant and Francis (1999), continuous improvement is the outcome of three components: paths, position, and process. It is also defined as the continuing improvement of products, programs, services, or processes. It plays a serious role in a TQM environment, and previous research has found that continuing improvement is a standout amongst the most critical constructs of quality management that lead straight to organisational performance (Marco et al., 2015).

2.1.1.6 Organisational Culture

Organisational culture has been characterised in several ways, the definitions share a typical view that “culture consists of some combination of practices, expressive symbols, forms, values and beliefs, and underlying assumptions that organisational members share about appropriate behaviour” (Detert et al., 2000, p. 851).

Previous studies on organisational culture frequently centres around two noteworthy parts of culture: content, which connotes the kinds of beliefs and behaviours held by individuals of a firm, and strength or the profundity and expansiveness of those behaviours entrenched among the individuals (Sorensen, 2002). Baird et al., (2011) adopted O’ Reilly et al.’s (1991) definition of Organisational Cultural Profile (OCP) which consists of six cultural dimensions namely; outcome orientation, attention to detail, teamwork/respect for people, innovation, stability, and aggressiveness.
2.2 Organisational Performance

As noted by Vassilakis, and Besseris (2009) organisational performance indicates the attainment of the firm’s organisational objectives. Ramamoorthy (2007) defines organisational performance as the output of the organisations’ achievement or operations in three dimensions: organisational and financial effectiveness, and operational effectiveness. Non-financial and operational performance includes market share, the introduction of the new product, market effectiveness, and financial quality.

Organisational performance is a multinational variable or construct that can be measured using various indicators including product quality effectiveness, customer satisfaction, and financial performance. Customers’ expectations influence the quality of a service or product produced. Companies often judge the quality of their service or product based on their target customers. According to Demirbag et al. (2006) and Parast. and Fini, (2010) companies can measure the quality of their services or products basing on the cost of reworking, scrap costs and the rate of defects. Prajogo and hong (2008) believes that the best way to determine the effectiveness and the quality of a product is by looking at its level or reliability, whether or not it conforms to the customer expectations and its fitness for use.

Many organisations today determine whether a product or service is of high quality by looking at the customer satisfaction. In view of Haar and Spell (2008), the successful implementation of TQM leads to increase in the market share and customer retention. In turn, customer focus may increase customer loyalty achieved by offering customers durable and reliable services and products. This suggests that customer focus leads to customer confidence, reduced complaints, customer loyalty and increased customer satisfaction. Financial performance of a firm can be measured based on the amount of revenue collected, return on investment, level of cost of performance, return on assets, increase in the market share, and increase in sales. Studies (e.g., Demirbag, 2006) have demonstrated that financial performance and quality improvements are strongly positively related.
2.3 Hypotheses Development

2.3.1 The Relationship between TQM and Organisational Performance

Studies seeking to determine the relationship between the organisational performance and TQM have found mixed results. Several studies have confirmed a causal relationship between dimensions of TQM and performance of organisations (Boulter et al., 2013; Calvo-Mora et al., 2015). Sweis et al. (2014) mentioned that Quality management engages the acknowledgment of the gap for the difference between the actual and model organisational performance. Additionally, Fotopouluos and Psomas, (2009); Kumar et al. (2009) and Saleh et al (2018), demonstrated the potential impact of soft TQM practices including strategic quality planning, leadership, employee involvement and management, customer focus, supplier management, process management, customer satisfaction, customer focus, and continuous improvement on quality management results expressed in terms of market benefits (i.e., improved competitive position, increased profits, increased sales and improved performance).

Zehir and Sadıkoğlu (2009); Brun (2010) investigated the relationship between organisational innovativeness and employees’ performance with TQM practices. The affirmed that different TQM practices i.e., training, information and analysis, employee management, leadership, process management, supplier management, continuous improvement, and customer focus impacts positively on employee performance, firm performance and firm innovative performance.

In another study, Joiner (2007) examined the relationship between the implementation of TM and organisational performance with co-worker support as the mediating variable. The result supports the relationship between organisational performance and the implementation of TQM practices. It was concluded that organisation support and co-worker support moderate the relationship between organisational performance and TQM implementation. Citing preliminary evidence, Joiner (2007) further indicated that firms that implement TQM might have a competitive advantage over those that do not implement TQM. He also observed that organisations that involve and motivates employees to work toward achieving quality output; focuses on continuous improvement; and on satisfying needs of customers are more likely to outperform those firms that do not focus on satisfying customer needs.
Raja et al., (2011) investigated the effect of TQM practices on an organisational performance in manufacturing firms in Pakistan. In particular, the researchers investigated the effect of TQM practices on customer satisfaction, product quality performance, and financial performance. Results suggested that one of the TQM practices (i.e., top management commitment) affect TQM implementation and that it affect the business performance of manufacturing firms. While Mahmood et al. (2014) investigated the relationship between TQM practices and organisational performance. They focused on investigating four TQM dimensions (employee involvement, customer focus, top management support, and continuous improvement) as predictors of organisational performance. Regression analysis revealed that employee involvement and continuous improvement are significantly and positively related to organisational performance. Results of relationship between top management support and customer focus were found to be not statistically significant.

The analysis of a study conducted in the service sector in Jordan by Sweis et al. (2016), has showed that TQM practices correlate positively with organisational performance, with a significant positive value for continuous improvement practice.

Aliyu (2016) investigated the relationship between three of the TQM management practices (i.e., management leadership, continuous improvement and customer focus) in Small and medium Enterprises. The results of the study suggested that management leadership might significantly influence business performance of small and medium enterprises. The relationship between continuous improvement and customer focus and business performance were not significant. Akgun et al. (2013) investigated the relationship between TQM and financial performance in Turkish firms with business innovativeness and organisational learning capability mediating the relationship between the two constructs. Their results suggest that the relationship between TQM and financial performance is mediated by business innovativeness and organisational learning capability.

In another study, Kurt and Zehir (2015) investigated the relationship between TQM, cost leadership strategy, and financial performance. Their results suggest that there is a relationship between TQM practices and financial performance. Other studies (e.g., Soltani et al., 2010; Bayati, 2007;
Salaheldin, 2009) investigated the effect of incompatibility of orientation of middle and senior managers on TQM practices. They sought to find out the perception of senior managers and middle level managers regarding the TQM practices and its impacts and effectiveness. They observed that TQM largely driven by quality control approach and the inspection approach. They also noted that TQM is still seen as based on cultural procedures and dominated with high bureaucratic procedures, and that managers tend to focus more on control rather than on long-term continuous improvement.

Based on the above literature the following hypotheses are developed:

**H01:** There is no statistically significant influence of TQM dimensions implementation on the performance of the organisation in airline companies in UAE.

**H01.1:** There is no statistically significant influence of customer focus on the performance of the organisation in airline companies in UAE

**H01.2:** There is no statistically significant influence of continuous improvement on performance of the organisation in airline companies in UAE

**H01.3:** There is no statistically significant influence of employee involvement on the performance of the organisation in airline companies in UAE

**H01.4:** There is no statistically significant influence of management support on the performance of the organisation in airline companies in UAE

**H01.5:** There is no statistically significant influence of communication on the performance of the organisation in airline companies in UAE

**H01.6:** There is no statistically significant influence of organisational culture on the performance of the organisation in airline companies in UAE

### 3. Methodology

The theoretical model for this study consists of two variables, TQM dimensions as independent variable and organisational performance as dependent variable (Figure 1). To examine the relationships between the different variables of this study, questionnaire has been used to accumulate the essential information from the managers of these firms. The researchers used a five-point rating scale, and the researcher
adopted the questionnaire of a study by Jaca and Psomas (2015). The reason for adopting the previously mentioned questionnaire is for two reasons, the first it has taken into account all of the TQM practices and it has taken a service company as a case study.

![TQM Dimensions
- Customer focused
- Continuous improvement
- Employee involvement
- Management support
Organisation performance

Figure 1: the theoretical framework

The population of the sample was all managers of the UAE airlines, which are working and operating within the borders of the country through the year 2016-2017, and it was selected through convenience sampling. However, it is worth to mention that there are four types of airlines companies in UAE, which are (Commercial Airlines, Cargo Airlines, Government Airlines, and Charter Airlines). The researchers has chosen to apply the current study on the following commercial airlines (ARABIA, EMIRATE, FLY DUBAI, and ETIHAD). The sample of the study consisted of 144 managers and deputy managers in addition to the employees who found the time and the space to fill the questionnaire from four different commercial airline companies in UAE.

3.1 Reliability

A reliability test was carried out using Cronbach’s alpha, which measure the internal consistency of a construct. The recommended minimum acceptable limit of reliability (alpha) for this measure is (0.60). (Sekaran and Bougie, 2013). Table (1) reveals Cronbachs’ Alpha test for each items in the questionnaire.
Table 1: Reliability analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s alpha value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer focus</td>
<td>0.921</td>
</tr>
<tr>
<td>Continuous improvement</td>
<td>0.936</td>
</tr>
<tr>
<td>Employee involvement</td>
<td>0.929</td>
</tr>
<tr>
<td>Top management support</td>
<td>0.929</td>
</tr>
<tr>
<td>Communication</td>
<td>0.90</td>
</tr>
<tr>
<td>Organisational culture</td>
<td>0.924</td>
</tr>
<tr>
<td>Organisation performance</td>
<td>0.915</td>
</tr>
</tbody>
</table>

The result showed a value of (0.984) for the all items as well as alpha for each variable is greater than accepted percent 0.60, which is a reasonable value indicating the tool consistency that enhanced its use for the study.

4. Data Analysis

4.1 Descriptive Analysis for Demographic Factors

Table (2) presents the sample distribution according to the gender of the sample employed in the study. It can be seen that the sample was equally distributed between males and females with 50% for each. The equality of the sample distribution is not necessarily an indicator of something unusual, it is more of equality between the respondents of the study who took part in the analysis and answered the questionnaire. This can be seen as a type of a variety in the employment nature within the case study given that most of the studies that are related to management and business normally present a higher participation percentage for the benefit of the males.
Table 2: Sample's distribution according to gender

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>72</td>
<td>50.0</td>
</tr>
<tr>
<td>Female</td>
<td>72</td>
<td>50.0</td>
</tr>
<tr>
<td>Total</td>
<td>144</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table (3) highlights the sample distribution according to the job title, it can be noted that the highest age range of the sample participated in the study was individuals who were employees with a percentage of 79.9% followed by individuals who were duty managers. This indicated the high percentage of the employee participation in the study, which refers to the good understanding of the aim of the study and the ability of the employees to negotiate the concept of TQM within the business sector.

Table 3: Sample's distribution according to job title

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>General managers</td>
<td>8</td>
<td>5.6</td>
</tr>
<tr>
<td>Total quality department Manager</td>
<td>7</td>
<td>4.9</td>
</tr>
<tr>
<td>Deputy manager</td>
<td>14</td>
<td>9.7</td>
</tr>
<tr>
<td>Employee</td>
<td>115</td>
<td>79.9</td>
</tr>
<tr>
<td>Total</td>
<td>144</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table (4) indicates that more than half of the sample has a Bachelor degree with a percentage of 58.3%. This is a normal percentage given that the entire business sector within the country requires a bachelor degree at least as a job requirement, but the experience plays a vivid role in deepening the degree of awareness among employees.
Table 4: Sample’s Distribution according to academic qualification

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bachelors</td>
<td>84</td>
<td>58.3</td>
</tr>
<tr>
<td>Post graduate studies</td>
<td>60</td>
<td>41.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>144</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Table (5) indicates that the highest percentage of the sample has 5-10 year of experience with a percentage of 52.8%, followed with those with 11-15 years with a percentage 38.9%. This can be an indicator of the nature of the workforce which seen to be young and focusing.

Table 5: Sample’s distribution according to years of experience

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-10 years</td>
<td>76</td>
<td>52.8</td>
</tr>
<tr>
<td>11-15 years</td>
<td>56</td>
<td>38.9</td>
</tr>
<tr>
<td>More than 16 years</td>
<td>12</td>
<td>8.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>144</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.2 Hypotheses Testing

To test hypotheses, multiple regression analysis was conducted. However, before that the researchers conducted a Multicollinearity test to ensure that there is no occurrence for any Multicollinearity problem between the independent variables. As we see in table (6), VIF values for each independent variable is less than 10, with tolerance (0.213-0.26). This means that there is no Multicollinearity problem.
Table 6: Collinearity statistics test

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>Customer focus</td>
<td>.260</td>
</tr>
<tr>
<td>Continuous improvement</td>
<td>.213</td>
</tr>
<tr>
<td>Employee involvement</td>
<td>.256</td>
</tr>
<tr>
<td>Top management support</td>
<td>.234</td>
</tr>
<tr>
<td>Communication</td>
<td>.213</td>
</tr>
<tr>
<td>Organisational culture</td>
<td>.213</td>
</tr>
</tbody>
</table>

4.2.1 Testing Main Hypothesis (H0₁)

Multiple regressions are used to test the effect of the independent variables on the dependent variable. According to table (7), it is found that R (0.888) is the correlation of the independent variables and performance of the Airlines companies. Also it is found that R Square (0.788), which is the explained variance, is actually the square of the multiple R (0.888)^2. What the results mean is that (78.8%) of the variance (R-Square) in the performance of the Airlines companies’ variable has been significantly explained by the independent variables.

Table 7: Model summary

<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.88⁸</td>
<td>.788</td>
<td>.779</td>
<td>.37235</td>
</tr>
</tbody>
</table>

The ANOVA table (8) shows that the F value of (84.915) is significant at (0.05) level. Thus, there is a statistically significant influence of TQM dimensions implementation on the performance of the Airlines companies.
Table 8: ANOVA table

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>D.F</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>70.638</td>
<td>6</td>
<td>11.773</td>
<td>84.915</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>18.994</td>
<td>137</td>
<td>.139</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>89.633</td>
<td>143</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.2.2 Testing the Sub Hypotheses

Also according to the coefficient table (9), it is found that t-values for the variables (customer focus, continuous improvement, and communication variables) are significant at 0.05 levels that mean there is significant effect of each of them on the dependent variable.

Table 9: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t-value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.140</td>
<td>.147</td>
<td>.953</td>
<td>.342</td>
</tr>
<tr>
<td>Customer focus</td>
<td>.455</td>
<td>.075</td>
<td>.468</td>
<td>6.063</td>
</tr>
<tr>
<td>Continuous improvement</td>
<td>.172</td>
<td>.077</td>
<td>.189</td>
<td>2.219</td>
</tr>
<tr>
<td>Employee involvement</td>
<td>-.089</td>
<td>.081</td>
<td>-.085</td>
<td>-1.099</td>
</tr>
<tr>
<td>Top management support</td>
<td>.024</td>
<td>.076</td>
<td>.026</td>
<td>.318</td>
</tr>
<tr>
<td>communication</td>
<td>.201</td>
<td>.084</td>
<td>.203</td>
<td>2.380</td>
</tr>
<tr>
<td>Organisational culture</td>
<td>.142</td>
<td>.081</td>
<td>.149</td>
<td>1.748</td>
</tr>
</tbody>
</table>

That means:

- There is a statistically significant influence of customer focus on the performance of the Airlines companies
• There is a statistically significant influence of continuous improvement on performance of the Airlines companies
• There is no statistically significant influence of employee involvement on the performance the Airlines companies
• There is no statistically significant influence of management support on the performance of the Airlines companies
• There is a statistically significant influence of communication on the performance of the Airlines companies
• There is no statistically significant influence of organisational culture on the performance of the Airlines companies

5.1 Conclusion

The current study aimed to understand the relationship between TQM implementation and organisational performance from the perspective of top managers in commercial airline companies in UAE. In order to achieve the main aim; the research applied the research tool (questionnaire) through the quantitative approach on 144 employees. The variables of the study are TQM dimensions, namely; customer focus, continuous improvement, employee involvement, top management commitment, communications, and organisational culture. Through the analysis, the researchers reached the results, which stated that there is a positive relationship between TQM dimensions and the organisational performance. The most influential variables according to the sample of the study appeared to be (customer focus, continuous improvement, and communication) these variables have been seen to be the most effective on the implementation process of the TQM approaches and practices.

It was concluded that there is a positive relationship between TQM and the organisational performance in many terms. One of them is the strategic planning and the quality management, which helped a lot in increasing the level of the organisational performance starting from the internal up to the external environment going through the employees and the nature of the relationship between the employees and the top management from one side and the employees among themselves from the other.
These results came in accordance with the results of Al-Amri et al., (2014) who noted that there was a positive correlation between leadership, strategic planning, and quality management process and the organisation performance.

Generally, looking at TQM as a worldwide business management framework, firms apply an arrangement of standards and practices keeping in mind the end goal to get an upper hand. Much research has been done on the effect of the different TQM practices on firm performance. However, organisations utilize a systemic approach for the framework to work viably; the company's authoritative culture must experience a worldwide change, including the presentation of an arrangement of standards and practices. This study breaks down the TQM-performance relationship from the widespread approach and analyzes the cause impact relationship amongst TQM and execution inside and between firms. It addresses the subject of whether TQM receiving firms are now more productive before choosing to bring this authoritative advancement into their management structure. It additionally investigates two further issues, the first is whether pioneer firms embrace this hierarchical development as a way to increase upper hand. The second is whether there is an isomorphic impact among different firms. This impact could be because of the achievement and pertinence of TQM in the business world, or to the wide reputation and promoting given to situations where the presentation of the framework has brought about upper hand for the firm being referred to.

5.2 Recommendation

Based on what was reached through the current research study, the researchers recommends the following:

- The idea of the TQM approaches and practices was seen to be of influence through the study, so it is recommended for organisations to pay extra attention to the areas in which TQM is implemented and spread the concept of TQM in the organisation as a culture more than a change in the internal environment of the organisation.
- The awareness of the TQM practices, managers seemed to be aware of the concept of TQM, so it is recommended that this awareness is to be transmitted to the employees as well through seminars, workshops and training courses in order to help them understand how influential is TQM on the organisation on more than one level.

- Customer focus, continuous improvement, and communication appeared to be one of the most influential factors in increasing the level of the organisational performance. From that point, it is recommended that organisation apply more intensive approaches in the field of customer care and development noting that the more customers were satisfied about the services of the organisation the more the performance of the organisation will be achieved.

- The process of implementing TQM thinking requires a full understanding and complete awareness from both management and employees about the importance of the TQM stream of thinking and its relation with the performance of the individual in specific and the performance of the organisation in general.

References


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PORTFOLIO DIVERSIFICATION STRATEGY AND ITS EFFECTS ON THE PORTFOLIO PERFORMANCE IN INDONESIAN CAPITAL MARKET

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ABSTRACT
This research aims to analyze the portfolio performance based on diversification strategy in one and multi sectors in Indonesia's capital market. The philosophy underlying the diversification strategy in one sector is "too much of a good thing is wonderful", which means the amount of stocks to be observed and monitored will be less, so that attention and analysis of the selected stocks will be more profound. The sample was collected from go-public companies listed on the Indonesia Stock Exchange (BEI) and the Indonesia capital market, and traded actively in the period of 2011 to 2015. The data analyzed using a variety of tools to measure the performance of the stock portfolio (portfolio return, risk, and risk-adjusted return), Warren Buffett financial performance, and discriminant test of Independent Sample t-test. The results indicate no difference between performance of stock portfolio in one sector and in multi sectors in the Indonesian capital markets. This can be explained that the diversified portfolios from various stocks of multi sectors will show the same performance with portfolios on various stocks in one sector. Keywords: portfolio diversification strategy, one sector and multi sector stocks, stock portfolio performance.

INTRODUCTION
The debates over investment strategies to build a stock portfolio have taken place since a decade ago. Since then, the testing on diversification strategies to portfolio has been done in several capital markets in the world, leading to a conclusion that no consistent relation was found between portfolio diversification strategy and portfolio performance. A number of studies that examine the strategy of diversified portfolios have been performed by DBond and Thaler 1985; De Long, et al. 1990; Shleifer and Vishny, 1990; Rouwenhorst, 1998; Conrad and Kaul, 1998; Moskowitz and Grinblatt, 1999; Grundy and Martin, 2001; Jegadeesh and Titman, 2001; Llewellyn, 2002; Hameed and Kusnadi, 2002; Hurn and Pavlov, 2003; Wiksuana, 2009; Shan Hu, et al., 2011; Henker, et al., 2012; Kazan, et al., 2014; Al Bakri, 2014; and Kamil, 2014.
Due to no consistent research findings on the influence of the diversification strategy on portfolio performance in a wide range of capital market in the world, this subject is still interesting to be observed. Hence, it is still possible to construct a diversification strategy that is effectively applied in the Indonesian capital market.

In the theory of portfolio, an investor can reduce risk by investing in shares that have different levels and correlated negatively with each other or with diversified portfolios. The stocks composing of negative correlation portfolios will move toward opposite direction. The advantage of diversified portfolios is reducing risk in the preparation stage; when one of the shares is declining, the others will balance it. The disadvantage of this strategy is, since it consists of various different sectors, this strategy urges the investor to know and observe the development of each business sector, particularly in identifying when and which sector will experience an increase, in order not to lose the opportunity to earn higher returns for investing in other not promising sectors.

Another strategy is to build diversified portfolios on shares from a well controlled business sector to reduce risk because of limited knowledge of other sectors. The advantage of this strategy is the investors can focus on one particular sector and get the chance to gain maximum returns when the chosen sector experiences significant strengthening. The weakness of this strategy is the substantial risk of loss if the investors choose the wrong sector to allocate funds since the beginning.

This study will test the portfolio diversification strategy in one sector and multi sectors in Indonesia’s capital market. The diversification strategy for one sector refers to Warren Buffett’s financial performance which has been proven able to show good performance in various capital markets in the world. The strategy includes several indicators: Earnings Predictability, Level Of Debt, Return On Equity (ROE), Return On Total Capital (ROTC), Capital Expenditures, and Return On Retained Earnings (RORE). Moreover, for multi sectors, the strategy refers to sectors with stocks from top companies in LQ 45 index.

Based on the description, the problem of the research is whether the performance of the portfolio diversification strategy by one sector is different from that of produced by multi sectors in the Indonesia’s capital market?

THEORETICAL REVIEW

In investing in stock, investors will use various strategies to gain performance comparable or exceeding the market performance. There are two strategies that can be selected in building portfolio, namely passive portfolio strategy and active portfolio strategy. Passive portfolio strategy usually includes actions which tend to be passive in investment, based on the share movement on the market index. That is, investors do not actively seek information or buy and sell the stocks that could produce abnormal return. The investors will only follow the market index.

On the other hand, active portfolio strategy would essentially require active participation of the investors in choosing, buying and selling stocks, looking for information, by following the time and movement of stock prices as well as other active attempts to produce abnormal return. Certainly investors
should be careful in choosing the right strategy, whether active portfolio, passive portfolio, or the combination of the two strategies simultaneously (Jones, 2014).

Active portfolio strategy essentially can be implemented with the fundamental approach in analysing stocks. The fundamental approach is to analyze a stock based on the financial performance of the issuers (profits, dividends, sales and others) and the industry performance in which the company operates. The goal is to achieve the portfolio performance that exceeds the performance of the portfolio acquired through passive strategy. In other words, investors will seek to obtain a higher return than that of the fellow investors. They are proactively looking for additional information, improving their ability in analyzing the information that affects the performance of the stock portfolio; even more, they dare to pay at a high rate for consulting services on the best stocks. Those attempts are done to improve the performance as expected.

Passive diversification strategies encompass buy and hold strategy and indexing strategy. In buy and hold strategy, investors buy a number of shares and keep holding them for some time. This strategy can be applied in the portfolios consisting of many stocks or only certain types of stocks. The indexing strategy in practice can be defined as the purchase of mutual fund or pension fund by investors. By buying mutual fund, investors expect that the performance of their investments on several stocks in mutual fund duplicates/reflects the performance the market index.

The purpose of the strategy is to gain returns more than those acquired through passive strategies. Some of the active strategies that investors could perform are choosing stocks, rotation sector, momentum investing, and contrarian investing.

As part of strategies in choosing stocks, investors are actively conducting analysis for the best stocks, namely those the optimum risk-return level than other alternatives. The fundamental analysis is applied to find out the prospect of the shares in the future. Investors will buy the stocks if the intrinsic value is above the market prices (undervalued), and sell the stocks when the intrinsic value is below the market price (overvalued).

The sector rotation strategy is usually preferred by investors who invest in domestic shares. In this case, the investors can act in two ways i.e. investing in shares of firms engaged in certain sectors to anticipate cyclical changes in the economy later, and performing modifications or changes in the portion of portfolios invested in different industrial sectors, to anticipate the cyclical changes, growth and decline of the stock price.

The momentum strategy as one of the active portfolio strategies can be used by investors and investment managers to build portfolios. The momentum strategy is carried out by way of purchasing shares previously having good performance, and selling shares with past bad performance. If the momentum strategy works well, the winner’s portfolios are supposed to produce positive performance and the loser’s portfolios have negative performance. The difference in performance of the winner-loser should be significantly positive. Empirical evidence on momentum investment strategy have been documented in the United States by Jegadeesh and Titman (individual stock momentum) and Moskowitz and Grinblatt (momentum stocks of the industry); in Europe by Rouwenhorst; in Australia by Hurn and Pavlov; in the Asia-Pacific region (outside Indonesia) by Hameed and Kusnadi; and in Indonesia by
Contrarian investing strategy is the active portfolio strategy that was first introduced by DeBondt and Thaler (1985). Using the United States capital market data, they found that the stocks initially giving a positive rate of return (winner) or negative (loser) will experience reversals in subsequent periods. Investors who buy loser’s stocks and sell the stocks after being the winner will gain a significant abnormal return to 15% per year for the time horizons of 3 to 5 years.

Warren Buffett’s strategy is the active portfolio strategy that recommends stock picking from one sector, and not multi sectors as recommended by other active portfolio strategies. Recently, studies on the strategy of Warren Buffett have largely been undertaken using the stocks of companies listed on NYSE or NASDAQ. There are six criteria of stock picking according to Buffett (Reese and Forehand, 2009), namely:

1) **Earnings predictability**
   Buffett tends to invest in companies with stable and predictable earnings growth. When a company suffered losses in the past decade, it will be excluded from the list, with the exception of the negative profit at the beginning of the fiscal year. Stock picking criteria based on earnings predictability is described as follows:
   a) Net profit rises for 10 consecutive years and the company never loses – > Pick (Best Case)
   b) Net profit rise for 10 consecutive years and the company never loses (except when there is one-year profit decline of more than 45% of the previous year) – > Pick
   c) Other combinations – > Drop

2) **Level of Debt**
   Buffett likes companies financed conservatively. Buffet would observe if long-term debt can be repaid with net profit for five years or less and the most favoured is that could be repaid with net profit of less than two (2) years, and the company is not a financial company. The Buffet’s criteria based on level of debt are:
   - \( \text{Long-term debt} \leq 2 \times \text{earnings} \) – > Pick (Best Case)
   - \( 2 \times \text{earnings} < \text{Long-term debt} \leq 5 \times \text{earnings} \) – > Pick
   - \( \text{Long-term debt} > 5 \times \text{earnings} \) – > Drop

3) **Return on Equity / ROE (rata-rata 10 tahun)**
   Buffett prizes companies with an average ROE of at least 15% or more. If the average ROE within ten (10) years is 15% or more, Buffet would consider a high return over equity in selecting stocks in the portfolio, because it indicates that the management has allocated the retained earnings well. Buffet’s model based on ROE criteria is:
   - \( \text{ROE} \geq 15\% \) – > Pick
   - \( \text{ROE} < 15\% \) – > Drop
Description: ROE = \( \frac{Net \ Earnings}{Equity} \)

4) **Return on Total Capital / ROTC**
   Some companies are sometimes financed with more debt than equity, and they can still produce consistently high ROE. For non financial companies, Buffets utilizes ROTC which is defined as net income divided by the total capital plus debt. The Buffet’s model for the criteria is as follows:

   - ROTC ≥ 12% → Pick
   - ROTC < 12% → Drop

   Description: ROTC = \( \frac{net \ earning}{(debt + equity)} \)

5) **Capital Expenditures**
   Buffet prefers companies that do not require a large capital expenditure, meaning that the companies do not need a lot of money to improve equipment, factories, or research and development to remain competitive. Cash flow greater than zero is good because it indicates that companies make more money than they consume. Conversely, if cash flow is equal to zero or even negative, it is seen as a bad sign since it indicates that the company expenditure is more than the earnings. Buffet’s criteria for this model are:

   - Free Cash Flow > 0 → Pick
   - Free Cash Flow ≤ 0 → Drop

   Description:
   Free Cash Flow (FCF)= Operating Cash Flow-Capital Expenditure

6) **Use of Retained Earnings (RORE)**
   Another way of Buffett to assess performance management is by observing the use of retained earnings for a certain period of time and then comparing it to the increase in earnings per shares in the same period. Hence, there must be margin between the profit in the current fiscal earnings and the fiscal earnings of ten (10) years ago that are divided by the the retained earnings in the same period. A comparison between the retained earnings per portfolio and earnings per portfolio shows a rate of return of the retained earnings. Buffett accepts 15% or more rate of return from the retained earnings, meaning that the management has worked well. If the return rate of retained earnings is less than 15% but greater than or equal to 12 per cent, it is still acceptable to Buffett, meaning that the management has been proven able to generate the income of shareholders well. The criteria for this model are as follows:

   - RORE ≥ 15% → Pick (Best Case)
   - 12% ≤ RORE < 15% → Pick
   - RORE < 12% → Drop
Description:

\[
\text{RORE} = \frac{(\text{EPS (y)} - \text{EPS (y-10)})}{\text{Retained Earnings (y)}}
\]

Sharpe index as a measurement tool of the portfolio performance in this study is developed by William Sharpe and often also called reward-to-variability ratio. Sharpe index puts the basis of calculations on the concept of capital market line as a benchmark, that is by dividing the portfolio risk premium with the deviation standard. Risk premium is the margin between the average performance generated by a portfolio and an average performance of risk free asset. Standard deviation is the risk of fluctuations in the portfolio generated because of changes in return from one sub period to the others in the whole period. In the theory of portfolio, standard deviation is the total risk of the systematic/market risk and unsystematic risk.

Sharpe index can be used to measure the risk premium for each unit of risk on the portfolios. Investment in the SBI does not contain specific performance risk. Meanwhile, investment portfolio contains risks, thus, the return of the investment is expected to be greater than the risk-free assets. Sharpe index measures the addition of risk premium per unit of risk taken. The level of the portfolio performance can be determined using Sharpe index. Higher Sharpe index of a portfolio than any other portfolio is correlated with the better performance (Jones, 2014).

Some research about the performance of portfolio in various capital markets have been explored by scholars. Treynor (1965), Sharpe (1966), and Jensen (1968) using the Capital Asset Pricing Model (CAPM) compare the performance of mutual fund and the market portfolio. Their findings suggest that in general, the return obtained by investment managers are not high enough to meet the operating costs.

According to the review above, the research hypothesis in this study is that the performance from the portfolio diversification strategy for one sector is different from the performance of for multi sectors in Indonesia’s capital market.

**RESEARCH METHODS**

**Research Variables**

**a. Performance of One Sector Stock Portfolio**

1) Earnings Predictability-based portfolio performance
   
   This is the performance of 10 stock portfolios of consumer goods sector that is based on the highest Earnings Predictability as measured by Sharpe index in every semester from Semester I of 2011 to Semester II of 2014.

2) Level of Debt-based portfolio performance
   
   The portfolio performance of 10 stocks of consumer goods sector that is based on the lowest level of debt the lowest as measured by the Sharpe index in every semester from Semester I of 2011 to Semester II of 2014.
3) Return On Equity-based portfolio performance
The portfolio performance of 10 stocks of consumer goods sector that is based on the highest Return On Equity as measured by Sharpe index every semester from Semester I of 2011 to Semester II of 2014.

4) Return on Total Capital-based portfolio performance
It describes the performance of 10 stocks of consumer goods sector that is based on the highest Return on Total Capital as measured with Sharpe index in every semester from Semester I of 2011 to Semester II of 2014.

5) Capital Expenditures-based portfolio performance
It explains portfolio performance of 10 stocks of consumer goods sector that is based on Capital Expenditures with positive free cash flow greater than zero as measured by the Sharpe index in each semester from Semester I of 2011 to Semester II of 2014.

6) Retained Earnings-based portfolio performance
The portfolio performance of 10 stocks of consumer goods sector that is based on the highest Retained Earnings as measured by the Sharpe index in every semester from Semester I of 2011 to Semester II of 2014.

b. Performance of Stock Portfolios in Multi Sectors

Populations and Samples
The population of the research included top companies in the Indonesian capital market with shares registered in the LQ 45 index, and sub sector companies of consumer goods amounting to 37 issuers. The selection of the sample was done by using multiphase sampling to build the stock portfolios of one sector and multi sectors, that amounted to 10 stocks for each group (one sector and multi sectors) during the period of Semester I of 2011 to Semester II of 2014, and stocks listed in LQ45 indices for the period of February 2011-July 2011, August 2011-January 2012, February 2012-July 2012, August 2012-January 2013, February 2013-July 2013, August 2013-January 2014, February 2014-July 2014, August 2014-January 2015.

Data Analysis Methods
a. Building Stock Portfolios in One Sector and Multi Sectors
1) Calculate the actual return of each stock
2) Calculate the expected return of each stock
3) Calculate the stock covariant in portfolio
4) Calculate the correlation coefficients of level of return
5) Calculate the expected return of the portfolios
6) Calculate the risk of the portfolios
7) Build one sector stock portfolios and multi sector portfolios with Markowitz model.
b. Measure the stock performance of one sector and multi sectors using the Sharpe index.


RESEARCH FINDINGS AND DISCUSSION

Multi Sector Portfolio Performance

Portfolios from 10 stocks of top companies listed in the LQ 45 index with the highest return in each respective sector are described in Table 10. The performance of such portfolios produce negative Sharpe index in all periods of analysis, meaning that the return from those portfolios is smaller than generated from free-risk assets. This explains that portfolios of ten leading stocks in the LQ 45 index of the Indonesia’s capital market are not capable of generating return at a greater amount than the SBI interest rate.

Table 1. Performance of Multi Sector Stock Portfolios

<table>
<thead>
<tr>
<th>Keterangan</th>
<th>E(Rp)</th>
<th>Variance</th>
<th>Standar Deviasi</th>
<th>SBI</th>
<th>Indeks Sharpe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smr I 2011</td>
<td>4.35%</td>
<td>1.31%</td>
<td>11.46%</td>
<td>6.71%</td>
<td>-20.61%</td>
</tr>
<tr>
<td>Smr II 2011</td>
<td>2.07%</td>
<td>0.93%</td>
<td>9.66%</td>
<td>6.46%</td>
<td>-45.39%</td>
</tr>
<tr>
<td>Smr I 2012</td>
<td>3.37%</td>
<td>0.86%</td>
<td>9.26%</td>
<td>5.79%</td>
<td>-26.17%</td>
</tr>
<tr>
<td>Smr II 2012</td>
<td>3.97%</td>
<td>0.90%</td>
<td>9.51%</td>
<td>5.75%</td>
<td>-18.70%</td>
</tr>
<tr>
<td>Smr I 2013</td>
<td>4.77%</td>
<td>1.31%</td>
<td>11.44%</td>
<td>5.79%</td>
<td>-8.93%</td>
</tr>
<tr>
<td>Smr II 2013</td>
<td>1.47%</td>
<td>1.18%</td>
<td>10.86%</td>
<td>7.07%</td>
<td>-51.57%</td>
</tr>
<tr>
<td>Smr I 2014</td>
<td>6.05%</td>
<td>1.13%</td>
<td>10.65%</td>
<td>7.50%</td>
<td>-13.61%</td>
</tr>
<tr>
<td>Smr II 2014</td>
<td>4.38%</td>
<td>0.79%</td>
<td>8.90%</td>
<td>7.57%</td>
<td>-35.90%</td>
</tr>
</tbody>
</table>

Source: Data Analysis

Performance of Portfolios in One Sector

The Performance of One Sector Portfolios Based on Earning Predictability

The performance of ten portfolios with the highest earnings in each semester during the first half of 2011 to the second half of 2014, indicates that the stock portfolios made up of ten companies in consumer goods sector with the highest earnings show negative Sharpe index, meaning the return generated from the portfolios is lower than the risk-free return (interest rate of SBI), except in the first half of 2013 that indicates positive Sharpe index.
Table 2. The Performance of One Sector Portfolios Based On Earnings Predictability

<table>
<thead>
<tr>
<th>Keterangan</th>
<th>E(Rp) (%)</th>
<th>Variance (%)</th>
<th>Standar Deviasi (%)</th>
<th>SBI (%)</th>
<th>Indek Sharpe (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smtr I 2011</td>
<td>3.16</td>
<td>1.04</td>
<td>10.19</td>
<td>6.71</td>
<td>(34.83)</td>
</tr>
<tr>
<td>Smtr II 2011</td>
<td>1.17</td>
<td>0.87</td>
<td>9.32</td>
<td>6.46</td>
<td>(56.81)</td>
</tr>
<tr>
<td>Smtr I 2012</td>
<td>4.31</td>
<td>0.71</td>
<td>8.41</td>
<td>5.79</td>
<td>(17.62)</td>
</tr>
<tr>
<td>Smtr II 2012</td>
<td>1.49</td>
<td>0.87</td>
<td>9.33</td>
<td>5.75</td>
<td>(45.61)</td>
</tr>
<tr>
<td>Smtr I 2013</td>
<td>7.29</td>
<td>1.43</td>
<td>11.97</td>
<td>5.79</td>
<td>12.55</td>
</tr>
<tr>
<td>Smtr II 2013</td>
<td>(1.62)</td>
<td>0.91</td>
<td>9.56</td>
<td>7.07</td>
<td>(90.90)</td>
</tr>
<tr>
<td>Smtr I 2014</td>
<td>0.78</td>
<td>0.55</td>
<td>7.43</td>
<td>7.50</td>
<td>(90.42)</td>
</tr>
<tr>
<td>Smtr II 2014</td>
<td>(0.90)</td>
<td>0.89</td>
<td>9.41</td>
<td>7.57</td>
<td>(90.10)</td>
</tr>
</tbody>
</table>

Source: Data Analysis

The Performance of One Sector Portfolios Based on the Level of Debt

The portfolios built based on the ten stocks from companies with the lowest level of debt and belonging to consumer goods sector, produce return lower than the risk-free return (interest rate of SBI). The Sharpe index is negative, except in the first semester of 2013 that produces positive Sharpe index.

Table 3. The Performance of One Sector Portfolios Based on the Level of Debt

<table>
<thead>
<tr>
<th>Keterangan</th>
<th>E(Rp) (%)</th>
<th>Variance</th>
<th>Standar Deviasi</th>
<th>SBI (%)</th>
<th>Indek Sharpe (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smtr I 2011</td>
<td>2.1%</td>
<td>0.8%</td>
<td>9.0%</td>
<td>6.7%</td>
<td>-51.0%</td>
</tr>
<tr>
<td>Smtr II 2011</td>
<td>-0.4%</td>
<td>0.6%</td>
<td>7.5%</td>
<td>6.5%</td>
<td>-90.4%</td>
</tr>
<tr>
<td>Smtr I 2012</td>
<td>5.6%</td>
<td>1.2%</td>
<td>10.7%</td>
<td>5.8%</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Smtr II 2012</td>
<td>0.6%</td>
<td>0.9%</td>
<td>9.6%</td>
<td>5.8%</td>
<td>-53.7%</td>
</tr>
<tr>
<td>Smtr I 2013</td>
<td>6.6%</td>
<td>1.8%</td>
<td>13.5%</td>
<td>5.8%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Smtr II 2013</td>
<td>-1.6%</td>
<td>0.9%</td>
<td>9.3%</td>
<td>7.1%</td>
<td>-93.2%</td>
</tr>
<tr>
<td>Smtr I 2014</td>
<td>2.4%</td>
<td>0.7%</td>
<td>8.1%</td>
<td>7.5%</td>
<td>-63.3%</td>
</tr>
<tr>
<td>Smtr II 2014</td>
<td>-2.1%</td>
<td>0.9%</td>
<td>9.6%</td>
<td>7.6%</td>
<td>-100.1%</td>
</tr>
</tbody>
</table>

Source: Data Analysis

The Performance of One Sector Portfolios Based on Return On Equity (ROE)

The portfolios based on the stocks of ten companies with the highest Return On Equity in each semester during Semester I of 2011 to Semester II of 2014 show negative Sharpe index, except in Semester 1 of 2013 that indicate positive Sharpe index. The return in most of the periods of analysis is lower than the risk-free return (SBI interest rate).
Table 4. The Performance of One Sector Portfolios Based on Return On Equity (ROE)

<table>
<thead>
<tr>
<th>Keterangan</th>
<th>E(Rp)</th>
<th>Variance</th>
<th>Standar Deviasi</th>
<th>SBI</th>
<th>Indeks Sharpe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smtr I 2011</td>
<td>2.02%</td>
<td>0.94%</td>
<td>9.70%</td>
<td>6.71%</td>
<td>-48.31%</td>
</tr>
<tr>
<td>Smtr II 2011</td>
<td>0.93%</td>
<td>0.91%</td>
<td>9.56%</td>
<td>6.46%</td>
<td>-57.81%</td>
</tr>
<tr>
<td>Smtr I 2012</td>
<td>5.21%</td>
<td>0.62%</td>
<td>7.90%</td>
<td>5.79%</td>
<td>-7.32%</td>
</tr>
<tr>
<td>Smtr II 2012</td>
<td>2.45%</td>
<td>0.96%</td>
<td>9.82%</td>
<td>5.75%</td>
<td>-33.62%</td>
</tr>
<tr>
<td>Smtr I 2013</td>
<td>8.66%</td>
<td>1.81%</td>
<td>13.46%</td>
<td>5.79%</td>
<td>21.31%</td>
</tr>
<tr>
<td>Smtr II 2013</td>
<td>-3.82%</td>
<td>1.07%</td>
<td>10.34%</td>
<td>7.07%</td>
<td>-105.40%</td>
</tr>
<tr>
<td>Smtr I 2014</td>
<td>2.65%</td>
<td>0.67%</td>
<td>8.19%</td>
<td>7.50%</td>
<td>-59.22%</td>
</tr>
<tr>
<td>Smtr II 2014</td>
<td>-0.68%</td>
<td>0.91%</td>
<td>9.54%</td>
<td>7.57%</td>
<td>-86.50%</td>
</tr>
</tbody>
</table>

Source: Data Analysis

The Performance of One Sector Portfolios Based on Return On Total Capital (ROTC)

The portfolios built based on the stocks of ten companies of consumer goods sector and having the highest Return On Total Capital (ROTC) show negative Sharpe index during the analysis period, except in Semester 1 of 2013 that indicate positive Sharpe index. The portfolio return which could be generated is lower than the risk-free return (SBI interest rate).

Table 5. The Performance of One Sector Portfolios Based on Return On Total Capital (ROTC)

<table>
<thead>
<tr>
<th>Keterangan</th>
<th>E(Rp)</th>
<th>Variance</th>
<th>Standar Deviasi</th>
<th>SBI</th>
<th>Indeks Sharpe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smtr I 2011</td>
<td>2.4%</td>
<td>1.0%</td>
<td>9.8%</td>
<td>6.7%</td>
<td>-43.7%</td>
</tr>
<tr>
<td>Smtr II 2011</td>
<td>1.6%</td>
<td>0.8%</td>
<td>8.7%</td>
<td>6.5%</td>
<td>-55.4%</td>
</tr>
<tr>
<td>Smtr I 2012</td>
<td>4.3%</td>
<td>0.6%</td>
<td>7.6%</td>
<td>5.8%</td>
<td>-19.0%</td>
</tr>
<tr>
<td>Smtr II 2012</td>
<td>3.0%</td>
<td>1.0%</td>
<td>9.8%</td>
<td>5.8%</td>
<td>-27.8%</td>
</tr>
<tr>
<td>Smtr I 2013</td>
<td>9.6%</td>
<td>2.4%</td>
<td>15.4%</td>
<td>5.8%</td>
<td>24.7%</td>
</tr>
<tr>
<td>Smtr II 2013</td>
<td>-2.2%</td>
<td>0.9%</td>
<td>9.7%</td>
<td>7.1%</td>
<td>-95.0%</td>
</tr>
<tr>
<td>Smtr I 2014</td>
<td>1.4%</td>
<td>0.6%</td>
<td>7.5%</td>
<td>7.5%</td>
<td>-81.9%</td>
</tr>
<tr>
<td>Smtr II 2014</td>
<td>0.0%</td>
<td>0.9%</td>
<td>9.6%</td>
<td>7.6%</td>
<td>-78.9%</td>
</tr>
</tbody>
</table>

Source: Data Analysis

The Performance of One Sector Portfolios Based on Capital Expenditures

The portfolios built from the stocks of ten companies of consumer goods sector and having free cash flow greater than 0 in each semester during Semester I of 2011 to Semester II of 2014 show negative Sharpe index, except in Semester 1 of 2013 that indicate positive Sharpe index. The generated portfolio return is lower than the risk-free return (SBI interest rate).
Table 6. The Performance of One Sector Portfolios Based on Capital Expenditures

<table>
<thead>
<tr>
<th>Keterangan</th>
<th>E(Rp)</th>
<th>Variance</th>
<th>Standar Deviasi</th>
<th>SBI</th>
<th>Indeks Sharpe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smtr I 2011</td>
<td>2.92%</td>
<td>0.99%</td>
<td>9.96%</td>
<td>6.71%</td>
<td>-38.07%</td>
</tr>
<tr>
<td>Smtr II 2011</td>
<td>-0.08%</td>
<td>0.81%</td>
<td>9.01%</td>
<td>6.46%</td>
<td>-72.59%</td>
</tr>
<tr>
<td>Smtr I 2012</td>
<td>3.13%</td>
<td>0.64%</td>
<td>8.00%</td>
<td>5.79%</td>
<td>-33.30%</td>
</tr>
<tr>
<td>Smtr II 2012</td>
<td>3.05%</td>
<td>0.99%</td>
<td>9.97%</td>
<td>5.75%</td>
<td>-27.07%</td>
</tr>
<tr>
<td>Smtr I 2013</td>
<td>8.17%</td>
<td>1.86%</td>
<td>13.62%</td>
<td>5.79%</td>
<td>17.47%</td>
</tr>
<tr>
<td>Smtr II 2013</td>
<td>-2.37%</td>
<td>1.15%</td>
<td>10.70%</td>
<td>7.07%</td>
<td>-88.20%</td>
</tr>
<tr>
<td>Smtr I 2014</td>
<td>0.06%</td>
<td>0.51%</td>
<td>7.16%</td>
<td>7.50%</td>
<td>-103.93%</td>
</tr>
<tr>
<td>Smtr II 2014</td>
<td>0.62%</td>
<td>1.08%</td>
<td>10.37%</td>
<td>7.57%</td>
<td>-67.02%</td>
</tr>
</tbody>
</table>

Source: Data Analysis

The Performance of One Sector Portfolios Based on Retained Earning (RORE)

The portfolios built from the stocks of ten companies of consumer goods sector and having the highest Retained Earning show negative Sharpe index in all periods of analysis. The return which could be generated is lower than the risk-free return (SBI interest rate).

Table 7. The Performance of One Sector Portfolios Based on Retained Earnings

<table>
<thead>
<tr>
<th>Keterangan</th>
<th>E(Rp)</th>
<th>Variance</th>
<th>Standar Deviasi</th>
<th>SBI</th>
<th>Indeks Sharpe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smtr I 2011</td>
<td>3.70%</td>
<td>1.02%</td>
<td>10.12%</td>
<td>6.71%</td>
<td>-29.72%</td>
</tr>
<tr>
<td>Smtr II 2011</td>
<td>0.76%</td>
<td>0.82%</td>
<td>9.04%</td>
<td>6.46%</td>
<td>-63.05%</td>
</tr>
<tr>
<td>Smtr I 2012</td>
<td>2.54%</td>
<td>0.60%</td>
<td>7.75%</td>
<td>5.79%</td>
<td>-41.89%</td>
</tr>
<tr>
<td>Smtr II 2012</td>
<td>3.31%</td>
<td>0.64%</td>
<td>7.97%</td>
<td>5.75%</td>
<td>-30.60%</td>
</tr>
<tr>
<td>Smtr I 2013</td>
<td>4.64%</td>
<td>1.60%</td>
<td>12.64%</td>
<td>5.79%</td>
<td>-9.10%</td>
</tr>
<tr>
<td>Smtr II 2013</td>
<td>1.10%</td>
<td>10.47%</td>
<td>32.36%</td>
<td>7.07%</td>
<td>-18.46%</td>
</tr>
<tr>
<td>Smtr I 2014</td>
<td>2.76%</td>
<td>0.89%</td>
<td>9.42%</td>
<td>7.50%</td>
<td>-50.36%</td>
</tr>
<tr>
<td>Smtr II 2014</td>
<td>1.82%</td>
<td>0.79%</td>
<td>8.87%</td>
<td>7.57%</td>
<td>-64.76%</td>
</tr>
</tbody>
</table>

Source: Data Analysis

Based on the research findings and discussions above, stock portfolios in multi sectors and one sector in almost all periods of analysis generate negative Sharpe index, which means the portfolios from both approaches are not yet capable of generating return on investment that exceeds the return of free-risk assets if referring to the SBI interest rate. Nevertheless, during the first half of 2013, one sector portfolios built based on Warren Buffet’s investment strategy consisting of earnings predictability, level of debt, ROE, ROTC and capital expenditures are able to generate positive Sharpe index. Meanwhile, the performance of multi sector portfolios of leading stocks in the LQ 45 index also produces negative Sharpe index in all periods of analysis.

This condition is due to economic crisis in the United States and Europe since 2008, which indirectly affected Indonesia’s economy. Indonesia Composite Index (IHSG) in 2011 growth only reached
3.18%, much lower than growth in 2010 that reached 45%. The rising prices of gas, basic electricity rate, minimum wage, as well as the weakening of exchange rate give impact to the development of the Indonesia capital market, which in turn affect the business conditions of companies listed on the Indonesia stock exchange. In the first half of 2013, the industry belonged to consumer goods and registred on the Indonesia stock exchange grew by 28%. The increase in fuel oil and the weakening Rupiah did not bring impact to the purchasing power of society as well as the performance of companies in the consumer goods sector in the capital market of Indonesia.

In the second half of 2013, monetary crisis took place due to fiscal deficit, affecting the State Budget Revenues and Expenditures until 2013; hence, at the end of June 2013, the Government took a controversial step by reducing fuel subsidies. This also affected Indonesia’s capital market that led to the decline of IHSG drastically, followed by attenuation of Rupiah against US dollar. Bank Indonesia as the monetary regulator released new BI rate three (3) times up to 7.5% increase by the end of 2013. This condition persisted until 2014, causing the weakening of Rupiah and higher inflation that were slowing down economic growth in 2014.

### Discriminant Test of One Sector and Multi Sectors Portfolio Performance

Based on the results normality test, the data on performance of one sector portfolios with measurement indicators of earnings predictability, level of debt, ROE, ROTC, capital expenditures, RORE, and multi sector portfolio performance of the leading stocks in the LQ 45 are distributed normally, so than Independent Sample t-test is used to compare the portfolios of both sectors.

**Tabel 8. The Comparison between Performance of One Sector Portfolios based on Earnings Predictability and Performance of Multi Sector Portfolios**

<table>
<thead>
<tr>
<th>Group Statistics</th>
<th>Kinerja/Earning</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>8</td>
<td>-0.517</td>
<td>0.38088</td>
<td>0.13466</td>
</tr>
<tr>
<td>LQ45</td>
<td></td>
<td>8</td>
<td>-0.276</td>
<td>0.15295</td>
<td>0.05408</td>
</tr>
</tbody>
</table>

**Independent Samples Test**

<table>
<thead>
<tr>
<th></th>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
<th>Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
<td>t</td>
</tr>
<tr>
<td>Kinerja</td>
<td>Equal variances assumed</td>
<td>5.618</td>
<td>0.033</td>
</tr>
<tr>
<td></td>
<td>Equal variances not assumed</td>
<td>5.618</td>
<td>0.033</td>
</tr>
</tbody>
</table>

Source: Data Analysis

Table 8. indicates no difference between the performance of one sector portfolios on the basis of
Earnings Predictability of consumer goods companies and portfolio performance of several winning sectors in LQ 45 index. From the levene test, the value of $\text{Sig} > 0.05$, the variance between groups is homogenous (the homogeneity conditions are fulfilled). If the conditions are met, $t$ test on equal variance assumed is used, and if not met, equal variance not assumed $t$ test will be used. Since the sig levene is $0.033 < 0.05$, the homogeneity is not met (heterogeneous), so the $t$ test used is equal variance not assumed, that is, $t:-0.166$. The absolute value of $t$ is $1.662$, where $<t$ table on $DF$ of $9.198$, in other words the $p$ value ($\text{Sig 2 tailed}$) of $0.130$ is greater than $0.05$.

Table 9. The Comparison between Performance of One Sector Portfolios based on Level of Debt and Performance of Multi Sector Portfolios

<table>
<thead>
<tr>
<th>Kriteria</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kinerja level of debt LQ45</td>
<td>8</td>
<td>-0.5589</td>
<td>0.40403</td>
<td>0.14285</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>Sig</td>
</tr>
<tr>
<td>Kinerja equal variances assumed</td>
<td>4.497</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>-1.851</td>
</tr>
</tbody>
</table>

Source: Data Analysis

Table 9. shows no difference between the portfolio performance of consumer goods sector based on the level of debt and portfolio performance of winning sectors in LQ45 index. As the sig levene is $0.052 > 0.05$, the homogeneity is fulfilled, so that equal variance assumed $t$ test is used. Thus, $p$ value ($\text{Sig 2 tailed}$) of $0.085$ is greater than $0.05$.

Table 10. shows no difference between stock portfolio performance of companies in consumer goods sector based on Return On Equity performance and portfolio performance of multi sectors in LQ45 index. Because the sig levene is $0.069 > 0.05$, the homogeneity is achieved, so that the portfolio performance $t$ test is used. The value of $p$ ($\text{Sig 2 tailed}$) of $0.227$ is greater than $0.05$.
Table 10. The Comparison between Performance of One Sector Portfolios based on Return On Equity and Performance of Multi Sector Portfolios

<table>
<thead>
<tr>
<th>Criteria</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kinerja</td>
<td>8</td>
<td>-0.471</td>
<td>0.408</td>
<td>0.14429</td>
</tr>
<tr>
<td>LQ45</td>
<td>8</td>
<td>-0.276</td>
<td>0.15295</td>
<td>0.05408</td>
</tr>
</tbody>
</table>

Independent Samples Test

<table>
<thead>
<tr>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>Sig</td>
<td>t</td>
</tr>
<tr>
<td>---</td>
<td>-----</td>
<td>---</td>
</tr>
<tr>
<td>Kinerja</td>
<td>Equal variances assumed</td>
<td>3.873</td>
</tr>
<tr>
<td>Kinerja</td>
<td>Equal variances not assumed</td>
<td>-1.265</td>
</tr>
</tbody>
</table>

Source: Data Analysis

Table 11. indicates no difference in the portfolio performance of consumer goods sector based on ROTC and the portfolio performance of leading sectors in LQ45 index. Because the sig levene is 0.044 < 0.05, the homogeneity is achieved (heterogeneous); hence, equal variance not assumed t test is employed, and the significance of 0.225 is greater than 0.05.
**Table 11. The Comparison between Performance of One Sector Portfolios based on Return on Total Capital (ROTC) and Performance of Multi Sector Portfolios**

<table>
<thead>
<tr>
<th>Kriterja</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kinerja</td>
<td>8</td>
<td>-0.4713</td>
<td>0.39487</td>
<td>0.13961</td>
</tr>
<tr>
<td>LQ45</td>
<td>8</td>
<td>-0.2761</td>
<td>0.15295</td>
<td>0.05408</td>
</tr>
</tbody>
</table>

**Independent Samples Test**

<table>
<thead>
<tr>
<th>Kriterja</th>
<th>Equal variances assumed</th>
<th>Equal variances not assumed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levene's Test for Equality of Variances</td>
<td>F</td>
<td>Sig</td>
</tr>
<tr>
<td></td>
<td>4.897</td>
<td>0.044</td>
</tr>
<tr>
<td></td>
<td>-1.303</td>
<td>9.054</td>
</tr>
</tbody>
</table>

Source: Analysis Data

Table 12. shows no difference between the portfolio performance of firms in consumer goods sector based on Capital Expenditures and the portfolio performance of leading sectors in LQ45 index. Due to the fact that the sig levene is 0.025< 0.05, the homogeneity is not achieved (heterogeneous). Thus, equal variance not assumed is used and shows significance at 0.140 that is greater than 0.05.
Table 12. The Comparison between Performance of One Sector Portfolios based on Capital Expenditures and Performance of Multi Sector Portfolios

<table>
<thead>
<tr>
<th>Kriteria</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kinerja</td>
<td>8</td>
<td>-0.5159</td>
<td>0.38997</td>
<td>0.13787</td>
</tr>
<tr>
<td>LQ45</td>
<td>8</td>
<td>-0.2761</td>
<td>0.15295</td>
<td>0.05408</td>
</tr>
</tbody>
</table>

Table 13. proves no difference between the performance of stocks in consumer goods sector based on return on retained earnings (RORE) and the performance of leading stocks from various sectors in LQ45 index. As the significance level is 0.369 > 0.05, the homogeneity is fulfilled, so that equal variance assumed t-test is applied. P value (Sig 2 tailed) of 0.244 is greater than 0.05.

Source: Data Analisys

Table 13. proves no difference between the performance of stocks in consumer goods sector based on return on retained earnings (RORE) and the performance of leading stocks from various sectors in LQ45 index. As the significance level is 0.369 > 0.05, the homogeneity is fulfilled, so that equal variance assumed t-test is applied. P value (Sig 2 tailed) of 0.244 is greater than 0.05.
Table 13. The Comparison between Performance of One Sector Portfolios based on Return on Retained Earnings (RORE) and Performance of Multi Sector Portfolios

<table>
<thead>
<tr>
<th>Group Statistics</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kinerja RORE</td>
<td>8</td>
<td>-0.3851</td>
<td>0.20193</td>
<td>0.07139</td>
<td></td>
</tr>
<tr>
<td>LQ45</td>
<td>8</td>
<td>-0.2761</td>
<td>0.15295</td>
<td>0.05408</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Independent Samples Test</th>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>Kinerja Equal variances assumed</td>
<td>0.862</td>
<td>0.369</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>-1.217</td>
<td>13.043</td>
</tr>
</tbody>
</table>

Source: Data Analysis

Based on the tests to portfolio performance of consumer goods sector referring to the 6 investment strategy criteria by Warren Buffet that is compared to the portfolio performance of leading stocks from varying sectors in LQ 45 index, the findings prove no difference between the performance of both groups.

CONCLUSION

After the tests have been done to both groups, the data analysis is done and shows the results do not support the hypothesis proposed earlier. The conclusions of this study are:

1) Performance of multi sector portfolios on the leading stocks in every top sector in the LQ45 index is negative at all periods of analysis. The negative performance means that the portfolio return is lower than the risk-free return (SBI interest rate).

2) Performance of one sector portfolios based on Earning Predictability, Level of Debt, Return On Equity (ROE), Return On Total Capital (ROTC), Capital Expenditures, and Return on Retained Earning (RORE) is negative at almost all the analysis periods, except in the first half of 2013. Especially for portfolios built on the basis of retained earning (RORE), the performance is negative at any period of analysis. The negative performance means that the portfolio return is lower than the risk-free return (interest rate of SBI).
3) There is not any differences between the performance of one sector portfolios and the performance of multi sector portfolios. This means that the portfolio diversification strategy to build portfolio of different stocks in various sectors turns out to produce the same performance with the portfolio of different stocks in one sector (consumer goods sector). Based on the conclusions described above, several suggestions are given in this study as follows:

1) Investors in the Indonesia’s capital market strategy that want to diversify the portfolios from both multi sectors and one sector, need to first conduct performance analysis on some sectors before deciding which type of sectors to be used as the basis of investing in portfolios. Sector rotation strategy can serve as an alternative in carrying out portfolio diversification strategy.

2) This research is conducted with limitation to stocks of consumer goods sector and also leading stocks in the LQ45 index. Therefore, further research is recommended to analyze all stocks listed on the Indonesia stock exchange. In addition, it is recommended to extend and add the periods of analysis and number of stock portfolios to give more representative results.

3) One sector stock portfolios are built based on the investment strategy by Warren Buffet. It is advisable for further research to use elimination method as mentioned in the book *The Guru Investor*, to eliminate one or more criteria that is not met.

REFERENCES


Wiksuna, IG.B. 2009. Kinerja Portofolio Saham Berdasarkan Strategi Investasi Momentum di Pasar Modal Indonesia,

FOREIGN AID AND INCOME INEQUALITY EVIDENCE FROM PAKISTAN

Sundas Maqbool
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Email: sundas.maqbool@hotmail.com

Abstract
The inflow of foreign aid influences the process of growth by narrowing the saving-investment gap, increasing productivity and transferring the modern technology. However, according to neoclassical growth framework the fruits of foreign capital inflows are of temporary nature. The present paper main focus is to analyze the possible relationship between foreign aid and income inequality in case of Pakistan for the time period 1973-2014. ARDL technique is applied for estimation. An empirical result shows that in short run aid is inversely related with income inequality while in long run aid is positively related with income inequality and results or not significant.

1 Introduction
In this phase of globalization, economies have turn out to be so dependent on one another that effects of one economy rapidly fall upon other economy. That’s the reason many nations support each other maintain a strategic distance from any unfavourable circumstance and conditions. That support may come in different structure, i.e. aids, grants and concessional loans etc.

Aid is main source of income in developing countries and plays a key role in promoting economic growth. The traditional literature on economic growth hypothesizes that aid play a positive role in economic development process. The inflow of foreign aid influences the process of growth by narrowing the saving-investment gap, increasing productivity and transferring the modern technology. However, according to neoclassical growth framework the fruits of foreign capital inflows are of temporary nature. Like many other developing countries, Pakistan has also heavily relied on foreign borrowings to finance its economic development. This strategy increased its dependency on external resources.

Pakistan remains one of the major recipients of foreign aid and received huge amount of aid from multilateral and bilateral sources. Since its independence in 1947, the United States alone has contributed over $66 billion in non-military aid to Pakistan, a staggering $13 billion of which has flown in since 9/11 (Birdsall et al. 2011). At the same time, however, economic growth has followed boom-bust cycles with a declining long-term trend since the 1960s (Planning Commission of Pakistan 2010). Since 2007, real growth has averaged only 3% per year despite the rise of donor funded development projects in crucial areas such as infrastructure, education and health. Therefore, it appears that in the case of Pakistan, foreign aid inflow is inversely proportional to economic growth.

1.2 Significance of the study
Specifically the objective of this paper is to investigate the impact of foreign aid on income
inequality in case of Pakistan. This study intends to investigate this region as constrained work has been done in this field in Pakistan. From the accessible literature review this study found only one study conducted at Pakistan level by using the time period 1972-2007, so further study is required to examine the impact of foreign aid on income inequality for Pakistan with updated data set, so present study will fill the knowledge gap of this area in Pakistan. Moreover, the majority of the accessible literature focuses on the impact of aid on income inequality in developing countries, Latin American countries. Within country literature is very limited. So our paper contributes a time series study in this field. Beside these, Research on aid’s effect on inequality is, in other words, necessary both due to the destructive consequences of inequality as well as its potential effect on growth.

1.3 Back ground of Foreign aid

In its broadest sense, Foreign aid can be defined as the transfer of funds from a multilateral or private donor, or through a non-governmental organization like NGOs in order to promote development in poor countries.

However, in official statistics focus lies on public aid so NGO transfers are usually excluded. The motive of transfer should be development, so as a rule aid which is given for military development is excluded from official development assistant (OECD). Figure 1 represent the trend of net ODA received per capita in Pakistan from the time period 1973-2014. By taking first glance on graph one can come to know that there huge fluctuations in the data aid rise rapidly from 1973-mid of 1976 than rapidly decline from1976 2nd half to 1977 because the United States cut down the amount of aid to Pakistan because of its nuclear policy on the other hand during 1980s Pakistan again received sufficient and large amount of foreign assistants because of its front-line role in the America-Soviet Union clash over Afghanistan. The foreign aid reached to US$2.0 billion mark per annum in the mid-1980s which boost the credit worthiness of Pakistan (Le and Ataullah 2002; Rabia Butt et all 2013) in 1985 Pakistan and United States consented to a six year agreement as indicated by which United States was to give US$ 4.02 billion in terms of loans and grants over six-year period starting September 1987. Of US$ 4.02 billion, 57 percent amount was dispensing as economic aid and the remaining amount is disbursed in the form of military aid. After signing this agreement, the total disbursement of aid expend to US$1.8 billion in 1987-88s. Over the year aid structure has changed from grant and grant type assistance to credit on difficult terms and conditions. During the first eight years of the 1990s (1990-98), source and accessibility of foreign assistance has made exceptionally harder and difficult for Pakistan.

In 1990, the United States declare that he would not enter into any more aid consensus with Pakistan and would end up its aid related activities towards the end of 1993. This shift in US policy brought unfavourable change in aid receipts to Pakistan. The main justification for changes in United States contributions were the passage of the Pressler Amendment and the Brown Amendment in the aid authorisation bills by the United States Senate in 1985 and 1995 respectively. Because of the Pressler Amendment US aid disbursement to Pakistan which was US$ 452 million in 1989, decrease in early 1990s to touch rock bottom at only US$ 5.4 million in 1998 (Anwar and Michaelowa 2006). In 1993-94, aid from consortium and non-consortium considerably decrease. In 1998, when Pakistan led nuclear tests,
further world-wide aid-sanctions, especially by the US government, were forced on Pakistan. As the results, during 1998-2000, both bilateral and multilateral aid decrease significantly. And reach historically at low point in 2000. But after 9/11 things change significantly in favour of Pakistan, at the point when Pakistan joined the war against terrorism. The volume of aid expanded by 7 times and came to US$ 776.5 million. The US dispatched another US$ 3 billion five-year economic aid package for Pakistan in June 2003. (Arshad khan and Ayaz Ahmed 2007). In 2005 Pakistan has received significant amount of humanitarian aid in response to specific disasters, which consist US$576 million following the flooding and earthquake in 2005 in KPK, and more US$465 million in 2006 as humanitarian needs in Kashmir continued. In 2008 Pakistan was the 16th largest global recipient of humanitarian aid. And in 2011 reach historically a peak level the main reason is DAC countries increased the developmental aid.

**Figure 1: Net ODA received per capita**

Source: author self-extract based on WDI data.

2 Reviews:

Different types of evidence either anecdotal, theoretical or empirical—do not seems to support the claim that the poor are the one who are the primary beneficiaries of aid(jenny 2014). The anecdotal literature suggest that in developing countries the one whose benefit the most from foreign aid are the elite or cream class of the economy and are the one whose lies in the upper income receiving groups (jenny 2014; Saifullah 2011).

Various anecdotes are available from various high-profile cases, but the well known incidents which often discussed in aid literature include billions of dollars of public resource embezzlement in former Zaire under Mobutu Sese Seko, in Indonesia under Suharto, and in the Philippines under Marcos (Bjornskov, 2010; Herzer & Nunnenkamp, 2012; Shafiullah, 2011; Svensson 2005 ; jenny 2015).
The fundamental of the theoretical discussion regarding foreign aid is its productiveness. The neoclassical school claim that foreign assistance can effect growth positively and their main focus is on recipient countries policies and responsibility as a main determinant of aid effectiveness. Foreign assistant, as indicated by others, represent politically harmful as aid recipients relying on foreign aid must have all the characteristics of undertaking so as to be paying attention to donor’ requests, frequently luxuries, tasks and projects. (Banerjee & Rondinelli, 2003).

To sum up all the accessible literature revealed conflicting and mix results, out of all discussed literature three studies fail to establish any relationship between foreign aid and income inequality. Chong et all (2009) in his study probed the relationship between foreign aid and income inequality for the time period 1971-2002 and conclude that there exist no relationship between aid and income inequality. Layton and Neilson (2009) in their study also fail to establish a robust and statistically significant relationship between foreign and income inequality for 82 countries and over 1,100 observations from the year 1975 to 2005. Cecilia et all (2006) examine the effect of foreign aid on income inequality and its impact on poverty reduction for the period 1971-2002. They applied dynamic panel data techniques for estimation, and they find some weak evidence that foreign aid did not help for the improvement of the income distribution when the quality of institutions is taken into account, however, there result are not robust in nature.

There are also some studies who establish the statistical significant and positive relationship between foreign aid and income inequality. like Bjørnskov (2010) by using a random effects weighted least squares (WLS) technique on 88 countries over the years 1960-2000 to find the impact of Official development assistant and democracy on the income distribution. And his results suggest a positive association and potential causality exist between aid and inequality in democracies, but in nondemocratic settings the effect is missing. Herzer and Nunnenkamp (2012) applies bivariate model and estimate the relation between foreign aid and income inequality by panel data technique and their results suggest that aid increase income inequality in recipients for 21 recipient countries.

Toseef et all (2006) the main aim and focused of their study was to probed the impacts of foreign aid on income inequality for 43 countries (middle income and lower middle income countries) for the time period 1993-2005. And there results suggest that that in the middle and lower middle income regions foreign aid increase income inequality. By apply Johansson co integration test Sharafat and Najid (2013) investigate the relationship between foreign aid and income inequality for Pakistan for the time period 1972-2007. And their results suggest that foreign aid increase income inequality in case of Pakistan.

In contradiction there are also some studies who exhibit inverse relationship between aid and income inequality. Saif ullah et all (2011) are among other who investigate the impact of foreign aid on income inequality for 88 countries over the period 1989-2008 by using random effect model and fixed effect model and conclude that aid is inversely related with income inequality. By using probit model cuesta et all (2006) investigate the impact of foreign aid on income inequality for 30 countries over the time period 1995-1998. And conclude that aid is inversely related with income inequality.

Out of all existing literature two studies are conducted on Latin American countries, Tezanos et al. (2013) also find inverse relationship between foreign aid and income inequality. While Mariano et all
(2012) also conducted their study for Latin American countries for the time period 1990-2008 and suggest that aid increasing effect on income inequality in Latin American countries.

The aid literature also emphasise that how local elite and governmental official persons misuse and mismanage the resources, as they have authority to make policies and also they are able to implement these policies so it’s up to them either they use aid resources for developmental purposes, to improve the well being of poor are use for self interest (through rent seeking activities, corruption) (jenny 2014; Tim Layton 2009)

Moreover all the available literature focus on to find the impact of foreign aid on income inequality on developing countries, Latin American countries or panel of countries. And mostly researchers use panel data technique to estimate the relation. Within country literature is very limited the present study finds only one time series Sharafat and Najid (2013) study conducted at Pakistan level by using the data set 1972-2007. From here present study gets motivation to extend the literature review by reinvestigating the impact of foreign aid on income inequality in case of Pakistan.

3 Model Specification

Following the common practices in the literature, along with foreign aid we used following control variables to estimate the relationship between aid and income inequality.

\[
Gini index = f \left( Net \ ODA \ received \ per \ capita, \ GDP \ per \ capita, \ trade \ openness, \ FDI, \ youth \ population, \ Democracy \right).
\]

\[
y = \alpha + \beta_1 (ODA) + \beta_2 X + \varepsilon \quad \text{.................................i}
\]

\[
\ln(GINI) = \alpha + \beta_1 (\ln ODA) + \beta_2 (\ln GDP per capita) + \beta_3 (\ln Trade openness) + \beta_4 (FDI) + \beta_5 (Democracy) + \beta_6 (\ln youth Population) + \varepsilon \quad \text{..........................................................ii}
\]

Where \( \alpha \) intercept, \( y \) is log of Gini index (a proxy for income inequality) ODA official development assistance (a proxy for foreign aid) and \( X \) is the set of control variables, which include FDI, log of trade openness, GDP per capita growth, democracy, log of young population while \( \varepsilon \) representing error term.

3.1 Data source and description of variables

In this paper we used Gini index as the proxy of income inequality and collected the data from SWIID3C 2015. Gini index value is ranges from 0-1 where 0 implies perfect equality and 1 implies perfect inequality.

Net ODA received per capita current US dollar as a proxy for Foreign aid, data collected from WDI World Bank Indicator online database (2015) Present paper chooses to use aid per capita instead of traditionally used aid as a percentage of GDP due to the fact that our paper main objective is to find the impact of aid flows on income inequality and not to find aid dependence. FDI, trade openness is measured as % of GDP

GDP per capita is measured as current US$ while youth population is measured as % of total (15-64) data for all above described variables is exerted form World Bank (2015) while the data on Democracy is collected from freedom house (Polity IV) its ranges from 0-10 where 0 implies least
democratic and 10 implies more democratic.

3.2 Theoretical framework

A general prediction of the theoretical model is, foreign aid increases income inequality, discovering as possible and potential reasons self-interested politicians, donor allocation, and aid agency incentives, emphasis on economic growth. A well known theoretical prediction is that politicians in aid recipients’ countries will spend the money in ways that give an advantage to the powerful elite and the special interest groups who support them in elections (Layton & Nielson 2008; Herzer & Nunnenkamp 2012; Jenny (2014). As an aid in this model is spent on the already wealthy people, thus increase inequality.

The politics of aid donors also become the apparent reason that aid causes inequality. Since aid is not necessarily allotted based on a country's needs (Todaro & Smith 2011), aid-recipient countries might feel a need to spend resources to assure that, in the future they are seen as an attractive recipient Aid might, therefore, be invested into those projects that’s their main focus is to develop the relationship with the donor countries, and which are more likely to benefit the local elite as compare the poor’s (Layton & Nielson 2008). So from this we expect that aid will increase income inequality in case of Pakistan.

The Heckscher-Ohlin model anticipates that trade depends on different factors endowments. Countries specialise their self in producing goods for which their endowment gives a comparative advantage. (Todaro & Smith, 2011) as in developing countries there is a huge amount of cheap labor supply and it's specialized in labor-intensive production. As the demand for labor increases it increases the price of labor and decreases the price of capital in developing countries. So trades enhance equal income distribution in developing countries. So we expect trade openness decrease income inequality in Pakistan.

The empirical model usually claims a positive relationship between FDI and income inequality because of the inflow of FDI, increase the demand for skill workers and increase the wage going to this group. So more wage disparity is expected (Jenny 2014). FDI also increase the use of physical capital in previously labor-intensive production thus creating unemployment among unskilled workers also creates differences in earnings (Tsai 1995). However, some models speculate the opposite results. According to their view, FDI is the same like all other capital, which enhances growth, and benefits every single person in society (Tsai 1995). So we expect that FDI increase income inequality.

The inherent idea that democracy reduces inequality is mainly accepted in the literature. The studies that come to this ending are often based on mechanisms which relates to the median voter theorem. According to this theorem, politicians need to pay extra attention to the desire of the median voter as meeting the wishes of voter is the key to success in upcoming elections (Jenny 2014; Reuveny and Li 2003). The median voter is fairly poor in countries which have high-income inequality (Milanovic 2000). As a result, the political influence of the median voter that comes with democracy is inversely related to inequality. Empirical research suggests mixed and conflicting results. Reuveny and Li (2003) suggest inverse and significant relation with democracy and income inequality. So present studies agree
with Reuveny and Li (2003) and expect that our model also yields inverse relationship between a democracy and income inequality.

Simon Kuznets (1995) inverted U-shaped curve is the most prominent theory regarding economic development and income inequality. According to this theory at higher levels of development, per capita is inversely related to income inequality as per capita income increases, income inequality decreases. At lower levels of development, per capita is positively related to inequality, income inequality increases as per capita income increases.

As Pakistan is a developing country and received huge amount of aid and still at the lower level of development, so according to kuznet theory we expect that GDP per capita will decrease income inequality in Pakistan.

The most frequent argument which prevails in the literature about youth population and income inequality is youth population increases income inequality (Jackman 1985; Simpson 1990; Layton & Nielson 2008). According to Alderson and Nielsen (1995) youth population is one of the important suppliers of unskilled labor and declares that a large youth population causes an oversupply of unskilled workers, consequently driving down the wage of unskilled labor. Thus large numbers of youth population increase Inequality. So we agree with Alderson and Nielsen (1995) and expect that youth population will increase inequality.

4 Results and discussion

The pre-tests for unit roots and co-integration are reported in the Appendix. They suggest that the variables are integrated at mixed order I(0) and I(1) and ARDL bound test results report that the value of f statistics 7.07441 is greater than the value of upper boundaries value at 5%, 1% and 0% level of significance. So we reject null hypothesis and conclude that there exist cointegration among variables.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Long run estimates</th>
<th>Short run estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>ODA</td>
<td>0.011 (0.01)</td>
<td>-0.002 (0.003)</td>
</tr>
<tr>
<td>FDI</td>
<td>-0.02 (0.06)</td>
<td>0.064* (0.023)</td>
</tr>
<tr>
<td>Ltrade openness</td>
<td>0.023 (0.56)</td>
<td>0.062 (0.14)</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>-0.043 (0.02)</td>
<td>-0.0073** (0.003)</td>
</tr>
<tr>
<td>Lyoung population</td>
<td>2.98 (2.75)</td>
<td>0.16 (0.38)</td>
</tr>
<tr>
<td>Democracy</td>
<td>0.021* (0.01)</td>
<td>0.0004 (0.003)</td>
</tr>
</tbody>
</table>
Table 1 represents the results of long run and short run estimates of ARDL model going straight to our main hypothesis impact of aid on income inequality foreign aid is negatively and insignificantly related with income inequality in short run but in long run aid enter positively and insignificantly in the model. Although its coefficient is small this is due to the fact that as aid main aim and motive is to accelerate economic growth by reducing income inequality. And MDGs first goal is to reduce income inequality and poverty, MDGS (2015) report states that in 1990, 50% people are live in poverty but now out of 10 any one and half people are poor. Secondly and most importantly, as Herzr and Nunnenkamp (2012) and McGillivray et al. (2011) contend, “aid agencies sometimes have the incentive to bypass the poor. As the agents to taxpayers in donor countries, aid agencies are under pressure to prove success, mostly short-term. They thus have more motivation to allocate their aid money to projects with higher chances of immediate success. Accordingly, they choose a location of their activities in less difficult environments, which generally are not the areas with the neediest population. In that respect, regardless of how good recipient institutions are, aid cannot benefit the poor more. Aid is being utilized in less productive ways or in those ways which benefit the elite class of the economy (Herzer & Nunnenkamp, 2012). Deaton (2013) argued a number of different factors why aid can increase inequality. One explanation is that aid, in the form of health assistance for reducing Child mortality or the provision of anti-retroviral drugs in the campaign against AIDS, allows poorer people to live longer, and thus increases the proportion of relatively poor people in the population.

But there are still other perverse aspects of foreign aid which might explain their insignificant effect on inequality. Foreign aid flows through government-to-government transactions. As Pakistan government is weak also facing vulnerable condition in growth due to terrorism and political instability etc. Having access to foreign aid flows makes Pakistan government even less accountable to domestic constituents, since they no longer have to rely on these constituents for tax revenue. With the increased aid flows, they can pursue self-interested agenda with even less regard for the lower-income segments of the population. This observation is especially pertinent for aid donated by Non-Governmental Organizations (NGO’s),

| Coitng.Eq1  | -0.33*  
| Breuch pagen test for serial correlation | 1.2988 [0.4195]  
| Ramsay reset test | 0.819295 [0.4195]  
| R square | 0.88  
| Adjusted R square | 0.89  
| D.W | 1.812  
| F statistics | 17.865 [0.000]  

Values in () represents error term. [] probability values  
*, ** represents 1% and 5% level of significance.
especially since aid funding is fungible. If NGO’s provide education or health care which otherwise would be the responsibility of the national governments, then more money can be diverted to the self-interested goals of the national leaders. Deaton also notes instances in which NGO’s often have to pay extremely high license fees to highly placed government officials just to carry out their relief work.

GDP per capita report inverse relationship with income inequality both in long run as well as in short run. The results confirm our establish hypothesis that GDP per capita is inversely related with income inequality. Kuznets (1963) in his paper argues that in the initial phase of development a country economic growth as well as income inequality increases. As countries grow and develop, this will narrow down the income gap between rich and poor. Actually, According to Kuznets (1963) a economy gradually shift low inequality, low income, agricultural economy towards medium inequality, high income economy which is characterize by industrial production.

In long run FDI is insignificantly related with income inequality while in short run FDI is positively and significantly related with income inequality. The positive relationship between FDI and inequality indicates that inward Foreign direct investment (FDI) related with widening income inequality in Pakistan. In fact, developed countries transferred new modern technology to developing nations through FDI channel. Due to the inflow of FDI, increase the demand for skill workers and also increase the wage going to this group. So more wage disparity is expected (Jenny 2014). While trade openness and young population are positively and insignificantly related with income inequality both in long run as well as in short run. This implies that they do not play significant role with increasing inequality in Pakistan.

The error correction term indicates the speed of the adjustment which restores equilibrium. A highly significant error correction term is further proof of the existence of a stable long-term relationship. Table1 shows that the expected negative sign of ECM is highly significant in our model. The coefficients of ECM (-1) are equal to -0.33 which implies that deviations from the long-term income inequality are corrected by 33 percent in model over the following year. This means that the adjustment takes place relatively quickly.

4.1 Diagnostic and stability tests:

Diagnostic tests for serial correlation, functional form, normality, Heteroskedasticity and structural stability and checking for model specification are conducted. As reported in table 1 our model generally passes all diagnostic tests in the first stage. These tests show that there is no evidence of autocorrelation and that the models pass tests for normality and thus proving that the error is normally distributed. Finally, when analyzing the stability of the long-run coefficients together with the short-run dynamics, the cumulative sum (CUSUM) is applied.

A graphical representation of CUSUM is shown in Fig. 2 The null hypothesis (i.e. that the regression equation is correctly specified) cannot be rejected if the plot of these statistics remains within the critical bound on the 5% significance level. As it is clear from Fig. 1 the plots of the CUSUM are within the boundaries and hence these statistics confirm the stability of the long-run coefficients of the income inequality function in models 1
4.2 Conclusion and policy implications

Even though, strong evidence that inequalities have a negative impact on development in case of Pakistan. Surprisingly so far for only one study is conducted to examine the relationship between aid and income inequality for Pakistan.

In this scenario present paper tries to scrutinize the possible relationship between foreign aid and income inequality and other control variables like GDP per capita growth, FDI, trade openness, democracy and young population for Pakistan for the time period 1973-2014. Our results suggest that in short run aid is inversely related with income inequality and in long run aid is positively related with income inequality. Results clearly imply that our government have more motivation to allocate their aid money to projects with higher chances of immediate success. Accordingly, they choose a location of their activities in less difficult environments, which generally are not the areas with the neediest population. In that respect, regardless of how good recipient institutions are, aid cannot benefit the poor more

So we suggest that there is quick need to trim down the dependency on aid and debt. Pakistan government should utilize their own resources to create employment which will help to reduce income inequality. Alone aid cannot do anything its need good strategies, policies to made aid effective. If a country is asking aid first he must learn some management technique to make aid effective.

Third increase in foreign direct investment will stimulate the growth of the economy. Increased in growth will help to reduce poverty and thus ultimately shrink the income inequality. “Trade” not “aid” policy is help full.
References


Appendix

Model selection criteria

<table>
<thead>
<tr>
<th>Model</th>
<th>LogL</th>
<th>AIC*</th>
<th>BIC</th>
<th>HQ</th>
<th>Adj. R-sq</th>
<th>Specification</th>
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<tr>
<td>14</td>
<td>60.133641</td>
<td>-2.396763</td>
<td>-1.937024</td>
<td>-2.229351</td>
<td>0.502567</td>
<td>ARDL(1, 1, 0, 0, 1, 0)</td>
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<td>10</td>
<td>60.626952</td>
<td>-2.372046</td>
<td>-1.870513</td>
<td>-2.189416</td>
<td>0.497650</td>
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<td>6</td>
<td>60.489531</td>
<td>-2.365343</td>
<td>-1.863810</td>
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<td>0.494271</td>
<td>ARDL(1, 1, 1, 0, 1, 0)</td>
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<td>16</td>
<td>58.325375</td>
<td>-2.357335</td>
<td>-1.939381</td>
<td>-2.205143</td>
<td>0.474222</td>
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<td>13</td>
<td>60.208920</td>
<td>-2.351635</td>
<td>-1.850102</td>
<td>-2.169004</td>
<td>0.487291</td>
<td>ARDL(1, 1, 1, 0, 1, 1)</td>
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<tr>
<td>2</td>
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<td>-2.340251</td>
<td>-1.796924</td>
<td>-2.142401</td>
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<tr>
<td>9</td>
<td>60.813006</td>
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<td>-1.789014</td>
<td>-2.134492</td>
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</table>

**ARBL BOUND TEST**

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<th>Test Statistic</th>
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**Critical Value Bounds**

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<th>$I_1$ Bound</th>
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<tr>
<td>10%</td>
<td>2.12</td>
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<tr>
<td>5%</td>
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<td>2.5%</td>
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<td>1%</td>
<td>3.15</td>
<td>4.43</td>
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</table>

**ADF unit root test results**

<table>
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<tr>
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<th>Only intercept</th>
<th>Intercept and Trend</th>
<th>OUTCOME</th>
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<td></td>
<td>Level</td>
<td>1st Diff</td>
<td>Level</td>
<td>1st Diff</td>
</tr>
<tr>
<td>lOda</td>
<td>-0.86</td>
<td>-8.35***</td>
<td>-4.337</td>
<td>-8.257***</td>
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<tr>
<td>lyoung population</td>
<td>1.272</td>
<td>0.038</td>
<td>1.332</td>
<td>1.275</td>
</tr>
<tr>
<td>fdi</td>
<td>3.823</td>
<td>-4.271***</td>
<td>-2.239</td>
<td>-5.562***</td>
</tr>
<tr>
<td>Lgini index</td>
<td>0.968</td>
<td>-8.0422***</td>
<td>-1.662</td>
<td>-8.108***</td>
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<tr>
<td>Ltrade openness</td>
<td>-0.348</td>
<td>-7.856***</td>
<td>-3.312</td>
<td>-7.748***</td>
</tr>
<tr>
<td></td>
<td>5.035</td>
<td>-3.646***</td>
<td>2.266</td>
<td>-4.722***</td>
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<tr>
<td>----------------</td>
<td>-------</td>
<td>-----------</td>
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<td>-----------</td>
</tr>
<tr>
<td>Gdp per capita</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Democracy</td>
<td>-1.437</td>
<td>-6.053***</td>
<td>-2.008</td>
<td>-5.976***</td>
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</tbody>
</table>

***, (**), and * indicates the rejection of Null hypothesis at 1%, 5%, and 10% level of significance respectively. Critical values are MacKinnon (1996) one sided p-values.
THE IMPACT OF CORPORATE GOVERNANCE UPON THE
PERFORMANCE LEVEL OF JORDANIAN PUBLIC JOINT STOCK
INDUSTRIAL COMPANIES THROUGH USING THE BALANCED
SCORECARD (BSC)

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Abstract
The study aimed to identify the impact of corporate governance upon the performance level of
Jordanian public joint stock industrial companies through using the balanced scorecard. The population of
the current study consists of financial managers who were working in Jordanian public joint stock
industrial companies. The number of those companies is sixty six (66) companies. The researcher of the
current study proposed several recommendations. The researcher found the number of results
1. There is a statistically significant impact for having an effective framework for corporate governance
upon the performance level of Jordanian public joint stock companies that are listed on the Amman
Stock Exchange through using the balanced scorecard (BSC)
2. There is a statistically significant impact for equity and the main functions of the owners of property
rights on the performance level of Jordanian public joint stock companies that are listed on the
Amman Stock Exchange through using the balanced scorecard (BSC)
These recommendations are represented in the following ones
1) The researcher recommended having an effective framework for implementing corporate
governance due to the major impact it has upon companies’ performance level
2) The researcher recommended increasing the transparency level of the disclosed financial statements
of the company.

Keywords: Corporate Governance, Performance Level, Industrial Companies, Balanced Scorecard

Introduction
Since the last decade, much attention has been given recently to the corporate governance
mechanisms and their validity due to the consequences they have upon the interests and benefits of
stakeholders who are shareholders. In addition, many studies have showed that having high quality of
corporate governance in the company shall be reflected positively upon the interests of stakeholders who
are shareholders in the company (Lai and Chen, 2014). For instance, good corporate governance aims to prevent the occurrence of fraud, manipulation, cheating and deception and reducing the occurrence of having inconsistent information and the negative consequences resulting from that. Balanced scoreboard aims to achieve that through implementing mechanisms that can serve the interests of various parties and guarantee having a strict control upon all the economic units (Hamdan, 2014).

Investors have been seeking for companies that are characterized with having valid corporate governance framework when desiring to make investments. Such governance and its mechanisms should guarantee disclosing the organization’s financial statements. They should also guarantee a certain level of transparency in these disclosed financial statements. Such governance and its mechanisms should also guarantee having a certain accepted level of clarity and accuracy in the company’s financial statements.

The financial crises that have been experienced by many countries have forced many countries and companies to search for new methods that can protect investors from the mistakes committed by the board of directors. That also forced them to seek methods that can increase the attention given to the role of corporate governance. Its role can be seen in guaranteeing having commitment to the control procedures and policies, attracting investors, and supporting countries’ economics. These sought methods included laying certain foundations that can govern the relationship between the board of directors, managers, investors, and stakeholders. Those foundations should guarantee having a certain level of transparency when these parties deal with each other. Such methods and foundations can prevent the occurrence of financial crises in the future (Yahyawi and Boaslama, 2012).

The survival of business organizations highly depends on the levels of their development and performance. However, the abilities of those business organizations to meet the current and future needs of customers are considered as an indicator for identifying their performance and development levels. Meeting such needs is considered to be a major element in the world of business which has become highly competitive. The recent increase in the intensity of competition has forced those organizations to develop their business operations in a constant manner. When conducting such development, these organizations highly depend on the overall assessment of their operations. Such assessment is conducted
to have a clear comprehensive idea about the various management trends and their relationship with the organization’s goals and visions (Kaplan and Norton, 1996).

Many previous studies have showed that having an integral comprehensive assessment requires using comprehensive measurement tools that can measure all the various aspects of the company’s work and operations and cover them all. Hence, the balanced scorecard (BSC) is considered one of the most significant measurement instrument because it’s characterized with being comprehensive. This instrument has been developed to a point it has become an instrument for conducting comprehensive assessment for the performance level of organizations (Kaplan and Norton, 1996). In other words, this instrument has been developed to a point it become an instrument for measuring the organization’s performance level and comparing it with the organization’s real goals. Furthermore, the balanced scorecard (BSC) has been used much by many to assess the performance level of various trends in management (Iselin et al., 2008 & Al Shaikh and Mohammed, 2007).

The balanced scorecard (BSC) aims to measure the performance level of companies through assessing the performance level of their internal and external activities and processes. Balanced scorecard is applied in internal activities to measure the company’s financial efficiency through using financial measures. Such measures are represented in measuring the return on equity, return on assets, and the value added. In addition, the balanced scorecard aims to measure the performance level of the company's operational processes. In other words, balanced scorecard aims to measure the internal efficiency of the company. As for the company’s external efficiency, it’s the processes of teaching employees, raising company’s growth and meeting customer’s needs and attitudes are considered indicators for such efficiency. These things characterize the balanced scorecard instrument from other measurement instruments which do not consider the company’s internal and external activities as being integral when measuring their performance level. These things also raise the significance and value of the balanced scorecard.

The sector of industry in Jordan is considered one of the most significant pillars of the national economy. Thus, this study sought to identify the impact of corporate governance upon improving the performance level of Jordanian public joint stock industrial companies through using the balanced scorecard (BSC).
Statement of the problem

Having good corporate governance is considered one of the most significant things that can participate in protecting the interests of shareholders. That applies whether those shareholders were holding positions of direct authority in the board of directors or other positions. However, that requires giving much attention to the process of setting pillars for corporate governance so that those pillar would guarantee having a positive effects for corporate governance upon the company.

The study’s problem can be identified through the following question

Is there any statistically significant relationship – at the significance level of \( a \leq 0.05 \) – between corporate governance and improving the performance level of Jordanian public joint stock industrial companies through using the balanced scorecard (BSC)?

*The Study’s model*-
The Study's Hypotheses

The researcher has proposed the following null hypotheses to be tested

**Ho1:** There is no statistically significant impact for corporate governance upon the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC)

**Ho2:** There is no statistically significant impact for having an effective framework for corporate governance upon the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC)

**Ho3:** There is no statistically significant impact for equity and the main functions of the owners of property rights on the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC)

**Ho4:** There is no statistically significant impact for treating all shareholders equally upon the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC)

**Ho5:** There is no statistically significant impact for the role of stakeholders in implanting corporate governance upon the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC)

**Ho6:** There is no statistically significant impact for disclosure and transparency levels on the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC)

**Ho7:** There is no statistically significant impact for the responsibilities of the board of directors upon the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC).

The Study’s Theoretical Framework

Having a good corporate governance is considered one of the most significant things used for protecting
shareholders’ interests through implementing several procedures. Such procedures include guaranteeing that stakeholders are exercising their rights in full within public bodies, such as the right to elect members of the board of directors. Such procedures may include: disclosing information in the right time and guaranteeing a certain level of transparency in them. Such procedures may also include: obliging the facility to keep a clear record about stakeholders and use a trustworthy methods for ownership registration. In addition, the corporate governance system is considered really significant for shareholders. That applies whether those shareholders were holding positions of direct authority in the board of directors or other positions.

In addition, having a good corporate governance system can participate in protecting the interests of all the parties that deal with the company. It can also regulate the relationship between the company’s executive management, board of director, and audit committee. That can participate in reducing the risks that the company might face and raise the market value of its stocks. In addition, having a good corporate governance system can participate in improving the efficiency of the company’s management and the quality of its products. It can also participate in improving the company’s efficiency in using resources, reducing costs, and fulfilling the needs and desires of its customers (Abu A’jaileh, 2009).

Yahyawi and Boaslama (2012) conducted a study that dealt with the impact of corporate governance upon improving the financial performance level of companies. That was done through identifying the meaning of the expression “corporate governance”, its goals, the parties involved in such a process, determinants, and main principles. All of that was identified in order to identify the impact of corporate governance upon improving the financial performance level of companies. Their study concluded several results. For instance, they concluded that the companies that apply corporate governance are the ones that attract investors the most. In this manner, such companies would be more able to raise their revenue and ability to compete, provide credit, reduce costs of funding, increase market value of its shares, reduce risks and capital flight, and address corruption.

As for the study of Aulia (2013), it deals with the impact of having a good corporate governance system upon the financial performance of banks in Indonesia. Their performance was measured through
measuring the return on assets, capital adequacy ratio, non-performing loans, and ratio of operational cost to operating income. It was concluded that good corporate governance is not the main factor that affects the financial performance level of banks in Indonesia.

Alrawashdeh (2012) aimed to identify the significance of corporate governance in raising banks’ efficiency. He also categorized corporate governance determinants into internal and external ones. The internal determinants include (the board of directors and shareholders) and the external ones include (accounting, financial and market determinants).

As for the study of Kim et al. (2013), they aimed to identify the most significant dimensions of corporate governance that have an impact upon the company’s efficiency. These dimensions are represented in: the appropriateness of the audit committee, board of directors and disclosure levels of information. Such dimensions also include: distribution of profits, debt ratio, and the rate of the return on assets. As for the study of Velnampy (2013), it has showed that there is an impact for the corporate governance determinants in industrial companies – represented by the board’s structure, size, number of its meetings, and committee – upon their performance. Such performance was measured through measuring the return on assets and the return on equity. The same was concluded by the study of Alalade et al. (2014).

Abu Nassar & Zedan (2014) have identified the impact of (shareholders, foreign and governmental ownerships, and separating the CEO position from the chairman position) upon performance of joint stock companies. Their study’s results indicated that having a good corporate governance along with its mechanism has a major positive influence upon companies’ performance - which was identified through measuring the return on assets and the return on equity. Both of the researchers have proposed several recommendations. For instance, they recommended conducting more research about the impact of corporate governance mechanisms in other kind of companies. They also recommended merging the positions of CEO and chairman into one position. They also recommended turning the corporate governance principles into obligatory principles due to their significance. The same was emphasized by Al- Haddad et.al (2011) who conducted a study about the impact of corporate governance upon the
The study of Hassan & Ahmed (2012) showed that the following dimensions of corporate governance: (the board’s composition, institutions’ contributions, audit committee, and compensations) have a major impact upon the financial performance of industrial companies in Nigeria.

**Standards of Corporate Governance**

Corporate governance has been receiving great attention. That forced many institution into proposing standards that can guarantee applying corporate governance properly. That is because having a proper application for governance can participate in achieving the desired goals. The Organization for Economic Co-operation and Development (OECD) has set five (5) standards for corporate governance in 1999 and made amendment upon them in 2004 to become six (6) standards instead of five (5) ones. Those six corporate governance standards can be represented in the following ones (Omar, 2009):

1) Guaranteeing having an effective corporate governance system:

   Through this standard, it is believed that corporate governance system must participate in achieving transparency and market efficiency. It is also believed that such system must be consistent with the provisions of the law and must state clearly the ways it shall follow for assessing the processes of (supervision, organization, implementation and control)

2) Protecting shareholders’ equity

3)–) Treating all shareholders equally

4) Disclosure and transparency:

   This standard concerns the company's disclosure level of its significant information. It also shed a light upon the role of auditors in the company. Through this standard, it is believed that the company must disclose its information with guaranteeing a certain level of transparency. That shall be done in the right time and in a fair manner for the benefits of both of the stakeholders and shareholders.

5) Responsibilities of the company's board of directors

   This standard concerns the board’s structure, its legal obligations, tasks, method of choosing its members
and its role in supervising the financial management.

6) Role of stakeholders in exercising powers of the company’s management:
The term “stakeholders” usually refers to banks, employees, bondholders, suppliers, agents and etc… In the light of this standard it is believed that stakeholders’ legal rights must be respected and they must be compensated when committing any violation against any of their rights. This standard aims to provide mechanisms that can guarantee having an effective participation by all stakeholders in the company’s control process.

The balanced Scorecard

The balanced Scorecard has been receiving much attention by researchers, academicians and practitioners. There have been several definitions provided for the expression “balanced Scorecard”. For instance, Sawalqa et al. (2011; p.1120) has defined it as being as a measurement system that can assist organizations in translating their visions and strategies into actions that must be implemented. As for Nadim (2013), he has defined this expression as being a tool that can assist the organization in translating its vision and strategies into goals and measurements. This tool also aims at proposing a group of interconnected ideas and principles that can constitute a map for the organization’s course of actions. This map should help the organization into translating its vision into coherent measurements that can measure the performance level. Such measurements aim to assist the organization in achieving tasks and setting strategies for working and communicating through having consistency between the organizational and individual performance in order to achieve the desired goals.

In addition, the expression “balanced scoreboard” can be defined as being a tool used for conducting a strategic assessment and identifying the organization's business operations to be conducted through innovating leading indicators on the basis of the organization's visions and strategies (Yuksel and Dagdeviren, 2010).

Based on the aforementioned definitions, it can be concluded that balanced scoreboard is a significant took to be used in the organization's management process (including the processes of planning and
making decisions). For instance, applying the concept of balanced scoreboard can achieve many benefits that can serve the organization. Such benefits are represented in the following ones-

1) Applying the concept of balanced scoreboard can shift the attention of the organization’s managers to become highly concerned with strategic management. That is because strategic management can translate the organization’s vision into actions in order to implement this vision instead of focusing on the financial aspect of the organization. Thus, that means that the balanced scoreboard aims to shift the organization’s attention from being concerned with the financial performance – that measures the performance level of implementing short term goals – to become highly concerned with performance on the long and short term levels.

2) Applying the concept of balanced scoreboard aims to connect short term annual plans with long term strategy. In this context, Niven (2011) believed that it may be useful to make decisions that have benefits on the short term level, but they may be harmful on the long term level.

3) Applying the concept of balanced scoreboard aims to achieve deeper understanding by the organization’s managers for the associative relationship between decision making process and the process of implementing the organization’s strategic goals. For instance, balanced scoreboard is considered one of the most significant tools that can achieve organizational integration. Such integration can’t be achieved without having consistency between the decision making process and the process of implementing the organization’s strategic goals (Kaplan and Norton, 2013).

4) The balanced scoreboard is considered one of the most significant tools for implementing strategic management (including for implementing processes of planning and achieving the organization’s strategic goals in the light of the ongoing processes of control and accountability). Thus, keep being committed to the planned strategic goals and their implementation would become the employees’ priorities in the organization. In this context, many previous studies have dealt with the constructive interaction between strategic control and assessing intangible resources in business organizations. For instance, balanced scoreboard considers (learning and building relationships with customers) as being intangible measures for measuring performance.
5)- The balanced scoreboard aims to connect the organization’s strategic goals with standard measurements. It can be said that it provides all the organization’s employees with strategic learning opportunities. For instance, one of the organization’s duties is to inform all of its employees about the main goals that much be implemented. That is done in order to set priorities for each managerial level. That means that there must be a communication tool used for explaining the organization’s strategic goals for its employees. Furthermore, balanced scoreboard aims to achieve a balance between measurement and assessment. It aims to achieve such a balance because the things that are difficult to be assessed financially are usually the things that have a major influence upon the organization’s survival

6)- The balanced scoreboard aims at measuring the organization’s performance level. Organizations usually give much attention to the process of performance measurement in order to detect errors and deviations. Thus, balanced scoreboard provides managers with adequate information to make the right decisions without needing to resort to superfluous information which can confuse them when making the desired decision.

7)- Using the balanced scoreboard can provide the organization with a scientific method for having a link between the organization’s vision and its available human and financial resources. That can guarantee having an optimal utilization for the organization’s resources (Al-Karkhi, 2010)

**Perspectives of using the balanced scoreboard**

The core element of balanced scoreboard is represented in the number of its perspectives because such number differs from one company to another due to using different strategies and having different competitive abilities (Sawalqa et al., 2011). For instance, some companies may be focusing one perspective, and others may focus on two perspectives, etc…. However, there are companies that focus on four perspectives of the balanced scoreboard. There four perspectives are represented in the following ones)-

**First)-The Financial Perspective**

This perspective aims to identify the way the organization should look to the eyes of its shareholders.
There is no doubt that shareholders’ main concern is represented in the profit gained by the organization that they are contributing in financially. Thus, financial measurements are still the ones used much when assessing the financial performance level of the organization. That’s why this perspective provides shareholders with financial facts that are represented in the form of numbers and percentages to be compared with the expectations they have about profits, growth, and financial risks. Based on the aforementioned, it can be said that this perspective is highly concerned with providing answers for the following two questions: (a)- Did the organization achieve the results that were expected by its shareholders? (b)- How do shareholders perceive the organization? (Yahyawi and Waldar’, 2011). The financial perspective aims to reveal the results and events that have really took place and the decisions that have been really made regardless of their reasons, and causes. This perspective also aims to provide the organization with various financial measures that can be used to measure the performance of many financial aspects. Such measures also aim at helping the organization to survive, and prosper and raising the organization’s ability in growing and inventing. Such measures also aim at identifying the financial strengths and the shortcomings in the process of implementing the organization’s financial policies and decisions (Nadim, 2013).

Second) - Customers’ perspective

The second balanced scoreboard perspective is represented in the customers’ perspective. It represents the relationship between the organization and its customers. The customers’ perspective is considered to be the core element of non-financial measures. That’s because consumers favor the organizations that are excellent in the following four categories:

a)-The time or duration that the organization needs to meet customers’ needs

b)- Quality: This category aims to identify the number of defects and flaws in the organization’s products from the perspective of its customers.

C-Reducing costs of production to the minimum limit as much as possible

d)-Having integration between the service and performance levels. For instance, such integration aims to identify whether the relevant product has contributed to creating value for the organization’s customers
Third)-Internal Processes Perspective

This perspective is highly concerned with the internal processes of the organization. Such processes have a major impact upon the degree of customers’ satisfaction and achieving the financial goals of the organization. Due to the significance of such processes, the organization must analyze its internal processes in order to identify the quality and quantity of resources and the capabilities that are needed to develop itself. The organization must also investigate the relationship between its internal processes and their counterparts in other cooperating organizations. Such organization may include banks, raw materials suppliers and the organization and bodies that are responsible for handling the matters of its work and workers.

The organization can identify the weaknesses and strengths of its internal processes through assessing them and measuring the performance level that is associated with them. In this manner, the organization can focus on its strengths and weaknesses in order to address these weaknesses through developing and enhancing its processes and/or controlling its costs. Assessing internal processes and measuring the associated performance level can also participate in examining the main production processes and identifying their ability to meet customers’ needs and the competitive advantages they have achieved (Ibrahim, 2013).

Fourth)-learning and growth perspective

Organizations used to look at employees as being things that cost them money in exchange for implementing their operations. However, this perception has changed in the contemporary period. For instance, organizations have started to perceive “human capital” as being one of the most significant assets they possess. In addition, organizations have become in need for appointing employees who have adequate knowledge about the tasks that are assigned for them to achieve. Such need has arisen due to the increase in the intensity of the competition that has resulted from the economic and cultural globalization
that has taken place. In order to provide the organization with such employees, this balanced scoreboard perspective aimed to achieve that. For instance, this perspective is highly concerned with the intellectual abilities, skills and talents that are possessed by the organization’s employees. Furthermore, this perspective is highly concerned with the organization's information systems and administrative procedures and it seeks make them consistent with the changing working methods. That is done to achieve employee’s satisfaction, encourage them to keep working within the organization, boost their morale, and increase their productivity.

Many previous studies have indicated that through this perspective the organization has three main resources; people, system, organization procedure. These three main resources represent the organization’s infrastructure which the organization must develop. The organization must seek developing those three resources in order to achieve sustainable development and keep being capable of conducting improvements constantly in the light of the contemporary global environment that is characterized with being highly competitive. Based on the aforementioned, it can be concluded that the perspective of learning and growth focuses on translating the organization’s strategy and vision into works and actions that can enhances the organization’s capabilities through improving the capabilities of its employees (Sawalqa et al., 2011).

**The study’s population**

The population of the current study consists of financial managers who were working in Jordanian public joint stock industrial companies. The number of those companies is sixty six (66) companies.


The researcher distributed sixty six (66) questionnaire forms; one questionnaire form per company. However, fifty (50) questionnaire forms were retrieved. Thus, the retrieval rate is (75.75 %).

**Data collection methods**

The current study adopted two primary type of resources to collect the relevant data. These type of
resources are represented in the following ones)-

1)-Primary resources)- Such resources include the instrument of the current study which is represented in the questionnaire. The questionnaire was distributed to the study’s respondents to obtain the required data. The researcher benefitted from the study of Hashem et al. (2016) in order to measure the dimensions of corporate governance.

2)-Secondary resources)- Such resources include books, and references which are relevant to the studies’ problem.

**Statistical Analysis and Discussion**

The researcher calculated the values of arithmetic means and standard deviations for each questionnaire item. These values are used to identify respondents 'attitudes toward the study's variables. These values are presented below in table No. 1

**Table 1**

**Arithmetic Means and Standard Deviations of the sample’s attitudes toward the study’s variables**

<table>
<thead>
<tr>
<th>No.</th>
<th>Statement</th>
<th>arithmetic Mean</th>
<th>S. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Having an effective corporate governance framework has an impact upon the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC)</td>
<td>4.27</td>
<td>.76238</td>
</tr>
<tr>
<td>2</td>
<td>Equity and the main functions of the owners of property right shave an impact upon the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC)</td>
<td>4.084</td>
<td>.75926</td>
</tr>
<tr>
<td>3</td>
<td>Treating all shareholders equally has an impact upon the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC)</td>
<td>4.0867</td>
<td>1.05368</td>
</tr>
</tbody>
</table>
The table above shows that respondents showed positive attitudes towards the aforementioned variables because the statements’ means exceed the mean of scale 3.

Reliability of the Study’s Instrument

The researcher conducted Cronbach Alpha test in order to measure the reliability of the study’s instrument. It was concluded that the value of $\alpha$ is 0.924 which is considered as being an excellent value because it far exceeds the accepted value (0.60).

**Hypotheses Testing**
Ho1: There is no statistically significant impact for corporate governance upon the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC)

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), ind6, ind3, ind5, ind4, ind2, ind1

<table>
<thead>
<tr>
<th>ANOVAa</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>Regression</td>
</tr>
<tr>
<td>1 Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

The researcher conducted a multiple regression analysis to test the above hypothesis. After conducting it, the researcher found that the calculated (F) value is significant at the significance level of (0.01). This means that the aforementioned null hypothesis is rejected. Thus, that means that there is a statistically significant impact for corporate governance upon the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC). In addition, the value of the Pearson correlation coefficient is 0.738 which is a high value.

In order to test the rest of the study's hypotheses, the researcher conducted a simple linear regression analysis. The results of this analysis are presented in the table below:

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>R</th>
<th>R Square</th>
<th>F</th>
<th>*Sig.</th>
<th>b</th>
<th>Constant</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>.710</td>
<td>.504</td>
<td>48.796</td>
<td>.000</td>
<td>0.651</td>
<td>1.621</td>
</tr>
<tr>
<td>3</td>
<td>.578</td>
<td>.334</td>
<td>24.086</td>
<td>.000</td>
<td>0.532</td>
<td>2.227</td>
</tr>
<tr>
<td>4</td>
<td>.557</td>
<td>.310</td>
<td>21.593</td>
<td>.000</td>
<td>0.369</td>
<td>2.890</td>
</tr>
<tr>
<td>5</td>
<td>.736</td>
<td>.542</td>
<td>56.780</td>
<td>.000</td>
<td>0.678</td>
<td>1.574</td>
</tr>
<tr>
<td>6</td>
<td>.330</td>
<td>.109</td>
<td>5.848</td>
<td>.019</td>
<td>0.334</td>
<td>2.971</td>
</tr>
<tr>
<td>7</td>
<td>.296</td>
<td>.088</td>
<td>4.614</td>
<td>.037</td>
<td>0.193</td>
<td>3.653</td>
</tr>
</tbody>
</table>

*At the significance level of (0.05)
It is found that the calculated (F) values are significant at significance level of (0.05) for each hypothesis and the values of (r) are within the range of (0.296-0.710). Thus, that means that all the aforementioned null hypotheses are rejected.

Result

The researcher found the number of results

1- There is a statistically significant impact for having an effective framework for corporate governance upon the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC)

2- There is a statistically significant impact for equity and the main functions of the owners of property rights on the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC)

3- There is a statistically significant impact for treating all shareholders equally upon the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC)

4- There is a statistically significant impact for the role of stakeholders in implementing corporate governance upon the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC)

5- There is a statistically significant impact for disclosure and transparency levels on the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC)

6- There is a statistically significant impact for the responsibilities of the board of directors upon the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC)
7- There is a statistically significant impact for corporate governance upon the performance level of Jordanian public joint stock companies that are listed on the Amman Stock Exchange through using the balanced scorecard (BSC).

Previous results demonstrate the importance of applying corporate governance in companies in order to increase their performance level. And this results matches with previous studies.

**Recommendations**

The researcher of the current study proposed several recommendations. These recommendations are represented in the following ones):

3) The researcher recommended having an effective framework for implementing corporate governance due to the major impact it has upon companies’ performance level

4) The researcher recommended increasing the transparency level of the disclosed financial statements of the company

5) The researcher recommended utilizing the institution’s resources optimally in order to develop its corporate governance frameworks and employees’ capabilities. The researcher also recommended raising its employees’ awareness about the significance of corporate governance.

6) The researcher recommended applying a balanced scoreboard model in full due to its significance in improving the effectiveness of investment decisions in industrial companies

7) The researcher recommended adopting indicators for balanced scoreboard model which can participate in improving the effectiveness of investment decisions in industrial companies

8) The researcher recommended holding more training courses for training employees in a way that can participate in achieving the maximum possible benefit from the indicators of balanced scoreboard model

9) The researcher recommended conducting more studies in the future that aim at investigating the impact of using the balanced scorecard (BSC) upon companies’ performance level in other sectors.
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DESTRUCTIVE LEADERSHIP AND JOB STRESS: CAUSAL EFFECT OF EMOTIONAL EXHAUSTION ON JOB SATISFACTION OF EMPLOYEES IN CALL CENTERS

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Abstract
The purpose of the study is to analyze the dark side of leadership behaviors leading to cause emotional exhaustion and job stress and their impact on job satisfaction work outcome. The scales were adapted from that measure to analyze the destructive leadership exhibiting negative behaviors causing job stress and emotional exhaustion, also highlight the evidence in support of the conceptual model. Data were collected by the survey that generated 250 respondents. The sample chosen for this research are employees working in telecommunication call centers. Outcome from the conducted study depicted that more knowledge and awareness about the leadership perspective in organizations is needed.

Keywords: Destructive Leadership, Emotional Exhaustion, Job Satisfaction, Call centers.

Introduction
Many studies examined that the connections concerning the personality at dark side of leadership, and other concerning with the transformational leadership. Dramatic aspects were predicted in both the cases. The learning of dark side of behaviors plays an vital part in pointing out many organizations with those
having the latent “Derailment” and twisted conducts along with unsatisfactory carrying out actions. Contained in this material, adverted the relationship between transformational and dark side of leadership, however inadequate investigation is done. From this view point, the analysis of destructive leadership is an issue of long term performance; in depicting level of stress. At this point the core of destructive leadership is an issue of consequences; destructive leadership implies long term negative effects in organizations with such procedures probable to direct towards these destructive consequences despite others. The negative emotions are the adverse effect of the morally detachment of experiences in responses to ill-treatment and violence. But the usefulness of the moral detachment was annulled due to the moral identities were in position. Emotional exhaustion is extensively considered as the final consequences when concerned with customer service wrenching nature of job like call centers. Many scholars have given great deal of thought, an increasing interest and consideration to the components of job burnout faced by the employees at low level or frontline i.e. Customer Services Representatives (CSRs) and sales personnel. Emotional exhaustion found to be negatively associated with job satisfaction and positively associated with destructive behaviors of leader. The conducted research overviews how destructive leadership behaviors lead to create emotional exhaustion and job stress especially on organizational attitude i.e. job satisfaction as work outcome in telecommunication call centers of Lahore, Pakistan. The aim of this research is to emphasize on the destructive leadership behaviors that may causes negative end results creating stress and exhaustion from work emotionally. The understanding of this particular topic is further enhanced by response method of questionnaire distributed among the respondents of call centers. The findings are provided by the employees positioned at low level of organization. Through these results the research study would give a justified scenario in understanding the effects of concerned variables in call center environment and propose solution for future prospects.

**Problem Statement**

The attempted research will endeavor that how destructive leadership affects job satisfaction through creating job stress and emotional exhaustion while working at frontline dealing with customers for many hours every day work routine also highlight the significant importance for top level management as to what declines the employees’ job satisfaction level at work.
Research Objective
To identify the significance of the relationships among the proposed variables i.e. destructive leadership, emotional exhaustion, job stress and job satisfaction and its scope in order to carry out the consequent effects both on employees and organization.

Background Studies
Many studies (Tepper, 2000; Kellerman, 2004; Hogan & Kaiser, 2005; Lipman-Blumen, 2006; Paunonen et al., 2006; Einarsen et al., 2007; Ferris et al., 2007; Padilla et al., 2007; Harvey, Treadway, & Heames, 2007; Erickson, Shaw, & Agabe, 2007) examined that connections concerned with personality at dark side of leadership, and other concerning with the transformational leadership. Dramatic aspects were predicted in both the cases. Theatrical facet was found to be the optimistic interpreter of the transformational leadership where as egotistic and vain aspects were found to be destructive interpreters. It is one of the earlier reports that shed light on the untouched subject of relationship between both theatrical personality and transformational leadership with an evidence worried between leadership and narcissism relationship (Ashkanasay & Daus, 2002).

Aryee et al. (2007) felt that abusive supervision among the individuals are predisposed by being engaged having a fundamental call for control and are incapable of managing their emotions.

Mumford et al. (1993) also discovered that when self-efficacy is low, individuals tend to engage in destructive behaviors. Numerous studies have shown that charisma in itself is not destructive but it is often used by destructive leaders as an instrument or a tool in order to manipulate and control their followers (Padilla et al., 2007; Einarsen et al., 2007; Pelletier, 2012; Ferris et al., 2007). Krasko et al. (2013) in advance projected Narcissism, psychopathy and Machiavellianism as “dark triad” traits that are potential predictors of destructive leadership. The theory of “toxic triangle” model directs to the association of three components consisting of destructive leaders, susceptible followers and conducive environments (Padilla, Hogan & Kaiser, 2007). Susceptible followers can be insured either as conformers that are individuals with low maturity, unmet needs, low core self-evaluations or colluders that are individuals with high aspirations, bad values and comparable views as the destructive leader and bad
influence in a similar way. Conducive environments have a tendency to be unsteady, perceived or real under threat, lacking in proper checks and balances, or are futile and unproductive establishments. The previous discussions on the sole subject were designed not to be a review in a comprehensive manner of leadership theory but as an overview concerning the history of leadership. Despite the rawness of the presented theories, the unifying and dominating center of attention of the leadership research in the past century has been investigated for clarification and enlightenment of leader effectiveness. A lesser amount of well developed leadership flow is that of destructive leadership. Debatably, the dark side exploration of leadership is equally critical for the reason of negative impact on employee morale, productivity, financial performance and outcomes of an organization (Takala, 2010; Ouimet, 2010; Boddy, 2011).

Environmental events-emotion-behavior model by Spector & Fox (2002) affirms emotions that are negative in nature i.e anger, may help to alleviate deviant behaviors, while positive emotions having positive effect incline to organizational citizenship behaviors (OCB). Emotional exhaustion is the condition in which emotional demands are made on people psychologically. It is a particular kind of stress that is linked with reactions and referred to the level of lower energy causing by intense emotional demands made on employees consisting in border wrench plays. Facing a higher and intense demand levels on time and vigor lead to the state of emotional exhaustion (Poddar & Madupall, 2012).

Working in call centers is a stressful experience as it is suggested by lower rates of job satisfaction in many call centers (Deery, Iverson, & Walsh, 2002; Holman, 2002, 2003; Baumgart et al., 2002). As stress is a fraction of everybody’s life, still, undue quantity of stress is associated to decrease performance in quite many areas including relationships, home life at work also health of individual both physical and psychological (Casey, 2011).

Many empirical researches have indicated that intensification of positive emotions led to higher level of job satisfaction of employees, also the decreasing effect on turnover intentions among the employees. The inclusion of stress and emotions between job satisfaction and destructive leaders behaviors is due to the fact and findings that these variables are debatably related to leadership. The causal flow suggests that leadership is directly and indirectly related with emotional exhaustion, stress encountered at work and job
satisfaction (Hogan & Kaiser, 2005; Bass, 1990; Ashforth, 1994; Poddar & Madupall, 2012; Van Dick et al., 2004; Spector & Fox, 2005; Padilla et al., 2007; Einarsen et al., 2007).

To overcome such difficulties, the conducted study has drawn following hypotheses based on the literature review:

H1: Destructive Leadership has a significant negative impact on Job Satisfaction.
H2: Destructive Leadership has a significant positive impact on Emotional Exhaustion.
H3: Destructive Leadership has a significant positive impact on Job Stress.
H4: Emotional Exhaustion has a significant negative impact on Job Satisfaction.
H5: Job Stress has a significant negative impact on Job Satisfaction.

![Conceptual Model](image)

**Figure 1: Conceptual Model**

**Methodology**

The population chosen for this research study is employees working in telecommunication call centers at frontline who are dealing directly with customers or clients on the phone connected with computer system to solve and answer their queries for many hours every day in their work routine. These call center employees are valid registered members. The target population selected is the call center employees of
Lahore city in Pakistan. Lahore is the third fastest developed city in the country as most of the professionals and employees related to this study are set up in Lahore. The questionnaire survey designed to evaluate the consequent effects of destructive leadership on job satisfaction by leading towards emotional exhaustion and creating job stress in telecommunication call centers. The purpose of this questionnaire is to gain complete view of employees perception and its impact on their working life. The questionnaires are distributed through personal contact and self administered to the call center employees. Respondents were given two days time duration to complete the questionnaires and collected by the researcher in time.

Data Analysis and Findings

The questionnaire survey methodology was chosen to draw out the information required for researcher to carry out the answer of the research objective. The objective of the survey questionnaire was to identify statistically the significance of relationships between destructive leadership, emotional exhaustion, job stress and job satisfaction from various call centers in Lahore of telecommunication sector. Two hundred and fifty (250) was distributed among the employees and 215 were returned completely, a response rate of 86%. Of the respondents (103 females and 112 males), 70.8% aged under 25 and 75.5% of respondents were from Bachelor degree program and 27.5% was from Masters. 71.6% were single in their marital status.

Table 1. Means, standard deviations, reliability and correlations among the variables.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Mean</th>
<th>SD</th>
<th>α</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Destructive Leadership</td>
<td>2.69</td>
<td>.678</td>
<td>0.900</td>
<td>--</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Emotional Exhaustion</td>
<td>3.05</td>
<td>.816</td>
<td>0.748</td>
<td>.424**</td>
<td>--</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Job Satisfaction</td>
<td>3.10</td>
<td>.958</td>
<td>0.824</td>
<td>-.469**</td>
<td>-.366**</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>4 Job Stress</td>
<td>3.16</td>
<td>.661</td>
<td>0.814</td>
<td>.460**</td>
<td>.401**</td>
<td>-.272**</td>
<td>--</td>
</tr>
</tbody>
</table>

Note: * p < 0.01, n=215

Table 1 shows the descriptive statistics and correlations for the conducted variables that job satisfaction and destructive leadership are negatively correlated (r= -.469, p< 0.01). If job satisfaction increases employees will remain in organization. Job Stress and job satisfaction are significant and negatively
correlated \( (r = -0.272, p < 0.01) \). Destructive Leadership shows significant correlation with emotional exhaustion \( (r = 0.424, p<0.01) \) and job stress \( (r = 0.460, p<0.01) \) where as emotional exhaustion shows significant impact on job satisfaction \( (r = -0.366, p<0.01) \). Furthermore, reliability values for concerned variables are above the acceptable range of 0.7. Mean and standard deviation values for each construct are also given.

### Table 2. Structural Model Results

<table>
<thead>
<tr>
<th>Hypothesized Paths</th>
<th>Path coefficients</th>
<th>t-value</th>
<th>( R^2 )</th>
<th>F-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Destructive Leadership ( \rightarrow ) Job satisfaction</td>
<td>-.663*</td>
<td>-7.760</td>
<td>0.220</td>
<td>60.212*</td>
</tr>
<tr>
<td>Destructive Leadership ( \rightarrow ) Emotional Exhaustion</td>
<td>.509*</td>
<td>6.837</td>
<td>0.180</td>
<td>46.748*</td>
</tr>
<tr>
<td>Destructive Leadership ( \rightarrow ) Job Stress</td>
<td>.448*</td>
<td>7.551</td>
<td>0.211</td>
<td>57.023*</td>
</tr>
<tr>
<td>Emotional exhaustion ( \rightarrow ) Job Satisfaction</td>
<td>-.432*</td>
<td>-5.749</td>
<td>0.134</td>
<td>33.047*</td>
</tr>
<tr>
<td>Job Stress ( \rightarrow ) Job Satisfaction</td>
<td>-.394*</td>
<td>-4.122</td>
<td>0.074</td>
<td>16.992*</td>
</tr>
</tbody>
</table>

Note: *\( p<0.01 \), n=215

Table 2 shows regression analysis significance level for relationship hypothesized in H1, H2, H3, H4 and H5 were confirmed significant as predicted. The results provide an evidence that destructive leadership have a negative significant impact on job satisfaction \( (p<0.05) \), therefore H1 supported. Also destructive leadership causing a positive significant impact on emotional exhaustion and job stress \( (p<0.05) \), hence H2 and H3 supported. Similarly, it was found that emotional exhaustion and job stress has a negative significant impact on job satisfaction of employees \( (p<0.05) \), consequently H4 and H5 supported.

### Conclusion

The main objective of the conducted study was to explore and examine the relationship destructive leadership that act as a predictor of emotional exhaustion and job stress and ultimately job satisfaction of employees. Convincingly, through the testing of proposed conceptual model, the study affirms establishments in the context and setting of call centers in Pakistan. The results affirm the causal effect of one variable on another making a chain reaction causing an impact and affecting employees’ level of being satisfied at their jobs. Thus the study answers research objective of having significant relationship.
between the conducted variables and the organizational attitude concerning job satisfaction does matter in organizations having call centers as their integral part. The results in Table 1 and 2 provide evidence of negative significance of destructive leadership on organizational end results as well on employees perception and satisfaction. The research taken under study is mainly concerned with the destructive leadership behaviors that act as a stressor in generating emotional exhaustion and job stress. As depicted by the results, emotional exhaustion and job stress have played their parts by being as a resultant of destructive leadership presence in organization and creating a causal effect on the consequent variable i.e. job satisfaction. The overall research attempted to provide an understanding of leaders’ negative acts or behaviors and their apparent consequences in the form of lower job satisfaction of employees. The conducted study attempted to create awareness about the possible aspects that could occur at daily job routine.

Reference


THE INFLUENCE OF ATTITUDES OF LECTURERS TOWARDS UNDERGRADUATES ON CAREER CHOICES (A Case Study of A Few Selected Departments of Management Faulty, Usman Danfodiyo University Sokoto State)

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Abstract:
In this study, Attitudes of Lecturers towards undergraduate students was examined to ascertain its influence on making Career Choices. Two sources of the data were used for this research work, they are primary and secondary sources of data. A total population of (6280) students and lecturers were eligible to participate in this research work. Three hundred and seventy six (376) respondents were used for this study which was determined using Yaro Yamani sampling technique. Questionnaires were administered to the respondents which were answered, completed and returned. The descriptive method was used to analyze the data generated for the research. This was supported by tables showing questions, responses of Yes or No, and their percentages. The hypothesis was tested using general regression analysis, goodness-of-fit, descriptive statistics and correlation statistical analysis. From the findings, the research study reveals that attitude to a large extent influence ones career choice. This means that students are dependent on their lecturers/teachers to guide them towards choosing a better career choices.

Keyword: Attitude, education, influence, undergraduate, career, choice, etc.

1.0 Introduction
In many schools today, we have more unqualified teachers/lecturers who are no better than students they teach. In some countries, teaching has earned a very high professional status and large numbers of candidates flock to teaching as a profession of first choice. Israel and the United States are examples of such countries. One of the reasons why Nigeria has not attained the position of Israel with regards to education has to do with the history of teaching in Nigeria. They were interested in gaining for more converts with neither Political nor economic ambitious. This made them to deploy anybody who could help them spread their mission without considering their qualification. Each missionary body operated its educational program from the resource available to it. Therefore, in the early colonial educational system, teachers did not belong to a registered body. Even when the government intervened, it was difficult to make all the recruited teachers automatically qualified.

Okeke (1989) defined teaching as to cause to learn and when learning cannot take place no teaching has
been done. Though governments are constantly seeking for ways of improving education to suit the students and teachers inclusive, so as to balance the both parties effort to avoid overload. In recent years, government have realized the importance of training students to fit into the technological advanced system. This has led to the shifting of emphasis from acquisition of mere skills to a more advanced technological awareness and acquisition. The impact of education in the modern word is tremendous. It affects all facets of life socially, economically, morally, politically and otherwise.

Therefore teachers have a very important role to play in the achievement of the educational objectives of any country and this must always be borne in mine. According to Ukeje (1979), some of the goals of education are:-

a. To provide men and women with the minimum skills necessary for them to take their places in the society and to seek further knowledge.

b. To provide men and women with vocational training that will enable them to be self-supporting.

c. To put people in touch with, and train them to appreciate the cultural achievement of mankind.

It can be seen that teachers are directly involved in each of these educational goals. For example, to make men and women in the society have necessary skill and be self supporting, it is the teachers who teachers skill and also gives the vocational training. Without the teacher in the school, there will be a vacuum in knowledge of any skill, even when other facilities required for the training are there. Therefore a well planned and directed teaching would lead to the attitudes of critical inquiry, examination of evidence and understanding of cause and effect relationships.

Perhaps no need is greater in the world than real life problem. Teachers provide the means to such needs. Nigeria is a developing country; she needs better and well planned educational system to help in the nation development.

In order to make this possible, Nigeria advocated in the child the spirit of inquiry and creativity through the exploration of nature. For primary education laying of sound basis for secondary education; the above policy state that one of its alms should be to equip students to live effectively in our modern age of science and technology.

The teachers are to implement these educational goals; therefore the teacher is one of the important factors to be considered in the achievement of educational goals in any country. Despite to important role teachers have to play towards education in many countries of the' world, the issue of profession status for the teachers is yet to be resolved. This is because in many countries, teachers’ status is no regard d as high as it ought to be. One of such countries is Nigeria.

Since teaching have not been accorded professional recognition have teaching is not encouraging. Such perception may in some cases be ill-informed or misleading for the following reason.

Thus, the regards for teaching as a job of last resort had started as early as when the missionaries came to Nigeria when most of the schools had a system in which older students were made to teach the younger ones. This humble beginning of teaching in Nigeria has continued to lead to low status of teachers in Nigeria. The government employed untrained teachers in the teaching
profession. The Nigeria government recently started making effects to up-grade the teaching profession by organizing pre-services and in-services training for teachers, registration of teachers and specification of their minimum accepted qualification for one to be registered. Teaching has never unemployed and would want to go into teaching.

Though attempts are being made to change the perception Nigerians have about teaching, one must realize the perception do not change overnight.

1.1 Aim of the Study
The aim of this research work is to examine the influence of attitudes of lecturers towards undergraduate students on career choices.

1.2 Hypothesis
Ho – Undergraduate students’ attitude does not affect career choice.
Ho – Lecturers attitude towards students does not affect student’s choice of profession.

1.3 Review of Related Literature
1.4 History of Teachers Education in Northern Nigeria:
Ogunsola (1974) there are three important phases in the Development of Teacher Education Programme; which are the

- Period of experimentation
- Period of attempted reorganization
- Period of consolidation and independence

a. Period of experimentation (1890~1925): This was the period often referred to as that teacher evangelist. Pupils were trained specifically for religious propagation. In such a setting, the missionary teacher kept school in his premises and most of his pupils live with him and formed part of his family. This was true of the "Almajiris" in the Quranic schools as well as the early schools established by the Christian Missionaries.

b. The period of attempted reorganization (1925-1948): The education ordinance of 1926 helped to bring about some classification of teachers. The third class, second class teachers’ certification was replaced by teachers Higher Elementary certificate in accordance with the re-re- organization of the school system - elementary education was an 8 year course followed by a six year post primary education.

c. The period of consolidation and independence (1948- present): During this period, it was emphasized that the approach of independence stimulated the need for high-level manpower. In order to meet this need steps were taken towards a more meaningful method of planning educational.

This resulted in the founding of institutions, which have contributed to the production of more highly qualified teachers of varying grades.
1.5 Role of the Teachers/Lecturers in the Process of Education.

Education helps to inculcate society's norms, ideals, Values, beliefs and moral into the learner in order to make the individual useful to the community. This highlights the importance of the learner in the process of education. For any human development to have taken place through education the learner must have learned from the explanation of what education is all about. It is now a common experience among educators that in addition to the learning of factual knowledge, the learner is also engaged in the acquisition of skills, attitude and value. There are therefore, a variety of types of learning or role that a teacher has to apply in the process of education the child.

Gagne (1977) believes that there are a number of instructional events, which a teacher has to carry out in order for take place. These include the following:

**Motivation:** According to Gagne, the task of the teacher is to identify the motives of students and channel them into activities that accomplish educational goals. Skinner (1938) put it more clearly when he said that motivation is a matter of arranging conditions for studying and learning so that they will be reinforcing. The teaching act therefore includes these reinforcing conditions for the benefits of the learner.

**Directing Attention:** The teacher's task in the teaching act here is to alert attention by identifying the appropriate variation he has to use at any point in the instructional process. These include varying voice pitch, introducing new stimuli etc. A second component of this attention direction is stimulating selective perception. In this case, the teacher uses methods of highlighting components and features of communication to the learner.

**Learning Guidance:** Here the act consist of what Brunner (1977) called the regenerative character of the learning materials. The teacher task is to present knowledge in such a way that the individual or learner stores the learned material in the long term memory and recall it when necessary.

**Transfer of Learning:** The teaching act involves feedback to learner. Feedback is a form of motivation, Chauhan (1993) and is usually encourage in a good teaching act. Brunner (1977) says that the first objective of any act of teaching is to impact knowledge into the learner. Teaching according to him should not however only impart knowledge; it should help to direct the learner to be independent. The teacher's task is to continually help the learner to broaden and deepen knowledge In terms of basic and general ideals through emphasis on mastering of skill and general rules, concepts and generalization. These may later be transfer to specific cases of the generalization already mastered.

If a student is to organize his learning in such a way as to make what he learns usable and meaningful, the student needs certain attitudes about the ultimate orderliness of nature and conviction that order can be discovered to instill such attitude in teaching requires something more than the mere preservation of fundamental ideas. Brunner believes that what it takes to carry out such teaching is a sense of excitement about assessment. Hence the teaching acts consist of those action and attitude of the teacher that will bring about assessment in student. The can further be elucidated by looking at the
conception of the teaching act by Good (1977). The teaching act according to him is determined by the following conditions.

i. The existence of wide variations in developmental levels among children in most classrooms and in their conceptualizing abilities.

ii. The relationship between conceptual learning and developmental level which occurs primarily as result of a child internalizing his or her own actions on objects.

iii. The apparent minimal effect of direct verbal instruction in facilitating advancement of developmental problems beyond their current developmental abilities.

The above conditions normally elicit some characteristic, which the teacher adopts in the teaching act. Teaching therefore comprises of the teacher giving some information or in other cases, the teacher leading the discussion where learners are expected to make contributions. In addition to these the teacher directs activities of students and evaluates them.

The concept of the teaching act as held by Brunner (1977) and Good (1977) are mutually supportive. The emphasis of Brunner on independence, transferability and attitude as constructs or conceptual scheme that needs to be developed corresponds with Good's identification of the teacher's role lecturer question answer, discussion leader, activity facilitator and co-investigator.

1.6 Professional Training of Teachers at Different Levels

The above position is premised on the fact the "teaching and learning of skills and structures rather than simply the mastery of facts and techniques is at the center of the classic problem of transfer "(Brunner 1977: 15) meaningful application of skills to life situations (transfer) forms the undergoing of invention and development. This is put in a more vivid perspective by Ohuche (1983). That properly conceived education enables the individual understand his environment and therefore gains a measure of control over the same. Only through this type of orientation can a society expect to achieve meaningful economic and technological development.

Hence Nigeria's recent emphasis for educational advancement especially technological advancement and attendant rapid expansion of such education created serious problems with regards to the teaching staff for such programmes. The ministry of education in many of Nigeria states have made an effort to solve this impending catastrophe stages professional teachers stages or are adopting. One of such strategies is sending non professional teachers already in the teaching field to sandwich programmes. Another is the organization of two or more weeks or months educational psychology.

Another way by which the stage ministries of educations are trying to produce professional teachers is through the recruitment of technical college graduate who are provided in one year teachers’ education pedagogy in methodology and psychology of teaching. On completion of their program in either the federal advanced technical teachers colleges, polytechnics of college of technology, they are certified as technical teachers and are awarded Technical Teachers Certificate (T.T.C)
The third strategy and one which is distinct from two sources described is the recruitment of teachers with either the national certificate of education, Technical (N.C.E. Tech.) or the Bachelors of Science Degree industrial technical, (B.Sc) from advance Technical colleges and University respectively. This category of technical teachers has a unique feature from the earlier described teachers from industries and graduates of T.T.C. The N.C.E technical and the B.Sc. industrial technical teachers usually have a three or a four-year course respectively, which combines pedagogy and skills of the trade simultaneously.

The next category of professional teacher training is the normal three year program that leads to the award of the national certificate in education (N.C.E) and Bachelor of Arts (B.A). And Bachelor of Science (B.Sc) in education by colleges of education, Polytechnics and Universities. This is normally three and four year program respectively. Candidate are given the pedagogical professional training.

1.7 The Teacher and the Classroom

Teachers should be aware of the fact that the selection of appropriate approaches of imparting or developing a particular skill to pupils is meant for them. Although these are by no means peculiar to teaching, nonetheless, they have been found to have instructional value for teaching. Thus in selecting the method for a lesson, the teacher should consider the following as stated by Abdullahi (1982).

a) The student age, their previous knowledge on the general ability. The method of instruction for mixed ability should different from a method that is employed to teach students who are high achievers and homogeneous in ability.

b) Teaching method should be suitable for the topic to be taught. For instance, in teaching the effect of dilute mineral acid on metals, it will be inappropriate to have good discussion in laboratory for better learning and teaching.

c) The teacher selects a method that he can effectively handle. This means that if the teacher feels more competent for example in discussion method, regardless of its limitation that method should be used instead of employing another which the teacher cannot use effectively.

d) The teacher takes into consideration the time the lesson will take place. If a lesson is to take place at continue for instance, it is advisable to select a method that required student participation. On the other hand, should the teacher select a method that makes the student sit passively, he should not expect to carry the student along. Therefore he has to adjust.

e) The teacher also takes the size of the class into account. It is of no value instructionally for instance if a discussion method is used in a class consisting of over one hundred students, unless the class should be divided into small groups.
f) The resources that are the disposal of the teacher also serves as an important guide in the choice of what the teacher does in the class. Where there are no teaching materials and equipment available for appropriate teaching and learning, the teacher improvise. In other words, the selection of what teacher does in base on instructional resources available for effective teaching and learning.

Therefore the frequency with which we change our attitude will depend on the concepts of skill or attitude that is being developed on the student. From all these some principles emerge which are under-grading the teaching act. These principles includes among others: Principles of practice, generalization connection, re-enforcement and motivation. The implication of these principles is that for any teaching act, the teacher should always to endeavour to provide connections. This connection should be meaningful and understandable. This means that learning material should also be arranged in increasing level of difficulty and opportunities provided for practice of the learnt material on the whole. The teaching act is a process of understanding, developing or having insight into the learner and materials such a way that connection are made and sustained through re-enforcement.

1.8 Attitude of People
(Parents, Guidance, Teachers and Government)
The teaching profession in our schools is faced with many problems requiring attention. One of such problems is that of conception and negative or positive attitude of parent, guidance, teacher, student and Government.
The misconceptions are as follows.
That teaching profession is not intellectually demanding and hence a profession for the intellectually inferior people.
- Teaching profession is not lucrative.
- Teachers are least respected and regarded in society.

Most Nigeria parents and guardian have a very poor conception of teaching profession compared to other profession. Attitude learns from close associate by parents and guardians. The associates can be brothers, sisters, rich men neighborhood, community etc. Parental interest in a particular profession or course is powerful determiner of this poor conception on the teaching profession. On the other hand, parental attitudes in terms of over protection on their wards, reassuring support or no support at all, too much pressure to succeed or no provision of re-assurance or have its own negative impact on the teaching profession as a result, parents and guardian discourage their wards from taking life. Teachers in some ways contribute to the poor image others have about them and the teaching profession.

To be able to perform the task in the teaching profession effectively; the teacher has to possess some competencies as an instructional technologist or designer. But this is completely lacked. Most teachers
have internalized from the educational system. They also believe that students are indiscipline, disrespectful, unwilling to work while spending their time in seeking pleasure and gratification, Ali (1986). This is a very demoralizing attitude as far as teachers are concerned. Lack of confidence and a sense of humour, some display of immaturity on part of the teachers on young people who look on teachers as adult, their system of appearance and language, lack of confidence in communication to youngster through what the teachers say and how they say that, create poor impression on the teaching profession. As a result, students associate teaching with ability to live up to standard.

They therefore saw teaching as a weak profession. Many week teachers do not follow the school timetable instead of the teachers recognizing difficulties encountered in teaching and learning and striving to make their teaching vigorous, planned, purposeful, friendly and intelligible in order to be inspiring, they (teacher) out of ignorance discourage students from taking up teaching profession which may be part of their ways of protecting their own discipline. Some of them say many derogating things about teaching when student return to classroom.

Students also get the impression from parents, guardians, teachers and even by wrong observation that teaching is less intellectually demanding than other profession especially when slow earner act frustrated by their inabilities to cope with their studies, when the average student learners find nothing stimulating about their students are no longer challenging, they can then develop poor conception about the teacher and the teaching is meant for those without high intellectual ability.

Again most pupils who come to school from rural areas and homes, and even wealthy families and urban pupils portray those negative behaviour towards the teaching profession. They come to school with attitudes gained from parents. As a result of these misconceptions and the negative image and low status of teaching as an occupation in our society, students show a poor attitude to the teaching profession. There is lack of interest generally on the part of the students in the schools resulting in avoidance response.

Government contributes to the negative attitude of people towards teachers and teaching profession by not providing the necessary incentives, equipment of salaries as and when due, and other basic allowances.

2.0 Methodology

2.1 Population of the Study: The population of the study includes some students and lecturers of a few selected departments of Management Faulty, Usman Danfodiyo University Sokoto state. A total population of (6280) respondents were used to determine the result of the research.

2.2 Sampling Technique

Sampling technique is the method or way a sample size is determined. It can be randomly selected, statistically or otherwise. The sample size of this study was statistically determined using Yaro Yamani’s
formular.

\[ N = \frac{n}{1 + n(e)^2} \]

Where \( n \) = Total population

\( N \) = Sample size

\( e \) = Level of significance (5%)

\( l \) = Unity of constant

\[ N = \frac{6280}{1 + 6280(0.05)^2} \]

\[ N = \frac{6280}{1 + 15.7} \]

\[ N = \frac{6280}{16.7} \]

\( N = 376 \)

2.3 Hypothesis: Goodness-of-fit statistical tool and other relevant and appropriate statistical techniques would be used to validate the hypothesis.

2.4 Decision Rule

If the calculated value is greater than the significant values of 0.05, the null hypothesis would be accepted; otherwise the alternative hypothesis would be accepted.

3.0 Presentation and Analysis of Data

The presentation, analysis and interpretation of all the data collected were presented and analyzed here.

3.1 Distribution of Questionnaire
Table 1  Return Rate of Questionnaire

<table>
<thead>
<tr>
<th>Questionnaire</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of Questionnaire Administered</td>
<td>6280</td>
<td></td>
</tr>
<tr>
<td>No of Questionnaire Received</td>
<td>4819</td>
<td>76.7</td>
</tr>
<tr>
<td>No of Questionnaire not Received</td>
<td>1461</td>
<td>23.3</td>
</tr>
<tr>
<td>No of questionnaire completed and returned</td>
<td>2935</td>
<td>61</td>
</tr>
</tbody>
</table>

Source: Field Survey (2017)

The above table shows the total number of questionnaires administered was 6280, out of which 4819 (76.7%) respondents received the questionnaire. This shows that 1461 (23.3%) respondents did not receive the questionnaire. While 2935 of the respondents received, completed and returned the questionnaire showing a success return rate of 61%.

3.2 Background Information on the Respondents

Table 2  Respondents on Gender Distribution

<table>
<thead>
<tr>
<th>GENDER</th>
<th>FREQUENCY</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>205</td>
<td>54.5</td>
</tr>
<tr>
<td>Female</td>
<td>171</td>
<td>45.5</td>
</tr>
<tr>
<td>Total</td>
<td>376</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field survey (2017)

The table above shows that 205 (54.5%) respondents were male while 171(45.5%) respondents were females. This implies that the Faculty under study has a higher percentage of male respondents to the female respondents.

Table 3  Respondents Age Distribution

<table>
<thead>
<tr>
<th>Age</th>
<th>No of Respondents</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 – 25</td>
<td>185</td>
<td>49.2%</td>
</tr>
<tr>
<td>26 – 35</td>
<td>87</td>
<td>23.1%</td>
</tr>
<tr>
<td>36 – 45</td>
<td>52</td>
<td>13.8%</td>
</tr>
<tr>
<td>46 – 55</td>
<td>30</td>
<td>8%</td>
</tr>
<tr>
<td>56 and above</td>
<td>22</td>
<td>5.9%</td>
</tr>
<tr>
<td>Total</td>
<td>376</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field survey (2017)

The above table reveals that 185 (49.2%) of the respondents fall between the age of 15 – 25, 87 (23.1%) respondents fall between 26 – 35 of age while 52 (13.8%) respondents falls between 36 – 45 years old.

The remaining categories are 46 – 55 years which has 30 (8%) respondents and 56 and above which
has 22 (5.9%) respondents.

Table 4  Respondents Marital Status

<table>
<thead>
<tr>
<th>MARITAL STATUS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>88</td>
<td>23.4%</td>
</tr>
<tr>
<td>Single</td>
<td>288</td>
<td>76.6%</td>
</tr>
<tr>
<td>Total</td>
<td>376</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey (2017)

In the above table, it reveals that 88 (23.4%) respondents are married while 288 (76.6%) of the respondents are single. It shows that the faculty under study have higher number of single respondents to that of married respondents. This shows that there is no equal representation of both parties involved.

Table 5  Category of Respondents

<table>
<thead>
<tr>
<th>Educational Qualification</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students</td>
<td>312</td>
<td>83%</td>
</tr>
<tr>
<td>Teachers/Lecturers</td>
<td>64</td>
<td>17%</td>
</tr>
<tr>
<td>Total</td>
<td>387</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field Survey (2017)

The table above depicts the number of students and lecturers that participated in this research. This study shows that there are 312 (83%) students and 64 (17%) lecturers for this research. This shows that there are higher number of student respondents to that of the lecturers that participated in this great research.

4.0 Presentation and Analysis of Data Based on Research Question

Table 6  Research Question 1

Ho: Undergraduate students’ attitude does not affect career choice.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Questionnaire Items</th>
<th>Response</th>
<th>No of Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Does a student’s attitude affect career choice?</td>
<td>Yes</td>
<td>279</td>
<td>74.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>97</td>
<td>25.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>376</td>
<td>100</td>
</tr>
<tr>
<td>2</td>
<td>Does attitude correlate to choice making?</td>
<td>Yes</td>
<td>287</td>
<td>76.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>89</td>
<td>23.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>376</td>
<td>100</td>
</tr>
<tr>
<td>3</td>
<td>Does attitudinal change lead to change in one’s choice of career?</td>
<td>Yes</td>
<td>324</td>
<td>86.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>52</td>
<td>13.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>376</td>
<td>100</td>
</tr>
<tr>
<td>4</td>
<td>Is peer group a big factor that affects a student’s career</td>
<td>Yes</td>
<td>341</td>
<td>91.7</td>
</tr>
</tbody>
</table>
The table above shows that 279 (74.2%) of the total respondents agreed that a student’s attitude affects his/her career choice, while 97 (25.8%) disagreed. The table also shows that 287 (76.3%) believe that attitude correlates with choice/decision making while 89 (23.7%) objected to that. 324 (86.2%) of the respondent agreed that attitudinal change can also lead to change in one’s choice of career while 52 (13.8%) disagrees. However, 341 (91.7%) of the respondents agreed that peer group is a big factor that affects a student’s choice of career while 35 (9.3%) disagreed.

**Test of Hypothesis One**

Here the researcher tests the hypothesis one so as to verify and validate the research work using descriptive analysis regression statistical tool and other relevant statistical tools.

<table>
<thead>
<tr>
<th>Table 7</th>
<th>Descriptive Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>Range</td>
</tr>
<tr>
<td>YES</td>
<td>4</td>
</tr>
<tr>
<td>NO</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Researcher (2017)

The Descriptive analysis shows that the statistical analysis of the data for Yes response and No response. The analysis revealed that the Yes Response has the range of 62, minimum of 279, maximum of 341, the sum of 1231, mean of 307.75, standard error of 14.79, standard deviation of 29.59 and standard variance of 875.58. It also shows that the No Response has the range of 62, minimum of 35, maximum of 97, the sum of 273, mean of 68.25, standard error of 14.79, standard deviation of 29.59 and standard variance of 875.58.
General Regression Analysis: YES RESPONSE versus NO RESPONSE

Regression Equation

YES RESPONSE  =  376 - 1 NO RESPONSE

Coefficients

<table>
<thead>
<tr>
<th>Term</th>
<th>Coef</th>
<th>SE Coef</th>
<th>T</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>376</td>
<td>0.0000000</td>
<td>5.36421E+16</td>
<td>0.000</td>
</tr>
<tr>
<td>NO RESPONSE</td>
<td>-1</td>
<td>0.0000000</td>
<td>-1.04006E+16</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Summary of Model

S = 4.927768E-15  R-Sq = 100.00%  R-Sq(adj) = 100.00%
PRESS = 0  R-Sq(pred) = 100.00%

The regression analysis shows the model used to predict the yield variable. The model summary reveals the rate of coefficients of determination of the variables. The summary shows a relationship of 100% to the variables.

<table>
<thead>
<tr>
<th>Table 8</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>YES RES</td>
<td>YES RES  NO RES</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>1  -1.000***</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>4  4</td>
</tr>
<tr>
<td>NO RES</td>
<td>YES RES  NO RES</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>-1.000***  1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>4  4</td>
</tr>
</tbody>
</table>

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

Source: Researcher (2017)

The above correlation analysis reveals that undergraduate students’ attitude affects their career choice.

Goodness-of-Fit Test for Poisson Distribution

Data column: YES RESPONSE
Frequency column: NO RESPONSE
Poisson mean for YES RESPONSE = 298.128

<table>
<thead>
<tr>
<th>YES RESPONSE</th>
<th>Observed</th>
<th>Probability</th>
<th>Expected</th>
<th>to Chi-Sq</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;=279</td>
<td>97</td>
<td>0.139927</td>
<td>38.2000</td>
<td>90.509</td>
</tr>
<tr>
<td>280</td>
<td>0</td>
<td>0.013578</td>
<td>3.7068</td>
<td>3.707</td>
</tr>
<tr>
<td>281 - 285</td>
<td>0</td>
<td>0.080137</td>
<td>21.8775</td>
<td>21.878</td>
</tr>
<tr>
<td>286 - 290</td>
<td>89</td>
<td>0.098502</td>
<td>26.8910</td>
<td>143.450</td>
</tr>
<tr>
<td>291 - 295</td>
<td>0</td>
<td>0.111093</td>
<td>30.3283</td>
<td>30.328</td>
</tr>
<tr>
<td>296 - 300</td>
<td>0</td>
<td>0.115129</td>
<td>31.4303</td>
<td>31.430</td>
</tr>
<tr>
<td>301 - 305</td>
<td>0</td>
<td>0.109788</td>
<td>29.9721</td>
<td>29.972</td>
</tr>
<tr>
<td>306 - 310</td>
<td>0</td>
<td>0.096467</td>
<td>26.3354</td>
<td>26.335</td>
</tr>
<tr>
<td>311 - 315</td>
<td>0</td>
<td>0.078203</td>
<td>21.3494</td>
<td>21.349</td>
</tr>
<tr>
<td>316 - 320</td>
<td>0</td>
<td>0.058566</td>
<td>15.9884</td>
<td>15.988</td>
</tr>
<tr>
<td>321 - 325</td>
<td>52</td>
<td>0.040567</td>
<td>11.0747</td>
<td>151.234</td>
</tr>
<tr>
<td>326 - 330</td>
<td>0</td>
<td>0.026021</td>
<td>7.1037</td>
<td>7.104</td>
</tr>
<tr>
<td>331 - 335</td>
<td>0</td>
<td>0.015474</td>
<td>4.2244</td>
<td>4.224</td>
</tr>
<tr>
<td>336 - 340</td>
<td>0</td>
<td>0.008541</td>
<td>2.3316</td>
<td>2.332</td>
</tr>
<tr>
<td>&gt;=341</td>
<td>35</td>
<td>0.008009</td>
<td>2.1864</td>
<td>492.460</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>N</th>
<th>N*</th>
<th>DF</th>
<th>Chi-Sq</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>273</td>
<td>0</td>
<td>13</td>
<td>1072.30</td>
<td>0.000</td>
</tr>
</tbody>
</table>

4 cell(s) (26.67%) with expected value(s) less than 5.
Figure 1: Chart of Observed and Expected Values

Figure 2: Chart of Contribution to the Chi-Square Value by Category

4.2 Decision rule:
From the analysis, the P-value which is the significance value is 0.000 which is less than the 0.01 significance level; therefore we reject the null hypothesis and accept the alternative which says that, “undergraduate students’ attitude affects their career choices”.

Table 9  Research question 2
Ho - Lecturers attitude towards students does not affect student’s choice of profession.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Questionnaire Items</th>
<th>Responses</th>
<th>No of Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Does a lecturer’s attitude towards his/her affect their professional choice?</td>
<td>Yes</td>
<td>337</td>
<td>89.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>39</td>
<td>10.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>376</td>
<td>100</td>
</tr>
<tr>
<td>2</td>
<td>Do most students have phobias towards their lecturers?</td>
<td>Yes</td>
<td>319</td>
<td>84.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>57</td>
<td>15.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>376</td>
<td>100</td>
</tr>
<tr>
<td>3</td>
<td>Do students see their lecturers as role models?</td>
<td>Yes</td>
<td>214</td>
<td>56.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>162</td>
<td>43.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>376</td>
<td>100</td>
</tr>
<tr>
<td>4</td>
<td>Does your departmental head help in curtailing the excesses of</td>
<td>Yes</td>
<td>271</td>
<td>72</td>
</tr>
</tbody>
</table>
the lecturers?

<table>
<thead>
<tr>
<th></th>
<th>No</th>
<th>105</th>
<th>28</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>376</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey (2017)

From the table above, it shows that 337 (89.6%) of the respondents agreed that a lecturer’s attitude towards his/her students affects their career choices in life, while 39 (10.4%) disagreed.

The table also shows that 319 (84.8%) believe that most students have different phobias towards their lecturers while 57 (15.2%) disagree. However, 214 (56.9%) of the respondent agreed that students look up to their lecturers as role models, while 162 (43.1%) disagree with that.

Furthermore, 271 (72%) of the respondents agreed that their head of departments help students in curtailing the excesses of the lecturers while 105 (28%) disagree.

The above Descriptive analysis shows that the statistical analysis of the data for Yes response and No response. The statistical analysis revealed that the Yes Response has the range of 123, minimum of 214, maximum of 337, the sum of 1141, mean of 285.25, standard error of 27.53, standard deviation of 55.06 and standard variance of 3032.25. It also shows that the No Response has the range of 123, minimum of 39, maximum of 162, the sum of 363, statistical mean of 90.75, standard error of 27.53, standard deviation of 55.06 and standard variance of 3032.25.

Source: Researcher (2017)

General Regression Analysis: YES RESPONSE versus NO RESPONSE

Regression Equation
YES RESPONSE = 376 - 1 NO RESPONSE

Coefficients

<table>
<thead>
<tr>
<th>Term</th>
<th>Coef</th>
<th>SE Coef</th>
<th>T</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>376</td>
<td>0.0000000</td>
<td>2.91853E+16</td>
<td>0.000</td>
</tr>
<tr>
<td>NO RESPONSE</td>
<td>-1</td>
<td>0.0000000</td>
<td>-7.95743E+15</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Summary of Model

S = 1.198589E-14  R-Sq = 100.00%  R-Sq(adj) = 100.00%
PRESS = 0        R-Sq(pred) = 100.00%

The model summary reveals the rate of coefficients of determination of the variables. The summary shows a relationship of 100% to the variables.

Correlation Analysis

<table>
<thead>
<tr>
<th>Table 11</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>YES RES</td>
</tr>
<tr>
<td>YES RES</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
<tr>
<td>NO RES</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
</tbody>
</table>

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

Source: Researcher (2017)

The above correlation analysis reveals that attitude of lecturers towards students is significant in their professional choice.

Goodness-of-Fit Test for Poisson Distribution

Data column: YES RESPONSE
Frequency column: NO RESPONSE

Poisson mean for YES RESPONSE = 260.190

<table>
<thead>
<tr>
<th>YES RESPONSE</th>
<th>Observed</th>
<th>Poisson</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;=271</td>
<td>267</td>
<td>0.760039</td>
<td>275.894</td>
</tr>
<tr>
<td>272 - 284</td>
<td>0</td>
<td>0.172460</td>
<td>62.603</td>
</tr>
<tr>
<td>285 - 301</td>
<td>0</td>
<td>0.061420</td>
<td>22.295</td>
</tr>
<tr>
<td>302 - 318</td>
<td>0</td>
<td>0.005849</td>
<td>2.123</td>
</tr>
<tr>
<td>&gt;=319</td>
<td>96</td>
<td>0.000232</td>
<td>0.084</td>
</tr>
</tbody>
</table>

N  N*  DF  Chi-Sq  P-Value
363 0 3 109487 0.000

WARNING: 1 cell(s) (20.00%) with expected value(s) less than 1. Chi-Square approximation probably invalid.

2 cell(s) (40.00%) with expected value(s) less than 5.

Figure 3: Chart of Observed and Expected Values
From the analysis of data collected for this research work, observations were made as regards to the questionnaire presented to the respondents. Based on the findings of the study, many respondents were of opinion that a lecturer’s attitude towards his/her affect their professional choice.

However, from the findings, many respondents were also of the opinion that peer groups are a big factor that affects a student’s career choice. Furthermore, many respondents were of the opinion that attitudinal change leads to change in one’s choice of career.

In conclusion, from the findings, the research work therefore reveals that attitude to a large extent influence ones career choice. This means that students are dependent on their lecturers/teachers to guide them towards choosing a better career choices.

References


THE EXTENT TO WHICH JORDANIAN INDUSTRIAL COMPANIES
DISCLOSE SOME ITEMS OF SOCIAL RESPONSIBILITY IN THEIR
FINANCIAL REPORTS

Dr. Saleh Al
Sayed, Isra University, , P.O Box 22, code 11622,Amman – Jordan

Abstract
This study aims at identifying the extent to which Jordanian industrial companies disclose some social responsibility items in their financial reports. The study community consists of all the (85) Jordanian industrial companies. The sample of the study consisted of (384) respondents in financial departments, Financial auditors, financial analysts) working in these companies. The study found a number of results, the most prominent of which are: Jordanian industrial companies disclose social responsibility in their financial reports regarding the protection of the environment. The level of this disclosure was high. It also revealed that it discloses social responsibility in its financial reports regarding the regulations and laws of the protection of the general environment, The level of disclosure was high. In light of these results, the researcher presented a number of recommendations, the most important of which are the following: The Jordanian industrial companies continue to disclose bonuses and incentives for employees who are distinguished in environmental activities, and to disclose the laws and regulations related to pollution control, reduction or disposal and disclosure of cost.

Key words: Accounting Disclosure, Social Responsibility, Jordanian Industrial Companies.

Introduction
The social role of companies has become increasingly important in recent times, especially after governments have given up some of their roles in society. Private sector companies have become central to development. Companies have realized that they are not isolated from society. The productive activities, such as the concerns of society, the environment, education and health, are now not only economic entities but also entities connected to the society in which they operate. They operate in a social and economic environment that is intertwined with society. They work in a better environment.

In recent times, corporate social responsibility has grown to the environment and society around it, and the outlook has shifted from a purely economic perspective represented in maximizing profits to a socio-economic perspective.

The collapse of Enron has been the main focus of attention to corporate social responsibility reports in the United States. This is also evident in England, where more and more companies are publishing environmental and social reports through their websites. For example, the KPMG study in 2000 indicated that about 49% of the 100 English companies listed in FTSE published these reports and now account for
more than 80%, reflecting the increasing trend towards CSR and sustainable development. Development (Owen, 2005, pp. 395-404)

It should be noted that it has become increasingly urgent - especially in a world characterized by globalization and economic crises - companies must be aware of and keep pace with their impact in society and the surrounding environment, where the evaluation of these companies is no longer based solely on their profitability, and they no longer rely on building their reputation on Financial institutions have emerged, but modern concepts have emerged to help create a working environment capable of dealing with rapid economic, technological and administrative developments. The most prominent of these concepts is the concept of corporate social responsibility (CSR.)

Research problem
Social pressures have increased on companies and it has become necessary to carry out their responsibilities towards the environment and society in which they live. It is inconceivable that the company plans to achieve the maximum possible profits while ignoring the social responsibilities imposed upon it. In the environment and surrounding society.

The company's responsibility for social responsibility and the need to develop accounting standards and procedures through which to restrict the social activities provided by companies to meet these responsibilities and measurement and report on all information that reflects the social role that is done to serve all parties, both inside and outside the company.

It was necessary not only to demand that all information reflecting the results of social activities provided by companies should be disclosed, but that scientific and professional efforts should be made to examine and attempt to develop the framework for how to verify, assess and judge companies' responsiveness to their social responsibility in objective and impartial ways to ensure safety Disclosure of data and information.

There has also been a growing interest in corporate social responsibility, and the talk of social responsibility has recently become the subject of conferences, seminars, research and research by individuals, research centers and international organizations, and increased attention by both government and companies. Business companies to interact with the community and the surrounding environment. Therefore, this research raises the following questions:

Question 1: To what extent are Jordanian industrial companies reporting on social responsibility in their financial reports regarding environmental protection?

Question 2: To what extent are Jordanian industrial companies reporting on social responsibility in their financial reports regarding the application of environmental protection laws and regulations?

Search goal
This research aims at identifying the extent to which Jordanian industrial companies disclose their social responsibility in their financial reports regarding the protection of the environment from the point of view of the employees of the financial departments (accountants, financial auditors, financial analysts) working in these companies.
Research importance
The importance of research is illustrated by the following:
1. The Hashemite Kingdom of Jordan's concern for the environmental and social issues and the growing voices within the Jordanian society, calling for the private sector to shoulder its responsibilities towards the environment and society.
2. The growing importance of social responsibility, where the social return of companies ahead of their financial return, in addition to the efficiency of the accounting system is measured by the extent of contain a subsystem that provides access to information on the social performance of the company and its impact on society.
3. Since this topic - the disclosure of social responsibility - a relatively recent subject in the Hashemite Kingdom of Jordan, the importance of this research appears by trying to determine the extent of awareness of Jordanian industrial companies to their social responsibility through disclosure of social information in the lists and financial reports.

Research assumes
HO1 The Jordanian industrial companies do not disclose social responsibility in their financial reports regarding environmental protection.
HO2 Jordanian companies do not disclose social responsibility in their financial reports regarding the application of environmental protection laws and regulations.

Research Methodology
This research is an exploratory research because it investigates the extent to which Jordanian industrial companies disclose some social responsibility items in their financial reports. To achieve this objective, the descriptive and analytical approach was followed.

Search community and eye
The research community includes all the industrial companies listed on the Amman Stock Exchange (85) according to the Annual Report of the Amman Stock Exchange for 2016. It is based on the intention of controlling the employees of the financial departments (accountants, financial auditors, (384) respondents were selected according to their response to the researcher in answering the study questions.

Sources of data collection
The researcher relied on two types of information sources: secondary sources, such as accounting books, scientific materials, periodicals and specialized periodicals, which examined the subject of accounting disclosure and social responsibility. He also relied on the primary sources through the development of a questionnaire. The Kronbach Alpha coefficient of internal consistency was reached (84.9%).

Data collection tool
The researcher designed a questionnaire that included all the variables of the study. The researcher presented them to the experienced and competent experts and the arbitrators of experts in management science and accounting to judge their validity as a data collection tool. After their retrieval, the researcher made the proposed amendments from the expert arbitrators and the competent professors before
distributing them to the sample. The researcher used a five-dimensional Likert scale, (very OK 5 marks, OK 4 marks, neutral 3 marks, not OK markings, not very OK one sign).

Statistical methods used in the study
The Statistical Package for Social Sciences (SPSS) was used to analyze the data. The researcher used the arithmetic averages and the standard deviations to identify the respondents' evaluations of the question. The t-test (one sample t-test) was also used in the test of the study hypotheses.

Previous studies
Riham et al. (2008) aimed to analyze the environmental and social reports of Egyptian companies through a sample of 60 reports per year in 2002 in nine sectors. It found that government companies disclose more information about employees than private companies, while private companies outperform government companies in disclosing the three areas Other: Customer, Environment, and Community.

Khan et al. (2009) measured the level of social disclosure in the annual reports of banks listed on the Dhaka Stock Exchange in Bangladesh and the extent to which users of annual reports of social disclosure are aware. The study found that the banks in Bangladesh disclose their social performance but the disclosure rate was low because disclosure is optional. Banks do not specify a detailed place for disclosure of environmental and social performance, but fall under the Board's report.

(Lies et al., 2011) conducted a study of corporate social responsibility reports by examining the annual reports of 108 companies listed on the Belgian Stock Exchange in 2005. The study concluded that Belgian companies were more interested in disclosing and reporting on appropriate work practices and environmental issues than disclosing information on product responsibility, human rights, and society.

The Sangeetha & Priya (2011) study aimed at identifying the factors influencing CSR initiatives in Oman from the perspective of stakeholders and concluded that there are three main factors affecting the social responsibility activities of banks: the availability of non-governmental organizations and organizations improving the application of the corporate governance system, and the diversity of the labor force.

The study (Abdul Malik and Al-Maharafi, 2012) aimed to identify the extent to which the Saudi environment needs a standard for accounting for social responsibility and a case study of a Saudi company that discloses social responsibility. Despite the large size of the private sector in Saudi Arabia, however, the wheel or movement of social responsibility for this sector is still slow and does not keep pace with the growth of its activity and profits, as the efforts of this sector efforts individually and lack of organization, and found that some of the Saudi business organizations to submit a descriptive report Non-financial responsibility for social responsibility.

The study (Abdullah, 2016) analyzed the methods of measurement and disclosure of the index of corporate social responsibility in Egypt, and the role of the Central Auditing Organization in the verification and report on the index of social responsibility of public sector companies. The study concluded that the principles of social responsibility are applied within the company and then go outside to make decisions and policies in the business community in terms of full compliance with existing legal requirements, respect for others and protection of the environment. It was found that determining the
means of measuring and evaluating the social performance of companies needs to activate the role of accounting information in measuring and evaluating the level of social performance.

**Comment on previous studies**
After reviewing the previous studies, the research concluded the following:

1. The importance of increasing attention to social responsibility, because of its many benefits and advantages, and the stability of the market comes through the integration of the role of the private sector and the government to address issues of social responsibility.
2. There is a discrepancy in the disclosure of social responsibility data, and the CSR framework is not well defined.
3. There is a consensus on the importance of disclosure and reporting on corporate social responsibility.
4. Corporate disclosure of CSR is focused on the human resource component in terms of human resource development, recruitment, training and attention to manpower.
5. That the disclosure of companies was in the part of the report of the Board of Directors in the financial reports of companies, and the disclosure was descriptive in the first place and in limited cases quantitatively.

**Theoretical framework**

**Social responsibility (concept, importance, advantages, and pillars of success)**

Corporate social responsibility has become a reality that is difficult to ignore, but there is no general and specific agreement on the concept of corporate social responsibility. This is illustrated by a review of the following definitions:

Corporate Social Responsibility (CSR) is defined as the company's commitment to use its resources to benefit the community, through effective participation as a member of society, and to improve the welfare of society as a whole regardless of the direct benefits of the company.

The environmental and social responsibility of companies is a moral or legal obligation by companies within the community to assume their environmental and social responsibility by spending part of their profits to protect the environment, conserve natural resources and provide services to society (Imagination and Conjecture, 2013, p. 256).

Corporate Social Responsibility (CSR) is the company's commitment to respect the rights of individuals and to promote human well-being in its operations. Companies not only have the economic responsibility of making profits and have a legal responsibility to follow the laws and basic rules that guide their capacity. (Arash & Mohamed, 2007, p: 754) Towards achieving their economic objectives. But has a moral responsibility that includes a set of social norms.

The researcher defines corporate social responsibility (CSR) as: a set of activities undertaken by the company either mandatory or optional, whether direct economic returns are generated or not, and whether the group that will benefit from these activities within the company (shareholders and employees) or outside (customers, suppliers, Environment, society as a whole), in order to fulfill their social responsibility towards the development and well-being of society and the surrounding environment.
In light of the increasing importance of corporate social responsibility, the question arises as to why companies are encouraged to comply with this responsibility, especially in the light of the financial and material burdens. International experience indicates that the advantages of companies are as follows: (Moir, 2001, p. 16) and (Elasrag, 2011, p: 12) and (Mohsen et al., 2016, p. 52)

1. Improve the reputation of companies based on efficiency in performance, success in service delivery, mutual trust between companies and stakeholders, level of transparency of these companies, their sensitivity to environmental considerations and their interest in human investment, and corporate commitment to their social responsibility contributes significantly to improving their reputation.

2 - Facilitating access to bank credit especially in the light of the introduction of some indicators that affect the credit decision of banks. These indicators include the Dow Jones Sustainability Index (DJSI), launched in 1999, concerned with the ranking of global companies according to their degree of sensitivity to social dimensions and to environmental considerations in the exercise of their economic activity.

3. Improve financial performance and reduce operating costs.

4. Increase productivity and quality, and raise the ability of companies to learn and innovate.

5 - Attracting the most efficient human elements, as the commitment of companies to their responsibility towards the community in which it is an attractive element of human excellence, and this reduces the costs of recruitment and training.

6 - Build strong relations with governments, which helps in solving the problems or legal disputes that may be exposed to companies during the exercise of economic activity.

7. Good management of the social risks of corporate economic activity, especially in the context of globalization. These risks include environmental compliance, respect for labor laws and application of standards, which are challenging for companies, especially small and medium enterprises.

In order for companies to succeed in applying social responsibility to them, there are a number of key pillars for their success, which must be prepared and organized before the launch of these programs and in the forefront of these pillars: (Archie, 1999, p: 405) and (collective and Abdulaziz, 2012), P. 10)

1 - the need for the company's belief in the issue of social responsibility towards society, and be convinced and trusted by each official from the owners of the company, through its executives, and the staff on the importance of this role, and it is a duty of each company towards the community in which you live, It is not something that the company is proud of, but proud of And it is a duty on them.

2 - The company should identify a clear vision of the social role that it wants to adopt and the main issue that will concern the work on the industrial in the treatment and the initiative to be submitted to society rather than criticism and complaint of the existing disadvantages.

3 - This activity becomes a major part of the activities of companies is followed by the Chairman of the Board of Directors of the company, and follow-up business, and set the plans to be achieved just as sales plans and other business activities are developed.

3 - The company should assign full-time official fully to this activity, and set the goals and plans required,
and directly follow the senior management and grant the necessary powers, and have a key role and effective at the company level.

4 - Not to announce the social programs only after the launch, many of the social programs announced is not sustainable for the inability of those responsible for implementation according to what has been announced, and this may contribute to the suspension of the program in the future.

5 - To ensure that these programs offer strong performance and high quality, as if these programs are a commercial product that should be paid attention and care to provide it in a distinctive way that actually contributes to the service of society and achieve its objectives.

6 - The start must be through the objectives of small and limited increase over the days to achieve large projects and programs.

**Accounting for Social Responsibility (Concept, Domains)**

Social Responsibility Accounting is the latest stage in the development of accounting as it emerged as a reaction to the need to pay attention to the social role played by companies as a result of changes in the environment surrounding companies, as it is not only necessary to identify the comparative efficiency of different management methods of corporate management but stand also on the impact of those companies on the society in which you live, and this means to stand on the non-financial effects of the aspects of the company's activity (Khashrama, 2007, p. 98).

(Lutfi, 2015, p. 73-74) as "a method for measuring and communicating the information of the administration's social responsibility to various beneficiary communities within the society in such a way as to assess the social performance of the company."

The researcher believes that accounting of social responsibility is an accounting information system that includes a set of activities that are concerned with measuring, analyzing and communicating the information that results from the company's social responsibility towards different social groups both inside and outside the company in order to provide information that enables them to make decisions and evaluate the social performance of those Companies.

In the areas of corporate social responsibility, most organizations and organizations concerned with the organization of the accounting and auditing profession such as the American Accounting Association (AAA), the American Institute of Certified Public Accountants (AICPA), the National Association of Accountants in America (NAA), and the writings and research that the areas of corporate social responsibility agree that there are four (Gray, 2002, pp. 299) and (Mahmoudi, 2015, p. 65)

1 - **The field of workers:** This area includes the impact of the activities of the company on people working as human resources that contribute effectively to achieve the objectives of the company, and thus include activities that concern the interests of workers, including: safety in the work environment, improving working conditions, To assist financially and financially in the performance of religious rituals such as Umrah and Hajj, providing suitable accommodation for workers, providing adequate transportation, and providing training programs for workers.

2 - **Environment:** includes a group of social activities aimed at reducing the negative effects resulting
from the company’s practice of its activity, which affects the environment, in order to maintain the safety of the environment surrounding the company and conservation of natural resources, including: compliance with the laws of environmental conservation, waste disposal in a way that minimizes pollution, optimizes the use of energy resources and natural resources.

3 - **Customer field or consumer protection:** includes activities aimed at achieving customer satisfaction, and maintain this satisfaction such as responding to customer complaints, and attention to increase the safety of the product, honesty in dealing with customers and not to deceive, honesty in advertising, and provide the necessary data on the product in terms of use, limits and risks associated with them and the period of validity of use, provision of after sales service and commitment to the warranty date.

4 - **Community:** includes a range of activities related to the development and improvement of the quality of life and benefit the society as a whole, including: support of charities, employment of minorities, employment of the disabled and the disabled, establishment of a nursery for children in the region, contribution to health care, Financing of exhibitions, seminars and conferences, assistance in the case of natural and social disasters.

**Accounting disclosure on social performance (concept, reasons and justifications)**

The disclosure principle is the primary means and effective tool for delivering business results to users in supporting their decisions, especially in relation to investment fields. The principle of disclosure determines that financial reports should contain all information to give their users a clear and correct picture of the company by communicating the environmental and social impacts of the company's economic activities to stakeholders or of society as a whole (Manuel & Lucia, 2008, p: 165)

He points out that social performance disclosure is the way society can inform the different communities about its various activities with social implications.

The researcher believes that social disclosure is a report and information about the company's relationship with the community and the surrounding environment. This is done through the inclusion of reports and financial statements on the social performance of the company.

**The reasons and justifications for disclosing corporate social performance are as follows:**

1. **Reasons for improving the financial reporting level:** The report on social performance is of great importance to companies today, as it reflects the commitment of these companies to fulfilling their social responsibility. There are also views calling for the process of reporting social performance The main objectives of the financial reports. Others, such as the National Association of Accountants in America, stress the need to have an independent accounting system whose primary task is to measure and disclose corporate social performance (Mahmudi, 2015, p. 184).

2 - **Reasons for the responsibility of the accountant and accounting profession:** As the data on social activities of a quantitative and financial nature, and affect the assets of the company and its expenses and obligations, this is at the core of the work of the accountant, and therefore it is necessary that the accountant role not in determining the goals and objectives of society, The scope of determining the practical measures that express these objectives and the disclosure of these standards periodically, so that
the information provided both quantitative and non-quantitative (descriptive) basis to assess and rationalize the social performance of the company. Thus, the accountant's attitude towards the company's impact will be reflected in companies that fail to fulfill their social responsibilities in a better way than companies that make a positive contribution to increasing the well-being of the society (Jerobo, 2007, p. 267).

3- **Reasons for the shift in corporate objectives and the application of corporate governance**: The Jordanian Capital Market Law and the Executive Regulations of the Capital Market Authority of Jordan require transparency and disclosure of all financial and material information of listed companies in a complete, accurate and timely manner without discrimination. Where it is the rights of the investor to identify the true picture of the performance of companies, and to see all the information that may affect the price of its shares (Mahmoudi, 2015, p. 185).

**Data analysis and hypothesis testing**

The following table shows the arithmetical averages and standard deviations of the study variables:

<table>
<thead>
<tr>
<th>T</th>
<th>Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The company will disclose bonuses and incentives for employees who are distinguished in environmental activities</td>
</tr>
<tr>
<td>2</td>
<td>The company discloses the costs it pays for waste and waste treatment and for the protection of biodiversity</td>
</tr>
<tr>
<td>3</td>
<td>The company discloses the costs of its participation in environmental protection programs</td>
</tr>
<tr>
<td>4</td>
<td>The company is disclosing its initiative in addressing the environmental pollution caused by its production activities</td>
</tr>
<tr>
<td>5</td>
<td>The company is making efforts to reduce energy consumption</td>
</tr>
<tr>
<td>6</td>
<td>The company maintains an information system that shows the costs of environmental damage</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>SMA</th>
<th>Standard deviation</th>
<th>Relative importance</th>
<th>ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3.66</td>
<td>.672</td>
<td>Medium</td>
<td>11</td>
</tr>
<tr>
<td>2</td>
<td>3.82</td>
<td>.735</td>
<td>High</td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td>3.75</td>
<td>.613</td>
<td>High</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>3.69</td>
<td>.672</td>
<td>Medium</td>
<td>8</td>
</tr>
<tr>
<td>5</td>
<td>3.85</td>
<td>.613</td>
<td>High</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>4.26</td>
<td>.760</td>
<td>High</td>
<td>1</td>
</tr>
</tbody>
</table>
The company has clear policies to rationalize water use 4.14 .735 High 3

The company is keen to reduce environmental risks in the environment in which it operates 3.84 .663 High 5

The company links environmental disease to its mission 4.15 .616 High 2

The company discloses the costs of machinery used to reduce environmental pollution 3.68 .617 Medium 9

The company has ethical codes for the environment 3.67 .705 Medium 10

The company discloses the costs of publishing periodic environmental reports 3.64 .760 Medium 12

The company is keen to disclose the cost of beautification and landscaping of the surrounding area to preserve the environment 3.60 .735 Medium 13

| Environment protection | 3.94 | .510 | High |

Table (1) shows the statistical averages and standard deviations of the extent of the disclosure of social responsibility by the Jordanian industrial companies in their financial reports regarding the protection of the environment through the answers of the sample of the study to the questions assigned in the questionnaire. This variable was addressed in 13 terms with a general accounting deviation of (3.94) with a general standard deviation of (510). As the general arithmetic average is greater than (3), the level of disclosure by Jordanian industrial companies on social responsibility in their financial reports The protection of the environment was high. It is noted from the table that companies maintain an information system that shows the costs of environmental damage came first, achieving an average of (4.26) and a standard deviation (613.), followed by the company linking environmental performance with its message with a mean (4.15) and a standard deviation (663). (4.14) and standard deviation (760.). The company then made efforts to reduce energy consumption in fourth place with an average of 3.85 and a standard deviation of 672. . In fifth place, the company is keen to reduce environmental risks in the environment in which it operates with an average of 3.84 and a standard deviation of (.735). The previous table shows the rest of the results in relation to the arithmetic averages reached.

The responses of the sample of the study were positive on all terms. This finding confirms the validity of the alternative hypothesis and thus accepts this hypothesis, which indicates that the Jordanian industrial
companies disclose social responsibility in their financial reports regarding the protection of the environment.

**Table (2): arithmetical averages and standard deviations (environmental protection systems and laws)**

<table>
<thead>
<tr>
<th>T</th>
<th>Phrases</th>
<th>SMA</th>
<th>Standard deviation</th>
<th>Relative importance</th>
<th>ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>The company is keen to disclose the costs it pays for the work of reasonable accounting estimates</td>
<td>3.65</td>
<td>.801</td>
<td>Medium</td>
<td>10</td>
</tr>
<tr>
<td>15</td>
<td>Compliance with laws imposing obligation for environment pollution arising from past accidents</td>
<td>4.11</td>
<td>.719</td>
<td>High</td>
<td>1</td>
</tr>
<tr>
<td>16</td>
<td>The company is keen to disclose the costs of applying the standards set out in the international standard on environmental expertise</td>
<td>3.77</td>
<td>.792</td>
<td>High</td>
<td>6</td>
</tr>
<tr>
<td>17</td>
<td>The company disclosure the cost of social licensing, which define its operating conditions from and environment point of view</td>
<td>3/96</td>
<td>.779</td>
<td>High</td>
<td>3</td>
</tr>
<tr>
<td>18</td>
<td>The company’s operations conform to the applicable social laws and regulations</td>
<td>.3.68</td>
<td>.824</td>
<td>Medium</td>
<td>9</td>
</tr>
<tr>
<td>19</td>
<td>The company is committed to the costs arising from social or legislative requirements .</td>
<td>3.76</td>
<td>.789</td>
<td>High</td>
<td>7</td>
</tr>
<tr>
<td>20</td>
<td>The company discloses the rules and regulations related to control on pollution, reduction or disposal and disclosure of its cost</td>
<td>3.69</td>
<td>.785</td>
<td>Medium</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>The company discloses the financial allocation under the social laws for its violations of these regulations</td>
<td>3.88</td>
<td>.794</td>
<td>Medium</td>
<td>5</td>
</tr>
</tbody>
</table>
Table 2 shows the statistical averages and standard deviations of the sample responses to the questions assigned to this variable in the questionnaire on the Jordanian companies' disclosure of social responsibility in their financial reports regarding the application of environmental protection laws and regulations. This variable was addressed in 10 terms that achieved a general mean (3.83) with a general standard deviation (701). Since the general arithmetic average is greater than (3), the level of disclosure by the Jordanian industrial companies on social responsibility in their financial reports regarding the systems Environmental protection laws were high. It is noted from the table that the company complies with the laws that impose liability for environmental pollution arising from previous incidents which came in first place, achieving an average of 4.11 and a standard deviation (719), followed by the company is obliged by law to pay for any social damages Speak to natural sources or to others with a mean (3.99) and a standard deviation (721.). (3.96) and a standard deviation (779.), and then the company was careful to disclose the costs it pays to interpret the mysterious social laws. The difficulty is in the fourth place with a mean (3.89) and a standard deviation (730.). In fifth place, the company discloses financial allocations under social laws for the possibility of violating these regulations with an average of 3.88 and a standard deviation of (794). The previous table shows the rest of the results in relation to the arithmetic averages reached.

These results show that the responses of the sample of the study were positive in all terms. This finding confirms the validity of the alternative hypothesis and thus accepts this hypothesis which indicates that Jordanian industrial companies disclose social responsibility in their financial reports in relation to the regulations and laws of the protection of the general environment.

The two hypotheses were tested using t-test. Test The following table (3) shows the results obtained when testing hypotheses:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Calculated value</th>
<th>The value Of the tabular</th>
<th>Moral value</th>
<th>Statistical Resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>General environmental protection systems and laws</td>
<td>3.83</td>
<td>.701</td>
<td>High</td>
<td></td>
</tr>
</tbody>
</table>

Table (3) Test results t. Test for the first and second hypothesis
Is evident from the data contained in the table above (3) the following:

1. The value of t calculated is (15.68) and Tabulated value (1.671) and by comparing the value of t calculated the value of t Tabulated shows that the calculated value is greater than the tabular value, and this is confirmed by the value of the significance of Sig. Morale is zero and is statistically significant, so it is rejected the hypothesis of nihilism and acceptance of alternative hypothesis, which states that "the Jordanian industrial companies disclose social responsibility in their financial reports with regard to the protection of the environment.

2. The calculated t value is (11.74) and its tabular value (1.671). Comparing the t value calculated by the tabular t value, the calculated value is greater than the tabular value, which is confirmed by the value of Sig. And the acceptance of the alternative hypothesis that "Jordanian industrial companies disclose social responsibility in their financial reports in respect of the regulations and laws of the protection of the general environment.

Results

The researcher presented the most important results as follows:

1. The results of the study indicate that Jordanian industrial companies disclose social responsibility in their financial reports regarding environmental protection. This commitment was high. The results showed that companies maintain an information system that shows the costs of environmental damage. Clear policies to rationalize the use of water, and the results show that companies are making efforts to reduce energy consumption and is keen to reduce environmental risks in the environment in which it operates, and this indicates rejection of the first hypothesis and thus accept the alternative hypothesis that this is Companies disclose social responsibility in their financial reports with regard to the protection of the environment.

2. The results of the study indicate that the Jordanian industrial companies disclose the social responsibility in their financial reports regarding the regulations and laws of the protection of the general environment, and this commitment was very high, as it proved that the company is complying with the laws that impose liability for environmental pollution resulting from past accidents, which is committed by law to pay the costs of any social damage occurring to natural sources or to others, it turns out that the company discloses social licenses that determine the conditions of operation from the standpoint of environmental costs, and is keen to disclose the costs paid in exchange for the interpretation tossed As
well as the company discloses financial allocations under social laws for its possible violation of these regulations. This suggests rejection of the second hypothesis and thus acceptance of the alternative hypothesis that these companies disclose social responsibility in their financial reports in respect of environmental protection regulations and laws.

**Recommendations**

First: The Jordanian industrial companies continue to disclose social responsibility in their financial reports regarding the protection of the environment through the following mechanisms:

A - The Jordanian industrial companies shall disclose the rewards and incentives of employees who are distinguished in environmental activities.

B) Disclosing the initiatives of the Jordanian industrial companies related to the treatment of environmental pollution resulting from the exercise of their activities and productive work.

C - the need to work to create and activate codes of ethics for the environment and commitment by everyone.

D- The Jordanian industrial companies shall disclose the costs of publishing the environmental reports periodically to ascertain their commitment to preserving and protecting the environment and informing the users of this commitment and making the correct decisions accordingly and thus increasing the satisfaction and general acceptance of the nature of the work of these companies.

(E) The Jordanian industrial companies shall disclose the costs of beautification and landscaping of the surrounding area to preserve the environment

Second: The Jordanian industrial companies continue to disclose social responsibility in their financial reports regarding the laws and regulations of the general environmental protection through the following mechanisms:

(A) Disclosure by Jordanian industrial companies of the legislative regulations related to pollution control, reduction or disposal, and disclosure of costs, with specific financial allocations for emergency social matters.

B. Emphasize that Jordanian industrial companies should disclose the costs of applying the standards stipulated in the international standard for benefiting from the environmental work of experts.

C) The Jordanian industrial companies shall disclose the costs they pay for work to reasonable accounting estimates, and ensure that they conform to modern accounting systems that can interpret mysterious social laws and make reasonable estimates for them.

D) The commitment of Jordanian industrial companies to the costs arising from the social, legislative or contractual requirements.

E - The necessity of agreeing the operations of Jordanian industrial companies with the concerns imposed by the laws and social regulations applied locally and globally.

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MANAGING ARCHAEOLOGICAL SITES: A MARRIAGE OF CULTURAL HERITAGE CONSERVATION AND LOCAL COMMUNITY INVOLVEMENT

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1. Introduction

The involvement of local communities in archaeological resource management has come a long way in the United States. Many people lack of understanding the rationale behind archaeological site protection laws - the archaeological artefacts found on both public and private land must left in associated context if people’s knowledge of the past is to be advanced through investigation and interpretation in situ (Pokotylo and Mason 1991, 278). The fact that many people see archaeological finds in monetary values inevitably turns archaeological sites into treasure hunt places. Looting, which has been destroying both tangible and intangible values of artefacts, certainly is accelerated by a supplier and buyer market. Sipan Region of Peru, where sites are destroyed or damaged by looters, provides an example - how local community’s perception on site can make a big different. Archaeologist Walter Alva turned local farmers from looters into site guardians (McManamon and Hatton 2000, 11). Although how Walter compensated farmers’ loss of income was not clearly addressed, these farmers became protectors of the tombs. The issue illustrated here is archaeological sites need to be made relevant to local communities, past and present, if their preservation is to be supported.

Another example demonstrates the importance of local participation in site protection is the Buddhas of Bamiyan Valley (Wikipedia 2009), which was deliberately destroyed by the Taliban in March 2001. There are many locals living in caves at and near the site of destruction. How to encourage their participation in site protection is an indispensable part in the management plan no matter the Bamiyan Valley reopens to tourists or not in the hope of regional regeneration.

2. Site Access and Ownership

Issue of access and ownership also needs to be identified and negotiated with local communities if the management plan is to be supported. The archaeological site management has long been problematic in Zimbabwe (Murimbika and Moyo 2008). The Domboshava National Monument is a site with rocky
landscape and rock painting. The National Museums and Monuments of Zimbabwe (NMMZ) closed the site to locals, seeing their traditional rainmaking ceremonial use of the site as destructive to rock painting. The lack of respect for local people further triggered severe vandalism on rock painting in 1988 (Taruvinga 2001, cited by Murimbika and Moyo 2008). That the local communities continued to demand the ownership of the monument made this incident not surprisingly, nor did it a single case in Zimbabwe. Murimbika and Moyo (2008, 98) state despite the NMMZ allowed local people to access water from the monument site and compensated them by displaying their crafts for sale at the visitor centre, local communities were never directly involved and consulted in the site management. Although Zimbabwe’s case is also complicated by international political climate and lack of resources and expertise, the issue presented here is - the management plan should take a more inclusive approach, working with local people, utilising local knowledge and resources available to promote site conservation. Most importantly, archaeology is for the public on whose patronage it is able to continue as government’s expenditure needs to be justified as beneficial to all (Murimbika and Moyo 2008, 101).

3. Confidentiality and Knowledge Share

The establishment of the Native American Graves Protection and Repatriation Act of 1990 (NAGPRA) and the amended National Historic Preservation Act 1992 (NHPA) expand the right of native tribes to participate in the historic preservation programme nationally whilst make clear the obligation for authorities to respect different values and make relevant decisions at all levels (Anyon et al. 2000, 120). The 1999 Burra Charter by International Council on Monuments and Sites (ICOMOS) (Australia ICOMOS 2009) further incorporates the intangible significance in the decision-making process – ‘including those embodied in the use of heritage places, associations with a place and the meanings that places have for people’ (Australia ICOMOS 2009). Sometimes the intangible values are so important that it is not allowed to share with non-community members such as the case of Southwestern tribes (Anyon et al. 2000, 138). Anyon et al. (2000) argue that maintaining the confidentiality of culturally sensitive information is vital important to the tribal survival, which on the other hand often conflicts with other professionals’ standard of knowledge share. From this example, the participation of community elders and leaders is important in the consultation process with consent to sensitive information, negotiating a balance between site conservation and intellectual access.

4. Cultural Safety and Appropriate Behaviour

Local communities often understand the social values of their heritage and they are willing to share this knowledge with others. Many archaeological sites of spiritual or religious significance may have restrictions on visitors’ behaviour, gender (such as only female or male allowed areas), cloth, etc. The Blue Masque in Istanbul, Turkey is both a living sacred and touristic site - local communities are using the masque to perform daily prayers whilst tourists taking pictures of them often with annoying flash light. It is apparent that tourists do disturb local people in some way as locals tend to gather and pray at the very
far end of the other side where tourists are not allowed to enter. The presence of local religious practitioners does remind visitors that the Blue masque is a place of worship, thus silence is expected and appropriate clothing and removing of shoes are required. Maintaining spiritual values in a masque of world significance is essential to the interpretation and conservation of a living religious heritage; however it should not be at the cost of local people’s integrity. How can cultural tourists bring positive impacts on local communities if the values of respect and sympathy are not conveyed.

5. Multi-Interpretations and Local Collective History

Managing archaeological sites deals with access to information, sites and artefacts of the past (Sillar 2005). Traditionally the interpretation of archaeological sites is mainly presented from archaeologists, curators or historians’ view points, however very often local communities may have different perceptions about their past and feel insulted as their ancestors’ remains were treated like display (Sillar 2005). In the past, Native Americans’ remains and associated grave goods were removed from archaeological sites and displayed in museums as scientific evidence of the past. This practice failed to respect the wish of source communities and stereotyped them as ‘primitive humans.’ Moreover, Native Americans see a place as a person, spirit or event related to their life experience, which is again different from the archaeological interpretation – a place as a landscape, monument or archaeological site. Hence a single voice can no long represent the multifaceted history of an archaeological site; instead a more inclusive approach in community interpretation and identity building is needed. It is also beneficial to other stakeholders’ understanding of site history from a view of local collective memory- a platform of reciprocal understanding is essential for identifying potential conflicts in management process.

6. Improving Life Quality and Visitor Access

Local communities of both Hadrian’s Wall and Stonehenge face a numbers of issues, including the impact of increasing visitation on their daily lives. The congestion and air pollution resulted from busy traffic not only increase the health and safety concerns amongst the locals but also affect their life quality. The major local industry of both sites is agriculture, there are concerns amongst farmers about damage to crops, disturbance of stock and risks to visitors, arising from inadequate understanding of animal behaviour (Young 1999, 41). Local communities generally welcome visitors with respect to economic gain, however how can local communities accommodate increasing visitors and traffic without compromising the significance of their heritage and the quality of life is another factor which again illustrates the importance of community’s participation in site management. Currently the local community at Stonehenge does not fully benefit from tourism income as visitors tend to stay shortly at the Stone circle but not the neighbouring areas. This issue has been identified by the new management plan; however how to work with the locals to provide infrastructures and things to do for tourists is another question. In particular, the congestion from Summer Solstice Festival, the conflicting views between the proposed relocation of roads and new construction of a 2.1km underground tunnel plus building a new
world class visitor centre all seem a long way to negotiate without strong local support (Millar 2006, 44). How can a heritage site be sustainably managed and become a community pride if local people feel not benefit from it? In the 2004 report ‘The World Heritage List. Filling the Gaps – An Action Plan for the Future States’ by the International Council on Monuments and Sites (ICOMOS), the elements of ‘intangible values’ and ‘people’ have become the new challenge and focus for the listing process (Millar 2006, 39).

7. Decision-Making and Empowerment

At the end of the temple Ch’isi’s excavation, community members were actively involved in discussions and evaluation of proposed site management plan. Local communities decided to consolidate and reconstruct the temple – making it a community centre for social and ceremonial use of the site. They also hoped this temple will be developed as a tourism destination and bring community regeneration to locals. Local people’s commitment to site conservation is very important: in the case of Ch’isi temple an agreement with local authorities was made in the hope to strengthen local cultural identity, retaining archaeological finds within source communities, supporting the establishment of local museums, developing tourism strategy and the conservation of site for future generations. All these aim at providing local communities a greater control over their heritage and acknowledging their ownership of site (Chávez 2008).

8. Site Visit and Tourism Development

A site visit to Cuzco and Machu Picchu was sponsored by Chávez’s project for a group of local Aymara leaders and people. The purpose of this trip is to learn about the tourism impact on Peru and its consequent pros and cons. Participants communicated what they learnt from the trip to their respective communities and worked towards developing a suitable plan for their local sites (Chávez 2008, 269). Through this process, some knowledgeable locals also became aware - the potential that tourism operators and hotels from neighbouring cities could exclude source communities in the economic circle. Other concerns such as lack of experience and resources in managing site and museums, government bureaucracy and urban competition all need to be considered in the planning process if community participation is to be sustained (Chávez 2008, 271).

9. Cade Study: Heritage Management Training Course, Australia

Local communities may engage in teaching so may their knowledge of site be appreciated. The Australian Heritage Commission began developing a training programme in 1994, both aboriginal and non-aboriginal site officers, heritage managers and archaeology graduates directly experience working on site with aboriginal communities (Sullivan et al. 2008). Over the training, participants, key stakeholders and community leaders work together to develop an outline site management plan. Through this working
process, community elders’ knowledge of site was acknowledged and incorporated into significance assessment, the ethical issue of ‘cultural safety – behave appropriately according to local norm’ was addressed. Local community members’ confidence in working with stakeholders, site managers and archaeologists also increased (Sullivan et al. 2008, 45). In particular, Sullivan et al. (2008, 45) state local communities’ preconceived attitude towards some stakeholders has gradually changed and mutual trust has been developed.

10. Conclusion

Community participation in site management should not only be driven by economic share, community members’ knowledge and skills of site conservation and management must be developed at the first place and their involvement in decision taking process be secured then a sustainable site management plan accompanied by community regeneration can possibly prosper. The Jiuzhaigou National Nature Reserve in Sichuan Province, China, which was granted a World Heritage Site in 1997 by UNESCO illustrates a good example of how easily local Tibetan minority communities can fall into victims of a strongly central government controlled economic and tourism development plan (Li 2006). Before 1974, local Tibetan communities live isolated from outside world at the Nature Reserve; they do not rely on monetary income because they have a self-sufficient lifestyle. Since the Reserve opens to the public in 1984 and the pressure of increasing tourist numbers grows, local Tibetans were gradually banned from their traditional activities in the name of land conservation, as a result many Tibetans moved into other communities near scenic park routes where tourism provide living prospects (Li 2006). Over the years, the continuous circle of government’s so-called community empowerment (Li 2006) – repetitive giving and depriving economic share from tourism with local communities, which make Tibetan communities become very vulnerable in that neither do they have power in decision making process nor do they have adequate skills for establishing an independent lifestyle outside the reserve. Although Li (2006) argues that ‘without empowerment sustainable tourism development by communities is difficult to achieve,’ the author argues that the management plan could not be sustainable either if local communities are excluded in the decision-making process or reply heavily on the government’s mercy. Empowerment should not only be economic focus but also should deal with other issues at the same time. Otherwise, it is like ‘giving one fish without teaching he/she how to fish’ which doesn’t help in the long run.

References


THE EFFECT OF GOOD GOVERNANCE PERCEPTION TOWARDS THE JOB SATISFACTION OF SRI LANKA AGRICULTURE SERVICE (SLAGS) OFFICERS WORKING IN THE DEPARTMENT OF AGRICULTURE

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Abstract
Sri Lanka Agriculture Service (SLAgS) is considered an important all island service responsible for the development of agriculture sector in Sri Lanka. Research Officers (ROs), Agriculture Officers (AOs), Lectures (LCs) and Subject Matter Specialists (SMSs) are the main categories belonged to SLAGS. Empirical evidence showed that positive relationship between good governance and job satisfaction. This study therefore attempted to recognize the effect of good governance perception by officers of SLAGS working in the Department of Agriculture towards their job satisfaction. Pre tested questionnaire was used to collect the data from the ROs, AOs Lectures and SMSs.

Result of the study revealed that majority of the total respondents perceived the GG in the DOA as favourable, while 27 percent and 04 percent of them perceived it as most favourable and less favourable, respectively. Further, majority of ROs, AOs and LCs perceived the GG as favourable, whereas the most favourable perception was observed with 31 percent of ROs and 27 percent of AOs and 09 percent of LCs. Further, SLAGS officers’ job satisfaction was low while majority of the respondents were in the category of not satisfaction or highly dissatisfied level. Result of the correlation test showed that there was a positive and significant relationship between job satisfaction and GG perception of SLAGS officers (r = 0.673, p= 0.001). It reveals that the favourable GG perception of the employees increased their job satisfaction. This result was alien with the past empirical evidence. Therefore, it is very much necessary to maintain the principle of GG in the DOA not only in Department but also in every government as well as private organization to increase the job satisfaction.
Key words: SLAgS officers, good governance and job satisfaction

Introduction
Department of Agriculture (DoA) is the main technical organization responsible for the development of agriculture sector in Sri Lanka. It is one of the oldest departments in Sri Lanka which was established in 1912. The DoA is functioning under the Ministry of Agriculture. Head of the DoA is Director General (DG) and nine directors are responsible for the different disciplines such as Rice Research and Development, Field Crops Research and Development, Horticulture Crop Research and Development, Extension and Training Centre, Seed Certification and Plant Protection Centre, Seed and Planting Material Development Centre, Socio Economics and Planning, Administration and Finance in the DoA. Further, main functionaries of the DoG are SLAgS and their job involvement is significant toward the progress of the agriculture sector. SLAg Service is an important all island service as Sri Lanka Administrative Service. Research Officers (ROs), Agriculture Officers (AOs), Lectures (LCs) and Subject Matter Specialist (SMSs) are the main categories belonged to SLAgS. Mohamad et al (2014) pointed out that at present, high expectation and more educated civil society especially who live in the urban area, the effective service delivery system is important to be performed by the public sector organizations through good governance. Mohd Sidek, (2007) and Siddiquee, (2009) showed that public sector organizations have to improve and strengthen the values of good governance regularly in order to perform their excellent service delivery to public. In human resource perspective, the employees are considered to be the source of good governance success. Shahin (2016) has studies about effect of good governance mixture in governmental organizations on promotion of employees’ job satisfaction. The results of this study have shown that there is a significant positive relationship between good governance and job satisfaction. The results indicate that by implementation of good governance in the organization, job satisfaction and performance can be provided. On this background, this study attempted to recognize effect of good governance perception toward the job satisfaction by officers of SLAgS working in the Department of Agriculture with specific objectives such as to assess the good governance perception and job satisfaction by SLAgS officers working the DoA, to ascertain how GG perception influence the job satisfaction of SLAgS officers in DoA and to identify the bottle necks and appropriate measures to improve the good governance of SLAgS in DoA.

Methodology
Department of Agriculture (DoA) was the study organization. Both primary and secondary data were collected for the study. Primary data were directly collected from the SLAgS officers in DoA who are working in the DoA. Further, secondary data were collected from published and unpublished sources such as Administration Reports, Annual Reports Research Papers and Circulars. A draft questionnaire was initially structured based upon objectives and information requirements for this study. Afterward, pre-tested questionnaire was used to collect the data from the respondents. Eighty three ROs, thirty three AOs and twenty Lectures and four SMSs were selected to form a sample of 140. However, data of the lecturers and SMSs were merged together due to insufficient number of questionnaires received from the SMS.
Further, two questionnaires was filtered out because improper filling of the information by the respondents. Therefore, final sample size was 138. Good governance perception, job satisfaction and other demographic and job related variables such as age, education, gender, job experience, training and visits, information seeking behaviour, satisfaction about job title, job description, perceived workload, job involvement, job stress, job freedom, facilities and resources at work and health condition were taken as the variables.

MIF (2007) shown that good governance has eight major characteristics such as participation, consensus orientation, accountability, transparency, responsiveness, effectiveness and efficiently, equitability and inclusiveness and follows the rule of law. Shahin (2016) has used above indicators and aspects of good governance more carefully, to investigate and evaluate organizational level as smaller level. Albritton and Bureekul (2009) have developed a scale to measure the attitudes on “good governance” by conceptualization eight dimensions of good governance. By following same procedure, good governance perception of SLAgS officers was measured by using the scale especially developed for this study with 28 items representing eight dimensions. This scale was a five-point Likert-scale with weightage of +2, +1, 0, -1 and -2 respectively for most favourable, favourable, neutral, unfavourable and most unfavourable responses for the statements.

Job satisfaction is a set of favorable or unfavorable feelings and emotions with which employees view their work. To assess the level of job satisfaction, Herzberg’s theory (1968) was adopted. According to ‘Herzberg, there are two dimensions to job satisfaction such as motivation and hygiene. The similar idea for the job satisfaction was given by the Newstrom and Davis, (2004). Hygiene factors, according to Herzberg, cannot motivate employees but can minimize dissatisfaction if handle properly. In other words, hygiene factors such as salary, administration policies influence only dissatisfy if they are absent or mishandled. Motivators on the other hand, create satisfaction by fulfilling individuals’ needs for personal growth such as achievement, recognition, the work itself, responsibility and advancement. On this background, it was operationalized as the degree to which, a respondent is satisfied or not satisfied with different aspects of his job. This variable was quantified by using scale developed by Manjula (2000) followed by the Sandika at el., (2007). The scale consisted of 15 statements expressing different aspects of job satisfaction which belonged to either hygiene factors or motivators. The respondents were asked to mention the appropriate answers for each statement of the scale which had Likert-scale with five point viz., from highly satisfied to highly dissatisfy with scores of +2, +1, 0, -1 and -2 score, respectively. Job satisfaction score of a respondent was obtained by summing up the scores obtained by him/her on all the statements. Principle component analysis (PCA) was employed to select the suitable statement. Before analyzing data, validity and reliability of the questionnaire was measured. To enhance validity of the instrument, as Muindi (2014) for his study, a pre-testing was conducted on a population similar to the target population. Coefficient alpha also known as Cronbach alpha was used to assess the reliability of a multiple item variable, (Zebal, 2003). Descriptive methods such as frequencies and percentages were used at the beginning of the analysis. Further, statistical tools such as chi-square and simple correlation were used to test the statistical significance.
Result and discussion

Cronbach’s alpha value related to reliability test for the Likert scale of Good Governance (GG) perception was 0.936. It meant that reliability of scale is excellent. Principle Component Analysis (PCA) was performed to identify the major components of statements which were suitable to measure the GG in the DOA. According to the KMO and Bartlett’s Test value of the sampling adequacy determined as 0.884. This was very high value. Further, variables with coefficient of 0.45 or more were regarded to have high loading and all the statements were selected for the further analysis. Further, it was observed that results of the KMO and Bartlette’s were high for the job satisfaction sale. Value of this test was 0.868. Further, variables with coefficient of 0.45 or more were considered and all the statements were selected for the further analysis. Moreover, PCA proved that all the statements can be used to measure the job satisfaction. Secondly, Cronbach’s alpha value related to reliability test for the Likert scale of job satisfaction was 0.892. It indicates that reliability of scale adopted to measure job satisfaction high.

Result of the study revealed that SLAgS officers’ awareness about GG concepts was very poor. High majority of SLAgS officers were unaware about key dimensions of GG. Initially, it is therefore, necessary make suitable arrangement to improve their awareness toward GG.

Though the respondents were unaware about the concept of GG, majority of SLAgS officers were in the favourable level in respect to the participation, follows the rule of law, equitability, consensus orientation, accountability, and inclusiveness and while other dimensions such as accountability, transparency, responsiveness, effectiveness and efficiently were belonged to neutral level. In addition, overall perception on GG of DOA by SLAgS was categorized into three group such as Less favourable, Favourable and Most favourable. This calculation was done for the total sample as well as different SLAgS officers such as ROs AOs and LCs (Table 1).

<table>
<thead>
<tr>
<th>Categories</th>
<th>ROs (No. %)</th>
<th>AOs (No. %)</th>
<th>Lecturers (No. %)</th>
<th>Total (No. %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less favourable</td>
<td>4 (5%)</td>
<td>01 (3%)</td>
<td>01 (5%)</td>
<td>6 (04%)</td>
</tr>
<tr>
<td>Favourable</td>
<td>53 (64%)</td>
<td>23 (70%)</td>
<td>19 (86%)</td>
<td>95 (69%)</td>
</tr>
<tr>
<td>Most favourable</td>
<td>26 (31%)</td>
<td>09 (27%)</td>
<td>02 (09%)</td>
<td>37 (27%)</td>
</tr>
<tr>
<td>Total</td>
<td>83 (100%)</td>
<td>33 (100%)</td>
<td>22 (100%)</td>
<td>138 (100%)</td>
</tr>
</tbody>
</table>

X² 10.3**

* Significant at 5 % level.  ** Significant at 1 % level.  NS=Non-significant

The data on overall perception on GG of the SLAgS officers were shown by the Table 1, pointed out that 69 percent of the total respondents perceived the GG in the DOA as favourable, while 27 percent and 04
percent of them perceived it as most favourable and less favourable respectively. It was further observed that majority of ROs (64%) AOs (70%) and LCs (86%) perceived the GG as favourable, whereas the most favourable perception was observed with 31 percent of ROs and 27 percent of AOs and 09 percent of lecturers. On the contrary, less favourable perception was noticed with more number of ROs and LCs (5%) as compared to AOs (03%). It brings home the fact that near majority of SLAgS functionaries viz., ROs, AOs and LCs were satisfied and highly satisfied with GG in the Department of Agriculture.

The data presented in Table 2 revealed that majority of the respondents of the total sample (73.00%), ROs (61.00%), AOs (70.00%), and LCs (73.00%) were in the category of not satisfaction to highly dissatisfied level whereas, 27.00 percent of ROs and 30.00 per cent of AOs 27.00 percent of lecturers were observed in satisfaction to high job satisfaction level. Result of Chi square test also indicated significant different between the categories of job satisfaction of ROs, AOs and LCs. This finding are in agreement with the findings of Bosco (2000), Nagananda (2005), Sandika, and Kalansuriya (2015), Widisinghe and Sandika (2016).

<table>
<thead>
<tr>
<th>Categories</th>
<th>ROs</th>
<th>AOs</th>
<th>Lecturers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. (%)</td>
<td>No. (%)</td>
<td>No. (%)</td>
<td>No. (%)</td>
</tr>
<tr>
<td>Highly dissatisfy</td>
<td>4 (05%)</td>
<td>1 (03%)</td>
<td>0 (00%)</td>
<td>6 (04%)</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>21 (25 %)</td>
<td>7 (21 %)</td>
<td>02 (09%)</td>
<td>32 (23%)</td>
</tr>
<tr>
<td>Not satisfied</td>
<td>36 (43%)</td>
<td>15 (46%)</td>
<td>14 (64 %)</td>
<td>63(46%)</td>
</tr>
<tr>
<td>Satisfied</td>
<td>18 (22%)</td>
<td>6 (18%)</td>
<td>6 (27%)</td>
<td>29 (21%)</td>
</tr>
<tr>
<td>Highly satisfied</td>
<td>4 (05%)</td>
<td>4 (12%)</td>
<td>0 (00%)</td>
<td>8 (06%)</td>
</tr>
<tr>
<td>Total</td>
<td>83 (100%)</td>
<td>33(100%)</td>
<td>22 (100%)</td>
<td>138 (100%)</td>
</tr>
</tbody>
</table>

| X²                | 9.3**     |

* Significant at 5.00% level. ** Significant at 1.00% level. NS=Non-significant

Results of the study further revealed that negative responses have received for the present salary for the commensurate with their work and position, paid salary relation to educational qualification, performance assessment methods, distance from office to house, facilities availability, recognition and reward for their creative work, opportunities for higher education and training, flexibility to engage with family responsibilities, children’s’ education etc. and availability of promotion according to performance. It mean that majority of SLAgS officers were in the dissatisfy level or not satisfy level regarding above indicated job satisfaction dimensions. According to Motivator- Hygiene Theory those were belonged to Hygiene factors. It is further important to point out that when the absent of the hygiene factors within the organization lead the dissatisfaction of the employment. On the other hand, it will be the cause of the
de-motivation. Similar result has found by the Sandika and Silva (2011) for their study. Nevertheless, positive responses have obtained for the guidance given by superiors to improve their job, freedom and flexibility for carrying out the job, opportunities to utilize their personal skill and mutual understanding with the co-workers. These points related to the motivator, and majority SLAgS officers satisfied about the motivator available at the DOA.

Nmai and Delle (2014) have applied Pearson Product-Moment correlation test to test the relationship of governance perception with the level of job satisfaction. The result showed that corporate governance significantly and positively predicted employee job satisfaction. The three dimensions of corporate governance (i.e. corporate structure, code of governance and internal control) significantly and positively predicted employee job satisfaction with corporate structure accounting for more variance in employee job satisfaction than the other two dimensions. Similar procedure followed for this study.

The results of Pearson Product-Moment correlation test between job satisfaction of ROs, AOs and LCs with their Good Governance perception is presented in Table 3. It was clear from the table that there was a positive and significant relationship between job satisfaction and Good Governance perception of SLAgS officers. It reveals that the favourable GG perception of the employees increased their job satisfaction. Therefore, it is very much necessary to maintain the principle of GG in the DOA not only in Department but also in every government as well as private organization to increase the job satisfaction. It will finally helpful to increase the job performance of the employees. This point can be extended further to whole country. It means that satisfaction of the nation can be increased by implementing GG practices by the government. Findings of this study are similar with the finding of Ott (2010), Nmai and Delle (2014). Further, Shahin (2016) have examined the impact of GG indicators on promotion of job satisfaction of Lorestan University employees and faculty members. The results have shown that there is a significant positive relationship between GG and job satisfaction. The results indicate that by implementation of good governance in the organization, job satisfaction can be provided. It is therefore, result of this study was alien with the result of the Shahin (2016).

Table 3: Association of job satisfaction of ROs, AOs and Lecturers with GG perception

<table>
<thead>
<tr>
<th>Group</th>
<th>Correlation coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sample</td>
<td>0.673**</td>
</tr>
<tr>
<td>ROs</td>
<td>0.739**</td>
</tr>
<tr>
<td>AOs</td>
<td>0.683**</td>
</tr>
<tr>
<td>Lecturers</td>
<td>0.597**</td>
</tr>
</tbody>
</table>

*Significant at 5.00% level. **Significant at 1.00% level.

Table 2 illustrates that ISB, Job title, TOR, Awareness of TOR, satisfaction about TOR, relates of TOR with job expectation, job involvement, job freedom, facilities and resources available for carrying out job exhibited positive and significant relationship with GG perception of ROs, whereas, age, present job experience, trainings, health perception, similarity TOR and duties and job stress showed negative
significant relationship with GG perception of the ROs. Gender, distance from home to workplace, transport mode, SLAGS class, education, job experience, and perceived workload did not show any relationship with the Good Governance perception of ROs.

Seven variables namely age, job experience, training, ISB, job stress, job freedom and facilities and resources available for carrying out job exhibited significant relationship with GG perception among AOs. Out of them age, job experience, training received and job stress were shown negative significant relationship with GG perception. Further, other variables such as gender, transport mode, education, information seeking behaviour, health, Job title, TOR, awareness of TOR, satisfaction about TOR, workload, job stress and job involvement did not show any relationship with the Good Governance perception of AOs.

Only three variables namely ISB, and facilities and resources available for carrying out job were shown positive and significant relationship while job involvement were illustrated negative relationship with the GG perception of LCs.

**Conclusion and Recommendation**

Result of the study revealed that SLAGS officers’ awareness about GG concepts was very poor. High majority of SLAGS officers were unaware about key dimensions of GG. However, majority of SLAGS officers were in the favourable level in respect to the participation, follows the rule of law, equitability, consensus orientation, accountability, and inclusiveness and while other dimensions were belonged to neutral level. Majority of the total respondents perceived the GG in the DOA as favourable, while 27 percent and 04 percent of them perceived it as most favourable and less favourable respectively. Further, majority of ROs, AOs and LCs perceived the GG as favourable, whereas the most favourable perception was observed with 31 percent of ROs and 27 percent of AOs and 09 percent of lecturers.

Azam, (1998) pointed out that methods to ensure good governance under the point of view of personnel level are select the right people on merit, respect the values, ethics and norms of the organization, continual and progressive training and equity and fair treatment. It was observed that certain personnel level related issues are exist in the DoA. Poor attitudes and honestly integrity of the officers, poor decision taking ability of the superiors, poor transfer policy, corruption and favoritism, unnecessary political influence, personal interests were identified as some of issues. Consequently present salary need to be commensurated with their work and position, paid salary need to relate with the educational qualification, performance assessment methods need to be introduced, facilities availability need to be increased, It is need to recognize and reward the creative work, opportunities for higher education and training need to increase, flexibility to engage with family responsibilities, children’s’ education etc need to increase and introduced performance based promotion system It is therefore very significant to pay attention of relevant authorities in this regards.
To ensure the good governance, organizations should have clear vision, mission and objectives, a concern for social responsibilities, concern for the environment, change with time and new needs, systems and procedures, inter-organizational linkages, ensure sustainability and growth and adaptable to changing situations, (Azam, 1998). It was however, observed that study organization is sorrowing regarding this matter. Considerable amount of respondents have pointed out that activities and focus deviation from the vision and objective of the DoA, lack of orientation and attention of superiors towards the vision and objective of the DoA, low of priority given for research and development activities. It is therefore relevant authorities should consider this matter carefully. At the same time, guidance given by superiors to improve subordinates duties, freedom and flexibility for carrying out the job, opportunities to utilize personal skill and mutual understanding with the co-workers should be maintain at existing level or improve further.

An efficient and effective system and procedures is need to have a lay down transparent systems, ensure minimal individual discretion, and maximize decentralization to enable local decisions for local requirements, integrate modern technology and management information systems, enable constant reviewing and updating of information and have in-built mechanisms to overcome breakdowns and bottlenecks to ensure the good government, (Azam, 1998).

Availability of resources are one of the most important point to be considered to promote the good governance, (Azam, 1998). Under the concept of resources, ensure economy in managing resources, ensure fair distribution, install contingency planning, ensure recycling, re-use and alternative usage of resources and ensure adequate managerial resources should be considered. Lack of financial, human and physical resources is one of most common issue in the DoA which negatively affect to the good governance of the relevant organization.

Monitoring and Evaluation is other important point to be considered for promoting good governance, (Azam, 1998). It is therefore very important to pay attention of increase transparency of decision making process, increasing the efficiency of monitoring and evaluation system, implement an appropriate administration system, introduce a sound performance appraisal system in this regards.

To level leadership and commitment is essential requisite to ensure the good governance and job satisfaction. Majority of respondents pointed out that DoA is at the movement suffering from the lack of leadership. DoA like organization which has dynamic working environment, transformational leadership is more appropriate because it leads to the empowered subordinates who able to make good decision and take immediate actions, enhancing good governance through the leader behaviors that are more cooperative, humanistic and charismatic that lead to valuable characteristics performed by the employees.

**Suggestions for future research**

It can be suggested to identify the way of improving the awareness on good governance practices can be done as a research. Consequently, institutional arrangements, financial and human resources capacities,
public-private sector collaborations, and appropriate oversight mechanisms are very crucial in achieving objectives of the DoA. These points can be taken into consideration for future research. In terms of good governance, it was noted in this study that there were many issues such as leadership style, public participation, financial and human resources management, government policy changes and the impact of decentralization etc. that have an influence on good governance practices and service delivery, some of which need further research in order to provide answers and contribute to constant public administration growing body of knowledge. There is also the urgent need to consider experimental or longitudinal studies to reveal the actual cause of the connection or long-term effect of good governance.

References


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