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## Department of Business Management

Faculty of Business Studies & Finance

Wayamba University of Sri Lanka

Kuliyapitiya

Sri Lanka

Tel : 037-2283618

Fax : 037-2283618

Web : [fbsf.wyb.ac.lk](http://fbsf.wyb.ac.lk)

DEPARTMENT OF BUSINESS MANAGEMENT  
FACULTY OF BUSINESS STUDIES AND FINANCE  
WAYAMBA UNIVERSITY OF SRI LANKA  
KULIYAPITIYA  
SRI LANKA

## Wayamba Journal of Management

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Contact Details,  
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Faculty of Business Studies and Finance,  
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Kuliyapitiya – Sri Lanka  
Telephone (+94) 037-2283618



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# Does Individual Spirituality Really Matter to Work Engagement?

## Evidence from Private Institutes which offer Foreign Degrees in Affiliation with Foreign Universities (PIOFDAFU)

H.R.A. Perera<sup>1</sup> & Prof. K.A.S. Dammika<sup>2</sup>

<sup>1,2</sup>Faculty of Graduate Studies

University of Kelaniya

SRI LANKA

[517runi@gmail.com](mailto:517runi@gmail.com)<sup>1</sup>, [kasdhammika@yahoo.com](mailto:kasdhammika@yahoo.com)<sup>2</sup>

### Abstract

Education in a country is a vital factor to provide job opportunities to people and to make the country economic development. It is significant to develop Sri Lanka higher education regionally and internationally to compete with other countries. To get the high performance in the organization, it is important to identify the physical, psychological and spiritual dimensions towards work engagement. Most of the researchers have identified the physical and psychological factors. But all these years many organizations have neglected the importance of spirituality to the work engagement. Thus, the objective of this study was to explore the impact of individual spirituality on work engagement of the academic staff of Private institutes which offer Foreign degrees in affiliation with Foreign Universities (PIOFDAFU). The individual spirituality, which was measured by three dimensions; namely, larger context, awareness of life and compassion was the independent variable of the study, while, work engagement, which was measured through three dimensions, which are; vigor, dedication and absorption was the dependent variable of the current study. A structured questionnaire was distributed to collect the views from 200 academic employees in PIOFDAFUs in Sri Lanka. Findings revealed that, there is a significant positive impact of individual spirituality on work engagement of the academic employees of PIOFDAFUs in Sri Lanka.

**Keywords:** Individual Spirituality, Spirituality, Work Engagement, Private Institutes

### 1. INTRODUCTION

Many organizations are encouraging the development of this new trend of spiritual, because they believe this kind of humanistic work environment creates benefits for both employees and the organization. If people in the organization are happy, the

organization can achieve productivity and creativity of employees. To achieve the high productivity many corporations are in development of this new trend called “spirituality” because they believe humanistic work experience creates a win win situation for both employee and the

organization. If the member in the organization are happy there will be more productive, more creative and more fulfilled.(Garcia-Zamor, 2003).

Now some organizations have already identified the importance of the humanistic values of the employees to the high performance of organization. Organizations are now focused on helping the employees to balance the workplace and the personal life. Some Organizations are thinking of ways to balance the employees using different methods to get the high performance.

Ashmos and Duchon define spirituality at work as the recognition of employee's inner life that nourishes and is nourished by meaningful work and takes place in the context of community. (Ashmos and Duchon, 2000).

In any organization motivated people have made a decision to apply considerable efforts to achieve something that they value. The value will be different from one individual to another. The most people in the organizations do the work in fear of losing their job. Some people do the job not because the job satisfies them but because they get a salary at the end of the month. There is another group of people they do the job because they have their own goals to be achieved or they are engaged with achieving the organizational goals without consider about themselves.

When the employees are facing to this type of situations the organizations itself cannot achieve the productivity and the efficiency that they are expecting. The main reason for this kind of situation is, employees in the

organization are not working happily in the organization. According to the traditional view, when the people are not happily working in the organizations, we can get to know about the employees by identifying the symptoms at its most extreme.

The people will come to work lately, they wanted to go home early, high absenteeism, people get leaves most of the time, Unproductive work like spending time with you tube, face book, watching movies, chatting with the others. The people dislike work, they work only for money, people cannot manage their own work and they cannot direct themselves to achieve goals, they do mistakes all the time, the employees get angry with their subordinators, they spend their most of the time by gossiping the top management faults with the other company members and when the top management give a group work to the employees they are not achieving it on time. It is management's job is to identify what the people are good in and assigning them to the work that they like to do will act as a motivation factor to get high productivity.

In private education sector, some lecturers are assigned to do modules that the lecturer does not like to do or in some situations the lecturer does not have the knowledge about the particular subject. In this type of situations, the lecturers cannot do the maximum to the students. He/she will deliver the module somehow to stop the blame that he is getting from the top management. Therefore, the lecturer will not put his/her maximum effort to deliver the module to the students. The students will not get the expected out come from the lecturer.

But if the lecturer is assigned to a module that he/she is good in, he/she will do more researchers and may find the best way to deliver the module to the students to give the maximum. This will happen because he/she is happy with the assigned work. So that by identifying the people that they are good in will act as a motivation factor and can get high productivity.

Today in Sri Lanka, Education is an important focal point to provide job opportunities to people to make the country economy rise. Sri Lanka has now been moved to knowledge based economy from service economy. Therefore, Sri Lanka has to compete with other countries that are already developed their higher education system. Hence, Sri Lanka also should develop their higher education regionally and internationally to compete with other countries. (Saman Kelegama, 2017)

According to the e-book of strategic management for tourism hospitality and events, it has mentioned that the skilled labor of Sri Lanka has high turnover rates in higher education sector because of low salaries and unfavorable work conditions. They have also analyzed higher educational institutes cannot meet the demand of the labor because there are less of job opportunities for the young people who are trying to enter to this industry (Evens N,2015).

Therefore, it is vital to find the reasons behind this high turnover rates and the factors affecting to work engagement of the academic staff of PIOFDAFUs in Sri Lanka. If the employees are satisfied, their work engagement is also found to be high. There are so

many factors affecting to employee satisfaction and they can be either categorized under physical factors, mental factors and spiritual factors. In Sri Lanka, most of the organizations have still not identified the importance of spirituality. Most of the organizations are doing changes to the organizational employees without giving attention to the spirituality as a motivational factor. In new business environment, organizations are trying to get the maximum from the employees. Though, there are plenty of research studies done on such physical and mental factors, still there is a research gap to fill by executing research on impact of spiritual factors on work engagement. Hence, the objective of this research is to identify the impact of individual spirituality on work engagement of the academic employees in PIOFDAFUs in Sri Lanka.

From the Latin words ‘spirare’ and ‘spiritus’, the word spirit has been created by giving the meaning of breath, vapor, air or wind (Fox, 1994). We need to breathe to live alive. People think when we die the spirit in our body will be gone. This word is interconnected with religious values (Ashmos and Duchon 2000).

Now a day the term “spiritually” has become an important factor in organizations. The organizations are trying to get the maximum out of employees. But the organizations are not realizing that they cannot get the maximum of the employees without careering the entire person. Academic literature on spirituality has been expanded very recently by Saas in 2000 (Saas, 2000).

The changes in the global economy like competition, population and globalization have realized that the current policies and procedures are not applicable for the 21<sup>st</sup> century. Some of these factors are demotivate and demoralize the employees in an organization.

Interest of the spirituality has been grown in locally and globally. People have identified the importance of spirituality and its values. Spirituality has been involved to increase the motivation of the employees. Many scholars have tried to find the exact meaning of spirituality in different ways. Many researchers have done researches about spirituality in a professional way. In organizational science, the evaluators and academic researchers like Cavanagh 1999, Sass 2000 have done researches about the spirituality (Cavanagh, 1999, Sass, 2000). Some of the practitioners, like, Laabs has done researches about spirituality (Laabs, 1995). Some organizations have found some solutions from spirituality to make the organization a better place.

Spirituality was identified by the scholars in two perspectives; Individual spirituality and organizational spirituality. Bregman and Thierman in 1995 has identified individual spirituality as "spirituality is how the individually lives meaningfully with ultimacy in his or her response to the deepest truths of the universe (Bregman and Thierman, 1995). In accordance with Armstrong in 1995, "individual spirituality is the presence of a relationship with a higher power that effects the way in which one operates in the word" (Armstrong, 1995).

Emblen in 1992 described that, the "individual spirituality is a personal life experience that animates a transcendent quality of relationship with the god" (Emblen, 1992). Mauritzen in 1988 defined the individual spirituality is "as a human dimension that transcends the biological, psychological and social aspects of living (Mauritzen, 1988).

Even though many scholarly efforts have been attempted to find out the importance of the concept of spirituality in the workplace, findings did not much effect to the development of the field in some years ago. But, it is found in the current scenario that, people have a tendency to identify the significance of the concept of spirituality in the workplace. The scientific assessment of spirituality has become more important. Moreover, the results of scientific research based on the spirituality in the workplace are accepted and sometimes applied by the people in their workplace.

Therefore, the topic of workplace spirituality or organizational spirituality has become now an interesting topic among the scholars as well as among the practitioners. Giacalone and Jurkiewicz in 2003 have identified that, there is a great increase of articles and researchers in the field of workplace spirituality, when it compared with the last decades with the twentieth century and also when it compares with the new millennium (Giacalone and Jurkiewicz, 2003).

In this study attempt had been made to identify only the impact of individual spirituality on work engagement, not

the impact of organizational spirituality on work engagement.

The theory of work engagement as a concept has been existed for many years with different developments and conceptualization for the concept. Kahn in 1990 firstly conceptualized the theory of work engagement as,

*“harnessing of organizational members’ selves to their work roles; in engagement, people employ and express themselves physically, cognitively and emotionally during role performances. In other word, people bring their personal selves into their work”.*

Furthermore, confusing the attempts to describe and measure work engagement, other several scholars employed different approaches. For example, Rothbard (2001), who was stimulated by Kahn (1990), described work engagement as a two-dimensional concept that includes *attention* (i.e., the time one spends thinking about one’s role at work), and *absorption* (i.e., the intensity of one’s focus on a role at work). May, Gilson, and Harter (2004) agreed Kahn’s multi-layered concept of work engagement and established a measure for work engagement, but they failed to confirm work engagement as a multi-layered concept.

## **2. METHODS**

The data was collected for the current study from 200 academic staff of PIOFDAFUs in Sri Lanka and for the purpose a structured questionnaire was distributed among the sample. The collected data was analyzed using regression analysis and for the purpose of data analysis, the Statistical

Package for Social Sciences (SPSS) and Structural Equation Modeling (SEM) with Analysis of Movement Structures (AMOS) were utilized.

### **2.1 Conceptual Framework and Hypotheses**

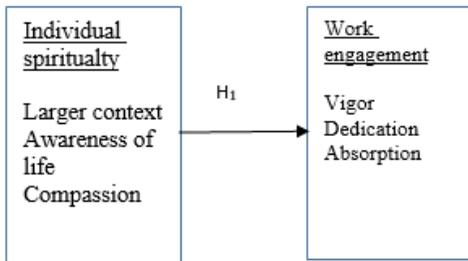
The independent variable of the study was Individual spirituality and it was measured using three dimensions; namely, larger context, awareness of life and compassion according to the Human Spirituality Scale (HSS) was developed by Wheat (1991:166-168). The first section of HSS larger context subscale includes altruism or selflessness, truth, justice or morality, and meaning and purpose in life; the awareness of life subscale includes personal growth and wholeness, some aspects regarding sacredness or significance of life, and a connection with other life dimensions; the compassion subscale includes some aspects regarding sacredness or significance in life and awareness of pain and suffering (Wheat, 1991).

The dependent variable of the study was work engagement and it was measured using three dimensions, which are; vigor, dedication and absorption according to Schaufeli, Salanova and Bakker (2003). According to Schaufeli, Salanova and Bakker (2003), Vigor is described by high levels of energy and mental resilience while working, the readiness to invest effort in one’s work, and perseverance even in the face of difficulties. Dedication denotes to being strongly involved in one's work and experiencing a sense of significance, enthusiasm, inspiration, pride, and challenge. Absorption has the characteristics of being fully

concentrated and happily occupied in one's work, whereby time passes quickly and one has difficulties with detaching oneself from work.

Accordingly, the measurement Scale of Work Engagement used in this study is based on the UTRECHT Work Engagement Scale (UWES) developed by Schaufeli, Salanova and Bakker (2003).

Accordingly, the conceptual framework of current study can be illustrated as follows;



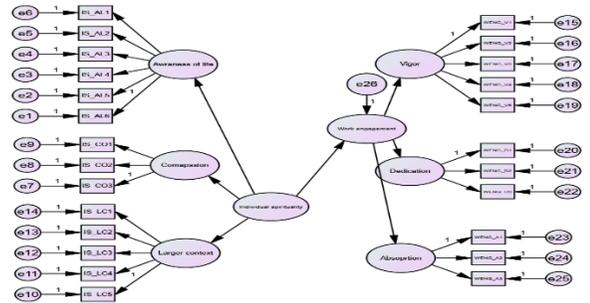
**Figure 1. Conceptual Framework**  
Source: Constructed by author

The hypothesis of the study is;

H1 There is a significant positive impact of individual spirituality on work engagement of academic staff of PIOFDAFUs in Sri Lanka

The questionnaire consisted with 14 questions to measure individual spirituality and 13 questions to measure work engagement. In addition to that, the respondents' demographic factors, such as, age, gender, qualifications, designation, duration of service, income, marital status and number of children.

The structural model of the present research can be presented as bellow;



**Figure 2. Structural Model**  
Source: Constructed by Author

### 3. RESULTS

#### 3.1 Regression Analysis

Before running the regression analysis, the second order Confirmatory Factor Analysis (CFA) was done for two structural models of the current study including two main variables of the study, which are individual spirituality and work engagement and their respective latent variables (for individual spirituality, larger context, awareness of life and compassion, for work engagement, vigor, dedication and absorption), and for observed variables under each latent variables, which were represented by their respective questions.

After executing CFA, the Standardized regression weights (factor loadings) and squared multiple correlations, which are R2 values were recognized, between three latent variables, which are; vigor, dedication and absorption and the main latent

variable of work engagement and between three latent variables, which are; larger context, awareness of life and compassion and the main latent variable of individual spirituality. Furthermore, standardized regression weights and squared multiple correlations of three latent variables of vigor, dedication and absorption with their respective observed variables and three latent variables of larger context, awareness of life and compassion with their respective observed variables also were identified.

There should be more than 0.5 value for standardized regression weights to be accepted as a good representative factor for latent or observed variable. Accordingly, after identifying low standardized regression weights, they were removed and hence all the fitness indices, which measure the absolute fit, incremental fit and parsimonious fit were achieved.

Then, unidimensionality, validity and reliability were tested. Accordingly, unidimensionality was identified through second order CFA done for the present study and it is considered as achieved the unidimensionality, if the standardized regression weights are met the standard level of 0.5 according to Awang (2012). Validity can be verified through convergent validity, construct validity and discriminant validity. Convergent validity is attained when all items in a measurement model are statistically significant. It is confirmed through the p values of unstandardized regression weights for all the latent constructs and all the observed variables of the structural model of this study. construct validity is reached when the

fitness indices for a construct achieved the required level. According to the second order CFA executed for this study, it can be observed that, the fitness indices to measure the absolute fit, incremental fit and parsimonious fit relating to two structural models of the current study were achieved the required standard level. Finally, discriminant validity is achieved when the measurement model is free from redundant items, which can be identified through high Modification Indices (MI) and accordingly, two structural models in this second order CFA in this study identified redundant items through high MI and they were deleted.

Reliability in the forms of internal reliability, composite reliability and Average Variance Extracted (AVE) was tested for the present study. Internal reliability can be achieved through the Cronbach's Alpha coefficient, which is higher than 0.7, which is calculated using SPSS. In order to achieve Composite Reliability (CR) for a construct, value of CR should be greater than 0.6 is required. The Average Variance Extracted (AVE) for a construct should be greater than 0.5 to achieve the reliability.

Following Table 1 illustrates the Cronbach's Alpha coefficients, Composite Reliability values and AVE values for all the dimensions of each variable of the structural model of the current study.

**Table 1. Cronbach’s Alpha Coefficients, Composite Reliability Values and AVE values for the Dimensions**

Variable	Dimensions	Cronbach’s Alpha Coefficients	Composite Reliability	AVE
Work Engagement	Vigor	0.875	0.87	0.58
	Dedication	0.798	0.81	0.59
	Absorption	0.820	0.82	0.61
Individual Spirituality	Awareness of Life	0.917	0.88	0.58
	Larger Context	0.905	0.89	0.62
	Compassion	0.859	0.89	0.75

Source: Author constructed from SPSS and SPSS AMOS Output

Normality assessment was also done in order to qualify for running regression analysis. It was verified through identifying the skewness for every item. If the absolute value of skewness is 1.0 or less than 1.0, it indicates the data is normally distributed (Awang, 2012). Accordingly, it was identified that, absolute value of skewness for every item of work engagement and individual spirituality were achieved the required level.

The regression results revealed that, the 94.7% of the variance in the work engagement can be explained by the individual spirituality of the academic employees of PIOFDAFUs in Sri Lanka. Further, the impact of individual spirituality (0.884) on work engagement was found to be positive and statistically significant ( $p = 0.000$ ).

Following figure presents the structural model with regression results.



**Figure 3. Structural Model with regression results**

Source: Constructed by author from SEM with AMOS output

#### 4. DISCUSSION

The majority of the respondents are in the age range from 31 years to 40 years (39%). Further, the next highest percentage is for the age range from 20 years to 30 years (34.5%). The lowest percentage was reported for the age range of more than 60 years (2%). Moreover, it can be seen that the majority of the respondents are males (73%).

And also, the majority of the respondents are in the Lecturer position (47%), while the least respondents can be found from the designation of Professor (4.5%). It can be observed that, 43.5% of the respondents have Masters’ degree, and 29.5% has first degree. Diploma holders are 15.55% from the total respondents and PhD holders are 11.5% from the total respondents.

Further, it is observed that, the highest percentage of respondents (53%) are working in PIOFDAFUs for more than 2 years. 47% of respondents’ service duration is less than 2 years. And also, the majority of the respondents are married (81.5%). 17% of the respondents are single, while the balanced 1.5% of the respondents belongs to the divorce category.

Moreover, the majority of the respondents (44%) belong to the income range from Rs. 50,001 to Rs. 100,000. 37.5% of the respondents earn the income ranging from Rs. 35,001 to Rs. 50,000. The least respondents (3.5%) belongs to the income level of more than Rs. 150,000.

Finally, it can be observed that, the majority of the respondents (33.5%) has one child. 29.5% of the respondents has two children and 19.5% of the respondents has no children. There is only 1% of the respondents has more than three children.

It was found from the regression analysis that, there was a significant positive impact of individual spirituality on work engagement of of the academic staff of Non-State, Unregistered Higher Educational Institutes in Sri Lanka. Therefore, the hypothesis of the current study, which is; there is a significant positive impact of individual spirituality on work engagement of academic staff of PIOFDUFUs in Sri Lanka can be accepted.

## 5. CONCLUSION

It was found in the literature that, a research gap in identifying the impact of individual spirituality on work engagement of employees, especially in Sri Lankan context. Further, it was found that, the employee turnover, especially among the academic staff of PIOFDUFUs in Sri Lanka was rapidly increased in recent past. Therefore, the objective of the present study was to identify the impact of individual spirituality on work engagement of

academic staff of PIOFDUFUs in Sri Lanka. For the purpose, a sample of 200 academic staff was selected and a structured questionnaire was distributed to collect the views of the respondents. The collected data was analyzed using regression analysis and the regression analysis was done using SEM with AMOS. The results revealed that, there is a significant positive impact of individual spirituality on work engagement of academic staff of PIOFDUFUs in Sri Lanka. Further, the individual spirituality has a greater explanatory power (94.7%) on the work engagement.

Therefore, it can be concluded that, by improving the level of individual spirituality of academic employees of PIOFDUFUs in Sri Lanka, work engagement of them can also be enhanced. Further, it can be concluded that, the individual spirituality of the academic employees can be enhanced by improving the three dimensions of individual spirituality, which are; larger context, awareness of life and compassion.

Hence, the authority can formulate strategies, which can enhance the individual spirituality of the academic employees of PIOFDUFUs in Sri Lanka.

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## **Entrepreneurial Networks Towards the Performance of Small & Medium Manufacturing Enterprises in Kurunegala District in Sri Lanka**

**U.L. Herat<sup>1</sup> & W.M.H.G. Wijesinghe<sup>2</sup>**

<sup>1,2</sup>Department of Business Management

Faculty of Business Studies & Finance

Wayamba University of Sri Lanka

Kuliyapitiya

SRI LANKA

[umangi@wyb.ac.lk](mailto:umangi@wyb.ac.lk)<sup>1</sup>, [hasithawijesinghe05@gmail.com](mailto:hasithawijesinghe05@gmail.com)<sup>2</sup>

### **Abstract**

The Small and Medium Enterprise (SME) sector has been identified as an important strategic sector in Sri Lankan economy and it is seen as a driver of change for inclusive economic growth, regional development, employment generation and poverty reduction. Therefore, it is important to enrich the performance of SME sector in Sri Lanka. Among the SMEs in Sri Lanka, Manufacturing sector of SMEs are playing a critical role in creating wealth as it is the sector which employ large number of workforce, but the gradual decline of the annual growth rate of the Sri Lankan manufacturing sector is serious matter of concern raised by policy makers. Although there are many studies relating to entrepreneurial networks and the performance of SMEs, in Sri Lankan context there is an empirical gap. Therefore, the purpose of this study was to test a research model for investigating the impact of entrepreneurial networks on the performance of SMEs in Kurunegala district in Sri Lanka. Hence, this research focuses on critical elements such as Social networks, Professional networks and Inter-organizational networks as independent variables. The survey questionnaire was distributed to a sample of 383 SMEs in Kurunegala district. The stratified random sampling technique was used for the selection of the respondents to the sample and data analysis were done by using regression analysis. The findings proved that all the three variables positively and significantly affect the performance of SMEs. The results of this study guide the SMEs to build more entrepreneurial networks to continue to sustain and grow. It is also suggested to future researchers in the area to conduct more studies expanding the knowledge in entrepreneurial networks

**Keywords:** Inter-organizational Networks, Professional Networks, Social Networks, Small and Medium Manufacturing Enterprises

## 1. INTRODUCTION

In many researchers it has been proved that the small and medium enterprises find it difficult to achieve their goals by themselves alone. In order to achieve their goals, they need support and resources from other firms Meller and Marfan (1981), Visser (1997), supporting institutions Allesch (1993), Gibb (1993), Gibb and Zoltan (1996), Lim (1994), Sarder et al. (1997), and relatives and friends Bridge et al. (1998), Birley (1985), Johannisson (1988,). Therefore, many researches have claimed that the successful achievement of SMEs are influenced by the supporting networks Donckels and Lambrecht (1995), Greve (1995), ILO (1995), Hansen (1995), Sarder, Ghosh and Rosa (1997), These network relationships allow entrepreneurs to identify opportunities and resources rapidly Cromie et al. (1994), Johannisson (1988), Sadler and Chetty (2000), Szarka (1990), Weick (1991). In this research, networks are defined as personal relationships between an entrepreneur and his 'external parties' Aldrich and Zimmer (1985), Birley (1985), Johannisson (1986, 1988).

These term "external parties" can include individuals or organizations who are not directly hired by the entrepreneur. However, Entrepreneurs develop these contacts in order to accomplish different tasks and to obtain necessary resources. In that point of view, entrepreneurial networks comprise with four major elements such as parties, resources, tasks and contacts. Entrepreneurs/managers, policy makers and academics have given

their increased attention on collaborative business relationship as a means of developing small and medium enterprises (Gibb 1993, Gibb and Haas 1996). Numerous studies have identified the importance of entrepreneurial network on the performance of SMEs. Though there are numerous studies relating to entrepreneurial network and the performance of SMEs, there is an empirical gap in developing countries like Sri Lanka in identifying the impact of these entrepreneurial networks on the performance of SMEs.

### 1.1 Problem Statement

Strategic alliances, business collaborations and networks are becoming popular among the SMEs due to the competitive advantage and ability to share resources and capabilities with other firms by gaining economies of scale through joint purchase, bundling of lot size to serve large customers, joint market activities, joint product development and help in research, reduced lead time for deliver, built joint information system and reduced stocks Johnson & Scholes (2005).

Past researchers have pointed out various factors affecting to the performance of SMEs. Welmilla, Weerakkodi and Ediriweera (2001) pointed out that there are many factors that affect the success of entrepreneurs which include age, experience and education level of the entrepreneur. In some previous studies López-García and Puente (2009) Stam and Schutjens (2005) they have identified networking as one of the

characteristics of high growth firms (HGFs). These studies have identified networking to be key determinants of SME's growth although with inadequate empirical results. As a result, it is not clear whether or not entrepreneurial networks contribute to the performance of SMEs. It is alleged that the performance of businesses necessitates that SME owners and managers engage in networks to successfully run their business.

Many researchers may have done the researches about the entrepreneurial networks and growth of SMEs, but still there is an empirical gap in Sri Lankan context. Especially according to the annual reports of the central bank the annual growth rate of the manufacturing SMEs is gradually declined, which will ultimately can have an impact on national GDP. Therefore, it is evident that there is need for identification of the impact of entrepreneurial networks on the performance of manufacturing SMEs in Kurunegala District.

### **1.2 Research Objectives**

The objectives for the present study as follow,

- To identify whether social network positively and significantly impact on the performance of manufacturing SMEs in Kurunegala District in Sri Lanka.
- To identify whether professional network positively and significantly impact on the performance of manufacturing SMEs in Kurunegala District in Sri Lanka

- To identify whether inter-organizational network positively and significantly impact on the performance of manufacturing SMEs in Kurunegala District in Sri Lanka

### **1.3 Contribution of the Paper**

The study aided in understanding the impact of entrepreneurial network on the performance of manufacturing SMEs in Sri Lanka. Therefore, the results of this study can be used as a reference for entrepreneurs who are interested to start their own business which will provide vision to continue to sustain and develop in the SMEs sector. Also this will provide great insights for the policy makers to prepare the policies marked relationships between individuals and business enterprises, which are mutually beneficial.

### **1.4 Literature Review**

Many authors have used different definitions to define small and medium enterprises. In Sri Lankan context also the government institutions and other organizations use various measures and different definitions in order to define the SMEs. The most commonly used criteria are the number of employees, the amount of fixed investment, type of the business (i.e whether the business is informal or formal) and in which industry it operates. Lakshman et al. (1991). Organizational performance is a measure of company's success in achieving goals. Performance of a company is defined as firm's' ability to create acceptable results. As per the,

Pfeffer and Salancik (2008) and also performance of the SME can be seen from the satisfaction of the owner/manager on profit turnover & business development.

**Entrepreneurial Networks:** According to Watson (2007) various definitions are used to define the concept of networking. These may include social capital, business networks, formal networks, informal networks and social networks. Generally, networking involves continued relationships between individuals and business enterprises, which are mutually beneficial to all parties involved Hallén and Johanson, (2004). For firms, particularly SMEs, the networking strategy is an effective strategy for open innovation Lee, (2010). Scalera and Zazzaro (2009) define networking as a set of stable links developed for cost effective economic transactions among the network members founded on informal and formal links with mutual goals. According to Zain and Nieman, (2006) “entrepreneurial networks as the relationship between a firm’s management team and employees with customers, suppliers, competitors, government agencies, distributors, bankers, families, friends, or any other party that enables it to internationalize its business activities”. According to Anderson, Park and Jack (2007) “it could even be argued that it is through social relations, social interaction and networks that entrepreneurship is actually carried out.” Entrepreneurial Networks are the key to open and gaining access to other resources as they ease communication among

people with network ties. Anderson, (2007).

**Social Networks:** Social networks are mainly maintained with family, friends and acquaintances. Brown and Butler (1993), Butler and Hansen (1991), Johannisson (1986). According to Burt (1992) social networks are not fixed; they are the social context of businesses and can be activated according to different needs. To fit their enterprise needs, entrepreneurs bring both those that are closer and distant to them into their business decisions. Family members can play a critical part. Actors in a social network can be persons, groups, and collectives of organizations. Social networking is defined as the management of relationships or alliances that the individual has with others in their society Dubini and Aldrich (1991).

**Professional Networks:** Professional or business-oriented networks include all those individual relationships that are primarily concerned with business. Butler and Hansen (1993) suggest that a more business-focused network begins to arise during the start-up phase. This professional network, is significant for the initial stage of a business, which reflect associations with individuals and organizations that provide the more immediate needs of the new business. According to Birley and Cromie (1988) these ‘professional network includes both individuals who are in the pre-existing social network, and new individuals and organizations.

**Inter-organizational Networks:** Inter-organizational networks are

linkages between a business and other organizations. These can be governmental or non-governmental organizations that provide assistance for SMEs and business consultants. For a business, contacts with other organizations become critical because inter-organizational networks that include supporting agencies (government institutions, NGOs, banks, and other small business supporting institutes) and other firms (large and small firms) are a way for entrepreneurs to secure information about market relationships as well as to ensure resource channels. This improves their performance of the business and give the opportunity to compete more effectively in the industry. Aldrich, Reese, and Dubini (1989), Aldrich and Zimmer (1986). One aspect of the inter-organizational links is subcontracting Gibb (1993). Butler and Hansen's (1991) study suggest that both broad social and inter-organizational strategic networks are important for a successful start-up and ongoing competitive advantages.

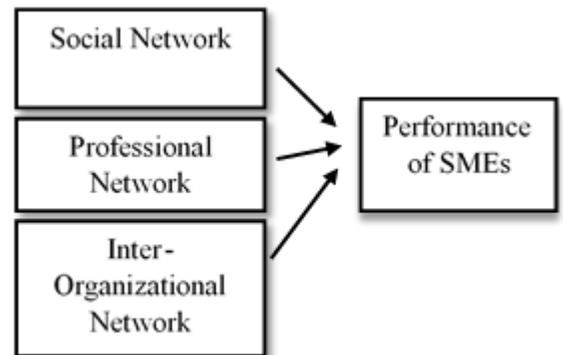
## 2. METHODS

According to the Department of Statistics, population consisted with 42039 amount of manufacturing SMEs of Kurunegala district in Sri Lanka. According to Krejcie & Morgan table 383 manufacturing SMEs were selected based on stratified sampling technique. Basically primary data collected through a generalized questionnaire and secondary data were collected from web sites and journal articles. Data were analysed by using the regression model. Reliability was examined on

all items included in the section two in the questionnaire of the present study. As a test of cronbach's alpha was adopted to represent internal consistency.

After a critical review of literature, the developed conceptual model can be presented as follows.

### 2.1 Conceptual Framework



**Figure 1. Conceptual Framework**

### 2.2 Hypotheses

The researcher has developed following three hypotheses.

**H<sub>1</sub>:** There is a positive & significant impact of social network on the performance of manufacturing SMEs in Kurunegala district in Sri Lanka.

**H<sub>2</sub>:** There is a positive & significant impact of professional network on the performance of manufacturing SMEs in Kurunegala district in Sri Lanka.

**H<sub>3</sub>:** There is a positive & significant impact of inter-organizational network on the performance of manufacturing SMEs in Kurunegala district in Sri Lanka.

### 3. RESULTS

The reliability of the measures of all constructs was assessed by using the Cronbach’s alpha reliability coefficient and it indicated that all three variables aligned acceptable level of consistency more than 0.7 hence, it can be concluded that all the measures used in this study for the data collection are reliable instruments. Further testing assumptions of multivariate analysis of linearity, homoscedasticity, normality ensured the suitability of dataset. When considering multicollinearity, Variance Inflation Factor (VIF) of all variables and tolerance values for all the observed variables are greater than 0.10, which are in acceptable range. Table 1 illustrate the descriptive statistics results align with collected survey data

**Table 1. Descriptive Statistics**

Variable	N	Maximum	Minimum	Mean	Std. Deviation
Social Networks	383	5.00	3.29	4.1059	.35517
Professional Networks	383	5.00	2.83	3.8679	.50293
Inter-Organizational Networks	383	5.00	3.00	4.3784	.43807
Performance	383	4.83	3.04	4.1193	.38491

Source: Survey data, (2019)

The univariate analysis concluded that all variables have reported agreed levels by the respondent who entered to the survey.

**Table 2. Results of Correlation Analysis**

Factors	Performance of SMEs	Sig.
Social Network	0.702	0.000
Professional Network	0.547	0.000
Inter-Organizational Network	0.710	0.000

Source: Survey data, (2019)

The table 2 indicated the Pearson correlation coefficient for the variables, where all the variables are positively related to the Performance of SMEs at a statistically significant level.

#### Regression Analysis

Multiple regression analysis was conducted to find out the impact of entrepreneurial network on the performance of manufacturing SMEs in Kurunegala district.

**Table 3. Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.828	.418		4.373	.000
Social Network	.706	.272	.493	5.344	.000
Professional Network	.649	.104	.594	6.779	.000
Inter-Organizational Network	.782	.170	.292	3.326	.000

a. Dependent Variable: Performance of manufacturing SMEs

Source: Survey data, (2019)

$$\text{Performance} = 1.828 + 0.706\text{SN} + 0.649\text{PN} + 0.782\text{IN}$$

According to the above equation it indicates the beta value of Social Network as 0.706, which indicates that if the Social Network increase by one, the performance of manufacturing SMEs will increase by 0.706 units. This interpretation is true only if the other factors held constant. The significance level is 0.000 and it is less than 0.05 under the 95% significance level, so the alternative hypothesis is accepted while null hypothesis is rejected. Therefore, the researcher can conclude that social network positively and significantly impact on the performance of SMEs in Kurunegala district. Also Professional Network ( $\beta = 0.649$ ,  $p = 0.000$ ) is positively impact on the Performance of manufacturing SMEs, whereas Inter-organizational Network ( $\beta = 0.782$ ,  $p = 0.000$ ) has reported a positive impact on the Performance of manufacturing SMEs in Kurunegala district. According to the multiple regression analysis results, all the independent variables have a significant impact on the Performance of manufacturing SMEs in Kurunegala district. Hence all the Alternative hypotheses were accepted and null hypotheses were rejected, which indicates that the changes in Social network, Professional Network and Inter- Organizational Network can have a significant impact on the Performance of manufacturing SMEs in Kurunegala district. According to the regression results, the most influential variable can be identified as the Inter-Organizational Network factor as it has the highest beta value (Regression Coefficient) on the Performance of manufacturing SMEs.

#### 4. DISCUSSION

According to the analysis, it was found that there is a significant Impact of entrepreneurial networks on the performance of manufacturing small and medium enterprises in Kurunegala district.

The first and main objective of the study was to investigate the Impact of entrepreneurial networks on the performance of manufacturing small and medium enterprises in Kurunegala district. Under the entrepreneurial networks, the impact of Social Network, Professional Network and Inter-organizational network on the performance of manufacturing small and medium enterprises in Kurunegala district were investigated. Hence, all together three hypotheses, were tested. Accordingly, Social Network, Professional Network and Inter-organizational network investigated in this study were found to be good predictors of performance of manufacturing small and medium enterprises in Kurunegala district. In some previous researches, it is argued that entrepreneurial networks have been ignored by giving more attention to other factors. These results revealed that the role of entrepreneurial networks cannot be ignored in enhancing the performance of manufacturing SMEs. The positive relationships found in this study also supported to clear the ambiguity in findings because some researchers argue that the findings of previous studies were inconsistent. The results of this study proved that the above mentioned three entrepreneurial networks are important to enhance the

performance of manufacturing SMEs in Kurunegala district.

## 5. CONCLUSION

The major purpose of this study is to investigate the impact of entrepreneurial networks on the performance of manufacturing small and medium enterprises in Kurunegala district.

The findings of the study are very useful for the small businesses in manufacturing sector to decide on what entrepreneurial networks to be developed in order to enhance the performance of their enterprises. Especially, inter-organizational networks need to be maintained with the government institutions, NGOs, banks, and other small business supporting institutes as those networks have the ability to help the SMEs in different ways such as providing financial assistance, providing information about new markets and products, and to provide the necessary workshops for small entrepreneurs about the different strategies that can be adopted when running their businesses. Also the findings of the study will be very useful for the government organizations, business community, policymakers, financial institutes and donor organizations to get an understanding about the need of their support to enhance the performance of the SMEs in Sri Lanka. Moreover, the perceptions of small business entrepreneurs on their networks to be developed can be understood while it gives an idea of the importance of being entrepreneurs.

Accordingly, the findings will serve the small business entrepreneurs to do a self-assessment and improving their networks to the expected level. The people who are willing to be entrepreneurs in future will also be benefitted with these findings by giving them a clear guidance of the importance of building entrepreneurial networks to enhance the performance of their businesses. The current study found that entrepreneurial networks are important determinants for the performance of SMEs. The actors in social networks, inter-organizational networks and professional networks are critical for an entrepreneur to become success in his/her business. However, the variables were limited only to three entrepreneurial networks. The findings of the current study provide signals that it is worth extending future studies for investigating other potential entrepreneurial networks to enhance the performance of SMEs.

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# **The Moderating Effect of Working Environment on the Relationship Between Human Resource Management Practices and Employee Turnover Intention:**

## **A Study of Tyre Manufacturing Industry in Sri Lanka**

**H. J. Hewavithrana<sup>1</sup> & B.M. Wijesiri<sup>2</sup>**

<sup>1,2</sup>Department of Business Management

Faculty of Business Studies & Finance

Wayamba University of Sri Lanka

Kuliyapitiya

SRI LANKA

[hiranyahewavitharana@gmail.com](mailto:hiranyahewavitharana@gmail.com)<sup>1</sup>, [bmw@wyb.ac.lk](mailto:bmw@wyb.ac.lk)<sup>2</sup>

### **Abstract**

Employee turnover has been considered as major problem for most organizations, especially in the tyre manufacturing industry. Management of companies should minimize employee turnover through their better HRM practices. Therefore, this study attempted to identify to the relationship between HRM practices and employee turnover intention among employees in the tyre manufacturing industry in Sri Lanka. And also it identified the moderating effect of the working environment on the relationship between Human Resource Management (HRM) practices and turnover intention. The study was based on six hypotheses that were constructed to reveal whether performance appraisal, rewards, training and development and working environment significantly affect employee turnover intention. These three HRM practices and working environment were identified based on previous literature. Furthermore, this study was conducted among 278 employees who work in tyre production sections from three tyre manufacturing companies. Moreover, the study collected data using a structured questionnaire and analyzed through reliability analysis, descriptive analysis, correlation analysis and multiple regression analysis. Results of the analysis revealed that performance appraisal, rewards, training and development had a significant negative impact on employee turnover intention. Further, the working environment as a moderator significantly decreased the relationship between HRM practices and turnover intention.

**Keywords:** Employee Turnover Intention, Performance Appraisal, Rewards, Training and Development, Working Environment

## 1. INTRODUCTION

Organizations are seeking growth and successful progress because of the highly competitive nature in the business world. There is an increasing recognition that increases in global trade, facilitated by advancement in technology, communication and transportation began to bring the markets of the world into a greater competition (Samuel and Chipunza 2009). Economic globalization has therefore become more pronounced and the ability of an organization to compete in the global marketplace is increasingly tied to the quality of the human resources therein. Therefore, managing them without any disruptions is important. However, employee turnover has become one of the major issues faced by the tyre manufacturing industry in Sri Lanka. This has result negatively to the company's efficiency when skilled employees often leave the organization and the work population contains a high percentage of new employees. Further, high turnover would bring destruction to the business in the form of both direct and indirect costs. However, there is difference between turnover and turnover intention. Turnover is the actual action that employees had left the company and move to another company for new employment relationships (Price, 2001) and turnover intention is the behavior that employees thinking of leaving and terminate for the current employment relationship, but not the actual action to leave the current job (Cotton and Tuttle,1986). The actual turnover behavior has a strong and significant

positive relationship with turnover intentions (Samad, 2006).

Since it is practically impossible to examine all the factors that affect employee turnover intention, this study is only focused on three human resource management practices that affect employee turnover intention. The reason to choose HRM practices as the independent variables is that it covers most of the organization-related factors that can affect employee turnover intention. According to the social exchange theory (Blau 1964), proper training and development, compensation and performance appraisal organized by an organization should theoretically be able to enhance employee retention rates, as individuals and organizations enter into exchange relationships in which the provision of mutual benefits creates obligations to reciprocate (Raihan 2012). Moreover, the organizational work environment is an important factor which affects employee behavior and attitude. It comprises the physical, geographical location and the immediate surroundings of the workplace. Therefore, this study introduced the working environment as a moderator to identify any significant impact on the relationship between HRM practices and employee turnover intention.

Previous studies have not given careful consideration to HRM practices in the tyre manufacturing industry in Sri Lanka and connecting this to employees' turnover intention. Further, there are very few past researches which consider the working environment as a moderator

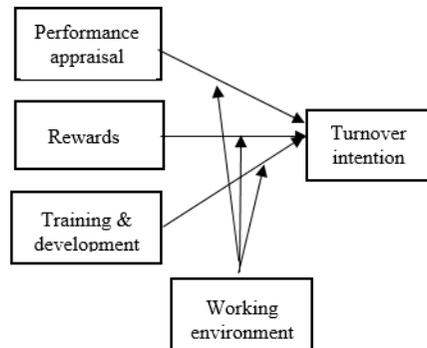
to measure the relationship between HRM practices and turnover intention. Therefore, the researcher decided to cover this gap through this scientific research.

The general objective of the study is to justify the association between HRM practices and turnover intention. The specific objectives of this study were;

- i. To investigate the relationship between performance appraisal and employee turnover intention in tyre manufacturing industry.
- ii. To investigate the relationship between rewards and employee turnover intention in tyre manufacturing industry.
- iii. To investigate the relationship between training and development and employee turnover intention in tyre manufacturing industry.
- iv. To investigate the moderating effect of working environment on the relationship between HRM practices and turnover intention.

Since employee turnover is costly to any organization, identifying well in advance the factors behind employees' intention to leave would help to adjust their HRM practices to reduce employee turnover rate. Further, this study would enable the industry to analyze the cost in terms of replacing employees, loss of productivity and deterioration of service quality. The study also add value to the researchers in the area of employee turnover. Scholars will find it important as it will increase the body of knowledge in this area.

Based on the literature reviewed, the researcher has developed conceptual framework for this study.



**Figure 1. Conceptual Framework**

Further, after observing the mix findings from prior studies the researcher proposed following hypotheses to test the relationships between independent, moderating and dependent variables.

***H<sub>01</sub>***: There is a significant relationship between performance appraisal and turnover intention.

***H<sub>02</sub>***: There is a significant relationship between rewards and turnover intention.

***H<sub>03</sub>***: There is a significant relationship between training and development and turnover intention.

***H<sub>04</sub>***: Working environment significantly moderate the relationship between performance appraisal and turnover intention.

***H<sub>05</sub>***: Working environment does not significantly moderate the relationship between rewards and turnover intention.

***H<sub>06</sub>***: Working environment does not significantly moderate the relationship

between training and development and turnover intention.

## 2. METHODS

The target population in this study was 1000 employees who work in tyre production departments in three tyre manufacturing companies in Sri Lanka namely Samson Rubber Industries (Pvt) Ltd, CEAT Kelani tyres (Pvt) Ltd and Global Rubber Industries (Pvt) Ltd. According to Krejcie & Morgan's (1970) table for determining sample size, 278 employees included as sample from the population (1000 Population, 0.95 Confidence Level). This study used a stratified random sampling technique. This technique was acceptable because it based on probability and ensured that all employees from the different strata were adequately represented. The stratum for this study was divided into three tyre manufacturing companies from the total population.

This study predominantly depended on both primary and secondary data. Secondary data were collected through books and reports of the HR departments of each company. Then, primary data were collected using a questionnaire. Through careful review of prior research, the researcher developed a specific set of questions to be included in the questionnaire. It contained closed-ended questions, where the respondents were required to answer all the questions. The questionnaire was divided into 3 sections where section 1 includes demographic details of respondents and section 2 includes all about employee turnover intention, selected HRM practices (performance

appraisal, rewards, Training & Development,) and working environment. Moreover, section 2 was measured by five-points Likert scale where one, two, three, four, and five representing strongly disagree, disagree, neutral, agree and strongly agree. Further, section 3 consisted of two open-ended questions where employees can express their opinion on other HRM activities and help the researcher to explore the study widely.

Though the researcher distributed 315 questionnaires, some questionnaires were uncompleted and some were not submitted back to the researcher. After withdrawing uncompleted questionnaires and non-given questionnaires finally researcher had to get only 281 questionnaires to create the data set for the purpose of analyzing. Accordingly, the response rate was 89.20% for distributed questionnaires of the study.

After data collection, the quantitative responses of the respondents are classified and coded for analysis. SPSS, 20.0 versions (Statistical Packages for Social Science) was used to analyze the data presented. Descriptive statistics were estimated for the various constructs and presented through frequency tables. Data consistency was checked using the Cronbach's alpha. Inferential data analysis was done by using the Chi-Square test, Spearman Correlation Coefficient and Regression analysis. The correlation was used to establish the direction of the relationship between the dependent and the independent variables. Moreover, Multiple regression analysis was used to determine the relationship between

the various HRM practices and employee turnover intention. Testing hypothesis using p-value was made because it gave the strength of the decision. Further, the significance level of 0.05 was suggested as it denotes that the results are at 95% confidence level.

### 3. RESULTS

#### Demographic data analysis

The demographic data of the sample showed that most of the respondents are in the age group between 26-35 years (42.4%) and fewer respondents are in the age group of 46-55 years (7.2%). In addition to that, 79.5% of respondents are male and only 20.5% are female. This indicates that majority of the employees in the tyre manufacturing industry are males and relatively young. Besides that, there are 54.7% unmarried respondents while other 45.3% of respondents are married. This happens maybe because the majority of respondents are still at a young age. From the education level aspect, 48.9% of majority respondents have educated up to G.C.E. Ordinary level and only 21.2% of respondents educated below to grade 11. Furthermore, 20.9% of respondents have service experience less than one year and 41.7% have experienced between 1-5 years. Only 13.3% of respondents have service experience of more than 10 years with their companies. Regarding the monthly salary aspect, the majority of respondents (52.9%) receive a monthly salary between Rs. 30,000-40,000 and only a few respondents (2.9%) receive monthly salary below to Rs. 20,000.

#### Reliability and Validity of the Study

To measure the reliability and validity in this study the researcher used "Cronbach's Alpha" separately for all the five variables.

**Table 1. Reliability Statistics**

Reliability Statistics		
Variable	Cronbach's Alpha	No. of Items
<b>Independent variables</b>		
PA	.901	05
Rewards	.906	05
T & D	.893	05
<b>Moderating variable</b>		
WE	.907	05
<b>Dependent variable</b>		
TI	.877	05

The value of Cronbach's Alpha should be exceeding 0.700 if the drivers are reliable. According to Table 1, Cronbach's Alpha for performance appraisal (0.901), rewards (0.906) and working environment (0.907) shown very high level of relative internal consistency and reliability. Furthermore, Cronbach's Alpha for turnover intention (0.877), training and development (0.893) shown a high level of relative internal consistency and reliability at the tyre manufacturing industry in Sri Lanka. Out of five variables rewards have the highest Cronbach's Alpha value and turnover intention have the lowest.

**Chi- Square analysis**

**Table 2. Chi - square test**

Test Statistics			
	Chi-Square	df	Asymp. Sig.
PA	260.835 <sup>a</sup>	17	.000
Rewards	66.453 <sup>b</sup>	12	.000
T & D	198.029 <sup>a</sup>	17	.000
WE	338.273 <sup>a</sup>	17	.000
TI	90.806 <sup>a</sup>	17	.000
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 15.4.			
b. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 21.4.			

The table 2 shows all individual drivers such as performance appraisal, rewards, training & development, working environment, employee turnover intention have the p-value (Asymp. Sig.) less than the chosen significance level  $\alpha = 0.05$ . Therefore, the null hypothesis which states there is no significant difference between expected frequencies and observed frequencies is rejected and alternative hypothesis is accepted.

**Correlational Analysis**

To find the individual drivers' sign of the effect which is positive or negative to the employee turnover intention, researcher has used correlation analysis with Spearman Correlation Coefficient.

**Table 3. Correlation Test Results**

Correlations			TI
Spearman's rho	TI	Correlation Coefficient	1.000

		Sig. (2-tailed)	
	N		278
PA	Correlation Coefficient	.691**	-
	Sig. (2-tailed)	.000	
	N		278
Rewards	Correlation Coefficient	.811**	-
	Sig. (2-tailed)	.000	
	N		278
T&D	Correlation Coefficient	.741**	-
	Sig. (2-tailed)	.000	
	N		278
PA x WE	Correlation Coefficient	.677**	-
	Sig. (2-tailed)	.000	
	N		278
Rewards x WE	Correlation Coefficient	.788**	-
	Sig. (2-tailed)	.000	
	N		278
T&D x WE	Correlation Coefficient	.713**	-
	Sig. (2-tailed)	.000	
	N		278
**. Correlation is significant at the 0.01 level (2-tailed).			

The Correlation analysis results confirmed that performance appraisal, rewards, training & development, performance appraisal x working environment, rewards x working environment and training & development x working environment are negatively correlated with employee turnover intention in the tyre manufacturing industry in Sri Lanka at 05.00% level of significance.

Therefore, developed hypotheses can interpret as follows.

Performance appraisal has -0.691 correlation value with turnover intention and the relationship is significant because the p-value - 0.00 which is less than 0.05. As a result, the null hypothesis is rejected while the alternative hypothesis is accepted. Moreover, rewards have -0.811 correlation value with turnover intention and the relationship is significant because the p-value - 0.00 which is less than 0.05. As a result, the null hypothesis is rejected while the alternative hypothesis is accepted. Similarly, training and development has -0.741 correlation value with turnover intention and the relationship is significant because the p-value - 0.00 which is less than 0.05. As a result, the null hypothesis is rejected while the alternative hypothesis is accepted. Further, working environment as a moderating variable has reduced the correlation coefficient values of all three independent variables (PA- -0.667, Rewards- -0.788 & T&D- -0.713) and the p-values are less than 0.05. That means working environment significantly moderates the relationship between these three HRM practices and employee turnover intention. Therefore, all three null hypotheses under moderating effect are rejected while the alternative hypotheses are accepted.

**Multiple Regression Analysis**

Regression analysis includes many techniques to analyses the relationship between the dependent variable and independent variables.

**Table 4. Model Summary**

Model Summary <sup>b</sup>				
Model s	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error
1	.870 <sup>a</sup>	.757	.754	.48285
2	.801 <sup>a</sup>	.641	.637	.58638

a. Predictors: (Constant), Training & Development, Rewards, Performance Appraisal  
 b. Dependent Variable: Turnover Intention

**Table 5. ANOVA table**

ANOVA <sup>a</sup>						
Models		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	198.622	3	66.207	283.980	.000 <sup>b</sup>
	Residual	63.881	274	.233		
	Total	262.502	277			
2	Regression	168.291	3	56.097	163.150	.000 <sup>b</sup>
	Residual	94.211	274	.344		
	Total	262.502	277			

a. Dependent Variable: Turnover Intention  
 b. Predictors: (Constant), Training & Development, Rewards, Performance Appraisal

According to the summary of model 1, the selected independent variables are explained the total variation of the employee turnover intention by .754 which is 75.4 as a percentage and the overall model was significant due to P-value of ANOVA table (0.000) is less than 0.05. Further, summary of model 2 shows the selected

independent variables are explained the total variation of the employee turnover intention by .637 which is 63.7 as a percentage and the overall model was significant due to P-value of ANOVA table (0.000) is less than 0.05. This difference between adjusted R<sup>2</sup> values (.117) represent the moderating effect of working environment.

**Table 6. Regression Coefficient**

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	7.257	.149	48.804	.000
	PA	-.119	.115	-1.040	.303
	Rewards	-.849	.162	-5.229	.000
	T & D	-.555	.118	-4.711	.000
2	(Constant)	5.080	.184	27.600	.000
	PA x WE	-.676	.424	-1.594	.117
	Rewards x WE	-.199	.323	-.614	.540
	T & D x WE	-.669	.419	-1.594	.117

a. Dependent Variable: Turnover Intention

According to the model 1 in the regression coefficients table the independent variables such as performance appraisal (β - (-0.119), Sig. / P Value – 0.003 < 05.00%), rewards (β - (-0.849), Sig. / P Value – 0.000 < 05.00%) and training & development (β - (-0.555), Sig. / P Value – 0.000 < 05.00%) has a significant impact on employee turnover intention at tyre manufacturing industry in Sri Lanka at 5% level of significance. Therefore, the estimated model for forecast the employee turnover intention without the effect of the working environment (Moderating Variable) can be shown as below.

$$Y_i = 7.257 - 0.119 X_1 - 0.849 X_2 - 0.555 X_3 + \epsilon$$

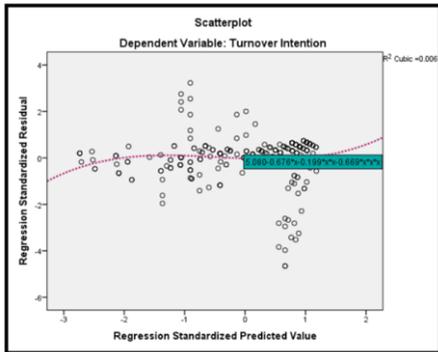
**Figure 2. Estimated Forecasted Model**

According to the model 2 in regression coefficient table the independent variables with moderator such as performance appraisal x working environment (β – (-0.676), Sig. / P Value – 0.000 < 05.00%), rewards x working environment (β – (-0.199), Sig. / P Value – 0.000 < 05.00%) and training & development x working environment (β – (-0.669), Sig. / P Value – 0.000 < 05.00%) has a significant impact on employee turnover intention at tyre manufacturing industry in Sri Lanka at 5% level of significance.

Figure 3 and 4 shows the estimated model for forecast the employee turnover intention with the effect of the working environment (Moderating Variable) and the distribution curve of employee turnover with the effect of the working environment respectively.

$$Y_i = 5.080 - 0.676 X_1 - 0.199 X_2 - 0.669 X_3 + \varepsilon$$

**Figure 3. Estimated Forecasted Model (with the effect of moderator variable)**



**Figure 4. Distribution Curve of Employee Turnover Intention with the Effect of Working Environment**

#### 4. DISCUSSION

The findings of this study revealed a significant negative relationship between performance appraisal and employee turnover intention. This emphasis employees who feel their contribution is not effectively appraised and recognized have no interest to continue their job and will consider leaving the organization. Furthermore, researchers in the past have indicated similar relationships (Vignaswaran, 2008) that the satisfaction on performance appraisal system will affect organizational commitment and employee turnover intention.

Moreover, findings of this study revealed a significant negative relationship between rewards and employee turnover intention. This emphasis that when an organizations provide proper rewards and care about

the employees, it will make the employees stay for longer period of time otherwise, employees will join to other organization which provide more attractive rewards to them. Therefore, organization should give better rewards such as salary, medical and insurance facilities, recognition to retain employees. Similarly, past research has indicated that the failure to be rewarded as expected may lead to frustration and make them less motivate and eventually will quite the job (Maicibi, 2003).

The findings of this study also revealed a significant negative relationship between training and development and employee turnover intention. According to Connie et. al, (2009), training and development is an important part of human resources variable which can give an important impact of employees' turnover intention. Therefore, organizations need to provide adequate qualitative and quantitative training and development programs for employees to enhance their professional and personal life and reduce employee turnover rate.

As per the findings, working environment moderates the relationship between HRM practices and employee turnover intention. It revealed even though a company has poor HRM practices positive working environment can decrease the employee intention to turnover to some extent. Therefore, companies should create conducive working environment to minimize the employee turnover. This also in line with findings of Ahmad, Bibi, and Majid. (2013) as working environment

moderates the relationship between supervisory support, training and development and employee retention.

## 5. CONCLUSION

The general objective of the study was to identify the HRM practices that affect employees' turnover intention in the tyre manufacturing industry of Sri Lanka. The literature presented indicates results of previous studies on the different HRM practices that lead to employee turnover intention. The study revealed that there is a highly considerable level of turnover intention within employees in the tyre manufacturing industry which significantly influenced by all the selected HRM practices. The second objective of the study is to understand how the working environment moderates the relationship between HRM practices and turnover intention. The data analyzed confirmed that there is a moderating effect of working environment to this relationship.

Therefore, the researcher provides some recommendations to reduce turnover rates in companies. The first recommendation that the researcher wants to give is, primarily develop a well-organized employee retention strategy which follows updated HRM practices as appropriate and consider the various factors that employees in the tyre manufacturing industry would value. In doing this strategy, the organization can find the other major factors that make the employees think of quitting. Ultimately that can help to reduce the costs related to employee turnover. In order to retain employees, companies should provide training and career development opportunities as a regular practice. This training and

development programmes should be able to enable employees to improve their skills and capabilities as well as developed within their job.

Further, as a better HRM practice companies should provide realistic job information about task, role, working conditions, company policies and procedures when recruiting and selecting new employees and update company information to existing employees. This would increase the employee ability to work with an understanding of the organization and reduce frustration, demotivation to work within them. Then the companies can reduce the rate of employee turnover as well as the cost relating to employee turnover.

Next recommendation is to create risk-free physical working environment management should more concerned about providing personal protective equipment (safety shoes, safety helmets, Safety glasses) and should be made aware of the importance of it. That may feel employees as they are value to company and minimize their intention to turnover. Finally, setting collective goals rather than individual goals, conducting team building activities, creating opportunities for an open communication system can increase the level of employee interaction, efficiency as well as decrease the turnover intention within the workplace.

The study also has some limitations. It only considered the employees who work in tyre production departments in the companies as respondents. Thus, the findings may be generalized by selecting employees in other departments such as inspection,

quality assurance, maintenance as respondents in future research. Further, some respondents were not willing to participate in the survey because survey questions are quite sensitive to them. Since this research is only considered about three HRM practices the researcher encourages future researchers to study the on other HRM practices such as recruitment and selection, empowerment and participation, employee relations to identify their influence to employee turnover intention.

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## Market Orientation and Organizational Performance of Small and Medium Enterprises in Puttalam District

W.A.P. Pramodanie<sup>1</sup>, D.M.T.D. Dissanayake<sup>2</sup> & S.M.N. Praveeni<sup>3</sup>

<sup>1,2,3</sup>Department of Business Management

Faculty of Business Studies & Finance

Wayamba University of Sri Lanka

Kuliyapitiya

SRI LANKA

[tanya@wyb.ac.lk](mailto:tanya@wyb.ac.lk)<sup>2</sup>, [praveeni@wyb.ac.lk](mailto:praveeni@wyb.ac.lk)<sup>3</sup>

### Abstract

The aim of the study was to investigate the relationship of Marketing Orientation on Organizational Performance of Small and Medium Enterprises (SMEs) in Puttalam District. On one hand, the study identifies the components of market orientation related with Business performance and on the other hand the significant association between Market Orientation and SMEs' Business Performance. The study focused on three (3) dimensions related to market orientation and one dimension related to business performance. The selected sample for the study contained 110 owners from 110 SMEs in Puttalam district using convenient sampling method. The level of measuring variables was interval and the relevant statistical techniques for these measures were correlation and regression analyses. Data analysis was conducted by using Statistical Package for Social Sciences (SPSS). Four hypotheses were tested to assess the empirical relationships among variables. Looking at the overall association among the variables it was observed that there is a high positive correlation between the market orientation and business performance ( $r = 0.931$ ). Subsequently, factors such as customer orientation, competitor orientation and inter-functional coordination were found to be significantly impact on business performance of SMEs. Finally, these findings may lead to making some recommendations to improve the current level of market orientation factors of owners in SMEs which might lead to an increase in their business performance. Therefore, this study attempts to bring a validated framework to inform a suitable market orientation factors for the SMEs.

**Keywords:** Business Performance, Market Orientation, SMEs

### 1. INTRODUCTION

Market orientation has become a center of attention of many authors for over 30 years (Parasuraman, 1983; Whyte, 1985; Greenley, Matcham, 1986; Naidu and Narayana, 1991). The importance of market orientation in affecting businesses profitability is well documented in marketing

literature (Narver & Slater, 1990; Ruekert, 1992; Ngai & Ellis, 1998). These works span from both developed (Harris, 2000; Perry & Shao, 2002; Elg, 2003; Green Jr. et al., 2005; Keskin, 2006; Sen, 2006; Ozer et al., 2006) and developing (Agarwal et al., 2003; Kuada & Buatsi, 2005; Dwairi et al., 2007) economies. The central argument of

the developed and developing countries' studies demonstrates the indispensable role that market orientation plays in an organization's marketing activities in achieving superior performance in its chosen markets.

In Sri Lanka SMEs plays a major role in economic growth. SMEs have been recognized as an important strategic sector in Sri Lanka for generating high economic growth, reducing unemployment, inequality and poverty (Ministry of Enterprise Development, 2002). Sri Lanka's economy is predominantly a Small and Medium Enterprise economy where over 50 % of GDP is produced by the SME sector. SMEs are found in all sub-sectors of the economy, with a large concentration in manufacturing, and a further concentration of the small ones with 5 – 10 workers. They are widely spread across urban, rural and estate sectors (International Labour Organization, 2002).

However, there is lack of enough empirical and conceptual studies of market orientation and business performance among SMEs in Sri Lankan Context specially in Puttalam District. Puttalam District is clearly a gateway to profitable investment, Because of attractive natural environment, climate, agriculture and plantation. Tourism attractiveness increased the no. of SMEs in North Western province. As well as the agriculture playing a crucial role in the development of the central region of Sri Lanka and presenting exciting opportunities for the entrepreneurs. This research attempts to measure the marketing knowledge in SME and its

relationship with the business performance. So, it's expected to explore the relationship of marketing orientation and improvement needs for future marketing success.

The aim of this paper is to examine and evaluate the degree of marketing orientation in businesses from SMEs in Puttalam District and to identify impact of marketing orientation on business performance.

## **2. LITERATURE REVIEW**

Throughout the marketing literature, the adoption of the marketing concept is seen to be a foundation for successful performance. The marketing concept was formally introduced in the writings of McKitterick (1957), Felton (1959), and Keith (1960). It defines a distinct organizational culture that puts the customer in the center of the firm's thinking about strategy and operations (Deshpande, Farley and Frederick, 1993; Deshpande and Webster 1989). It can also be viewed as a philosophy of doing business or as a culture that permeates every aspect of an organization's operation (Houston, 1986; Wong and Saunders, 1993; Hunt and Morgan, 1995).

There has been increased interest in the market orientation construct in the past two decades. Following this development, many attempts have been made by researchers to appreciate its make-up resulting in the operationalization of its definition as a construct (Blankson et al., 2006). Most definitions developed were derived from the conceptualization of both Kohli and Jaworski (1990) or Narver and Slater (1990). According

to Kohli and Jaworski (1990), while the marketing concept is commonly defined as a philosophy or way of thinking that guides the allocation of resources and the formulation of strategies for an organization, market orientation is considered to be the activities involved in implementation of the marketing concept.

From the strategic marketing literature, market orientation involves the use of superior organizational skills in understanding and satisfying customers (Day, 1990). In essence, market orientation is derived from the application of marketing concept and it requires firms to monitor rapidly changing customer needs and wants, determine the impact of these changes on customer satisfaction, increase the rate of product innovation, and implement strategies that build the firms' competitive advantages.

Although performance can have a variety of meanings (short-term or long-term, financial or organizational benefits), it is broadly viewed from two perspectives in the previous literature. First, there is the subjective concept, which is primarily concerned with performance of firms relative to that of their competitors (Golden, 1992). The second method is the objective concept, which is based on absolute measures of performance (Chakravarthy, 1986; Cronin and Page, 1988). For this study, a subjective rather than an objective approach was used for the following two reasons. First, company information is usually classified as highly confidential. Respondents may be reluctant to provide hard financial data. Second, past studies have

reported a strong association between objective measures and subjective responses (Dawes, 1999; Jaworski and Kohli, 1993; Pearce, Robbins and Robinson, 1987; Robinson and Pearce, 1988; Venkatraman and Ramanujam, 1986). During the decade of the 1990s, a steady stream of research has focused on the impact of market orientation upon business performance. Indeed, market orientation has long been associated with higher result in terms of business profitability (Narver & Slater, 1990) as well as success in the market place (Jaworski & Kohli, 1993). Other studies have shown that marketoriented organizations are likely to experience improved levels of employee satisfaction, esprit de corps and organizational commitment (Ruekert, 1992; Jaworski & Kohli, 1993).

However, mixed findings were found. Deng and Dart (1994), reported a positive link between market orientation and performance, while Diamantopoulos and Hart (1993) identified a weak association between market orientation and performance, and Bhuian (1997) found no link between market orientation and performance for Saudi Arabian banks.

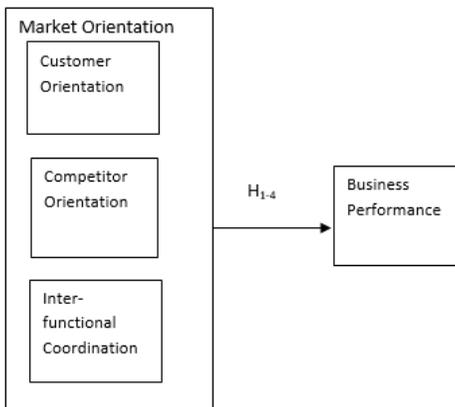
Given the contradictory findings among the previous literature, many researchers have echoed the call for a need to assess the hypothesized impact of market orientation on business performance (Appiah-Adu, 1997; Bhuian, 1997; Kohli et al., 1993). In this study, the market orientation of SMEs in Sri Lanka is examined.

### 3. METHODS

The study applied the quantitative design utilizing the questionnaire for data collection.

#### 3.1 Conceptual Framework

Following figure 1 illustrates the conceptual framework of the study.



**Figure 1. Conceptual Framework**

#### 3.2 Hypotheses

H<sub>1</sub>: Customer Orientation significantly relates with Business Performance

H<sub>2</sub>: Competitor Orientation significantly relates with Business Performance

H<sub>3</sub>: Inter functional Coordination significantly relates with Business Performance

H<sub>4</sub>: Market Orientation significantly impact on Business Performance

#### 3.3 Population and Sampling

The study targeted a population of owners of all the SMEs in Puttalam District.

According to Creswell (2009); Creswell and Plano Clark (2017) followed by the cross-sectional survey, distribution of the questionnaire was conducted and yielded 110 responses from the potential respondents. According to Green (1991), the minimum sample size for a population of 107 ( $n \geq 50 + (8 * m)$ ). Thereby, the sample obtained within this study was an adequate representation of the total population.

#### 3.4 Measurements of Research Constructs

The market orientation construct was measured by the market orientation scale developed by Narver and Slater (1990). The instrument consisted of three subscales used to measure customer orientation, competitor orientation and inter-functional coordination. This instrument has received widespread support in the literature for its reliability and validity (Chan and Ellis, 1998; Greenley, 1995; Slater and Narver, 1994; Van Egeren and O'Connor, 1988). To measure market orientation with Narver and Slater's scale, a 5-point scoring format (1 = strongly disagree; 5 = strongly agree) was employed for all 13 items.

To measure business performance, each respondent in this study was asked to evaluate his/her company's current business performance relative

to its major competitors with respect to the following four items: (1) sales growth, (2) customer retention, (3) ROI, and (4) market share. Responses were made on a 5-point scale ranging from “Strongly Agree” to “Strongly Disagree”.

### Methods of Data Collection

Questionnaires were an efficient data collection mechanism when the researcher knew exactly what is required and how to measure the variables of interest. Questionnaires can be administered personal, mailed to the respondents or electronically distributed (Sekaran, 2006). This study is made use of a closed-ended questionnaire to collect data from selected owners of SMEs who are from Puttalam District.

The resulting data obtained from the respondents were entered into SPSS software version 21 and Correlation and regression analysis were used.

## 4. RESULTS

### 4.1 Respondent Profile

The profile of the respondents and their companies is shown in Table 1.

**Table1. Respondent Profile Analysis**

Profile	Frequency	Percentage
<b>Gender</b>		
Male	58	57%
Female	42	43%
<b>Age</b>		
17-21	13	12%
22-26	26	24%
27-30	20	18%
31-35	33	30%
36-50	13	12%
>50	5	5%

<b>Form of Enterprise</b>		
Sole proprietorship	61	55%
Partnership		
Private Limited	39	35%
	10	10%
<b>Category of the Firm</b>		
Mobile/Carts		8%
Computers		12%
FastFood/Rest		18%
Veg.Flowers deli		24%
Book/Stationary		15%
Grocery/Stores		10%
Car/Bike repair		8%
Electronic/Homeapp		9%
Other		6%

Source Survey 2018

### 4.2 Construct Validity and Reliability

In determining the internal consistency of constructs in the model, Cronbach’s alpha and KMO and Bartlett’s test were used in line with recommendations from Hair et al. (2017) and Kline (2015). Table 2 shows the results on the internal consistency measures of the reflective model.

**Table 2. Validity and Reliability Analysis**

Constructs	Cronbac h Alpha	KMO value	Bartlett’s Test
Customer Orientation	0.803	0.848	.000
Competitor Orientation	0.703	0.834	.000
Inter functional Coordination	0.747	0.827	.000
Business Performance	0.947	0.831	.000

Source Survey 2018

The values obtained from Cronbach’s for the reflective model shows that the model achieved reliability standards as the value of Cronbach’s Alpha

greater than 0.7 is considered reliable (Nunnally, 1978). According to the factor analysis results (Table 2), values for the KMO test were above 0.5 and all the values for Bartlett’s test indicated below 0.05 which is confirmed the validity requirements of the data set. The KMO test was used to verify the sampling adequacy for the analysis.

### 4.3 Correlation Analysis

Correlations between the constructs are as follows. The objective of the correlation analysis is to measure the degree to which two constructs are related.

**Table 3. Correlations Analysis**

Relationship	P-Value	Pearson Correlation	Correlation
Customer Orientation and Business Performance	0.00	.915	High positive
Competitor Orientation and Business Performance	0.00	.835	High positive
Inter functional Coordination and Business Performance	0.00	.904	High positive
Market Orientation and Business Performance	0.00	.931	High positive

\*\* Correlation is significant at the 0.01 level (2-tailed).  
Source Survey 2018

Results reported in Table 3 show that correlations among the three components of market orientation and Business Performance which is ranged from .835 to .931, and all correlations were statistically significant at  $p < .05$ . Each of the components were highly

correlated (.8 and above) with the Business Performance.

Hypothesis were tested based on the Pearson Correlation coefficient(r) and table 3 shows the results relating to different relationships between constructs. Accordingly, all the four hypotheses are accepted.

### 4.4 Regression Analysis

Further, researcher conducted a regression analysis to identify the overall impact level of Market Orientation on the Business Performance. The  $R^2$  indicates that 86.7% of the variation in Business Performance is significantly explained by variation in overall Market Orientation. R square indicates that there was somewhat high degree of fit with the regression model. The F value is 700.992 ( $p=0.000$ ) that is significant at 0.000, which suggest that the Market Orientation has significantly explained of the variation in the Business Performance. As indicated by table 4, considering to this results Market orientation had strong significant ( $p=0.000$ ) and positive impact on the business performance with a standardized Beta of 0.931.

**Table 4. Regression Analysis**

Relationship	P-Value	Standard Coefficient	Results
Market Orientation and Business Performance	0.00	.931	High positive

Source Survey 2018

## 5. DISCUSSION AND CONCLUSION

On the basis of results obtained by evaluation of the conducted research on the sample of companies engaged are confirmed the existence of relationship between marketing orientation and performance of company. Existence of this relationship is proven decades by results of various international researches implemented in different countries around the world, on companies of different sizes operating in different sectors of economy. These researches are mainly focused on examination of relationship of marketing orientation and performance of companies. Methodology of the research is mainly based on the methodology of original authors, while we deliver new perspective due to chosen sample of companies and a new country context. The high positive relationship of marketing orientation with business performance indicators were confirmed. This result is consistent with some pervious research (Peters and Austin, 1985; Peters and Waterman, 1982). In specific terms, the results suggest that the existence of strong customer focus leads to an even greater relationship between and performance of sampled SMEs ( $r=0.915$ ). Similarly, stronger market turbulence in the SMEs sector generates stronger relationship between market orientation and performance of SMEs ( $r=0.931$ ).

Therefore any business viability in the long run certainly requires a responsive approach to customer changes in terms of their preferences

in consumption and also competition that emerged in the market place by competitors. For small or even micro firms it is crucial to increase its market orientation by engaging in developing capabilities which could effectively be used to satisfy the ever-changing customer wants and needs. To create superior value for customers, the business must create value for itself. For this, not only leadership but all employees in the small sector must play a significant role to promote the market orientation behavior throughout the firm.

Policy makers should consider organizing seasonal courses and training to owners and manager of small businesses on the use of marketing strategies in gaining competitive advantage. The owner/manager's attitude is the key driving force to support and appreciate this behavior, not only for a greater level of market orientation but also support innovative strategies that the firm can adopt to respond to the changing customers' behavior as well as stand a head against their competitors. Market orientation has positive influence on the overall performance in SMEs, it is certainly interesting to note that in this study, SMEs are rather driven by competitor orientation than the customer orientation, this indicates that small firms are certainly constantly seeking information about their close competitors to ensure that what exactly their competitors are doing so they can make their strategies accordingly to outperform them.

It is also demonstrating that if Puttalam district SMEs are successful

in business performance, marketing orientation should be followed, further studies should be carried out on marketing capabilities of these small business in the Puttalam district in order to find marketing inabilities and educate management of these firms on how to be market oriented in the particular industry.

This study investigating the relationship between market orientation and business performance of SMEs in Sri Lanka with special references to Puttalam District. In overall, these firms should attempt to follow market orientation to increase their business performance.

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