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



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## Wayamba Journal of Management

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Contact Details,

Editor-in-Chief,

Department of Business Management,

Faculty of Business Studies and Finance,

Wayamba University of Sri Lanka.

Kuliyapitiya – Sri Lanka

Telephone (+94) 037-2283618



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## **Management Accounting Practices: A Case of Total Quality Management (TQM) Strategies and Performance**

**A.M.S. K. Alahakoon<sup>1</sup>, M.R.P. Wijesinghe<sup>2</sup> & W.G.I.D. Premarathne<sup>3</sup>**

Department of Finance  
Faculty of Commerce & Management Studies  
University of Kelaniya  
SRI LANKA

alahakoon7@hotmail.com<sup>1</sup>, ruwanmrp@kln.ac.lk<sup>2</sup>,  
devindip@kln.ac.lk<sup>3</sup>

### **Abstract**

This study aims to identify the emergence of Total Quality Management (TQM) and its implications on Management Accounting in a leading company in Sri Lanka. The reasons for implementing the TQM, benefits, its continuation, and management accounting implications were explored. For this purpose, employed a case study approach, and semi-structured interviews were conducted with employees of different hierarchical levels. The findings show that institutional factors and technical efficiencies influence the implementation of TQM. From the institutional perspective, the selected organization can enhance the performance via TQM implementation by identifying the reasons behind the TQM movement and gaining benefits due to the continuation of TQM as a well-developed and effective problem-solving tool. From the technical perspective, this study contributes to the existing literature on TQM and guides practicing managers to enhance their performance via effective implementation. Additionally, this contributes to the development of Management Accounting systems.

**Keywords-:** Case Study Approach, Management Accounting, Total Quality Management

## 1. INTRODUCTION

Total Quality Management (TQM) is the art of coordinating the entire to reach its excellence. It is the embellishment to the habitual way of managing business and it helps for the endurance in the worldwide opposition. This is not only a philosophy, yet additionally, a bunch of rules or guidelines for continuous upgrades for the services and products offered to customers.

Total quality management (TQM) was originated in Japan in the 1950s as a philosophy of quality management. TQM efforts typically draw heavily on the previously developed tools and techniques of quality control. Most organizations provide more attention to the TQM during the late 1980s and early 1990s with the emergence of ISO 9000, lean manufacturing, and Six Sigma. In the late 1980s, TQM was initiated as a management concept that included the quality of all issues in an organization. TQM now has become the responsibility of management and requires the involvement of all employees. Further, TQM has since primarily been recognized for emphasizing customer needs and contribution to organizations, efficiency, and effectiveness through process orientations and continuous improvement (Steiber & Alange, 2013).

In recent years many organizations have moved towards a TQM path in their quest for quality (Hoque & Alam, 1999; Yeng, 2018). TQM has been recognized as an essential

platform supporting continuous improvement and measuring business performance (Pipan, Gomiscek, & Kljajic, 2014). TQM is an important management practice, and companies cannot choose to ignore quality if they want to survive. Through the implantation of TQM practices, an organization can ensure the effectiveness of efforts to improve cost reduction, productivity, quality, and effective delivery, where ultimately TQM leads to organizations' competitiveness (Ooi, 2015; Khan, 2003; Sharma, Lawrence, & Lowe, 2010; Sharma & Hoque, 2002; Hoque & Alam, 1999; Modell, 2009; Terziovski & Samson, 1999; Week, Helms, & Etkin, 1995; Boaden, 1997)

However, there is a growing recognition in the Management Accounting literature that, when an organization adopts a new management philosophy such as TQM, it may lead to changes in the firm's internal accounting and control mechanism (Hoque & Alam, 1999; Sharma et al., 2010; Model, 2009). In there, the popular conceptualization of TQM practices emphasizes the need for mechanisms supporting lateral control such as empowerment of managers with cross-functional process responsibilities, team-based rewards, and use of non-financial goals and performance measures (Modell, 2009; Sharma et al., 2010; Hoque, 2003; Boaden, 1997).

Further, Hoque and Alam (1999) note that implementation of TQM subsequently changes the

Management Accounting System (MAS) of an organization. The TQM-focused MAS assists management in the evolution and improvement of TQM practices and satisfies managers' information needs.

Based on all the facts mentioned, it is unarguable to state that TQM is a widely researched area in most of the other countries (Shahzadi et al., 2018, Sharma & Hoque, 2002; Terziovski & Samson, 1999; Lee & Lee, 2014; Kanji, 1996; Sharma, Kumar, & Kumar, 2007; Mensah, Copuroglu, & Fening, 2012; Boaden, 1997; Kanji, Malek, & Tambi, 1999). However, there is a dearth of studies on TQM implementation in Sri Lanka (Kaluarachchi, 2010; Yapa, 2012), especially using a qualitative approach such as a case study approach. Thus, it is motivated us to fill these gaps by addressing the following research questions.

- Why is TQM implemented?
- What are the benefits and reasons for the continuation of TQM?
- How have Management Accounting practices changed to facilitate the TQM movement?

The broader perspective proves that this case study helps practice managers who intend to adopt TQM in their organizations. The study became original by exploring the TQM implementation of a selected entity in Sri Lanka. Therefore, the findings of this study

will contribute to expanding the existing literature on TQM and add further explanations on TQM implementation. Thus, it contributes to both knowledge and practice.

In an attempt to accomplish the above, this paper is divided into the following sections. Firstly, the literature on TQM is reviewed, followed by an explanation of the methodology employed. Then the reasons for TQM implementation, benefits, and reasons for the continuation of TQM, Management Accounting practices that need to change to facilitate the TQM movement are critically analyzed. Discussions of findings are discussed before the conclusions, and the implications are presented.

## 2. METHODS

The research method can be categorized into four groups, namely qualitative/case study, quantitative/survey, archival and descriptive (Gooneratne & Hoque, 2013). This study utilizes three methods for data collection: semi-structured interviews with eleven employees at different hierarchical levels, review of documentary materials on the company's TQM & management accounting practices, and observation of the manufacturing process of one plant.

The case study method was one approach used in this study as this study is a "contemporary, pre paradigmatic and ongoing phenomenon", (Lindgreen, 2001, p. 78) of TQM. The study is based on a Beta company that practices TQM efficiently. The company has been

practicing a Quality control system since 1995. With the introduction of the new ISO standard, the managing director of the company became interested in adopting TQM in line with that standard. Then Beta Company has utilized TQM as one of the management systems of the company.

The unit of analysis for this research was the individual level. (Yin, 1994). The interviewees were selected from the different hierarchical levels of the head office and a plant. These include chief financial officer/executive director, financial controller, central quality manager, business unit controller, a management accountant, a plant controller, a human resource manager, a production manager, a quality executive, a quality controller, and a group leader who are directly engaged in TQM practices and accounting practices. Eleven in-depth interviews were conducted using a well-organized and planned semi-structured questionnaire developed, aligned with the research questions. Interviews were tape-recorded and transcribed. Thematic analysis was used in analyzing the data manually, and the techniques such as cross-case synthesis, rival explanation, and pattern matching were adopted. Furthermore, data were collected through observation of the manufacturing and quality process of plant one. Andon system, some of the quality gates, daily improvement cards, daily problem cards, “five-why analysis” process, and Quality Inspection Board and

problem-solving management system were observed through the plant visit and those details were also used when analyzing data. In addition to the above mentioned, data were also collected through the corporate website of the relevant company.

The reliability of this study was established through the case study protocol. The pattern matching strategy was adopted to reduce the concern over internal validity. Making a priority to the ethics which are crucial to follow in qualitative research, informed consent was taken from all the parties before obtaining the data and was ethical enough to safeguard the confidentiality and privacy, and anonymity of the interviewer.

### **3. RESULTS**

This section displays the direct quotations from the transcripts of the interviews with each respondent. Quotations of respondents are presented in italics and each respondent was abbreviated as RP.

The findings are presented under each research question of the study.

#### **3.1 Research Question 01: What are the reasons for TQM implementation?**

The findings (themes coming under research question 01) are shown in figure 1 (Appendices).

Two main themes were identified under this research question. They are external and internal themes of TQM implementation. Further,

some sub-themes emerged under each of the themes (e.g., operational improvement). Each of these themes and sub-themes is discussed below with relevant quotations.

### **3.1.1 Internal reasons operational improvement**

Generally, manufacturing organizations experience issues such as inefficiencies of operation, including increases in defects rate, scrap and rework. The adoption of TQM led to operational improvements due to proper quality management. The operational improvement as a theme is demonstrated in the following quotations. Quality controller of the plant one explained,

*“Before the adoption of TQM we have experienced lots of system failures such as machine breakdowns. With the emergence of the TQM, we reduce those failures and enhance our operational activities”.*

The production manager further added,

*“We assigned real persons to the real place the minimize defects of the operation.”*

*“TQM is not like a one-day transformation. It is like a transformation that happens over time. We had a quality control approach before the implementation of TQM, and with the implementation of TQM, it turns to quality assurance. And TQM resulted for the improvement of operations within the company through effective utilization of resources.” (RP01: CQM)*

And,

*“We as a manufacturing company engage needs to pay our fullest attention towards the quality of our operations. It was able to achieve at its highest after the TQM implementation within the company”.* (RP 02: BUC)

Further,

*“We changed the total production system with the implementation of TQM. As a production manager, before the implementation of TQM, I did not have a specific production agenda. But, with the implementation of the TQM, I have to continue the production process based on specific agenda.” (RP 05: PM)*

### **3.1.2 Internal Reasons – To minimize the cost of production**

Most manufacturing organizations experience high costs in their manufacturing processes. Beta also faces a similar situation due to the inefficiencies of the operations. Therefore, management of the Beta has implemented a formal quality system, TQM to eliminate unnecessary costs of production such as non-quality costs.

The following quotation supports this theme.

*“Our manufacturing system involves a high-cost manufacturing process. We believe that high wastage and non-quality cost of the product will be eliminated through the TQM” (RP 02: BUC)*

### **3.1.3 Internal reasons - Customer orientation**

This company does not want to lose its customer confidence by delivering low-quality products. Essentially, they want to continue

the ISO certificates and other quality-related awards. In addition, the company uses the TQM system as a base for different management systems such as safety, environmental management and as a tool for high customer satisfaction.

This theme was substantiated by the following quotations.

*“Since we are serving the international market, we always need to be in touch with our customers’ demand. TQM helps us to survive in the market with higher customer satisfaction, as they always request for quality products.” (RP01: CQM)*

And,

*“TQM has been enabled us to be more customer-oriented as most of our customers’ request for quality products and it is one of the key success factors of our company.” (RP 02: BUC)*

Further,

*“We mainly focus on the quality more than the production units. Always respect the customer's voice. We want to provide a guarantee in relation to the quality by implementing a formal quality system such as TQM. Without having a proper and systematic quality system, we do not provide the guarantee.” (RP 05: PM)*

### **3.1.4 External reasons - To continue ISO 9001 – 2008 Certification**

At Beta, TQM practices were introduced by the Managing Director of the company. The company practiced the quality control system from 1995 and with

the introduction of the new ISO standard, the company became interested in adopting TQM in line with that standard. Then, the company has utilized TQM as one of the management systems of the company.

The following quotations substantiated this theme.

*“We were trying to transform quality management system towards TQM concepts in line with the introduction of new ISO 9001 in 2000. That was a starting point of transforming our quality system towards TQM philosophy.” (RP 02: BUC)*

And,

*“Without having that ISO certificate, we cannot export our tires. Therefore, we are more concerned on it and we give much effort to keep the quality level of the products. TQM supports us in continuing the quality of the products, process, and all”. (RP 03: PC)*

These quotes state that, with the ISO certification, they require a formal quality system to ensure the quality of the products. Implementation of TQM is not an immediate change and the company gradually changed the processes, procedures, and employees’ perception towards TQM over a long time. There will be a non-acceptance from the end of employees towards TQM implementation if it was an immediate and a huge change.

### **3.1.5 External reasons - Market pressure**

Interviews with quality staff of the company revealed that are huge

market pressures to implement a formal quality system within the organization. TQM is an essential factor that aligns with the market requirements of countries such as; Europe and North America who are major customers of the company. These countries do not import solid tires if suppliers do not have a formal quality system. Therefore, market pressures of the international market have influenced Beta to implement a formal quality system like TQM for catering to those markets. As explained by the quality executive of plant one,

*"We would not be able to cater our products for our customers without having ISO certificate and TQM practices. Implementation of TQM has been matched with the market pressure while assuring about the quality of the products." (RP 03: PC)*

### **3.1.6 External reasons - Tough Competition**

Competition in the market is increased with the emergence of local and international (such as Indian) solid tire manufacturers in the marketplace. Implementation of TQM can be identified as a tool that gains a competitive advantage to face competition in the market effectively.

*"Since we are catering our final products to the international market, we believe that the product's final quality is not enough to increase our competitiveness. Hence we require a formal quality system to ensure the overall quality of the production." (RP 02: BUC)*

And, *"Since we are serving for the international market, we always touch with matured and world market leaders in the global market such as Toyota, Nissan, Mitsubishi, etc. Most of the global market leaders have implemented TQM as their formal quality management system and they have achieved a lot of benefits by utilizing TQM. Therefore, we decided to implement TQM as our formal quality system by looking at the successful companies in the global market to gain advantages of the TQM."* (RP04: QE)

### **3.2 Research Question 02: What are the reasons for the continuation of TQM?**

The findings (themes coming under research question 02) are shown in figure 2 (Appendices).

Under this research question, seven themes and several sub-themes emerged. These themes are discussed below with the relevant quotations.

#### **3.2.1 Continuous Training Programmes**

Since TQM adoption was a long-term transformation, the company's management was able to obtain consent from employees and address their concerns by providing adequate awareness by organizing seminars, training programs, and workshops. Therefore, no resistance was observed from Beta's employees, and this is one of the key factors for the continuation of TQM.

One of the Quality executives of the Beta added:

*“We followed a lot of awareness sessions, workshops to provide understanding about the quality system. Thus, employees could know the quality and the importance of quality by participating in training programs. Although they did not have a complete understanding of TQM, they had a proper view of the consequences of not following quality systems. Therefore, all levels of employees accepted the TQM adoption.”*

And,

*“We trained employees through on-the-job training, workshops, and outwards bound training. There, ultimately employees got involved with TQM adoption proactively and positively because they had to do something as a team.” (RP 06: HRM)*

### **3.2.2 Pre-preparation with change management**

Beta trained their employees before the implementation of TQM and prepared the employees for this change. Further, Beta adjusted the principles of TQM without damaging the core of the project, in line with employees' concerns. They also provided knowledge about what they expect from launching the project. Thus, employees contributed to the successful TQM adoptions without resistance and agreed to continue the TQM practices in the future. One of the human resource managers in Beta further illustrated:

*“We allowed employees to come up with their concerns before the adoption of TQM and we provide clear solutions for those concerns. Because we know if we correctly provide a solution with a proper mechanism to solve employee concern, then people will automatically embrace that system.”*

### **3.2.3 Effective communication of TQM purposes and goals**

Effective communication of goals to achieve through TQM and advantages of implementation of TQM for the employees at the initial stage have resulted in an effective continuation of the process. Thus, employees have a better understanding of what is expected from them towards the TQM goal achievement. The following quotation from the Human Resource manager of Beta is evidence for it.

*“By and large, every employee of the organization seems to have an idea about what is TQM in general and what are the advantages of the TQM through well-developed training programs of the organization. Therefore, all level of employees knows the negative effect if they do not follow TQM practices. Thus, in the initial stage when TQM was introduced in Beta, employees accepted that change without any reluctance.”*

### **3.2.4 Value Stream Mapping with TQM**

As a manufacturing company, Beta involves with a lot of manufacturing processes and activities to obtain the final

product. Some of these activities or processes do not generate value for the final product and are additional costs. Therefore, the company introduced value stream mapping which eliminates the non-value-added activities and continuously improves their operations. This is supported by the following quotation.

*“After implementing TQM, we introduced six value streams mapping linked with lean manufacturing. Through the value stream, we identify what are the elements which are not giving any value to the final products and eradicate those non-value adding activities systematically.”*

### **3.2.5 Continuous Quality Audits**

To continue the ISO 9001 certificate, the company should perform quality audits. This is a compulsory requirement for ISO-certified companies. Implementation of TQM facilitates the continuation of the ISO certificate. Plant controller of plant one stated that,

*“We are an ISO certified company, so we have a standardized quality management system. Therefore, we perform quality audits on a semiannual basis. In the quality audit, we check each system of the plant.”*

### **3.2.6 Well-developed problem-solving mechanisms**

The company adopts well-developed problem-solving mechanisms, which helps to continue TQM practices.

### **3.2.6.1 PDCA cycle**

TQM processes can be divided into four sequential phases: plan, do check, and act (PDCA cycle). This cycle facilitates the continuous improvement of the company; the central quality manager elaborated, *“We utilize the PDCA cycle to perform our TQM practices effectively. In the planning phase, we identify the problems and collect data related to the problems. Then we try to determine the root cause of the problem. In the doing phase, we develop a proper solution and implement that solution to the problem area. In the checking phase, we measure and check the results of the solution whether that solution eliminates that problem or not. In the acting phase, we document those results, share the knowledge.”*

Further, he stated that,

*“This PDCA cycle is linked with the next PDCA cycle. Hence our operation will continuously improve through this process.”*

### **3.2.6.2 Quality related internal culture**

Beta has a quality-related culture; it has a lot of systems, processes, and procedures used to maintain sustainable quality systems within the company and provide an effective mechanism to resolve quality-related issues. It also has a very quality committed management team. Plant controller of plant one remarked,

*“We have a different meeting to discuss quality-related issues like management review meetings, quality meetings, and performance review meetings. Also, we have a*

*problem-solving culture. We believe in a formal structure to solve the quality-related issues.”*

And,

*“We have several mechanisms to solve issues at the production level, including daily based monitoring systems, weekly reviews, and monthly review meetings. On the other hand, top management always involves solving production and quality-related issues.” (RP 05: PM)*

Further,

*“We have three values to enhance the internal customer satisfaction. According to those values, we never produce defective products; we never accept defective products from previous processes, and we never send defective products to next processes.” (RP04: QE)*

### **3.2.6.3 Problem-solving cards and improvement cards**

Problem-solving cards and improvement cards are also used in the company as a tool of problem-solving mechanisms. Problem-solving cards generate issues of the production, and improvement cards generate employees' ideas and suggestions for improvements of the existing quality and production process. The team leader of plant one remarked,

*“We use problem-solving cards and improvement cards in our company. We have three values to enhance internal customer satisfaction. According to those values, we never produce defective products; we never accept defective products from previous processes,*

*and we never send defective products to next processes.”*

### **3.3 Research Question 03: How has the Management accounting practices changed to facilitate the TQM movement?**

The findings (themes coming under research question 03) are shown in figure 3 (Appendices).

#### **3.3.1 Structural Changes in the Business**

After adopting TQM, all the plants of Beta were divided into two business units, namely, business unit – construction and business unit – material handling. Business units' controllers of these two units were attached to the finance department. The Business Unit controller of the construction elaborated this as,

*“After the business unit separation, all plant accountants are reporting to the business units' controllers, and they are responsible for reporting to the top management of the company. Those two business unit controllers take care of the management accounting part of their business unit.*

*Supporting functions of the business units like health and safety, central engineering, security are reported to the central finance department.”*

Further, the Plant controller of the plant once remarked that,

*“After the adoption of the TQM, some structural changes occurred in the company. The centralized organizational structure moved to a decentralized one. Two business unit controllers got responsible for their profitability and*

*manufacturing cost of the business unit.”*

### **3.3.2 Changes in Management Accounting System**

Since TQM is one of the advanced manufacturing techniques, the quality of the data will be increased directly or indirectly. The quality of management accounting has also improved after the adoption of TQM. All the data are recorded in the SAP system of the company. Further, a few of the following quotations support the above theme.

*“With the adoption of TQM, Beta was looking for new advanced management techniques to facilitate TQM movement. Traditional MAS used a weight-based allocation system to absorb production costs into the products. But finally, Beta decided to move to the BETA system from the traditional costing method. That was a significant change in MAS of Beta after the adoption of TQM.” (RP01: CQM)*

And,

*“In addition, the normal budgetary process of Beta identifies cost saving projects with each year’s budget after implementation of the TQM.” (RP 02: BUC)*

### **3.3.3 Increased Effectiveness of the Workload**

As per the interviewee’s views, the TQM adaptation workload of most management personnel and other employees has become effective and efficient.

Chief Financial Officer (CFO) of Beta explained that,

*“My workload was reduced with the implementation of the TQM since I can obtain more accurate and reliable information. As well as I spend less effort and time to interpret management accounting information.”*

A similar idea was generated by the business unit controller – the construction of the company.

*“Effectiveness of the workload has been increased after the adoption of the TQM. Because I have some knowledge on what kind of information I need and where it should get it, therefore, I can easily coordinate and prepare my reports in an effective manner.”*

### **3.3.4 Effective Decision Making related to Management Accounting**

With the implementation of TQM, the decision-making process of the company has become effective and efficient. There, higher efficiency and continuous improvement can be obtained through the identification of cost-saving projects. They should enhance their profitability through the TQM adoption. With the identification of cost-saving projects related to the production, Beta can realize the actual production cost and minimize raw material and conversion cost. Therefore, the management of the company always looks at the cost behavior of the products. This is supported by the following quotations.

*“Management accounting system of Beta facilitates the calculation of efficiency and expenditure variance is related to labor cost after the*

*implementation of TQM.*” (RP 05: PM)

And,

*“We incurred additional cost for the process due to the quality faults of the production process before the adoption of the TQM. With the implementation of TQM, we have introduced some sophisticated tools to capture the cost involved with those issues and we can measure not only quality cost but also the non-quality cost of the production through new tools.”* (RP 01: CQM)

Before the implementation of TQM, organizations only used financial-related KPIs such as cost per kg. But with the adoption of TQM, Beta measures non-financial KPIs such as operational excellence, people’s engagement, and best reputation in addition to financial KPIs to measure the performances of the organization. Chief Quality Manager (CQM) of Beta explained that,

*“Quality and no-quality related costs did not consider before the implementation of TQM. With the adoption of TQM, the organization prepares reports on quality and no quality. Thus, the true picture of the organizational performance was able to identify through the TQM adoption.”*

### **3.3.5 Well Organized Monitoring and Reporting System**

In Beta, before the implementation of TQM, there were no continuous meetings and preparation of reports to review and evaluate the company's performances. With the implementation of TQM, Beta has developed well-organized

monitoring and reporting system. Now Beta has held a management meeting once a month. At the month-end, the business units’ directors will call management meetings to discuss the monthly performance where the plant accountants will do the presentations on variance analysis. Business unit controller construction stated that,

*“After the adoption of TQM, in every management meeting of respective departments, the heads have to report the performance of the departments. That is done through the presentation. And also, at the month-end plant accountants should prepare a plant performance report and it should be presented.”*

Plant controller of plant one further added:

*“Before TQM, we reported our management reports plant-wise. But with the implementation of the TQM, the company develops common report format and capture information from several locations within the company.”*

## **4. DISCUSSION**

This section compares the findings of the extant literature. In there, the findings regarding the reasons caused for the implementation of TQM were compared with existing literature. Most of the themes that emerged were in line with extant literature. (Hoque, 2002; Hoque and Alam, 1999; Modell, 2009; Sharma et al., 2010). However, tough competition and Market pressure were identified as new findings.

Most of the findings come under the reasons caused for continuous TQM practices of Beta Company were discussed in previous studies (Sharma et al., 2010; Sharma & Hoque, 2002; Hoque & Alam, 1999; Modell, 2009; Bagherzadeh, 2002; Knaji, 1996; Huang & Lin, 2002; Temtime, 2003; Khan, 2003). However, two of the themes were identified as new findings; Well-developed problem-solving mechanisms such as; PDCA Cycle, Quality related internal culture, and Problem-solving cards, and improvement cards.

Except for the themes, structural changes in the business, changes in the management accounting system, and increased effectiveness of the workload which have been discussed in the previous studies (Kanni et al., 1999; and Chaudhary et al., 2015; Hoque and Alam, 1999), literature is silent on other themes under changes in management accounting practices with the adoption of TQM. Thus, effective decision-making related to management accounting and well-organized monitoring and reporting system is identified as new findings.

## **5. CONCLUSION**

This study aims to understand the emergence of TQM and the changes in management accounting practices after adopting TQM in a Sri Lankan manufacturing company that has been effectively following TQM practices for over fifteen years. A single case study has been utilized to collect empirical evidence and to answer the research questions and achieve

the research objectives of the study where the first objective of the case study was to explore internal and external reasons for TQM implementation, the second was to identify reasons for the continuation of TQM and finally the third was to explore the management accounting implications of TQM.

According to the study's findings, the first objective was achieved, and it revealed that, at Beta, different external and internal reasons led to the implementation of TQM. It introduced the TQM philosophy for their organization with the introduction of a new ISO standard. In addition, institutional factors such as market pressures and tough competition influenced the implementation of TQM. Not only institutional reasons but also internal reasons (operational improvement, customer satisfaction, and reduction of the cost of the quality and production) affected the implementation of TQM in the Beta.

The second objective was to identify reasons for the continuation of TQM and Beta has been effectively following TQM practices for over fifteen years due to its effective implementation and problem-solving mechanisms and benefits of the TQM. Management of the Beta had conducted well-developed training programs for their employees. Therefore, all levels of employees had an idea about TQM adoption, and they willingly engaged with the TQM practices in Beta. Further, Beta had a lot of systems, processes, and procedures to solve the issues

related to quality and production with the already won ISO and other quality certifications.

And when analyzing the third objective of this research, to explore the management accounting implications of TQM, the quality and reliability of the management accounting information have increased due to TQM practices. Management of Beta introduced financial and non-financial performance measures to cater to the TQM adoption. Beta has moved to the BETA system from the traditional costing system to facilitate the TQM practices. Further, after TQM implementation, the firm has laid more concern on the variance analysis to reduce the cost of the quality and production.

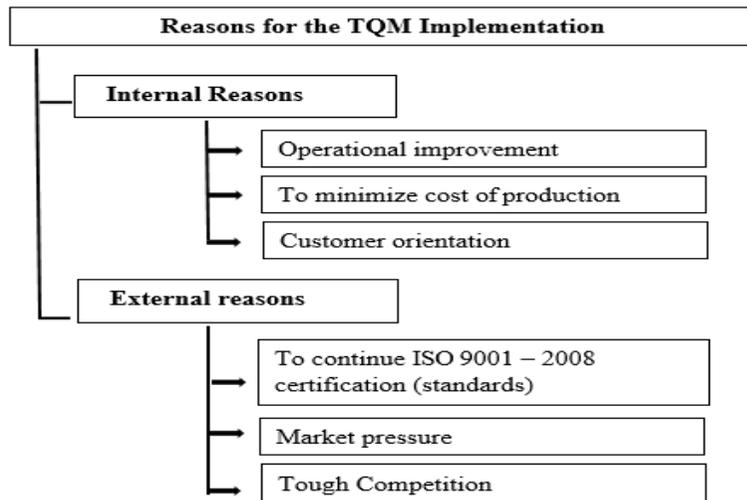
The findings of this study enhance the existing literature on TQM. Even though many studies are available on TQM (Boaden, 1997; Kanji et al., 1999; Sharma & Hoque, 2002, Ooi, 2015; Khan, 2003), it was evident that there is limited research on TQM and MAS. Moreover, the findings of this study are also useful to practicing managers currently

using TQM practices and intending to adopt the TQM philosophy in their organization.

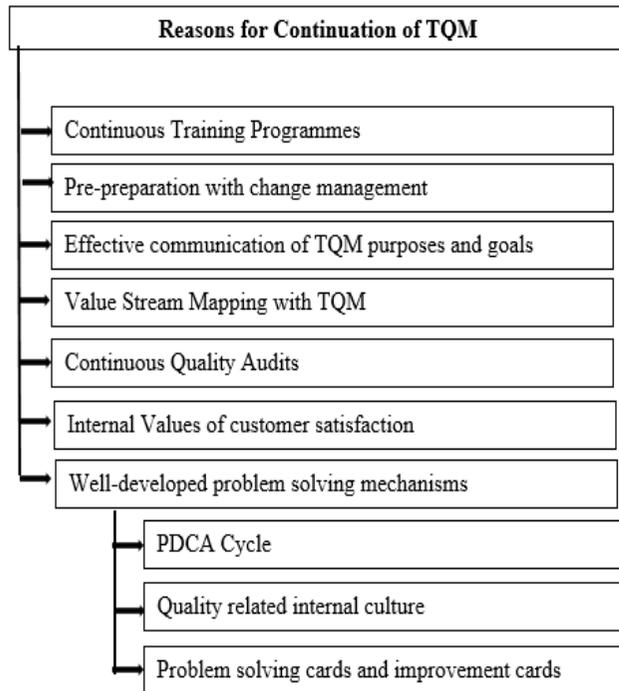
This study indicates how an organization could effectively implement and derive benefits from a TQM system, as Beta's has been practicing it for over fifteen years, giving many benefits. The company intends to continue it to the future. This study also provides insights to practicing managers on how management accounting practices could be changed to facilitate to TQM movement of an organization.

However, this study has few limitations, even though it provided useful contributions to literature and to practicing managers. This study was done as a single case study and the time factor was also affected negatively for the number of interviews conducted. Nevertheless, the study provides important implications for future research. We suggest future researchers adapt multiple case study methods, use different companies in different sectors, and explore different perspectives of TQM implementation.

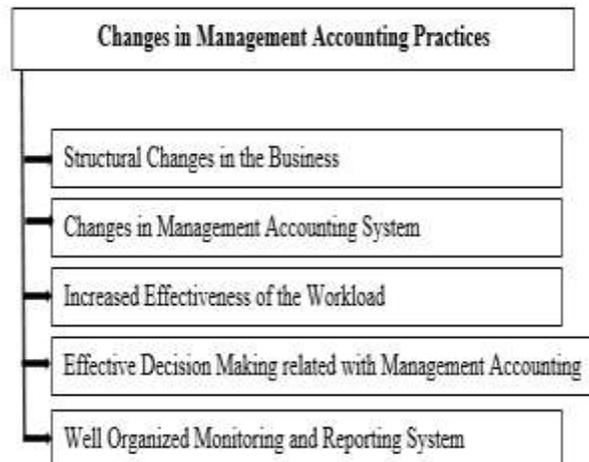
**APPENDIX**



**Figure 01: Reasons for the TQM Implementation**



**Figure 02: Reasons for Continuation of TQM**



**Figure 03: Changes in Management Accounting Practices**

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**Mediating Effect of Innovation on the Relationship between  
Entrepreneurial Orientation and Organizational Performance of  
SMEs in Southern Province, Sri Lanka**

**G.T.T.K. Pushpasiri<sup>1</sup> & E.K. Jayampathi<sup>2</sup>**

<sup>1</sup> Finance Commission,  
No.03,  
Sarana Mawatha,  
Rajagiriya,  
SRI LANKA

<sup>2</sup> Department of Management and Entrepreneurship  
Faculty of Management and Finance,  
University of Ruhuna,  
SRI LANKA

thisarakasun@gmail.com<sup>1</sup>, jayampathik@mgt.ruh.ac.lk<sup>2</sup>

**Abstract**

Entrepreneurial Orientation is widely used to determine the entrepreneurial behavior of an entrepreneur. Although, the Entrepreneurial Orientation (EO) is recognized as a key determinant, yet there are many inconsistencies in the nexus between EO and Organizational Performance (OP). Organizational innovation was considered as the mediating variable to address the empirical gap. The study was based on small and medium scale manufacturing enterprises established in Southern Province of Sri Lanka. 240 questionnaires were administered for the purpose of primary data. A strong positive relationship between entrepreneurial orientation and organizational performance was confirmed by the study among the manufacturing SMEs in southern Sri Lanka. The study underlined entrepreneurial orientation as one of the main elements of organizational capability to achieve competitive advantage, growth, and success. More, the study confirms an indirect effect in the nexus between EO and OP via organizational innovation. Practitioners are advised to understand the capability of organizational innovativeness and proactiveness. Also, entrepreneurs and strategic formulation bodies are needed to create an innovative entrepreneurial culture to enhance entrepreneurial capabilities and minimize the potential risk of entrepreneurs.

**Keywords-** Entrepreneurial Orientation, Manufacturing Sector, Organizational Performance, Small and Medium Scale Enterprises

## 1 INTRODUCTION

Small and medium scale businesses are playing a dramatic role in the economic development of any country. It contributes largely to the Gross Domestic Product (GDP) by participating in the mainstream economy, becoming a source of income to a substantial portion of the population by providing opportunities for large number of employments (Department of Census & Statistics, 2017). According to the National Policy Framework for Small and Medium Enterprises (SMEs) Development in Sri Lanka (NPFSME) (2015), The Government of Sri Lanka recognizes small and medium scale enterprises (SMEs) as the backbone of the economy due to the contribution SMEs to regenerate and accelerate the economic development of the country. It accounts for more than 75% of the total number of enterprises are SMEs, provides 45% of the employment opportunities and contributes to the 52% of the GDP by the SME sector (NPFSME, 2015).

No consensus definition to define SMEs as different countries and institutions look at SMEs on different angles (Sriyani, 2019). Therefore, there is no any unique definition to recognize SMEs worldwide. Most of the time, definition of SMEs varies because of the diversity of the tasks they performed. Every definition of SMEs is subjected to criticism and there is no generally accepted definition (Gajanayake, 2010). Many organizations are using the number of employment

opportunities generated within the business as the parameter to categorize SMEs. Based on the number of employment opportunities, European Union considered SMEs as the enterprises which has employees between 200-250; Japan defined SMEs using employment opportunities having less than 300, and USA considered SMEs as the business enterprises which is having less than 500 employees (Sriyani, 2019).

Usually, small business management is facing many challenges in the modern business' environment (Gamage, 2003). According to Gamage (2003), tough competition, rapidly changing new technologies and globalization of products and services are the main causes for these challenges. The study further explains that comparing to the other countries in the region, the contribution of SMEs to the Sri Lankan economy is very low. Although almost all the governments came into power since independence, have identified the importance of developing SME sector in Sri Lanka, it still shows a slow growth (Gamage, 2003).

Entrepreneurial Orientation (EO) is one of the most widely used constructs to assess entrepreneurial behavior of any firm which refers to the strategic posture of firms in terms of risk-taking, innovativeness, and proactiveness (Covin and Lumpkin, 2011; Lumpkin & Dess, 1996). The concept of EO emerged in the 1970s (Edmond and Wiklund, 2010) and it has been extensively discussed in many studies to understand the scope of EO and importance for

business development (Wales, 2016). Scholars have found the EO as a pivotal factor reflect the actual entrepreneurial firm behavior (Stambaugh et al., 2017). Generally, EO is found to be positively related to firm organizational performance (Wang, 2008).

Assessing the firm organizational performance has been becoming an important strategic management practice by organizations. Many scholars and practitioners have considered measuring firm organizational performance as a one of the prime objectives as it directly influences on organizational performance improvements (Williams, 2018; Javad et al., 2020). Organizational performance is two-fold; financial performance and non-financial performance (Kee and Rahman, 2017). To achieve superior organizational performance, businesses are needed to continually transmit their entrepreneurial abilities into strategic actions. Efforts to improve all main aspects of operations in the organization continuously is referred as business organizational performance management (Javad et al., 2020; Nazarian et al., 2017).

Gunawan, et al., (2016) defined the innovation as the ability of a firm in developing new products/services. These new products and services are considered as innovation indicators since those reflect the ability of a firm to adapt to market changes (Gunawan, et al., 2016). Innovation is the transformation of an idea into a new product or service that meets and satisfies the needs and expectations of

customers (Kuhn and Marisck, 2010). Du Plessis (2007) further pointed out the importance of innovation in business organizational performance. Darroch (2005) supports the same idea mentioning that to achieve better organizational performance in a business and take the competitive advantage, business knowledge needs to be managed innovatively.

### **1.1 Research Problem**

According to Gamage (2003), comparing to the other countries in the region, the contribution of SMEs to the Sri Lankan economy is very low. Department of Census (2014) further explained that, Sri Lanka does not have generally accepted criteria for SMEs. The researcher has selected Southern Province to conduct the study as most of the existing studies were focused on SMEs established in Western Province, Sri Lanka. Southern province of Sri Lanka is identified as the heart of SMEs in Sri Lanka where many SME establishments are contributed to the national GDP from the Southern Sri Lanka (Sriyani, 2019). Even though there are many researchers who conducted studies to check the relationship between EO and organizational performance, contradictory arguments on the findings were motivated to study the given phenomenon further (Kee and Rahman, 2017; Lechner and Gudmundsson, 2014; Hughes and Morgan, 2007).

Previous studies confirmed that the connection amid EO and organizational performance is

vague and uncertain (Hayat et al., 2019). Wang (2008) revealed that, from the findings in the literature on the EO-organizational performance relationship is that simply investigating the direct effect of EO on firm organizational performance does not provide a complete picture. This causes future research to control internal and external contingent factors in the examination of this relationship. If business organizations neglect these factors, it might lead to the 'wholesale adoption' of an entrepreneurial strategic orientation (Wiklund, 1999), and entrepreneurial efforts put on to achieve the competitive advantage may be useless.

A few scientists found a positive connection between EO and organizational performance (Jayampathi & Kumara, 2016; Jia et al., 2014; Arief et al., 2013) while some researchers found a negative link or not a significant link with reference to proposed association (Shamsuddin et al., 2012; George et al., 2001). As such, there is no unanimous conclusion on the EO, various scholars have defined EO based on different viewpoints according to their study perspectives (Soares and Perin, 2019; Lumpkin and Dess, 1996).

This inconsistent behavior fuels researchers to investigate the role of EO more in deep with organizational performance (Schepers et al., 2014). Many studies

Due to the inconsistencies exist in the literature on EO and organizational performance,

identification of indirect effect of EO toward performance is important. Many scholars have focused to investigate the mediating and moderating roles of different variables which may be possible to influence the relationship between EO and performance (Schepers et al., 2014; Wang, 2008; Covin et al., 2006; Rauch et al., 2004). According to Rahman and Kee (2017), propound the effect of mediator than the moderator effect on EO-Performance relationship. Scholars have argued that innovation as a main entrepreneurial characteristic plays a pivotal role in organizational success and growth (Kee and Rahman, 2017; Lechner and Gudmundsson, 2014; Hughes and Morgan, 2007). Literature argues that EO leads to better organizational performance when business owners are more vigilant to adapt on quick and dynamic environmental and market changes (Kee and Rahman, 2017). Therefore, the study aims to examine the effect of EO on organizational performance amidst innovation acts as a mediator.

The main objective of the study is to empirically test the relationship between EO and organizational performance to understand the entrepreneurial behavior of Sri Lankan entrepreneurs. In parallel with the main objective, identify the indirect effect of organizational innovation on the nexus between EO and organizational performance also expected to achieve at the completion of this study. Further it aims to provide some directions to the strategic decision makers and practitioners in the SME sector to

boost the entrepreneurial culture within the country by arranging relevant facilities required to enhance the current level of entrepreneurship in Sri Lanka.

## **2. LITERATURE REVIEW**

Many researchers have considered small businesses as the backbone of any country's economy (Gamage, 2003). Because small business needs relatively less capital and infrastructure but plays an important role in any economy through generating of employment, contributing to the growth of GDP, embarking on innovations and stimulating of other economic activities (Gamage, 2003). In Sri Lanka, more than 80% of businesses run by Small and medium enterprises which are mainly in foods processing, manufacturing, and construction field (Galagoda, 2008). In addition, they are supplying about 35 percent of employment and about 20 percent of total industrial value addition.

In this study, three dimensions of EO are used to measure the organizational performance, and two components of innovation are proposed to improve such relationships. It will be discussed previous studies on each variable below.

### **2.1 Entrepreneurial Orientation (EO)**

EO is defined as the organization's strategic posture to capture different entrepreneurial decision making abilities and styles, methodologies, and behavioral aspects (Wales, 2016; Wales et al., 2013; Lumpkin

and Dess, 1996). According to Miller (1983), EO refers to the strategic approach of firms in terms of risk-taking, innovativeness, and proactiveness. Lumpkin and Dess introduced two dimensions to assess the EO; competitive aggressiveness and autonomy in 1996. The model introduced by Miller in 1983 will be applied to achieve the objectives of this study.

Risk-taking is defined as the degree which managers are willing to make large and risky resource commitments i.e., those have a reasonable chance of cost failures (Miller and Friesen, 1978). According to Rauch et al, (2009), risk taking involves the act of willingness to undertake risky business decision such as investment. Wiklund and Shepherd (2005), explained innovativeness as the tendency and the behavior which contributes to innovation through new ideas, experimentation, and creative processes. Proactiveness refers to the ability of a firm to stay ahead from its competitors in predicting future changes (Gunawan et al., 2016). Proactiveness is defined as seeking new opportunities which may or may not be related to the present line of operations, introduction of new products and brands ahead of competition, strategically eliminating operations which are in the mature or declining stages of the life cycle (Venkatraman, 1989).

The literature review highlighted recent studies used to merge innovativeness, proactiveness, and risk-taking into a single dimension to identify the combined effect of

EO on organizational performance (Hughes and Morgan, 2007). Lumpkin and Dess (1996) show the usefulness of viewing the firm's EO as a multidimensional construct rather than unidimensional. Further, literature explains that all these three dimensions are positively correlate with organizational performance (Kollmann and Stöckmann, 2014; Wang and Yen, 2012) and, only two dimensions namely innovativeness and competitive aggressiveness have positive effect on performance while risk taking does not (Meekaewkunchorn et al., 2021; Arshad et al., 2020; Lechner and Gudmundsson, 2014; Kraus et al., 2012; Hughes and Morgan, 2007). Arshad et al. (2014) studied the effect of EO on business organizational performance among SMEs in Malaysia based on the model given by Lumpkin and Dess (1996) and found that, out of five dimensions of EO, four dimensions significantly influence business organizational performance (innovativeness, proactiveness, risk-taking, and competitive aggressiveness). A few scientists found a positive connection between EO and organizational performance (Jia et al., 2014; Arief et al., 2013) while some researchers found a negative link or not a significant link (Shamsuddin et al., 2012; George et al., 2001). Due to this misconception exist in the literature, necessity of a new study is identified as a mechanism to solve the empirical gap (Scheppers et al., 2014).

## **2.2 Innovation**

Even though there is no generally accepted definition for innovation, scholars have used to define the term innovativeness based on their own perspectives. Oslo Manual (OECD, 2005) explained innovativeness as the implementation of a new technique in business practices, workplace, or external relations. Kuhn and Marisck (2010) defined the process of transformation of an idea into a new product or service that meets and satisfies the needs and expectations of customers as the innovativeness. Innovation is defined as the ability of a firm in developing new products/services (Gunawan et al., 2016). Further they explained that these new products and services are considered as innovation indicators since those reflect the ability of a firm to adapt to market changes.

Mazzarol and Reboud (2008) measured innovativeness using product, process, and administrative perspectives. McGrath (2001) measured it using product, process, and market innovations. To measure the effect of innovation to organizational performance, researchers generally examine the indicators such as research and development, patents, new products, and services offered by firms (Hagedorn and Cloudt, 2003). Three dimensions (product innovation, process innovation, and market innovation) used by McGrath (2001) is applied for the purpose of this study to measure the innovativeness.

To face the current level of intensive competition and turbulent business environment, SMEs need to monitor their competitors through rapid innovations (Byukusenge and Munene, 2017). The study conducted by Calisir et al. in 2013 recognized that innovation is a significant mediator between business processes and organizational performance. Also, Avlonitis and Salavou (2007) revealed that EO is a significant predictor to innovation. Ar and Baki (2011) found that product and process innovations were led to superior organizational performance while product innovations were identified as most. Hajar (2015) studied the relationship between innovation and organizational performance of wooden furniture manufacturing SMEs in Indonesia and revealed a positive and significant relationship between the variables. Moreover, Terziovski (2010) found that innovation culture and strategy represented key drivers to the organizational performance of manufacturing SMEs in Australia.

According to Du Plessis (2007) and Huang and Li (2009), innovations have significant influence on organizational performance, survival, and competitiveness. However, some studies which conducted to examine the relationship between EO, and organizational performance found no relationship between the variables (Lee et al., 2016; Tajasom et al.; 2015).

### **2.3 Organizational performance**

Organizational performance has been defined in various forms by different scholars. Among them, Gharakhani and Mousakhani (2012) have defined organizational performance as the ability of an organization to create outcomes and actions at an acceptable level. According to Kee and Rahman (2017), organizational performance can be measured using different parameters such as sales, profitability, market size, and nonfinancial performance indicators.

Lin et al., (2008) defined organizational performance as the achievement of business goals that includes the growth in sales, profitability, and markets share. Lisboa et al. (2016) measured organizational performance as the capability in new product differentiation, sales, and speed to market. Eموke-Szidonia (2015) measured organizational performance using sales and profitability information in his study to identify the relationship between EO and organizational performance. Ar and Baki (2011) measured organizational performance by using sales, market share and profitability.

### **2.4 Relationship between EO and organizational performance**

Previous studies have proven that organizations are getting benefits from being novel, creative, responsive, and bold (Rauch et al., 2009). Extensive arguments have been done on the relationship between EO and performance

(Lumpkin and Dess, 1996). In a turbulent business environment, to face for the future uncertainty, indeed, business organizations need to constantly seek new opportunities and generate innovations (Rauch et al., 2009). Therefore, organizations must adopt with EO which fostering more innovation to deal with rapidly change market (Wales et al., 2013). As Ireland et al. (2013) postulate, the efforts taken to anticipate demand changes and position out the products in the market aggressively are often determined the strong relationship in organizations. Though, conceptually EO leads to superior level of performance, extent of relationships identified vary across studies (Kee and Rahman, 2017; Lechner and Gudmundsson, 2014; Rauch et al., 2009). Also, some studies contended that firms those who adopt with EO perform better than the firms who do not (Wiklund and Shepherd, 2005; 2003) and some others explained a lower level of relationship between EO and performance (Meekaewkunchorn et al., 2021; Arshad et al., 2020; Lumpkin & Dess, 2006; 2001; Dimitratos et al., 2004).

### 3. METHODS

The study was carried out to identify the relationship of EO and organizational performance, based on the manufacturing SMEs in Sri Lanka. Also, it attempts to examine the mediating effect of innovation in the association between EO on organizational performance. The cross-sectional survey method was applied to carry out this study. The population of the study was

comprised with manufacturing SMEs in southern province in Sri Lanka. SMEs are contributing to 45% of domestic employment and 52% of the GDP of Sri Lanka (Department of Census and Statistics, 2017). Southern province of Sri Lanka is the 03<sup>rd</sup> highest contributor to the national GDP compared with other regions in Sri Lanka (CBSL, 2015). According to the Department of Census and Statistics (2017), 60% of the small-scaled establishments and 47.9% medium-scaled establishments have scattered in the rural areas in Sri Lanka. Hence, it can be assumed that Southern province of Sri Lanka is one of the leading characters in the GDP among other regions in Sri Lanka.

Primary and secondary data sources were used to gather data for the study. A self-administered questionnaire was used to gather the primary data from the respondents. Based on the literature review, the questionnaire was prepared and consisted with five sections. The first section addressed the respondents' profile. The main purpose of the respondent's profile was to identify their background especially the age, business experience, nature of the business etc. The second part of the questionnaire used to cover the EO, third section to address the innovation and, the fourth section considers the entrepreneurial organizational performance. Likert scale questions were applied to test the attitude of respondents against each study construct were ranked from 5-strongly agree to 1- strongly disagree. Once the questionnaire prepared, it was considered eight

SME manufactures where located nearby the researcher for the pilot study to identify the understandability of the questionnaire by respondents. As the views taken from the pilot study, the final questionnaire was refined and get ready for the final data collection.

The study sample consisted with 240 SME manufacturers. The population of the study was consisted with around 1500 of SME manufactures registered at the Small Enterprise Development Division (SEDD) in Galle, Matara and Hambanthota districts. It was selected the number of 80 SME manufacturers by giving an equal chance for each district. A systematic random sampling technique was applied by selecting each 5<sup>th</sup> number of SME manufacturer registered in the registry and continues until satisfy the 80 respondents' requirement from each district. The response rate was reported as 78% out of the 240 SME manufacturers. Number of 13 questionnaires were not considered for the data analysis due to the incompleteness and the mismatch between the data provided. Books, journal papers, conference papers, newsletters, periodicals, and magazines were considered for the secondary data purposes of the study. The data was analyzed using the SPSS statistical software, and correlation, linear regression and several other descriptive statistics were measured to test the study hypotheses. The SPSS software was used as the statistical tool to analyze the primary data.

### 3.1 Hypothesis Development

According to Zehir et al., (2015), there is a general perception that EO affects firm organizational performance. In the entrepreneurship literature, researchers discussed the importance of the relationship between EO and organizational performance (Jia et al., 2014; Arief et al., 2013). Many studies posited a powerful relationship between EO and organizational performance (Wales et al., 2013; Rauch et al., 2009; Wiklund & Shepherd, 2005; Lumpkin and Dess, 2001).

H<sub>1</sub> - There is a positive relationship between EO and organizational performance.

It is important to consider that there is a difference between innovativeness and EO. EO is an attitude-based construct toward certain behaviors, while innovativeness can be considered as behavior based construct designed to achieve results (Rhee et al., 2010; Hult et al., 2004). Rahman and Kee (2017) figured out that EO established a direct impact on innovation. Madhoushi and Mehdivand (2011) discovered a positive impact of EO towards innovation organizational performance by conducting a study in Iranian SMEs. Thus, it can be concluded that EO directly affects innovation and organizational performance. (Hughes and Morgan, 2007; Ireland et al., 2005; Lumpkin and Dess, 2001).

H<sub>2</sub> - There is a positive relationship between EO and innovation.

As mentioned earlier, some researchers have found that the positive link between innovation and organizational performance. According to Du Plessis (2007) and Huang and Li (2009), innovation has a significant influence on organizational performance. Rahman and Kee (2017) found that innovation has a significant impact on organizational performance.

H<sub>3</sub> - There is a positive relationship between innovation and Organizational performance

Researchers began to seek internal and external factors which mediate the relationship between EO, and organizational performance rather sticky on the direct link as inconclusive findings observed in the relationship between EO and performance (Schepers et al., 2014). Zehir et al., (2015) studied the link between EO and firm organizational performance with the mediating role of innovation and differentiation in manufacturing industry in Turkey. They found that both differentiation strategy and innovation mediate the EO and organizational performance relationship. Additionally, Rahman and Kee (2017) who conducted a study on SMEs in Malaysia found innovation as a significant mediator between EO and SME performance. Hult et al. (2004) explained that innovativeness acts as a partial mediator in the EO-organizational performance relationship.

H<sub>4</sub> - Innovation mediates the relationship between EO and organizational performance.

#### 4. RESULTS

The respondents of the study were consisted with 31% of food manufacturers, 28% of apparel manufacturers, 21% of handicrafts manufacturers, 12% of furniture manufacturers, and 8% of ironware manufacturers. Considering the age of the business, 32% of respondents reported that they have 5-10 years of business experience, 27% was reported that they have 10-15 years of experience, 24% of respondents having 0-5 years of experiences, while 17% of respondents have more than 15 years of experience in the business.

To ensure the error freeness and the validity of the instruments used in the study, reliability and validity were considered. To identify the internal consistency of the study variables and study constructs, Cronbach's Alpha was estimated (Table 1). The reliability of the study constructs examined using the Cronbach's alpha and results show that Cronbach's alpha for each construct is greater than 0.7, which is an indication of high reliability and internal constancy (Carlo & Rose, 2011). As per the table 01, all variables recorded the Cronbach's Alpha value greater than 0.6. Thus, it can be assumed that the reliability of all measures considered to evaluate the study variables are satisfactory. As per the table given below, each variable of EO recorded high reliability; Risk taking (0.873), Innovativeness (0.796), and Proactiveness (0.853). Innovation which was considered as the mediator of the study reported 0.824 of Cronbach's Alpha value and organizational performance

recorded a 0.912 of reliability. The table 1 indicates that study variables perform a good internal consistency.

To measure the validity of the study sample, Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity were tested. To accept the data, the KMO should be greater than 0.5 and Bartlett's Test of Sphericity should be significant. Table 2 shows that the KMO is 0.609 and Bartlett's Test of Sphericity, which is significant at  $p < 0.05$ . Hence, the sample used for the study were adequate for further analysis.

Using the Pearson's correlation with two-tailed test of significance, the Correlation analysis has been made to investigate the relationship among independent variable (EO), dependent variable (organizational performance) and mediating variable – (innovation), The results driven from the study summarized in Table 3.

According to the table 3, correlation coefficient between the EO and the Organizational performance is 0.717 ( $p < 0.05$ ). And 0.852 of correlation coefficient value recorded (where  $p < 0.05$ ) for the relationship between EO and the innovation. Correlation coefficient value between innovation and Organizational performance is reported as 0.843 ( $p < 0.05$ ).

Proactiveness has reported the highest correlation coefficient with the Organizational performance ( $r = 0.711$  where  $p < 0.05$ ). Innovativeness as the EO dimension in the second place with

the association of Organizational performance ( $r = 0.627$  where  $p < 0.05$ ). Risk taking also performing a good coefficient value ( $r = 0.551$  where  $p < 0.05$ ) with Organizational performance.

Table 5 depicts the model summary of the study variables. The R square value has been recorded as .571. The R value refers the extent which the dependent variable is explained by the independent variable. As per the results depicts in the table 4.5, around 57% of the dependent variable of the study (organizational performance) is explained by the independent variable (EO). This can be assumed as a good sign for the robustness of the measures used in the study and, can be concluded that EO has significantly explained the variance of organizational performance satisfactorily.

Table 6 indicates the strength of individual components in the EO construct with the organizational performance. As per the table 4.6, highest number in the beta is recorded as 0.321 for proactiveness which is significant at the  $p < 0.05$ . Innovativeness can be ranked as the second with beta value of 0.262 at the  $p < 0.05$  of significant level. Risk-taking becomes the lowest with the beta of 0.061 at the significant level where  $p < 0.05$ . Therefore, it can be concluded that out of all three dimensions used in the study; Proactiveness has the reported the highest impact on organizational performance while innovativeness and risk-taking took second and third places, respectively.

Investigate the mediating effect of innovation on the relationship between EO and the organizational performance, Baron and Kenney's (1986) criteria for mediation was applied. As the first step, it was measured regression between EO and performance and reported  $R^2 = 0.571$ , where  $p < 0.000$ . The first requirement assessed the significance of the relationship between the independent variable (EO) and the dependent variable (Organizational performance) ( $r = 0.717$ ,  $P < 0.000$ ). Second requirement assessed the relationship between EO and the innovation ( $r = 0.852$ ,  $P < 0.000$ ) and indicated a significant relationship (Figure 2). Third criterion for the mediation, correlation between innovation and the organizational performance was assessed ( $r = 0.843$ ,  $P < 0.000$ ). The final criteria were regressing independent variable and mediating variable against dependent variable. Accordingly, EO and innovation regressed together and considered with the organizational performance ( $B = 0.689$ ,  $P < 0.000$ ).

## 5. DISCUSSION AND CONCLUSION

Results of the study initially revealed that there is a good combination among study variables. The findings of this study consist with the previous studies that established a significant and positive relationship among study variables (Jayampathi and Kumara, 2016). It has recorded a strong positive relationship between EO and Organizational performance ( $r = 0.717$ ) of manufacturing SMEs in southern province Sri Lanka (Table

4.4). This implies that EO is a good predictor of organizational performance. Hayat et al., (2019); Arshad et al., (2014); Lumpkin & Dess (1996); Arief et al., (2013); and Jia et al., (2014) also have confirmed the positive association between EO and Organizational performance. Proactiveness has reported a strong positive relationship ( $r = 0.711$ ) with the Organizational performance while innovativeness ( $r = 0.627$ ) and the risk taking ( $r = 0.551$ ) are performing a moderate level of relationship with the Organizational performance (Jayampathi and Kumara, 2016). However, these results show that the three dimensions of the EO are positively affects to determine the organizational performance of SMEs (Lechner & Gudmundsson, 2014; Kollmann & Stöckmann, 2014; Wang & Yen, 2012; Kraus et al., 2012; Hughes & Morgan, 2007).

There is a strong positive relationship between EO and innovation ( $r = 0.852$ ). Rahman and Kee (2017); Ireland & Webb, (2007); Drucker, (1998); and Zahra et al., (1999) have confirmed the positive relationship between EO and innovation in their studies. Innovation and organizational performance also reported a strong positive relationship ( $r = 0.843$ ). This significant effect is like the previous studies carried out by Jiménez & Valle, (2011); Wang & Wang, (2012). These results indicate that all the variables considered in the study are interrelated and interdependent to determine the organizational performance. Further, the study proves that proactiveness as the

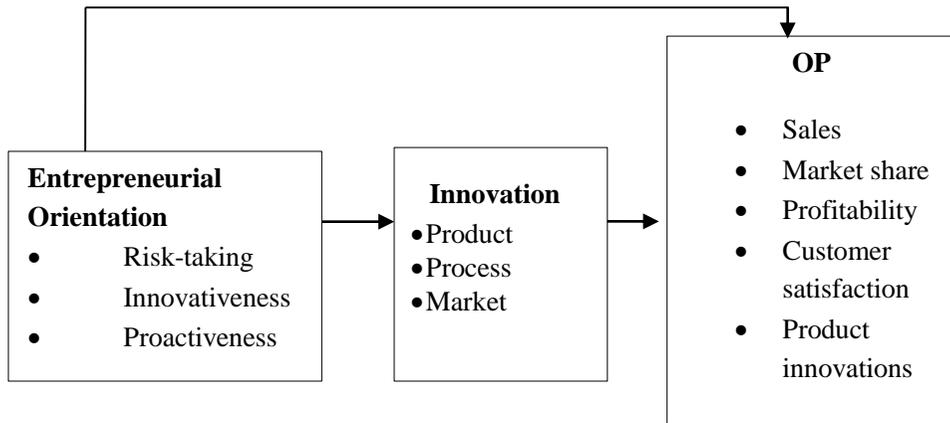
most significant dimension which determine the Organizational performance. The impact of innovativeness is the second powerful dimension on the Organizational performance while risk taking has a lowering effect. Moreover, the study found that innovation mediates the relationship between EO and organizational performance of manufacturing SMEs in Southern Province Sri Lanka. This mediating effect of innovation in the relationship between EO and organizational performance is confirmed by Zehir et al. (2015) and Madanoglu et al. (2016). Thus, it can be concluded that EO and innovative practices of SMEs in Sri Lanka play a pivotal role in determining the performance.

Findings of the study directly contribute to the existing literature on entrepreneurship studies (Meekaewkunchorn et al., 2021; Arshad et al., 2020). Also, the study extends many insights for practitioners and policy makers to envisage the development of entrepreneurship in Sri Lanka. Due to the extreme competition available in the marketplace, SMEs should adopt EO practices with their business engagements. Therefore, it is essential to ensure the availability of required information regarding the EO and organizational performance to make suitable decisions in business organizations. Industry practitioners may apply the results derived from this study to enhance their organizational performance while strengthening proactiveness, risk-taking, and innovativeness. Further, the research suggests

paying much attention to enhance the entrepreneurial capabilities related to proactiveness. Those should be able to typically respond to the actions of their competitors, try to introduce new products, administrative techniques and operating technologies will be able to boost the organizational performance. Typically seek to avoid competitive clashes and upgrading the "live-and-let-live" approach in business organizations. Simultaneously, SMEs in manufacturing sector should keep an eye on number of new product lines and their innovativeness in future. Enterprises should be on alert about the ongoing economic trends and patterns and ready to take the risk as necessary (Rezaei & Ort, 2018). Government and other respective facilitative bodies are also will be benefitted from the results driven from the study. They will be more comfortable with these results when they make policy decisions related with SMEs. Future researchers are motivated to do more studies on EO and organizational performance of SMEs since it is essential to update the behavior of EO. The EO could be behave in different aspects when the economic, social, political and legal aspect may change. Thus, future studies are possible to conduct surveys in different angles using various control variables like environmental turbulence and IT orientation etc. Comparison of EO between different industries will provide more insights for the practitioners and as well as the researchers on the study variables.

**APPENDIX**

**Figure 1: Conceptual framework**



Source: Survey Data, 2019

**Table 1: Reliability**

Dimension	Cronbach's Alpha
Risk-taking	0.873
Innovativeness	0.796
Proactiveness	0.853
Innovation	0.824
OP	0.912

Source: Survey Data, 2019

**Table 2: Validity**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.609
Bartlett's Test of Sphericity	Approx. Chi-Square	173.132
	df	3
	Sig.	.000

Source: Survey Data, 2019

**Table 3: Relationship between EO and OP**

Construct		OP	Innovation
EO	Pearson Correlation	.717	.852
	Sig. (2-tailed)	0.000	0.000
Innovation	Pearson Correlation	.843	
	Sig. (2-tailed)	0.000	

Source: Survey Data, 2019

**Table 4: Relationship between EO dimensions and organizational performance**

Dimension		Risk-taking	Innovativeness	Proactiveness
Organizational performance	Pearson Correlation	.551**	.627**	.711**
	Sig. (2-tailed)	.000	.000	.000

Source: Survey Data, 2019

**Table 5: Model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics
					Sig. F Change
1	.716 <sup>a</sup>	.571	.679	.332	.000

<sup>a</sup> Predictors: (Constant), Risk-taking, Innovativeness, Proactiveness

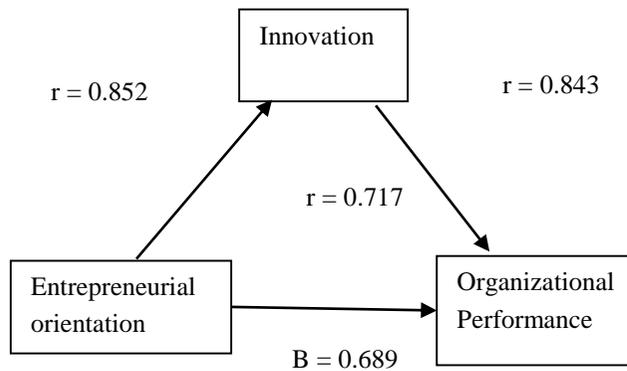
Source: Survey, 2019

**Table 6: Coefficients**

Model	Unstandardized Coefficients		Standard: Coefficient	t	Sig.
	B	Std. Error	Beta		
(Constant)	.922	.418	-	2.447	.016
Risk-taking	.061	.195	.007	0.361	.003
Innovativeness	.262	.088	.290	1.721	.000
Proactiveness	.321	.095	.597	2.420	.000

Source: Survey, 2019

**Figure 2: Indirect effect of innovation on the relationship between EO and OP**



Source: Survey Data, 2019

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**Impact of Team Effectiveness on Organizational Performance:  
Special Reference to Apparel Manufacturing Firms in North  
Western Province**

**H.P.M.C.T. Herath<sup>1</sup> & R. A. Rathnasiri<sup>2</sup>**

<sup>1</sup>Department of Business Management  
Wayamba University of Sri Lanka  
SRI LANKA

<sup>2</sup>Department of Banking and Finance  
Wayamba University of Sri Lanka  
SRI LANKA

chamilaherath96@gmail.com<sup>1</sup>, ranasingher76@gmail.com<sup>2</sup>

**Abstract**

Many scholars emphasized that employee team effectiveness affects organizational performance. However, empirical evidence related to the team effectiveness of executive-level employees and organizational performance in the Sri Lankan apparel industry represents a significant gap in the literature. Therefore, the study was carried out to explore the impact of team effectiveness on organizational performance in the Sri Lankan apparel industry. From the critical review of literature, contextual factors, team composition factors, and team process factors were identified as the independent variable of the study. While organizational performance was identified as the dependent variable. This study was based on primary data collected from 181 executive-level employees who work for large-scale apparel companies in the North Western province. Data collected through a structured questionnaire and analysed using linear regression analysis. The results of the study reveal that the team effectiveness of the executive level employees has a significant impact on organizational performance. Team process factors are deemed to be the most influential component of the team effectiveness while contextual factor is the least influential team effectiveness factor. All the independent variables were positively correlated with organizational performance. With the findings of the study, policymakers and the management of the companies are able to formulate the relevant strategies to get the maximum output from the team effectiveness of the executive level employees to increase the overall organizational performance in the Sri Lankan apparel industry.

**Keywords-:** Team Effectiveness, Organizational Performances, Apparel Industry, Sri Lanka

## 1. INTRODUCTION

Sri Lankan apparel industry started to evolve with the introduction of open economic policy after the 1978. With that trade investment-friendly environment was developed within the country. Therefore, the Sri Lankan apparel industry expanded as being an alternative to the Indian garment industry. Sri Lanka became an attractive new venue for businesses under the Multi-Fibre Agreement (MFA) and quota regime. As the first two joint venture apparel companies in Sri Lanka, the Omar group and The Amalean Group initiated a joint venture with a well-known American fashion company called "Martin Trust" (Mast Industries Inc, 2010). With the commencement of joint venture, Sri Lanka was given the ability to receive more modern technology, knowledge, and competencies regarding the apparel industry (Mast Industries Inc, 2010). That new venture was called Bodyline. As of 2010, MAS, Brandix, and Hirdaramani Group contributed a great deal to the US market along with the small contribution of Jay Mills Group. Thus, most of the value of exports of garments to the US market was accounted for by these three companies.

Today apparel industry in Sri Lanka plays a tremendous role in the economic development of the country. It contributes a large share to the Sri Lankan economy. According to the Export

Development Board of Sri Lanka (2020), industry provides direct employment opportunities to over 300,000 and 600,000 which include a considerable number of females in Sri Lanka. Central Bank of Sri Lanka (2019), affirmed that textile, wearing apparel, and leather-related products, which are one of the largest sub-activities related to manufacturing, positively contributed to the overall growth in manufacturing activities.

Over the decades' Apparel industry has faced many obstacles and challenges which evolve the apparel industry for where it is now. As a result of the impact of internal factors, it has been a very challenging and competitive industry. Production and operations management has grown faster and consequently, its boundaries have been expanded in many directions. Production management has been evolved with the introduction of new production concepts such as manufacturing strategy, just-in-time manufacturing, concurrent engineering, total quality management, supply chain management, flexible manufacturing systems, lean production, and mass customization, etc.

Management is trying to find positive synergy which will allow the organizations to enhance performance. The extensive use of teams creates the potential for an organization to produce greater outputs with no increase in inputs.

There is nothing inherently magical that ensures the achievement of positive synergy in the creation of teams (Robbins, 2015). Past researches have attempted to investigate how effective a team works toward performance (Bawa & Mohamed Ali, 2015; Black, 2010; Kwak, 2016; Nimlaor, Trimetsoontorn, & Fongsuwan, 2015). Further, previous scholars have studied how Human Resource Management (HRM), modern sociotechnical theory, business process re-engineering, and lean production all embrace the core principles of team working (Jabbour, 2011 ; Wei & Lau, 2012) . Benders and Van Hootegeem, (1999); De Sitter et al., (1997); Kleinschmidt and Pekruhl, (1994); Kuipers and Van Amelsvoort (1990) suggest that there is an important connection between organizational performance and team effectiveness.

In the present situation, the apparel industry is facing huge competition and their survival is based on how well they performed against its rivals using their competitive advantage effectively. When achieving this competitive advantage, team effectiveness plays a major role in apparel manufacturing firms (Nimlaor, Trimetsoontorn, & Fongsuwan, 2015; (Ranaweera, 2014) ).

### **1.1 General Problem Statement**

Organizational Performance can be measured in terms of financial outcomes as well as non-financial outcomes. Therefore, Organizational Performance (OP) means the actual output or results of an organization as measured against its intended outputs (Mast Industries Inc, 2010). Many scholars have evidenced that overall organizational performance can be affected by many internal and external factors in the organizational context concerning the industry they are operating. Some of these factors are, level of productivity, absenteeism, delay in on-time delivery, leadership styles and practices, working conditions, pay and benefit management practices, organizational conflicts, demotivation, level of skills, wastage, turnover, inefficient and ineffective utilization of machines, minor innovation, unfavourable organizational culture, material fluctuations, the ineffectiveness of planning and scheduling (Allen & Helms, 2001; Dheerasinghe, 2009; Dr. Awan & Saeed, 2014; Roslan, Habidin, Zainudin, & Norazlan, 2014; Amarasinghe, 2015; Dr. Mafini, 2015; Akram & Arif, 2018; Bashayreh, 2019; Deressa, 2019; Rantakari, 2020).

De Silva (2018) explores that due to many circumstances organizational performance has been decreased in the apparel industry in the north-western province. And she stated that the absenteeism of operational level

employees has been one of the key reasons for the lower level of overall organizational performance in the apparel industry. And also, productivity which is one of the key indicators of overall organizational performance has been affected due to failures in human performance. For instance, such as lack of skilled labour, the productivity of the labour, and rigidity in the labour laws, etc. Even as job opportunities increased in the apparel sector, the industry faces difficulties when developing and maintaining human capital specially, in the operational grades. Moreover, according to the internal reports the average labour turnover per factory was 60 per cent per annum. Further, Dheerasinghe, (2009) and Madhushanka, Ekanayake, & Appuhamy, (2016) evidenced that productivity in the garment sector improved slowly in the last several years.

As per the Central Bank of Sri Lanka (2019), the Index of Industrial Production (IIP) in the apparel industry indicated slow growth due to the low performance of manufacture of wearing apparel activities while the manufacture of textile activities recorded a marginal contraction. Meanwhile, the manufacturing of textile products showed an expansion of 3.6 per cent in 2018 reported a decline of 1.7 per cent in 2019. The report indicated that the decreased production of finished fabric

largely contributed to the decrease in textiles production in 2019.

The Team-Based Approach is a widely used working concept in many industries including the apparel industry (Pathirage, Jayawardena, & Rajapaksha, 2012). In an apparel company, there are functional departments such as production, planning, supply chain, Human Resource, Finance, etc. These workgroups must have a close connection with each other to meet the deliveries on time and accomplish the overall goals of the firm. Highly effective teams will produce a high outcome. Previous researchers have studied how team effectiveness in the organization impacts organizational performance (Abuzid, 2017; Boakye, 2015; Delarue et al., 2015). Bawa & Mohamed Ali, (2015) evidenced that team performance of the employees in the apparel industry has been considerably low, especially in the North Western Province. And they explored that Team Leadership diversification has significantly influenced the team performance of the apparel sector employees.

Though many research studies have been carried out on team effectiveness in the apparel industry (Bawa & Mohamed Ali, 2015; Black, 2010; Kwak, 2016; Nimlaor, Trimetsoontorn, & Fongsuwan, 2015). But there were very few studies carried out on the impact of team effectiveness on

organizational performance in the Sri Lankan apparel industry (Durairatnam, Chong, & Jusoh, 2020). Therefore, the researcher identified an empirical literature gap in studying the impact of team effectiveness of executive-level employees on the organizational performance in the Sri Lankan apparel industry as there was no previous work carried out in the same phenomena.

Accordingly, this research was carried out to investigate **“how the executive-level employees’ team effectiveness impact on the organizational performance in apparel manufacturing firms in North Western Province in Sri Lanka”**.

Besides, the broader objective of the current study is to investigate the impact of team effectiveness of executive-level employees on the organizational performance in apparel manufacturing organizations in the North Western Province in Sri Lanka. Specifically, the Researcher intended to investigate the distinctive impact of team effectiveness components (contextual factors, composition factors, Team Process Factors) on organizational performance. And to provide recommendations to the policymakers such as all the management levels in the companies (Strategical, Operational), relevant state authorities regulating the industry in order to make use of findings to mitigate the issues currently, they are experiencing.

As this study is focusing on investigating the impact of team effectiveness on organizational performance, management levels in the organization can apply the findings of this study in their operating capacity to mitigate the issues they currently facing. For Strategic Level Managers, this research will help to evaluate and redefine the Organizational Policies, Programs, Procedures, and Standards on team building to increase Organizational Performance. Organizations can arrange the required training programs to enhance the team working skills among executives by understanding the most influential factors in determining the organizational performance. The findings of the present study will also be significant to the middle-level manager as they can imply the findings practically to get the maximum effectiveness of the teams and to increase the organizational performance. As the leading contributor of foreign revenue in the country, identifying the impact of team effectiveness on organizational performance would be an advantage to the whole country as increasing organizational performance in large-scale apparel companies would create more income for the country. Also, as explained in the previous section this study addresses the empirical research gap that exists in the Sri Lankan apparel industry on team effectiveness of executive level employees and organizational performance. So that would be

helpful for new scholars to investigate more areas in this field.

The present study comprises five sections. Section one is the introduction part that identified the background information related to the research problem with its objectives and significance. Section two summarizes the critical review of the literature. Section three explains the data sources and technical root of the study including the methodology with the research design. Section four deals with the empirical test of results and the final section summarizes the conclusion and recommendations of the study.

## **2. LITERATURE REVIEW**

Organizational performance is a function of set of financial and non-financial collection of indicators that explores the extent of achieving organizational objectives and results (Ilieş, Gavrea, & Stegorean, 2011). Several factors have been identified as determinants of organizational performance. Many scholars have evidenced that different factors related to employees have been identified as major determinants; employee performance (Amarasinghe, 2015; Imran & Tanveer, 2015), employee satisfaction (Priyanath & Priyanaganie, 2020), training and development performance (Sandamali et al., 2018); organizational factors (Kalyani, 2006) are major factors among

them. Organizational performance can be measured in terms of financial terms or non-financial terms. Profitability is the most used method to measure Organizational performance (Nash, 1993). In the case of non-financial performance, productivity (Sink & Tuttle, 1985; Ongalo & Tari, 2015) and service quality (Hax and Majluf, 1984) have been identified as the common measures.

According to Robbins & Judge (2015), define a group as two or more individuals communicating, interacting, and interdependent who work together to achieve a common goal. Work teams are able to manufacture products and provide services, negotiate deals, coordinate the projects, offer advice, and make decisions (Mathieu, Maynard, & Gilson, 2008). As Robbins & Judge (2015) explore, there are four types of teams that are most common in the organization namely, Problem-solving, self-managed, cross-functional, virtual teams. And the effectiveness of teams may be measured based on the extent to which the team achieves its objectives and performs on behalf of the overall organization (Luthans, 2013). Many models have been introduced to explain the factors affecting team effectiveness and the impact of team effectiveness. Some models emphasize the factors external to the team itself but relate to the organization (organizational structure) (Sureka & Rao, 2017). According to

Bishop (cited by Luthans 2013), most of the long-standing models of team effectiveness explore that there should be a right and appropriate work environment where organizational support, commitment, goals, reward systems, communication systems, and physical space are all accustomed to allow the team to work in a productive and efficient atmosphere. For instance, the T7 model developed by Michael Lombardo and Robert Eichinger, Tuckman's Stages model, GRPI Model, The Katzenbach and Smith Model, Hackman Model of Team Effectiveness have been referred to by the researcher to understand the team effectiveness and its components. And the model introduced by Robbins & Judge (2015) summarizes all the above models and explores a compact model of team effectiveness. In that model Robbins & Judge (2015), has identified contextual factors, team composition factors, team process factors as the team effectiveness components; where it comprises most of the dimensions which were empirically affirmed that impacted the team effectiveness. Therefore, the researcher has used the same model to test the team effectiveness against the dependent variable (organizational performance). Based on the background problem, the critical literature review was carried out to identify the factors affecting team effectiveness. As explained in the earlier sections, many team effectiveness models were

examined by the researcher and the researcher has identified some common factors which have a significant impact on creating team effectiveness in the organization. Careful analysis of previous research studies provided sufficient justification in using the team effectiveness model developed by the Robbins & Judge (2015) to measure team effectiveness as the independent variable of the study. This model and its indicators (contextual factors, team composition factors, team process factors) have combined many factors and indicators such as nature of leadership, skills and talents of team members, factors related to interrelationship between team members, role allocation, team efficacy etc. which were used by the previous models. Therefore, the researcher has identified team effectiveness as the main independent variable and its components (contextual, team composition, team process) as the other independent variables and organizational performance as the dependent variable of the present study.

### **3. METHODS**

#### **3.1 Research design**

The current research reflects the philosophy of positivism. Since the researcher has studied the causal relationship between components of team effectiveness and team effectiveness, the purpose of the study is considered as explanatory. To investigate the current situation of the low

organizational performance in the apparel industry concerning the impact of team effectiveness, researcher has tested the hypothesis that has been developed based on the conceptual model (Figure 01). Therefore, this study attempts to find conclusions from propositions adopting deductive approach. As the research strategy, the researcher has followed the survey strategy. Survey strategy is widely used to answer who, what, where, how much, and how many questions (Saunders, Lewis, & Thronhill, 2018). Hence, the researcher has administered a questionnaire to collect data from the selected sample as the survey instrument. Another core section of the research design is research choice. Research choice is based on the type of data collection and method of analysis used in the study, and for the current study, the researcher has chosen a multi-method quantitative choice. As the present study is based on quantitative data and researcher has used one main data collection technique to address the established research questions. As the primary data collection technique researcher has administered a questionnaire, and for analysing data researcher has used the quantitative data analysis method. For other data requirements, the researcher has referred to some secondary sources too. This research represents a snapshot taken at a specific time during the period of data collection. And for

understanding and addressing the current scenario, the researcher should gather information from the given period. Therefore, the present study followed the cross-sectional time horizon. As explained earlier, the researcher has collected data through the selected sample of executive-level employees to address the established research questions. The researcher has done this investigation in a normal situation, whether the organizational environment is natural in general. Therefore, the research interference was minimal in the current study.

### **3.2 Population & Sample**

Population refers to the total set of cases from which the sample is taken (Saunders, Lewis, & Thronhill, 2018). According to BOI (2019), among all 36 apparel manufacturing companies in the north-western province, it has been clustered into three different categories. From them 12 have identified as large scale, 13 have identified as medium scale while 11 have identified as small-scale companies. As the present study focused on the team effectiveness of executive-level employees, the population of the current study was the executive-level employees who work for 12 large-scale apparel manufacturing companies in the North-Western Province. As the sample frame of the current study, researchers have chosen the 385 executive-level employees who work for 12 large-scale apparel manufacturing companies in the North-western

province (BOI,2019). And the sample size was determined by referring to the Morgans' format of determining sample size. According to the relevant format, the researcher had to reach 186 respondents who qualified the target group requirements. The researcher followed the simple random sampling technique to determine the sample from the sampling framework. Therefore, this study is able to draw up a sample that represents the entire population of the research.

### **3.3 Data Collection**

Primary data for the current study was gathered through a self – administered questionnaire; in order to identify the current scenario on team effectiveness and organizational performance. Questionnaires were distributed among the sample via an online survey platform. And the questionnaire consisted of three main sections. The first section is the screening section, where it filters the respondents who fulfil the required target group respondent. The second section of the questionnaire is about the demographic details of the respondents. And the third section covers measuring the independent variables and dependent variables with closed-ended Lickert scale questions. Besides, other secondary data were collected through journal articles, business magazines, annual reports, and books related to the discipline.

### **3.4 Conceptual Framework**

The conceptual model was developed by researcher himself by referring to critical review of literature (Figure 01)

### **3.5 Measurement Indicators**

The main independent variable, Team effectiveness was measured on the basis of team effectiveness components introduced by Robbins (2015). Therefore, contextual factors, team composition factors, team process factors were considered as the measurements of the team effectiveness. And Contextual factors were measured in terms of adequate resources, leadership & Structure, the climate of trust, performance evaluation, and reward systems (Aime, Meyer, & Humphrey, 2010; Carson, Tesluk, & Marrone, 2007; Dirks, 2000; Hackman, 2002; Kapuge & Smith, 2007; Luthans, 2013). Team composition factors were operationalized based on seven items. They are abilities of members, the personality of members, allocation of roles, diversify of members, size of teams, members' flexibility, member preferences (Bell, 2007; Coutu, 2009; Fraser & Hvolby, 2010; Gautam, 2018; Joshi & Roh, 2009; Robbins, 2015). Process-related factors were operationalized into five factors. Those factors are social loafing, conflict levels, team efficacy, specific goals, common plan, and purpose (Farh, Lee, & Farh, 2010; Newstrom & Devis,2002; Petty &

Fabrigar, 2008; Price, Harrison, & Gavin, 2006. Tasa, Taggar, & Seijts, 2007). Organizational performance has been identified as the dependent variable of the current study. It has been operationalized based on two factors that were used to operationalize organizational performance in previous scholars (Hax & Majluf, 1984; Ongalo & Tari, 2015). Those factors are Service Quality and the Productivity.

### 3.6 Data Collection Techniques

To test the internal consistency of the questionnaire, researcher has used the reliability test and cronbach value; all the variables and the overall questionnaire has met the required level of cronbach level to ensure that questionnaire has high level of internal consistency in the current study. In addition to that, researcher has used descriptive and inferential statistics for further analysis. Under descriptive statistics mean value, maximum, minimum, SD values have been used to draw conclusions. Besides, as inferential statistics, correlational analysis, regression analysis, Heteroscedasticity, Multicollinearity, Auto Correlation was used. Further to these analyses, Tables, pie charts, and cross tabs, and frequency tables, normality tests (kurtosis values and histograms) were carried out to explain more about the collected data.

## 4. FINDINGS AND DISCUSSION

The researcher has obtained 181 respondents from the distributed 195 questionnaires. Therefore, the response rate for the current study is 97%.

### Demographic Information

From the selected sample,

- The majority of the respondents (66%) were male executives.
- Around Forty Per cent represented were in the age range of 24-29.
- More than 40% of executives who participated were from the production department.
- More than 70% of respondents have a degree level qualification.
- One-fourth of respondents have worked in a team where there are 5-6 team members in the team.
- More than half of the respondents are working in non- permanent teams (teams which formed to accomplish a special task or carry out a specific project).
- More than one-fourth of respondents have worked in problem-solving teams.
- More than half of the executives work in supply, marketing departments have worked in problem-solving teams. At the same time, one

half of the respondents in the production, supply chain departments have worked in cross-functional teams.

#### 4.1 Correlational Analysis

Pearson Correlational analysis was used to examine the nature of the relationship between two variables. Besides, in the present study P values received from this analysis were used to test the hypotheses.

#### 4.2 Multiple Regression Analysis

This analysis was used to test the simultaneous effect of all the independent variables (contextual factors, team composition factors, team process factors) on the dependent variables. For this analysis, the researcher has followed the hierarchical method to get the test results. When independent variables are added to each step following their importance, it reflects a comparatively higher  $R^2$  if the newly added variable is significant.

The table depicts that; altogether all the variables which have been used in the regression model have a 70% impact on organizational performance. On the other hand, this model explains approximately 70% variance from the organization's performance. It states indirectly, that there can be

Results of the correlational analysis reveal that all the independent variables (Team effectiveness, Contextual Factors, Team Composition Factors, and Team Process Factors) were positively correlated with the dependent variable (Organizational Performance). Team Process Factors have a strong positive relationship while Team effectiveness, Team Composition Factors has a substantial positive relationship with the Organizational performance.

other factors also which influence organizational performance.

The following equation formulated consists of all variables in the model.

$$\mathbf{OP = 0.655 + 0.310 CRF + 0.406 TCF + 0.899 PRF}$$

With the results of the data analysis, hypotheses were tested to examine whether there is a significant impact from the selected independent variables on the dependent variable.

## 5. DISCUSSION

### Hypothesis 01

**H1: Team effectiveness has a significant impact on organizational performance.**

Team effectiveness is the primary independent variable identified in the present study where other independent variables are sub-components of team effectiveness. Many scholars have evidenced that team effectiveness has a significant impact on organizational performance and its different dimensions (Gautam, 2018; Langfred, 2007; Mannix & Neale, 2005). Therefore, the researcher has chosen this variable to test its impact on the organizational performance in the apparel industrial context in Sri Lanka. According to the primary research findings,  $P= 0.000$  ( $P < 0.005$ ); Therefore, alternative hypotheses were accepted while null hypotheses were being rejected. It implies that team effectiveness has a significant impact on organizational performance. Besides the correlational value 0.654 ( $P < 0.000$ ) (Table 01), it is stated that these two variables have a moderate positive relationship. While with the R square value for the simple regression, it is implied that team effectiveness explains 69 % ( $R^2 = 0.691$ ) (Table 02), of the variance of the organizational performance.

### Hypothesis 02

**H2: Contextually related factors have a significant impact on organizational performance.**

Several previous works of literature have evidenced that contextual factors have a significant impact on organizational performance (Carson, Tesluk, & Marrone, 2007; Kwak, Shah, & Dhiavan, 2004; Pritchard, Hawkins, Wiegand, & Metzler, 2008). Therefore, the researcher has chosen this variable to test its impact on the organizational performance in the apparel industrial context in Sri Lanka. According to the primary research findings,  $P= 0.000$  ( $P < 0.005$ ). Therefore, alternative hypotheses were accepted while null hypotheses were being rejected. It implies that contextual factors have a significant impact on organizational performance. Also with the correlational value 0.277 ( $P < 0.000$ ) (Table 01), it is stated that these two variables have a weak positive relationship. While with the R square value for the multiple regression, it is implied that contextual factors solely explain 69.6 % ( $R^2 = 0.696$ ) (Table 02), of the variance of the organizational performance.

### Hypothesis 03

**H3: Composition-related factors have a significant impact on organizational performance.**

Team Composition factors are the second component in the team effectiveness as in the model

explained by Robbins & Judge (2015). In addition to that, many previous scholars have evidenced that contextual factors have a significant impact on organizational performance (Bell, 2007; Goodwin, Bruke, Wildman, & Salas, 2009, Joshi & Roh, 2009; Mullen & Copper, 1994; Salas, Eduardo; Rosen, Michael A; Burke, Shawn; Goodwin, Gerald F, 2009). Therefore, the researcher has chosen this variable to test its impact on the organizational performance in the apparel industrial context in Sri Lanka. According to the primary research findings,  $P= 0.000$  ( $P < 0.005$ ); therefore, alternative hypotheses were accepted while null hypotheses were being rejected. It implies that team composition factors have a significant impact on organizational performance. Also with the correlational value  $0.676$  ( $P < 0.000$ ) (Table 01), it is stated that these two variables have a moderate positive relationship. While with the R square value for the multiple regression, it is implied that team composition factors solely explain  $68.2\%$  ( $R^2 = 0.682$ ) (Table 02), of the variance of the organizational performance

Hypothesis 04

**H4: Process-related factors have a significant impact on organizational performance.**

This variable is the last component of the team effectiveness model which was introduced by Robbins & Judge

(2015), And many other scholars have evidenced that the team process factor has a significant impact on organizational performance (McDonough, Khan, & Barczak, 2001; Newstrom & Davis, 2002). With that empirical evidence, the researcher has chosen this variable to test the impact on organizational performance in the Sri Lankan apparel context. According to the primary research findings,  $P= 0.000$  ( $P < 0.005$ ); therefore, alternative hypotheses were accepted while null hypotheses were being rejected. It implies that team process factors have a Significant Impact on organizational performance. Also with the correlational value  $0.802$  ( $P < 0.000$ ) (Table 01), it is stated that these two variables have a strong positive relationship. While with the R square value for the simple regression, it is implied that team composition factors solely explain  $64.3\%$  ( $R^2 = 0.643$ ) (Table 02), of the variance of the organizational performance. Among all three sub-variables in the team effectiveness, team process factors have the highest discrete impact on the organizational performance.

### **5.1 Diagnostics Test Results**

Since the Residuals of this model are normally distributed and the data is homoscedastic, the researcher has assumed that the variables in the regression model have a linear relationship. And The VIF values are less than 10. There is no multicollinearity between predictor variables.

Therefore, Data that were collected through primary data collection; reveals that adjusted  $R^2= 69.1$ . Hence, 69.1% of the variability in the level of the dependent variable is explained by its linear relationship with the independent variables. In other words, the model explains the variation of dependent variables by 70%. It indicates that accepted independent variables (contextual factors related to the teams, team composition factors, and team process factors) have explained the organizational performance in the apparel industry by 70% simultaneously. And the rest of the 30% is explained by any other factors which were not concerned in the current study.

## **6. CONCLUSION AND RECOMMENDATION**

### **6.1 Conclusion**

According to the findings of the study, it can be concluded that the executive level employees' team effectiveness has a significant impact on the overall performance of apparel companies. More elaborate, all the team effectiveness components have proved significant impact and relationship on the organizational performance. Team process factors are the most influential factors; meanwhile team contextual factors are the least influential factor from the tested variables. Therefore, by considering the findings of the study, policymakers of the apparel companies could formulate relevant strategies to increase

organizational performance through the team effectiveness of the executive-level employees.

### **6.2 Recommendation of the Study**

The findings and conclusions of this study contribute to the theoretical level as well as the practical level of the apparel industry and for the policymakers. Therefore, policymakers are able to get these suggestions into practice to achieve a higher level of organizational performance.

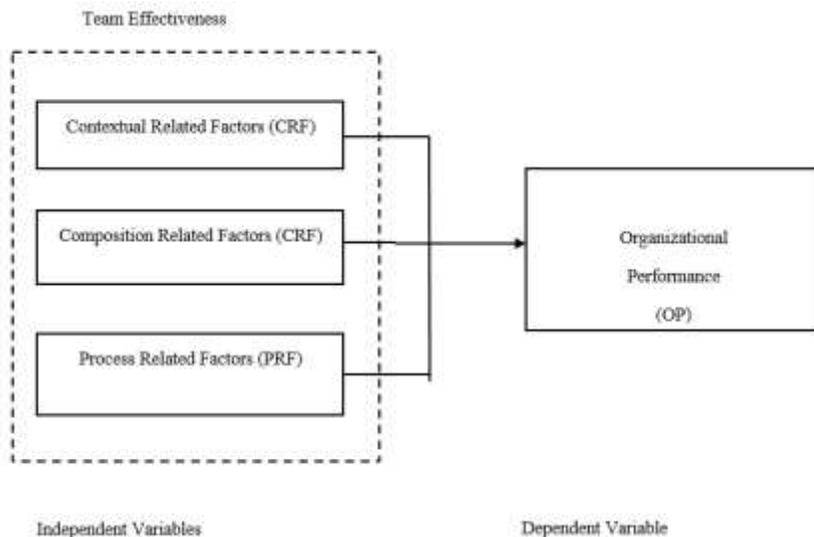
As the findings discourses, team process factors have more influence on the organizational performance compared to the other two team effectiveness factors. Therefore, policymakers and management teams of the apparel companies would consider more on the team process factors. In that scenario, Apparel companies should arrange relevant programs to inform the employees about the common purpose of the organization and how their roles and tasks directly impact that common purpose. And management should monitor how the teams establish their specific goals regarding the tasks they are performing. A moderate level of conflict within the teams leads to a higher level of performance (Robbins, 2015). Therefore, the management of the apparel companies should establish an appropriate mechanism to maintain a moderate level of conflict with the working teams in their organizational context. As team composition factors have a

considerable influence on organizational performance, organizations should concentrate on their dimensions to get more high level of organizational performance. Therefore,

conducting relevant training programs periodically, forming diversified groups, considering the size of the teams, role allocation should be highly

considered to obtain a higher level of organizational performance.

### Appendix



**Figure 01: Conceptual Model**

**Table 01: Results of Correlational Analysis**

		TE	CRF	TCF	PRF	OP
OP	Pearson Correlation	<b>0.654**</b>	<b>.277**</b>	<b>.676**</b>	<b>.802**</b>	1
	Sig. (2-tailed)	0.000	.000	.000	.000	
	N	181	181	181	181	181

Source: Survey Data

**Test 02: Results of Multiple Regression Analysis**

Model	R	R <sup>2</sup>	B	Beta	Std. error	t	Sig.
Constant			0.655		0.160	4.088	0.000
PRF	0.802	0.643	0.899	0.750	0.97	9.304	0.000
TCF	0.826	0.682	0.406	0.336	0.73	2.868	0.005
CRF	0.834	0.696	0.310	0.278	0.108	5.541	0.000

Source: Survey Data

**Table 03: Analysis of Hypotheses**

Independent Variable	Correlation test results against OP	0.8 to 1	0.5 to 0.8	0 to 0.5	0 to 0	0 to -0.5	-0.5 to -0.8	-0.8 to -1	Impact of results towards performance
TE	0.654								Moderate Positive
CRF	0.277								Weak Positive
TCF	0.676								Moderate Positive
PRF	0.802								Strong Positive

Source: Author constructed

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**Impact of Employee Value Proposition on Employee Retention in  
Apparel Sector Employees in Sri Lanka**

**P.D.A.S.Kumar<sup>1,3</sup>, U.M. Devadas<sup>2</sup> & K.A.S Dhammika<sup>3</sup>**

<sup>1,2,3</sup> University of Kelaniya  
SRI LANKA

sanathpalliyaguru@gmail.com<sup>1</sup>, udayamohan@kln.ac.lk<sup>2</sup>,  
kasdhammika@yahoo.com<sup>3</sup>

**Abstract**

Apparel exports bring the largest export income to Sri Lanka. High labor turnover is one of the greatest challenges to continue the above performance. Sewing machine operators have become the number one occupation which the highest number of employees quitted among the top 20 occupations in Sri Lanka. Therefore, the primary objective of this study is to find the employee value proposition (EVP) of sewing machine operators in the apparel manufacturing industry in Sri Lanka which will help to increase the employees' intention to retain (IR) with the existing organization. The ontological stance is Representationalism while the epistemological stance is positivism choosing the deductive approach, quantitative research strategy. The self-administered questionnaires were obtained from 386 sewing machine operators covering all 13 large-scale companies in Sri Lanka. According to the findings, employee brand equity (EBE) has the strongest impact on employees' intention to retain followed by reward and recognition and employee welfare respectively.

**Keywords-:** Intention To Retain (IR), Employee Value Proposition (EVP), Employee Brand Equity (EBE)

## 1. INTRODUCTION

Competition for highly talented employees has become almost as fierce as the competition for customers (Berthon, Ewing, & Hah, 2005). Employee attraction and retention have been demonstrated as one of the foremost challenges for organizations today. Flexible labor markets in the modern business context have enabled and allowed the employees to move freely from one job to another or choose the best-fit employer for them to render their valuable service. In this scenario, the companies face the challenge of presenting themselves as attractive employers for prospective applicants and current employees in labor markets (Lievens & Highhouse, 2003). In this context, the competition for attracting the best employees and retaining them in the organization has become a “talent war “ (Backhaus & Tikoo, Conceptualizing and researching employer branding, 2004). In increasingly competitive employment markets, developing strategies to become an employer of choice is vitally important. (Armstrong, 2006) stated that employer branding aims to become an 'employer of choice' where people prefer to work. It can be achieved by effectively promoting employee value proposition (EVP), which will communicate the offerings of the organization as a 'great place to work'. In developing strategies for this crucial challenge, employer branding is presented as a lucrative competitive advantage for firms (Agrawal, 2017). Sullivan (2002) has stated that employer

branding is “a targeted, long-term strategy to manage the awareness and perceptions of current employees, potential employees, and related stakeholders with regard to a particular organization (Sullivavan, 2002). Therefore, EB is considered as one of the strategic tools in organizations to market their unique employment offering or value propositions to the internal and potential employees. In examining the EB in-depth, value propositions can be identified in the heart of the employer branding, and this effect for creating employee brand equity values (Sullivan, 2004).

### 1.1 Research problem

The apparel manufacturing industry in Sri Lanka which has the most significant and dynamic contribution to the country's economy is facing the challenge of retaining employees. Sewing machine operators in apparel industry have become the number one occupation with the greatest number of employees quit in Sri Lanka (Labour Demand Survey, 2017). The average rate of labor turnover of sewing machine operators in apparel manufacturing industry is sixty percent (60%) per annum as per (Dheerasinghe, 2009). This is a burning issue, and the statistics prove that retaining employees in apparel manufacturing companies is a great challenge over many years even though many attempts were made to resolve it by the management of the organizations. The performance of the apparel sector is at the top of national ranks regarding the

contribution to the export income and Export Development Board (2017) has stated that the apparel exports bring the largest export income to the country that recorded an increase of 9.26% year over year (YOY). In the present study, the researcher is expected to study what has caused to reduce the intention to retain sewing machine operators in the apparel industry in Sri Lanka (EDB, Industry capability report, 2017). According to empirical studies, it has been shown that the employee value propositions are different in different contexts. Therefore, the related theories of the present study and existing literature were not enough to give a proper solution for the aforesaid issue. The theoretical and empirical gap analysis provides an initial platform to realize that there is a prevailing gap in the captioned area. It is hereby attempted to research how the sewing machine operators in the apparel industry in Sri Lanka, are motivated to stay with their current organization. Based on the arguments mentioned above and past studies done, the research problem of the present study is “*What is the employee value proposition of sewing machine operators in garment manufacturing industry in Sri Lanka and its impact on intention to retain with the mediating effect of Employee brand equity and moderated by demographic factors ?*”.

To resolve the above research problem, the following research questions were assisted.

1. What is the EVP of Machine operators in apparel manufacturing industry in Sri Lanka?
2. Does EBE mediate the relationship between EVP and Intention to retain machine operators in apparel manufacturing industry in Sri Lanka?
3. What is the impact of EVP on employees’ intention to retain?
4. Do demographic factors moderate the relationship between EVP and intention to retain machine operators in apparel industry, Sri Lanka?

### **1.2 Research objectives**

The central aim of the study is to develop employer brand (EB) based on brand equity elements for the apparel manufacturing sector in Sri Lanka to reduce employee turnover and enhance employee retention and the specific objectives based on that are.

1. To examine the EVP of Machine operators in the apparel manufacturing industry in Sri Lanka
2. To assess the mediating effect of EBE on the relationship between EVP and Intention to retain.
3. To examine the impact of EVP on employees’ intention to retain
4. To examine how does the relationship between EVP and

intention to retain is moderated by demographic factors

### 1.3 Theoretical background and conceptualization

The relationship among the variables have been linked with the existing theories and the relationship between the independent variable and the dependent variable has been justified as per the Social exchange theory (SET) by which determine the social interaction as an exchange process and is influential in conceptualizing the paradigm for understanding an employee behavior (Cropanzano & Mitchell, 2005). The theory stresses a solid basis on the link between the organizational inputs on employees and employees' attitude or behavior-related outcomes (Chiaburu & Marinova, 2006). There is a negative relationship between Perceived support from organizations and withdrawal behavior (Rhoades & Eisenberger, 2001). Similarly, Wayne, Shore & Liden, (1997) proposed that employees who perceive low support from their organization will more likely to have an intention to quit the organization (Wayne, Shore, & Liden, 1997). According to Vroom's expectancy theory, the employee believes that efforts will result in acceptable performance and he/she believes that acceptable performance will produce the desired reward. Then the employee values reward. In other words, it is an effort to perform expectations which an individual feels will lead

to the accomplishment of the anticipated goal (Kreitner & Kinicki, 2001). Generally, expectancy theory can be used to predict behavior in any situation in which a choice between two or more alternatives must be made. For example, it can be used to predict whether to leave or stay at a job and whether to try a substantial or minimal effort at the task (Kreitner & Kinicki, 2001). Further, as per the person-organization fit theory introduced by Kristof in 1996, reducing employee-organization mismatch will lead to an increase in the likelihood of employees staying with the organization (Aycan, et al., 2000) According to Westerman and Cyr (2004), personality congruence and value congruence has a direct impact on intention to stay with a particular employer (Westerman & Cyr, 2004). As per the above findings, Social exchange theory, Expectancy theory, and person-organization fit theory explain the relationship between exogenous (EVP) and the endogenous variable of intention to retain.

According to King and Grace (2009), employee brand equity can be described as an identification-based relationship of workers with a particular brand (King & Grace, 2009). This bond creates feelings of social integration and identification that increase individuals' attachment to the organization (Mossholder, Settoon, & Henagan, 2005). While Social-exchange based perspective is evolved from the social exchange theory, the identification-based relationship is

evolved from the social identity theory which explains employee relationships through fit between personal identity and organizational identity (Ashforth & Fred, 1989). According to the social identity theory, being a part of a particular group provides people with a sense of belonging and a social identity. According to King and Grace (2009), intention to retain is one of the outcomes of EBE. Therefore, the relationship between EBE and IR has been justified by the social identity theory (King & Grace, 2009).

According to the theory of psychological contract, employees promised loyalty to the firm in exchange for job security (Hendry & Jenkins, 1997) and marketable skills through training, development opportunities, and clear career paths (Baruch, 2004). Brand loyalty is one dimension of Employee brand equity (Raml & Kenning, 2014) and therefore, the relationship between the independent variable (EVP) and the mediator (EBE) has been justified by the theory of psychological contract.

The conceptual framework is constructed based on a deep review of literature, to establish the relationship between the key variables of the research. According to the nature of this study, the elements of the employee value proposition are first examined with the employee brand equity (EBE). Intention to retain (IR) is examined in the second phase of the study. Hence, the first part of the conceptual

framework represents the relationship between employee value proposition (EVP) and employee brand equity (EBE). The second part of the conceptual framework shows the relationship between employee brand equity (EBE) and intention to retain (IR). Demographic factors such as age, gender, marital status, education level, distance to the workplace were considered to be the moderating factors as per the literature.

As per critically reviewed literature, the number of influencing factors on the intention to retain with the organization have been identified. It was noticed that some of the factors were commonly identified by many researchers and some factors may have been different in the contexts of the countries and the industries. The research framework consists of one dependent variable, nine independent variables, one mediator variable, and one moderator variable. The dependent variable is the intention to retain with the organization, and independent variables are Employee hires and promotion, Customer focus, Training, Employee recognition/ rewards/ compensation, Employee performance assessment & development, Leadership and HRM partnership, supportive interpersonal relationship, work-life balance and Welfare. Flexi work hours, also selected as an element of EVP through literature. However, it was removed as per the expert view since Flexi work hours

cannot be given to manufacturing employees who are assigned to a production line. The expert view is that the members of a production line cannot report to work at different times, and they must start work together and complete the task together. Based on the critically reviewed past studies, empirical and practical justifications, the conceptual framework of the study was constructed as in figure1. Based on the conceptual framework, alternative hypotheses have been developed as given in below.

## **1.4 Hypotheses development**

### **1.4.1 Employee value proposition and employee brand equity (EBE)**

**H1** - There is a positive impact of Employee Value Proposition on EBE

**H1a** - There is a positive impact of hires and promotion on EBE

**H1b** - There is a positive impact of customer focus on EBE

**H1c** - There is a positive impact of Training on EBE

**H1d** - There is a positive impact of Employee recognition, rewards, and compensation on EBE

**H1e** - There is a positive impact of Employee performance assessment and development on EBE

**H1f** - There is a positive impact of Leadership and HR management partnership on EBE

**H1g** - There is a positive impact of supportive interpersonal relationships at work on EBE

**H1h** - There is a positive impact of work-life balance on EBE

**H1i** - There is a positive impact of welfare facilities on EBE

### **1.4.2 Employee brand equity and intention to retain (IR)**

**H2** - There is a positive impact of employee brand equity on IR

### **1.4.3 Employee value proposition (EVP) and intention to retain (IR)**

**H3** - There is a positive impact of Employee Value Proposition on IR

**H3a** - There is a positive impact of employee hires and promotion on IR

**H3b** - There is a positive impact of customer focus on IR

**H3c** - There is a positive impact of Training on IR

**H3d** - There is a positive impact of Employee recognition, rewards, and compensation on IR

**H3e** - There is a positive impact of Employee performance assessment and development on IR

**H3f** - There is a positive impact of Leadership and HR management partnership on IR

**H3g** - There is a positive impact of supportive interpersonal relationships at work on IR

**H3h** - There is a positive impact of work-life balance on IR

**H3i** - There is a positive impact of welfare facilities on IR

#### **1.4.4 Moderating effect of Demographic variables on the relationship between employee value proposition and intention to retain**

**H4-** The relationship between Employee Value Proposition and intention to retain is moderated by the demographic characteristics of the employees

## **2. METHODS**

The research paradigm of the current study is post-positivism. The conceptual model has been developed by deductive reasoning of four existing theories and literature. The research strategy was quantitative and thus the survey technique is chosen as the data collection method. The research instrument was a self-administered questionnaire. There are eleven main constructs as depicted in the conceptual framework. These factors were identified through the intensive literature review as recommended by previous researchers in the same context. The target population of the study is the sewing machine operators employed in 350 garment manufacturing organizations in Sri Lanka. However, for this study, the thirteen (13) key players in the garment manufacturing industry ranked by the export development board of Sri Lanka have been selected. The sample has been derived from a total of 118,150 machine operators employed by those organizations. To make inferences of the population, it was

determined that a sample of 384 machine operators was considered for the data collection for the study, and they were selected as per the stratified random sampling where the elements in each stratum have a known chance of being chosen as subjects in the sample (Sekaran, 2003). The multistage cluster sampling method was adopted for selecting the sample. As per Sekaran & Bougi (2017), multistage cluster sampling would be used for national surveys. In this study, 13 key organizations were chosen, then the sample size allocated to each company is calculated multiplying by the ratio between the number of MOs in the selected company to the study population.

According to the sample size deciding table introduced by (Kregcie & Morgan, 1970) sample size for a population of more than 100,000 is taken as 384. The sample size of this study was 386 since the population is above 100,000. The self-administered questionnaires were distributed among 422 machine operators and received and 31 out of 422 questionnaires were incomplete. 391 respondents were qualified for the analysis. Univariate outliers were scientifically decoded, and multivariate outliers were removed based on the results of the Mahalanobis distance test. 386 respondents were selected for final analysis after removing 5 outliers. Exploratory factor analysis was

carried out to ensure the reliability of indicators used and the confirmatory factor analysis (CFA) was performed to ensure the convergent and discriminant validity, composite reliability, model fit, and their parameters within acceptable limit.

## 2.1 Measures

The measuring scales for all the variables included in the theoretical model were adopted from highly accepted earlier studies. The 9 constructs of EVP were assessed using 49 indicators adopted from Cho, Woods, Jang & Erdem (2006) (Cho, Woods, Jang, & Erdem, 2006), Milman and Ricci (2004) (Milman, A & Ricci, 2004), Reynolds (2018) (Reynolds, 2018), Walsh and Taylor (2007) (Walsh & Taylor, 2007), Benson (2006) (Benson, 2006), Armstrong Stassen & Ursel (2009) (Armstrong-Stassen & Ursel, 2009), Gibbons (2006) (Gibbon, 2006), Hinkin and Tracey (2000) (Hinkin & Tracey, 2000), Ma Prieto and Perez-Santana (2014) (Prieto & Pérez-Santana, 2014), Ghosh Mathieu et al., (2016) (Ghosh, Chauhan, & Rai, 2016), Ghosh and Sahney (2011) (Ghosh & Sahney, 2011), Beauregard & Henry (2009) (Beauregard & Henry, 2009), O'Neill et al., (2009) (O'Neill, Hambley, Greidanus, Mesler, & Kline, 2009), Liyanage and Galhena (2014) (Liyanage & Galhena, 2014), Madurawala (2017) (Madurawala, 2017), Wijesekera (2017) (Wijesekera, 2017). EBE was measured using 17 items adopted from Alshathry, Clarke & Goodman (2017)

(Alshathry, Clarke, & Goodman, 2017). Intention to retain was measured using four(4) items adopted from Ito et al., (2013) (Ito, Brotheridge, & McFarland, 2013). All these items were operationalized using a seven-point.

## 2.2 Data analysis

The data was cleaned by concentrating the assumption of multivariate analysis techniques. Next, the descriptive statistics were done explaining how the selected constructs behave in the apparel industry, Sri Lanka. Consequently, PLS-CTA was performed in order to identify whether the constructs are formatively measured or reflectively measured. Having confirmed the status of the measurement type, the measurement model is first analyzed followed by the structural model by using PLS-SEM. Finally, the hypothesized relationships were analyzed in the proposed model considering the effects of the mediating and moderating variables.

The characteristics of the samples are given in table 1. The reviews of literature of demographic factor variables that have been found to have a stable relationship with retention and turnover intentions are age, gender, service period, marital status, education, and residence.

According to Hair et al. (2010) deviations of normality, homoscedasticity, linearity, and multicollinearity may misinterpret

the correlation between variables (Hair, Black, Babin, Anderson, & Tatham, 2010). Therefore, before the SEM analysis was performed, the normality, homoscedasticity, linearity, and multicollinearity were tested. According to the results of the Kolmogorov-Smirnov test, all the  $P$  values are less than 0.05 and the  $Z$ -values of both skewness and Kurtosis values are not in the  $-1.96$  and  $+1.96$  range. It implies that the data of each variable is not normally distributed. According to the results of the ANOVA linearity test, the  $F$  values of linearity are at a significance level in all the examined pair of relationships, as respective  $p$  values were reported 0.000. According to Hair et al. (2010), the threshold level of multicollinearity is  $SMC < 0.9$ , Tolerant statistics  $> 0.10$ , and  $VIF < 10$ . The observations revealed that all the values of the three indicators are well within the acceptable threshold limits. Accordingly, it was assumed that all explanatory variables are free from multicollinearity issues. Finally, a non-parametric Levine's test was performed to verify the equality of variance in the given sample and according to the results, there is an equality of variance among variables.

After testing the multivariate assumptions, the next step of the analysis is to examine the Measurement Model (or outer model) to determine how well the indicators constructed according to specific questions load on the theoretically developed constructs.

To differentiate the formatively and reflectively measured scales, confirmatory tetrad analysis (CTA) has been proposed (Gudergan, Ringle, Wende, & Will, 2008). According to CTA, zero comes within the uppermost and Lower bounds of 90% bias-correlated and Bonferroni-adjusted confidence intervals, and therefore, it is statistically proved that all constructs are reflectively measured.

### **2.3 Assessment of measurement model**

The next step was to assess the reflective measurement model by examining the indicator loadings ( $>0.7$ ), assessing internal consistency reliability ( $>0.7$ ), convergent validity ( $AVE > 0.5$ ), and discriminant validity ( $HTMT < 0.9$ ). According to Table 2, all the threshold values are well within the reference level.

According to Hair et al. (2017), if the measurement models satisfy all the required criteria, next the structural model is to be assessed.

### **2.4 Assessment of the structural model**

According to the  $R^2$  value in table 3, 83% of the dependent variable is explained by independent variables and according to Hair et al., (2018), it is substantially explained. Since the  $f^2$  value is greater than 0.002, if RR or WELF is omitted, there will be a substantial impact on IR. Since  $Q^2$  values are positive and greater than 0.5, exogenous constructs have predictive relevance for the

endogenous construct. (Hair J. F., Sarstedt, Ringle, & Guderga, 2018)

### 3. RESULTS

#### 3.1 Hypothesis testing

According to the results depicted in Table 4, 6 out of 9 hypotheses were accepted. Therefore,

**H1a:** There is a positive impact of employee hires and promotion on EBE

**H1c:** There is a positive impact of Training on EBE

**H1d:** There is a positive impact of Employee recognition, rewards, and compensation on EBE

**H1f:** There is a positive impact of Leadership and HR management partnership on EBE

**H1h:** There is a positive impact of work-life balance on EBE

**H1i:** There is a positive impact of welfare facilities on EBE

**H1b, H1e, and H1g** were rejected and therefore, it was empirically proved that there is no significant relationship between customer focus and EBE, Performance assessment and EBE, Interpersonal relationship, and EBE.

According to the results depicted in table 5, hypotheses were accepted. Therefore, there is a positive impact of employee brand equity on the employees' intention to retain.

According to the results depicted in Table 6, 2 out of 9 hypotheses were accepted. Therefore,

**H3d:** There is a positive impact of Employee recognition, rewards, and compensation on IR

**H3i:** There is a positive impact of welfare facilities on IR

Accordingly, the first objective of identifying the EVP of Machine operators in the apparel manufacturing industry in Sri Lanka was achieved. The third objective of identifying the impact of EVP on employees' intention to retain is also achieved.

**Further,** based on the findings, it can be empirically suggested that the employee brand equity partially mediates both relationships of RR -> IR and WELF -> IR and EBE is fully mediate the relationship of EHP->IR, TR -> IR, HRM -> IR, and WLB ->IR. Further, since the indirect effects of CF-> IR, PER -> IR, and INTR -> IR are insignificant, it can be empirically concluded that the employee brand equity does not significantly mediate those relationships. Therefore, the second objective of assessing the mediating effect of EBE on the relationship between EVP and Intention to retain is also achieved.

To achieve the fourth objective of identifying the moderating effect of demographic factors on the relationship between EVP and intention to retain, the PROCESS Procedure for SPSS Version 3.5 written by Andrew F. Hayes was used. It was identified that the P-value of the interaction of Age with the relationship IR and RR is significant at 0.0353 (< 0.05). Therefore, the relationship between RR and IR is moderated by Age of the employees. Further, the P-value of the interaction of marital status

with the relationship IR and welfare is significant at 0.036 ( $< 0.05$ ). Therefore, the relationship between welfare and IR is moderated by the marital status of the employees.

#### 4. DISCUSSION

In this study, rewards & recognition and employee welfare facilities were identified as the immediate antecedents of intention to retain. These results are well in line with the findings of Cho et al., 2006; Milman and Ricci, 2004; Walsh and Taylor, 2007; Milman, 2003; Liyanage & Galhena, 2014; Madurawala, 2017 and Wijesekera, 2017 who investigated the relationship between employee rewards and intention to retain and the relationship between welfare facilities and intention to retain in a different context (Cho, Woods, Jang, & Erdem, 2006); (Milman, A & Ricci, 2004); (Milman A, 2003); (Walsh & Taylor, 2007); (Madurawala, 2017); (Wijesekera, 2017); (Liyanage & Galhena, 2014).

However, the results of this study failed to substantiate the empirical link between interpersonal relationships at work and intention to retain. It was found that there is no significant relationship between interpersonal relationships at work and intention to retain machine operators in the apparel industry in Sri Lanka. However, according to Adil & Awais (2016), interpersonal relationships have no significant impact on the intention to stay of employees in the manufacturing sector, Karachi, Pakistan (Adil &

Awais, 2016). Similarly, Contrary to several studies (Dienhart, Gregoire, Downey, & Knight, 1992); (Arnett, Laverie, & McLane, 2002); (Kim, Leong, & Lee, 2005) customer focus did not have a significant impact on intention to retain of the machine operators in the apparel industry in Sri Lanka. Another remarkable inconsistency noted in this research is that employee Performance assessment does not have a significant impact on intention to retain. Similarly, Johari, Yean, Adnan, Yahya, and Ahmad in 2012 reported a non-significant influence of performance appraisal on intention to retain employees in manufacturing companies in the Northern Region of Peninsular Malaysia (Johari, Yean, Adnan, Yahya, & Ahmad, 2012). Further, employee hires and promotions didn't have a significant impact on the intention to retain where it has a direct significant impact on the employee brand equity. This finding is in line with the findings of Chew & Chan (2008), who proved that Career development and personal growth (Promotions) have no significant impact on employees' intention to retain (Chew & Chan, 2008). Training & development also didn't have a significant impact on the intention to retain. However, this result is in line with the findings of past research done by Johari et al; (2012) on "Promoting Employee Intention to Stay: Do Human Resource Management Practices Matter?". Leadership & HRM partnership and work-life balance also didn't have a significant impact on the

intention to retain where it has a significant impact on the employee brand equity (Johari, Yean, Adnan, Yahya, & Ahmad, 2012).

According to the findings of this study, the age of the employees' moderates the relationship between reward & recognition and the intention to retain employees. Marital status of the employees' moderates the relationship between welfare and intention to retain employees. This is in line with the findings of Amarathunga (2016), Liyanage & Galhena (2014), William (1982), and Kweller (1998). However, it was proved that the other demographic factors such as gender, education level, service period, and distance from home to workplace do not moderate the relationships between elements of EVP and IR (Amarathunge, 2016); (Liyanage & Galhena, 2014); (Kweller, 1998); (William, 1982).

#### **4.1 Contribution to knowledge and practice**

It helps to understand the EVP in Sri Lankan context in the Apparel manufacturing industry and academics can apply and test the framework in other industries and countries as well. It helps to construct a positive employer brand solution for employee turnover. The findings of the study would be useful for policy makers, Department of Labour etc., to change existing labour laws regarding employee rights and employee benefits.

## **5. CONCLUSION**

A summary of the research-based on objectives is given below.

**Objective 1** - To identify the EVP of machine operators in the apparel manufacturing industry in Sri Lanka

Rewards & Recognition , Welfare Facilities , Employee Hires & Promotion, Training and Development , Leadership and HRM partnership , Work- life Balance
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The results of this study prove that employee brand equity, rewards & recognition, and welfare facilities are antecedents that lead employees to intention to retain with the organization. Employee hires & promotions, customer focus, Training, Performance assistance, Leadership, and HRM partnership, interpersonal relationship, and work-life balance do not have a significant impact on intention to retain. However, employee hires & promotion, training and development, leadership and HRM partnership, and work-life balance have a significant impact on employee brand equity which has a significant impact on intention to retain. Therefore, according to this study the EVP of sewing machine operators in the apparel sector, Sri Lanka is as given below,

**Objective 2** - To assess the mediating effects of the employee brand equity on the relationship between EVP and intention to

retain machine operators in the apparel manufacturing industry in Sri Lanka

It was empirically proved that the employee brand equity partially mediates the relationships of rewards & recognition towards intention to retain and the relationship of welfare facilities towards intention to retain, whereas EBE fully mediate the relationship between; Employee hires & promotion and intention to retain, Training, and intention to retain, Leadership & HRM partnership and intention to retain, interpersonal relationship and intention to retain. However, as per the findings of the study, there is no significant impact of Interpersonal relationships, customer focus, and performance assistance on neither intention to retain nor employee brand equity. Therefore, EBE does not mediate the relationship between; Intention to retain and interpersonal relationship, Intention to retain and customer focus, Intention to retain, and performance assistance.

**Objective 3** - To identify the impact of EVP on the intention to retain the machine operators in the apparel manufacturing industry in Sri Lanka

The results of the data analysis show that employees' intention to retain with the organization is affected by employee brand equity, rewards & recognition, and welfare facilities. The PLS-SEM analysis shows that the direct effects of the employee brand equity ( $\beta = 0.824$ )

are larger than the direct effects of all other variables. Many previous studies have argued that above all attributes of employee value proposition have an impact on intention to retain employees in different contexts. However, this study proposes a new insight; the employee brand equity is the most important factor that affects employee's intention to retain followed by the rewards and recognition and welfare facilities respectively.

**Objective 4** - To analyze the moderating effect of the demographic variables on the relationship between EVP and intention to retain the machine operators in the apparel manufacturing industry in Sri Lanka

It was identified that the relationship between rewards and recognition and the intention to retain is moderated by the age of the machine operators and the relationship between welfare facilities and intention to retain is moderated by the marital status of the machine operators in the apparel manufacturing industry in Sri Lanka.

Further, this study contributes to the body of current knowledge related to the employee value proposition and employee intention to retain and its findings propose important theoretical implications for several reasons, which can be outlined below:

The majority of the research conducted to date on the intention

to retain have primarily focused on the factors affecting employees' intention to retain whereas this research focused on the employee value proposition and the mediating role of the employee brand equity. The results of this study prove that employees' intention to stay with their organization depends on the employee brand equity, rewards & recognition, and welfare facilities. This knowledge can be used by employers for employer branding and to take actions to develop employee brand equity which will lead to a high level of intention to retain. When compared to studies related to intention to retain, this research is one of the few studies conducted to date to examine the employee value proposition, employee brand equity, and its effect on the intention to retain with the apparel industry in Sri Lanka. Therefore, this research adds additional new dimensions to the early researches on the factors affecting the intention to retain the sewing machine operators in the garment manufacturing industry, Sri Lanka.

Accordingly, to enhance the intention to retain, the employee brand equity should be improved. At the same time to improve the employee brand equity, employee hires & promotions, training & development, leadership and HRM partnership and the work-life balance must be improved in the order of importance. Further, according to the first objective, the researcher intends to make suggestions to the stakeholders to

develop strategies to enhance the employee's intention to stay with the garment industry. To achieve the above-mentioned objective, the Important Performance Map Analysis (IPMA) was performed through PLS-SEM. In this process, based on the IPMA, the highly important constructs can be identified.

As a result of that, conclusions can be made in terms of importance and performance as well, which is predominantly important to prioritize managerial actions. Subsequently, it is preferred to primarily focus on improving the performance of those constructs which shows large importance regarding their explanation of a certain target construct, but at the same time, have a relatively low performance (Hair J. F., Sarstedt, Ringle, & Mena, 2012); (Hair J. F., Sarstedt, Ringle, & Guderga, 2018).

According to Sarstedt (2016), the construct with the highest importance and lowest performance is particularly relevant for managerial actions (Sarstedt M, 2016). Since the performance of that particular construct is relatively low, there is substantial room for improvement. In this context, according to table 7, EBE is having the highest importance and low performance, and therefore EBE is selected for the managerial actions. Rewards & recognition is having the second highest importance and the intermediate performance. Further, the most important constructs improving the

EBE are chosen from the IPMA drawn for attributes of EVP Vs EBE which is shown in table 8.

As depicted in table 8, rewards & recognition have the highest importance with an intermediate performance followed by welfare facilities with 2<sup>nd</sup> highest importance and intermediate performance. Thus, according to Sarstedt (2016), the researcher reasonably argues that the improvement of both rewards & recognition and welfare facilities are equally important for managerial actions to improve employee brand equity to improve the intention to retain (Sarstedt M, 2016).

According to Sarstedt (2016), the IPMA is not restricted to the construct level. The IPMA can be conducted on the indicator level to identify the most relevant and even more specific areas of improvement as used in identifying the most important constructs for managerial actions (Sarstedt M, 2016).

**The managerial actions of recommendations in the order of importance and performance with previous references**

**Indicator:** The base salaries provided by the organization are fair and reasonable

**Managerial action:** Sewing Machine Operators are looking for a fair and reasonable salary. Therefore, the basic salary has to be

competitive. Policymakers in government entities also need to look at the possibilities of revising the minimum wage levels of the sewing machine operators. Highly competitive wage systems have been recognized in promoting employee commitment and consequently, it results in better employee attraction and retention for a superior workforce (Becker & Huselid, 1999); (Guthrie, 2001); (Cho, Woods, Jang , & Erdem, 2006); (Walsh & Taylor , 2007).

**Indicator:** The incentives provided by the organization are fair and reasonable

**Managerial action:** Management should introduce an attractive incentive scheme that is linked to the production targets. According to the findings of the research conducted by Cho et al. (2006), Organizations that provide an attractive incentive plan for their employees are having lower employee turnover rates among blue-collar or non-managerial employees (Cho, Woods, Jang , & Erdem, 2006).

**Indicator:** The organization has communicated the compensation/benefit system to employees clearly

**Managerial action:** Management should use different communication channels to make employees aware of compensation/benefit systems available in the organization. According to Daniel & Metcalf (2005), employees must know the

purpose of the employee recognition programs and they tend to participate in an employee recognition program if they are educated on the programs available at the outset (Daniel & Metcalf, 2005).

**Indicator:** Employee recognition programs are available for employees

**Managerial action:** Organizations should design employee recognition programs. It has been identified that Employee recognition is a highly effective and motivational instrument, which has a significant positive impact on the job satisfaction of employees (Zani, et al., 2011) and (Rahim & Daud , 2013). According to Atif et al; (2011), Job satisfaction of employees has a positive impact on employee retention (Atif , Kashif, Ijaz, Muhammad, & Asad, 2011).

**Indicator:** Employees are rewarded/recognized for achieving individual goals/objectives

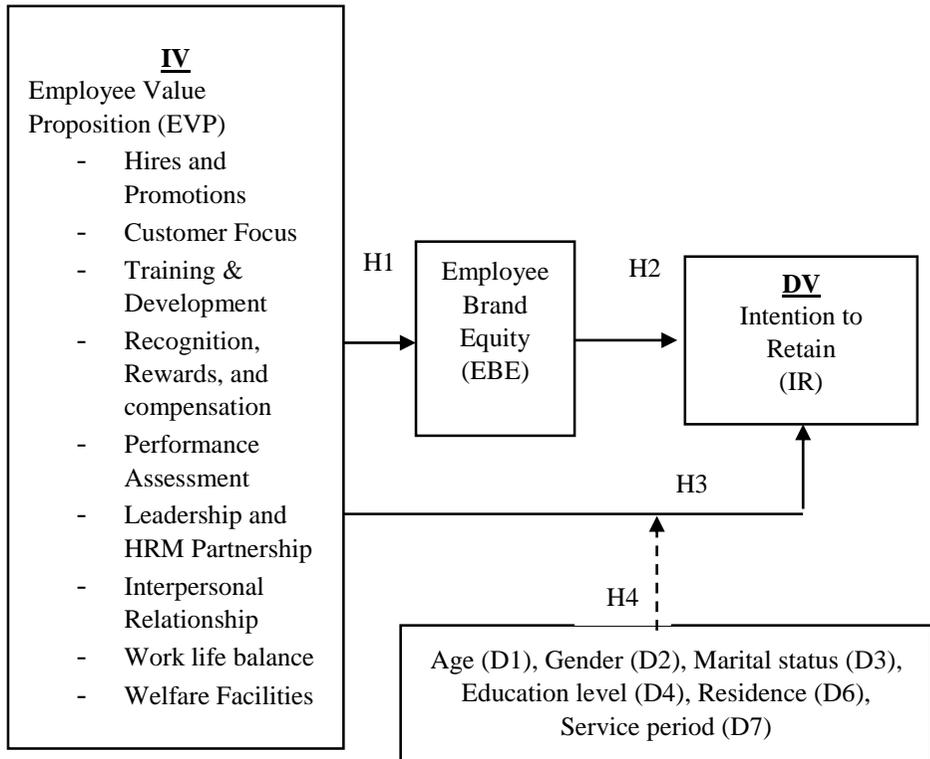
**Managerial action:** Employees should be rewarded based on individual performance. These results are well in line with the findings of Cho et al., 2006; Guthrie, 2001; Milman, 2003; Milman and Ricci, 2004; Walsh and Taylor, 2007 and the findings of Liyanage & Galhena,2014; Madurawala, 2017 and Wijesekera,2017 who investigated the relationship between employee rewards and intention to retain (Cho, Woods, Jang , & Erdem, 2006); (Milman A, 2003);

(Milman, A & Ricci, 2004); (Walsh & Taylor , 2007); (Liyanage & Galhena, 2014); (Madurawala, 2017); (Wijesekera, 2017).

**Indicator:** Departments/work teams are rewarded/recognized for meeting their goals/objectives

**Managerial action:** Organizations should recognize achieving the team/department goals and it should be rewarded accordingly. Supporting this, Hussain & Rehman (2003) have stated that the Recognition of teamwork would increase the retention rate of employees (Hussain & Rehman, 2003).

**APPENDIX**



**Figure 1: Conceptual Framework**

Source : Author developed

**Table 01: Characteristics of the sample**

<b>Demographic factor</b>	<b>Description</b>	<b>Frequency</b>	<b>Percentage</b>
Gender	Female	372	96.3
	Male	14	3.6
Age (years)	18-25	123	31.8
	26-35	199	51.5
	36-45	58	15.0
	46-55	6	1.5
Marital status	Single	167	43.3
	Married	219	56.7
Educational Qualifications	Below G.C.E O/L	122	31.6
	G.C.E O/L	175	45.3
	G.C.E. A/L	87	22.5
	Professional Qualifications	2	0.5
Residence	Hometown	113	29.2
	Outside hometown	273	70.8

Source : Survey , 2020

**Table 2: Summary of measurement model**

<b>Construct</b>	<b>Indicator loadings</b>	<b>AVE</b>	<b>Composite Reliability</b>	<b>Rho_A</b>	<b>Cron. Alpha</b>	<b>HTMT value</b>
EHP	> 0.83	0.911	0.976	0.968	0.923	<0.829
CF	> 0.76	0.872	0.964	0.952	0.951	<0.817
TR	> 0.81	0.941	0.987	0.984	0.913	<0.461
RR	> 0.86	0.934	0.990	0.988	0.921	<0.820
PER	> 0.78	0.861	0.961	0.966	0.946	<0.630
HRM	> 0.82	0.908	0.975	0.967	0.936	<0.851
INTR	> 0.76	0.946	0.989	0.986	0.907	<0.798
WLB	> 0.75	0.867	0.963	0.981	0.950	<0.528
WELF	> 0.89	0.908	0.975	0.966	0.912	<0.789
EBE	> 0.84	0.843	0.996	0.996	0.922	<0.854
IR	> 0.85	0.742	0.985	0.980	0.940	<0.835
Reference	>0.7	>0.5	>0.7	>0.7	>0.7	<0.90

Source : PLS-SEM Algorithm

**Table 3: Summary of structural model**

Construct	$R^2$ value	$f^2$ value	Redundancy ( $Q^2$ )	Communality ( $Q^2$ )
EHP	N/A	0.007	N/A	0.824
CF	N/A	0.001	N/A	0.760
TR	N/A	0.002	N/A	0.886
RR	N/A	<b>0.123</b>	N/A	0.907
PER	N/A	0.003	N/A	0.749
HRM	N/A	0.000	N/A	0.819
INTR	N/A	0.002	N/A	0.903
WLB	N/A	0.001	N/A	0.762
WELF	N/A	<b>0.047</b>	N/A	0.818
EBE	.810		.853	0.932
IR	.830		.870	0.874
Reference	0.25>weak 0.50<moderate 0.75<Substantial	Significant effect when > 0.002	Positive	Positive

Source : PLS-SEM Algorithm

**Table 4: Relationship between EVP and EBE by PLS-SEM**

No	Relationships	Orig. Sample	Sample Mean	Std Dev	2.5%	97.5 %	T Stat	P Values	Results
<b>H1a</b>	EHP->EBE	0.159	0.158	0.038	0.083	0.23	4.127	0.000	Accept
<b>H1b</b>	CF -> EBE	0.048	0.048	0.030	-0.013	0.10	1.586	0.113	Reject
<b>H1c</b>	TR -> EBE	0.063	0.064	0.021	0.107	0.02	2.997	0.003	Accept
<b>H1d</b>	RR ->EBE	0.439	0.443	0.040	0.365	0.52	11.01	0.000	Accept
<b>H1e</b>	PER->EBE	-0.015	-0.016	0.024	-0.016	0.06	0.631	0.528	Reject
<b>H1f</b>	HRM-	0.141	0.141	0.042	0.058	0.22	3.338	0.001	Accept
<b>H1g</b>	INTR-	0.038	0.039	0.031	-0.020	-	1.249	0.212	Reject
<b>H1h</b>	WLB-	0.039	0.039	0.020	0.001	0.07	1.970	0.049	Accept
<b>H1i</b>	WELF-	0.258	0.256	0.033	0.188	0.31	7.741	0.000	Accept
		Reference			No zero falls between		>1.96	<0.005	

Source : PLS- SEM (Bootstrapped out)

**Table 6: Relationship between EVP and IR by PLS-SEM**

No	Relationships	Orig Sample	Sample Mean	Std Dev	2.5%	97.5%	T Stat	P Values	Results
H3a	EHP->IR	0.044	0.043	0.026	-0.006	0.095	1.695	0.090	Reject
H3b	CF -> IR	-0.018	-0.018	0.030	-0.069	0.032	0.686	0.493	Reject
H3c	TR -> IR	-0.013	-0.014	0.018	-0.049	0.020	0.749	0.454	Reject
H3d	RR ->IR	0.234	0.238	0.049	0.145	0.338	4.824	0.000	Accept
H3e	PER->IR	-0.022	-0.022	0.021	-0.066	0.019	1.028	0.304	Reject
H3f	HRM-	-0.002	-0.000	0.041	-0.081	0.081	0.049	0.961	Reject
H3g	INTR-	0.023	0.022	0.026	-0.029	0.074	0.866	0.387	Reject
H3h	WLB-	-0.009	-0.008	0.015	-0.038	0.021	0.576	0.565	Reject
H3i	WELF-	0.113	-0.111	0.033	-0.175	-0.045	3.414	0.001	Accept
		Reference			No zero falls between		>1.96	<0.005	

Source : PLS-SEM (Bootstrapped output)

**Table 5: Relationship between EBE and IR by PLS-SEM**

No	Relationships	Orig Sample	Sample Mean	Std Dev	2.5%	97.5%	T Stat	P Val	Result
H2	EBE -> IR	0.824	0.819	0.061	0.694	0.932	13.599	0.000	Accepted
		Reference			No zero falls between		>1.96	<0.005	

Source : PLS-SEM (Bootstrapped output)

**Table 7: Summary of IPMA output ( EVP Vs. Constructs)**

Construct	Importance (Total effects)	Performance
EHP	0.175	51.23
CF	0.022	59.53
TR	-0.066	36.73
RR	<b>0.596</b>	62.57
PER	-0.035	42.41
HRM	0.114	56.35
INTR	0.054	47.83
WLB	0.023	27.10
WELF	0.099	65.19
EBE	<b>0.824</b>	55.12

Source : PLS-SEM IPMA

**Table 8: Summary of IPMA output ( EBE Vs. Constructs)**

Construct	Importance (Total effects)	Performance
EHP	0.20	51.14
CF	0.06	60.12
TR	-0.03	38.01
RR	<b>0.47</b>	60.36
PER	-0.25	40.72
HRM	0.18	57.34
INTR	0.05	49.26
WLB	0.06	28.13
WELF	<b>0.31</b>	62.03

Source : PLS- SEM IPMA

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**Factors Influencing the Adoption of E-Learning by  
University Students in Sri Lanka: Application of  
UTAUT-3 Model during Covid-19 Pandemic**

**B.D.T.M. Kamalasena<sup>1</sup> & A.B. Sirisena<sup>2</sup>**

<sup>1,2</sup> Department of Marketing

Faculty of Management and Finance

University of Ruhuna

SRI LANKA

amila@badm.ruh.ac.lk<sup>1</sup>, amila.b.sirisena@uia.no

**Abstract**

Universities around the world are entering 'emergency mode' during the COVID-19 pandemic, radically transforming education by switching towards online learning and other distance-based education methods. An unintended consequence of these emerging changes is that many students who are either not willing to use e-learning or have no adequate skills to learn through electronic devices or have no resources to access them are marginalized. Considering the timeliness and the relevance of the phenomenon, this study aims to identify the factors influencing the adoption of e-learning by Sri Lankan university students. The relevant data were collected through a self-administered questionnaire which was distributed among 191 university students based on the convenience sampling method. This study found out positive impacts of performance expectancy, facilitating conditions, habit, price-value, and personal innovativeness in IT on to use e-learning. Moreover, the intention has a positive impact on the adoption of e-learning platforms. This research fills the gap in the existing literature and provides valuable insights to the course administrators in universities in Sri Lanka to better manage e-learning systems.

**Keywords-:** E-learning, Unified Theory of Acceptance and Use of Technology 3 (UTAUT 3), Intention, Adoption

## 1. INTRODUCTION

In most countries, the Covid-19 pandemic was declared a national emergency at the beginning of 2020. The pandemic compelled countries all over the world to adopt a series of mechanisms for emergency management (Zhang, Wang, Yang, & Wang, 2020). Governments in various countries have initiated measures such as the lockdown of cities, the closure of educational institutes, and the execution of strict social distancing measures. The regime adopted during the pandemic has led business, science, cultural events, management, and education into online platforms (Sulkowski, 2020). This is a change in connection with technical and software infrastructure, but especially the development of social patterns and communication. This is further outlined by Kulikowski, et al., (2021) as the rapid expansion of COVID-19 has brought about major changes in dominant social lifestyles and communications.

The transition to the social online environment occurs extremely rapidly in the education sector (Leonardi, 2020). According to UNESCO monitoring, 192 countries have nationally closed educational institutes and 5 have implemented local closures which affect approximately 99.9% of the student population worldwide (UNESCO Report, 2020). The government of China has initiated a strategic move named “Suspending Classes without

Stopping Learning” (Zhang, Wang, Yang, & Wang, 2020), and later on, governments of other countries also followed this resulting from the move to online education during the - closure of educational institutes. Schools and universities across the globe are transforming and altering education delivery methods radically by switching online, starting e-learning, and introducing online learning management systems (Hodges, et al., 2020; Tian, et al., 2020). As Dhawan, (2020) outlined, many academic institutions which were previously reluctant to change their traditional approach to pedagogy had no choice but to shift to online education.

As the traditional learning system shifted to e-learning, lecturers and students are exposed to new platforms including Microsoft teams, Zoom, and many more. To carry out lectures smoothly, the students were provided with proper protocols and guidelines for their adaptation to this new learning channel (Saxena, 2020). However, several research studies in the e-learning situation of students show that students have low attendance rates and a lack of intentions to learn (Chen, Wang, Wang, & Zuo, 2021). This can be due to a number of challenges faced by both students and academicians when shifting from offline to online learning with a rapid transition. From the students’ perspective, there are numerous technological problems, including download

problems, issues in app installations, low internet speeds, login ID issues, unheard-of voice, and video, and so on (Ekanayake & Weerasinghe, 2020; Andersson, 2008). Even more, students are bored and less interactive in e-learning environments (Sangeeta & Tandon, 2020). Therefore, the objective of this study is to comprehend the factors influencing the adoption of e-learning by Sri Lankan university students during the Covid-19 pandemic thus the academicians and other administrators could take corrective action to make e-learning more effective.

Even though e-learning in higher education institutions is continuously increasing, academic attention is being given to understanding the prospective context that falls behind the industry is lacking. Limited prior research studies are available on factors influencing e-learning in higher education institutes (eg: (Mei, et al., 2018; Mosunmola, et al., 2018; Tseng, et al., 2019), and even these were dealing with more incremental transitions of traditional learning to e-learning thus creating a gap in the literature on adoption of e-learning by students especially in current contexts (Chen, Wang, Wang, & Zuo, 2021). Taking account of the timeliness and importance of the phenomenon, the current study focuses on identifying the factors influencing the adoption of e-learning by Sri Lankan university students during the Covid-19 pandemic.

## **2. LITERATURE REVIEW**

### **2.1 E-learning in university education system in Sri Lanka**

E-learning could be defined as a process of learning facilitated by digital electronic tools and media (Basak, Wotto, & Belanger, 2018) or electronically delivering a learning, training, or education program (Sangra, Vlachopoulos, & Cabrera, 2012). E-learning involves using technology as a method of teaching (Wheeler, 2012) and using traditional methods in a new context of online communication. During the Covid-19 pandemic, using e-learning methods using tools such as Zoom, Ms Teams, etc. extensively has caused serious changes to traditional patterns of communication between the teacher and the student (Shahzad, Hassan, Aremu, Hussain, & Lodhi, 2021).

### **2.2 Unified Theory of Acceptance and Use of Technology (UTAUT)**

The active information systems (IS) research stream represents individual acceptance and use of information technology (Venkatesh, Thong, & Xu, Unified theory of acceptance and use of technology: A synthesis and the road ahead, 2016). In numerous previous studies, TAM and TPB were used to prevent IT adoption or use (Venkatesh, Thong, & Xu, Unified theory of

acceptance and use of technology: A synthesis and the road ahead, 2016). Venkatesh, et al., (2003) have summarized eight theories and models related to technology use namely theory of reasoned action (TRA) by Fishbein & Ajzen, (1975), the social cognitive theory (SCT) by Bandura, (1986), the model of personal computer utilization (MPCU) by Thompson, et al., (1991), the technology acceptance model (TAM) by Davis (1986), the theory of planned behavior (TPB) by Ajzen, (1991), the innovation diffusion theory (IDT) by Moore & Benbasat, (1991) the motivational model (MM) by Davis, et al., (1992) and the combined TAM and TPB by Taylor & Todd, (1995) and proposed the UTAUT to examine the causal relations between several important constructs: performance expectancy, effort expectancy, social influence, facilitating conditions, intention to use e-learning systems, and technology use.

Later, Venkatesh, et al., (2012) expanded the UTAUT model to test information system acceptance in consumer settings with three additional constructs: hedonic motivation (HM), price-value (PV), and habit (HB). The extended UTAUT was called UTAUT-2 with seven major drivers for information system adoption behavior.

### **2.3 Unified Theory of Acceptance and Use of Technology-3 (UTAUT-3)**

The UTAUT-3 framework was introduced by Farooq, et al., (2017) to include eight determinants of technology acceptance as an extension of the UTAUT-2 model. Personal IT innovation has been added as the eighth construct. In predicting technological adoption, the authors of the UTAUT 3 model claim 66 percent of explanatory power.

## **3. HYPOTHESIS DEVELOPMENT**

### **3.1 Performance expectancy**

Performance expectancy is defined as a user's belief that targeted technology will improve his or her performance in order to achieve job-related gains (Venkatesh, Thong, & Xu, Consumer acceptance and use of information technology: extending the unified theory of acceptance and use of technology, 2012). The following are the five different constructs and corresponding theories for the unification of performance expectancy: perceived usefulness (TAM/TAM2), job fit (MPCU), extrinsic motivation (MM), relative advantage (IDT), and outcome expectations (SCT) (Patil, Tamilmani, Rana, &

Raghavan, 2020). As per the prior studies, performance expectancy is an important predictor of continued intention in blended learning or e-learning (Liaw , 2008). Most importantly, previous studies have identified performance expectancy as the strongest predictor of consumers' beliefs and intentions towards adopting a technology (Venkatesh, Thong, & Xu, 2012). Therefore, it is hypothesized,

*H1:* Performance expectancy has a positive impact on intention to use e-learning systems

### **3.2 Effort expectancy**

Effort expectancy is defined as the ease associated with technology use (Venkatesh, Thong, & Xu, 2012). The following are three constructions that unify effort expectations: perceived ease of use (TAM/TAM2), complexity, and easiness of use (MPCU) (IDT). Al-Azawei & Lundqvist, (2015) pointed out that students, particularly in non-compulsory courses, are unwilling to continue using the online systems if they encounter difficulties in using the online system. Moreover, Chen, et al., (2021) stressed that effort expectancy has a positive

significant impact on continuous intention to use e-learning platforms among college students. Therefore, this study hypothesized that,

*H2:* Effort expectancy has a positive impact on intention to use e-learning systems

### **3.3 Social influence**

Social influence is defined as the extent to which someone realizes how others think he or she should use a new information system (Venkatesh, Thong, & Xu, 2012). Social influence is equivalent to the subjective norm in TRA and image in IDT. The intention of an individual to use new technologies, as described in previous studies, is generated by social impact (Wang, et al., 2009; Yoo, et al., 2012; Wong & Huang, 2015). Based on previous studies (e.g.: Venkatesh, et al., 2003; Salloum & Shaalan, 2019) the social impact of e-learning is found to contribute significantly to behavioral intent and it is also learned how social influence affects the intention of behavior. Accordingly, this study hypothesized that,

*H3:* Social Influence has a positive impact on intention to use e-learning systems

### 3.4 Facilitating conditions

As per Venkatesh, et al., (2012), the "facilitating conditions" are known as environmental factors or physical behaviors, which inspire a user to perform the tasks. Moreover, according to Venkatesh, et al., (2003), the impact of facilitating conditions was significant in the UTAUT model. Several previous studies such as Salloum & Shaalan, (2019); Sangeeta & Tandon, (2020) and Venkatesh, et al., (2012) have tested the impact of facilitating conditions on e-learning and they found that there is a significant impact between facilitating conditions and intention to use e-learning. Consequently, researchers hypothesized that,

*H4:* Facilitating Conditions have a positive impact on intention to use e-learning systems

### 3.5 Hedonic motivation

Hedonic motivation is defined as the fun or desire of using technology and has proved to play an important role in determining acceptance and use of the technology (Venkatesh, Thong, & Xu, 2012). Proving that, prior studies such as Gunasinghe, et al., (2020), and Venkatesh, et al., (2012) have found that hedonic motivation is an important determinant of intention to use technology. Therefore, this study hypothesized that hedonic motivation has a positive significant impact on intention to

use e-learning among university students in Sri Lanka.

*H5:* Hedonic Motivation has a positive impact on intention to use e-learning systems

### 3.6 Price value

From consumers' perspective, this variable appears to be valid where price-value refers to the cognitive trade between the perceived benefits of using technology and the amount spent on it (Venkatesh, Thong, & Xu, 2012). When the perceived advantages are greater than perceived costs in consumer cognition, the price value is positive, which in turn has a positive effect on the intention to use the system or technology (Gunasinghe, Hamid, Khatibi, & Azam, 2020). Accordingly, this research hypothesized that,

*H6:* Price-value has a positive impact on intention to use e-learning systems

### 3.7 Habit

Habit is the extent to which a person acts unconsciously or automatically because of previous experience (Venkatesh, Thong, & Xu, 2012). Moreover, Venkatesh, et al., (2012) outlined that, habit reflects experience, but the only experience is not enough to create a habit. Habit creates cognitive commitment to specific conduct and frequently prevents changes in actual behavior (Murray & Häubl, 2007). Consequently, the researchers hypothesized that,

*H7: Habit has a positive impact on intention to use e-learning systems*

### **3.8 Personal innovativeness in IT**

Farooq, et al., (2017) have recognized personal innovativeness in IT as a stable characteristic that makes people desire to test new technology. Personal innovativeness affects both the intention of the user and the actual behavior. Moreover, several scholars have affirmed that personality characteristics such as personal innovativeness affect the adoption of technologies particularly in the domain of IT (Farooq, et al., 2017; Dutta, et al., 2015). Accordingly, it is hypothesized that,

*H8: Personal innovativeness in IT has a positive impact on intention to use e-learning systems*

### **3.9 Intention to use and the adoption of e-learning systems**

The intention for behavior is an essential factor of the UTAUT2 model which shows the desire and attempts of individuals to perform a particular behavior (Patil, Tamilmani, Rana, & Raghavan, 2020). As per Ajzen, (1991) researchers suggest that the intention of individuals might capture different motivating factors of people that influence them to perform a behavior. Thus, stronger individual intentions resulted in a higher possibility of

performing the underlying behavior. Prior research studies such as Tseng, et al., (2019) and Sangeeta & Tandon, (2020) identified that intention has a positive significant impact on e-learning adoption. Considering those studies, this study hypothesized that,

*H9: Intention to use e-learning systems has a positive impact on e-learning systems adoption*

such as Tseng, et al., (2019) and Sangeeta & Tandon, (2020) identified that intention has a positive significant impact on e-learning adoption. Considering those studies, this study hypothesized that,

*H9: Intention to use e-learning systems has a positive impact on e-learning systems adoption*

## **4. METHODS**

This research study was based on a quantitative research approach and followed a single cross-sectional research design. Required data were collected through a self-administered questionnaire distributed as a Google Form and the data were collected from university students (both postgraduate and undergraduate students) in Sri Lanka. Accordingly, the sample consisted of 191 university students who were chosen through the non-probabilistic convenience sampling method. The sample size is determined as per the

guidelines of Krejcie & Morgan, (1970).

Initially, a rigorous literature survey was performed to gather detailed information about the subject of the study, and constructs were operationalized (Farooq, et al., 2017; Venkatesh, et al., 2012) and measured with a five-point Likert scale ranging from 1= strongly disagree to 5= strongly agree. Next, to determine whether the constructs of each variable of the questionnaire can be understood by respondents, a pre-test was carried out using 20 respondents before formally circulating the questionnaire to a larger group of respondents. Two parts were included in the questionnaire. The first part, to understand the sample profile, includes socio-demographic questions while the second part assesses variables pertaining to the UTAUT-3 model.

#### **4.1 Data presentation and analysis**

A data cleaning process was performed to recognize outliers and missing values, before analyzing the data. Based on expert feedback and pilot test findings the questionnaire was improved and it makes it easier for respondents to respond to the questionnaire and therefore no missing values were available in the data set. Box plots have been used for the identification of outliers according to Aguinis, et al., (2013), and nine cases have

been identified as outliers and removed from the database.

Afterward, factor analysis was carried out to assess the uni-dimensionality of the constructs. Every factor loading was significant and showed above 0.6 as recommended by (Hair, Black, Babin, & Anderson, 2010). The normality of the data was then tested using Skewness and Kurtosis values and for the data to normally be distributed, the standard Skewness and Kurtosis values should be between +2 and -2. Accordingly, the Skewness and Kurtosis values are shown in Table 2.

AVE values were used to test the convergent validity of the data. AVE values should be more than 0.5 in accordance with the standard. The items which resulted above 0.5 satisfy the standard of AVE and they ensure the convergent validity of the data. However, intention to use e-learning systems showed a result below 0.05. Hair, et al., (2010) outlined that, at this time CR value can be used to evaluate the convergent validity of the instrument. Accordingly, CR values were calculated and the results were above the standard value of 0.7. Therefore, the convergent validity of the data was ensured.

Cronbach's Alpha values were used to test the internal consistency of the data. According to the standard Cronbach's Alpha value should be higher than 0.7.

The results of the convergent validity and reliability tests were depicted in Table 3.

Discriminant validity indicates to what extent a given construct is diverse than other constructs (Hair, Black, Babin, & Anderson, 2010). Consequently, average variance extracted (AVE) values of all constructs should exceed the corresponding “squared inter-construct correlation estimates (SIC)” to ensure discriminant validity. Moreover, the highest VIF value recorded by the study is 3.125, which is lower than the threshold of 10 (Hair, Sarstedt, Ringle, & Mena, 2012). These will provide evidence to verify the absence of multicollinearity issues. Table 4 summarizes the results of the discriminant validity test and VIF values.

#### 4.2 Sample Profile of the Study

The sample of the study is university students in state Sri Lankan state universities who are currently using e-learning platforms. In the sample, the majority are females (52.9%) who are between the age of 20-25 years (37.7%). When considering the Sri Lankan education sector in Sri Lanka, in 2019 majority of the students who are eligible and admitted to universities in Sri Lanka are females (Central Bank of Sri Lanka, 2020). Accordingly, the sample of this research was skewed towards female students. Moreover, the sample consists of 99 (51.8%) postgraduates and 92 (48.2%) undergraduates. This was

to maintain the balance among undergraduate and postgraduate students.

#### 4.3 Mediation Analysis using Process Macro

The model of the study which is theoretically hypothesized is tested using bootstrap-based Hayes’ PROCESS macro (Hayes, 2013). The PROCESS macro is a commonly used statistical resampling method that strictly estimates parameters and defects in the model from the sample. This approach measures accurate and correct confidence intervals for indirect effects compared to the causal approach of Baron & Kenny, (1986).

Table 6 illustrates that performance expectancy positively impacts on intention to use e-learning platforms ( $\beta=0.2210$ ,  $t=2.6740$ ,  $p=0.0082$ ). Moreover, facilitating conditions ( $\beta=0.2001$ ,  $t=2.7894$ ,  $p=0.0058$ ), price-value ( $\beta=0.1287$ ,  $t=2.6833$ ,  $p=0.0080$ ), habit ( $\beta=0.2929$ ,  $t=3.5535$ ,  $p=0.0005$ ) and personal innovativeness in IT ( $\beta=0.2185$ ,  $t=3.7179$ ,  $p=0.0003$ ) also have positive impact on intention to use e-learning platforms. In addition to that effort expectancy ( $\beta=0.0632$ ,  $t=0.8746$ ,  $p=0.3830$ ) and social influence ( $\beta=0.0859$ ,  $t=1.5434$ ,  $p=0.1245$ ) have positive but insignificant impact on intention to use e-learning platforms. On the other hand hedonic motivation showed a

negative insignificant impact on intention to use e-learning platforms ( $\beta = -0.0242$ ,  $t = -0.5984$ ,  $p = 0.5503$ ). The  $R^2$  of the model is 0.6800, which indicates that 68% of the variance of intention to use e-learning platforms is explained by the factors of UTAUT-3. Total effect on adoption shows 0.1306 and out of that direct effect is 0.1103 and the indirect effect is 0.0202 and all the effects are significant since the resulting confidence interval of bootstrapping does not include zero (CI=0.1028, 0.3640), (CI=0.1275, 0.3482), (CI= 0.0303, 0.0799).

## 5. DISCUSSION AND CONCLUSION

With the spread of Covid-19 worldwide most of the countries stopped engaging in face-to-face learning and started to operate their education system through e-learning (Shahzad, Hassan, Abdullah, Hussain, & Fareed, 2020). As the usage of e-learning platforms is a novel experience to both academics as well as students, both parties are facing numerous challenges when dealing with e-learning platforms. Academic's adoption to use e-learning platforms based on the UTAUT model is tested in previous studies but student's adoption to use e-learning platforms is still an under-researched area. Considering the theoretical and contextual gap in the existing literature, this study focused on identifying the factors influencing the adoption to use e-

learning platforms by Sri Lankan university students. Consequently, the summary of the results obtained through the analysis is shown in Table 7i.

When considering the prior literature, the positive impact of performance expectancy on intention to use e-learning has been further proved by Sangeeta & Tandon, (2020) and Dwivedi, et al., (2019), which implies that using e-learning enhances university student's study performance. Facilitating

conditions also resulted in a positive impact on intention to use e-learning platforms. Wong & Huang, (2015) and Salloum & Shaalan, (2019) further evidenced the positive impact of facilitating conditions on e-learning, not only in e-learning, but also in other contexts such as in mobile learning (Almaiah, Alamri, & Al-Rahmi, 2019), online shopping (Javed, 2019).

Salloum & Shaalan, (2019) and Wrycza, et al., (2017) also discuss the insignificant impact of effort expectancy on intention to use e-learning platforms. On the other hand, the insignificant impact of social influence is also justified by Gunasinghe, Hamid, Khatibi, & Azam, (2020) and Wrycza, et al., (2017). This study showed that habit has a positive impact on intention and this is consistent with the findings of Gunasinghe, et al., (2020) and El-Masri & Tarhini, (2017). This simply means that using e-learning platforms have become a habit to university students including

undergraduates and postgraduates as they are continuously using these platforms for more than one year and they have to be with these platforms for a considerable time period in the future as well. Moreover, price-value shows a positive impact on intention to use e-learning platforms which is consistent with the findings of Farooq, et al., (2017) and Tseng, et al., (2019).

This study resulted in a positive impact of personal innovativeness in IT on intention to use e-learning platforms which can be considered as the new addition to developing the UTAUT-3 model. However, Gunasinghe, et al., (2020) showed that personality traits like personal innovativeness in IT have an insignificant impact on the use and the adoption of e-learning mechanisms. Further, it outlined that this may be due to the education level of the target respondents (Gunasinghe, Hamid, Khatibi, & Azam, 2020). Considering this we can conclude that, as the target respondents of this study is university students who are belonging to generation Z are more towards new technological developments feel comfortable with e-learning systems which resulted in a positive significant impact of personal innovativeness in IT on intention to use e-learning. The undergraduate community is made up of Generation Z members, who are a social generation of digital natives who are technologically savvy. Their familiarity with and knowledge of

digital media can be attributed to their extensive exposure to technology. During the coronavirus disease (COVID-19) pandemic, the government's adoption of e-learning in academic education may benefit such digitally capable students.

At last, as per the results obtained hedonic motivation shows a negative impact on intention to use e-learning platforms. Venkatesh, et al., (2012) outlined that the enjoyment and motivation of the user are crucial for e-learning intention in higher education over the traditional way of delivery. However, regarding this study, the university students have to adjust to the e-learning platforms with the Covid-19 pandemic since they have no other option. In this situation, enjoyment might not be a crucial factor in determining intention to use e-learning. In order to intensify the impact of hedonic motivation on intention to use e-learning, academia, and other responsible administrators can develop programs that are interesting to students like guest lectures on trending topics, games relating to subject matters, etc that increase the interaction between students.

## **6. IMPLICATIONS OF THE STUDY**

With the Covid-19 pandemic, developed countries, as well as developing countries, are using e-learning platforms to continue educational activities. But, the academic attention to identifying the university student's intention

and adoption to use e-learning platforms is very low. Therefore, this study will provide valuable insights into the development of both theoretical and managerial aspects of the implementation and use of e-learning systems. As mentioned, the scholarly attention to identifying the factors influencing university students' intention and adoption to use e-learning platforms is very low in both global and local contexts. Therefore, this study fills the gap in the existing literature by adding knowledge on the adoption of e-learning by university students in Sri Lanka, applying the UTAUT-3 model. As managerial implications, this study provides valuable insights to the administration of the universities and government to encourage students to actively participate in academic activities.

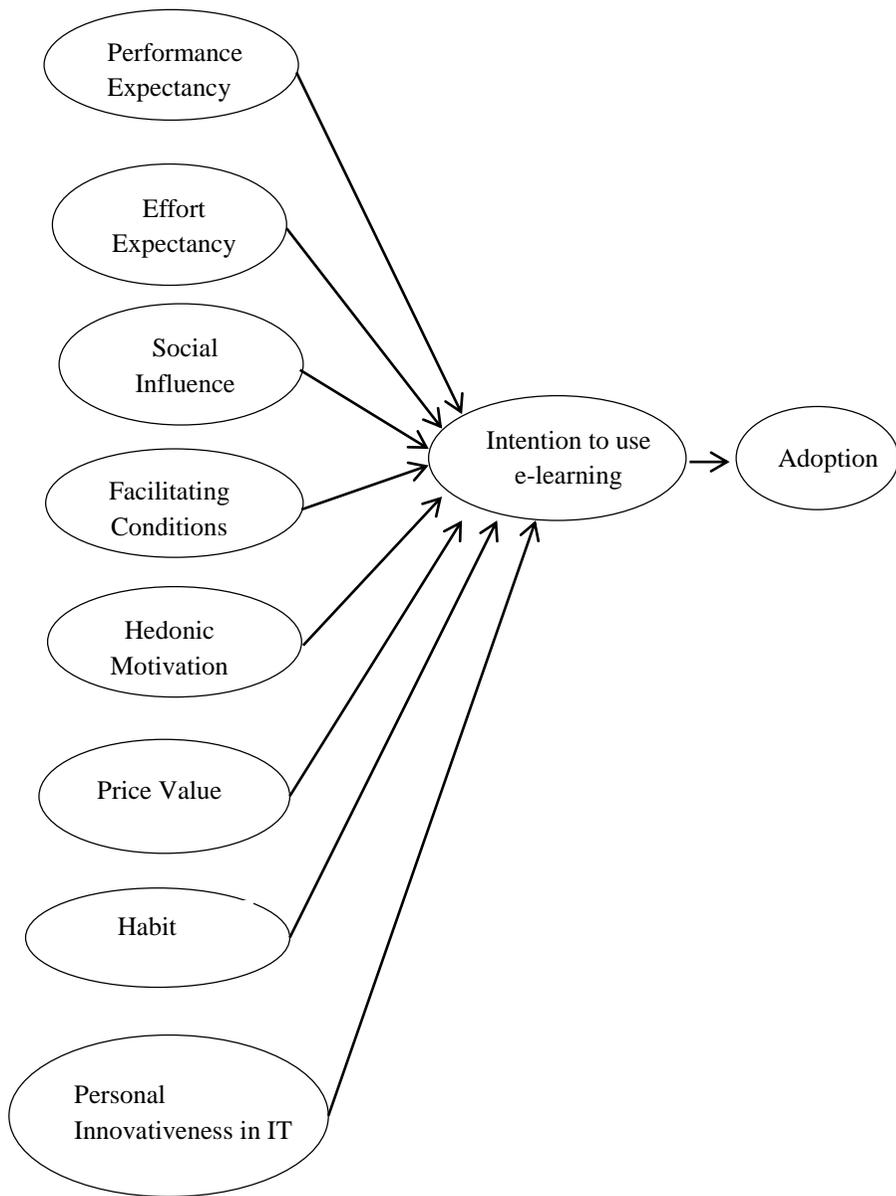
#### **7. LIMITATIONS AND FUTURE RESEARCH SUGGESTIONS**

This research study contains several limitations. Initially, when considering the sample of the study 191 university students in Sri Lanka is the main limitation of

this study. The reason behind that is a not only university student but also school students follow their courses online at present due to the Covid-19 pandemic. As well as university students, school students are also using e-learning platforms in continuing their studies. It is worth it if future research studies focus on the adoption of e-learning by school students in Sri Lanka. Next, researchers were unable to get some important insights from university students which matter to their intention and adoption behavior to use e-learning as this study followed a quantitative approach. In the future,

researchers can follow a qualitative research approach to get important as well as interesting insights from the sample. In addition to that, the moderate effect of socio-demographic factors like gender, age, income level can be tested in future studies.

**APPENDIX**



**Figure 1: Conceptual framework**

**Table 1: Operationalization of variables**

Variable		Source
<b>PE</b>	<p>PE1. Using e-learning system enables me to accomplish my needs more quickly and effectively</p> <p>PE2. Using e-learning system increases equality between all students</p> <p>PE3. Using <b>e-learning system</b> will save me time</p> <p>PE4. Using <b>e-learning system</b> increases the quality of the learning process</p>	(Venkatesh, Thong, & Xu, 2012)
<b>EE</b>	<p>EE1. Learning how to use <b>e-learning system</b> is easy for me</p> <p>EE2. Using <b>e-learning system</b> in learning will be clear and understandable</p> <p>EE3. I find <b>e-learning system</b> easy to use</p> <p>EE4. It is easy for me to become skillful at using <b>e-learning system</b></p>	
<b>SI</b>	<p>SI1. People who are important to me think that I should use <b>e-learning system</b></p> <p>SI2. People who influence my behavior think that I should use <b>e-learning system</b></p> <p>SI3. People whose opinion that I value, prefer that I use <b>e-learning system</b></p>	
<b>FC</b>	<p>FC1. I have the resources necessary to use <b>e-learning system</b></p> <p>FC2. I have the knowledge necessary to use <b>e-learning system</b></p> <p>FC3. <b>e-learning system</b> is compatible with other technologies I use</p> <p>FC4. I can get help from others when I have difficulties in using <b>e-learning system</b></p>	
<b>HM</b>	<p>HM1. Using <b>e-learning system</b> is fun</p> <p>HM2. Using <b>e-learning system</b> is enjoyable</p> <p>HM3. Using <b>e-learning system</b> is very entertaining</p>	

<b>PV</b>	<p>PV1. Using <b>e-learning system</b> is reasonable in terms of money and time spent</p> <p>PV2. Using <b>e-learning system</b> is cost-effective</p> <p>PV3. <b>e-learning system</b> provide good value</p>	
<b>HA</b>	<p>HA1. The use of <b>e-learning system</b> has become a habit for me</p> <p>HA2. I really like to use <b>e-learning system</b></p> <p>HA3. I must use <b>e-learning system</b></p> <p>HA4. Using <b>e-learning system</b> has become natural to me</p>	
<b>PIIT</b>	<p>PIIT1. I like to experiment using <b>e-learning system</b></p> <p>PIIT2. Among my peers, I am usually among the first to try new ways of learning mechanism through <b>e-learning system</b></p> <p>PIIT3. If I heard about a new learning mechanism like <b>e-learning system</b>, I look for ways to experiment with it</p> <p>PIIT4. In general, I am not hesitant to try out new <b>e-learning system</b></p>	(Farooq, et al., 2017)
<b>BI</b>	<p>BIU1. I intent to continue suing <b>e-learning system</b> in the future</p> <p>BIU2. I will always try to use <b>e-learning system</b> in my daily life</p> <p>BIU3. I plan to continue to use <b>e-learning system</b> frequently.</p>	(Tseng, Lin, Wang, & Liu, 2019)
<b>BA</b>	<p>ELAB1. I prefer to use <b>e-learning system</b></p> <p>ELAB2. I like to use <b>e-learning system</b></p> <p>ELAB3. I am used to <b>e-learning system</b> now</p>	(Almaiah, Alamri, & Al-Rahmi, 2019)

**Table 2: Results of test of normality**

	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Performance Expectancy	-0.628	0.176	-0.121	0.350
Effort Expectancy	-0.543	0.176	-0.022	0.350
Social Influence	0.265	0.176	-0.620	0.350
Facilitating Conditions	-0.516	0.176	0.014	0.350
Hedonic Motivation	-0.119	0.176	-0.513	0.350
Price Value	-0.135	0.176	-0.501	0.350
Habit	-0.560	0.176	0.398	0.350
Personal Innovativeness in IT	0.004	0.176	-0.604	0.350
Intention to use e-learning systems	-0.402	0.176	-0.466	0.350
Adoption	-0.559	0.176	-0.364	0.350

Source: Survey Data, 2021

**Table 3: Results of convergent validity test and reliability test**

Variable	AVE	CR	Cronbach's Alpha
Performance Expectancy	0.531	0.817	0.836
Effort Expectancy	0.617	0.828	0.874
Social Influence	0.568	0.718	0.714
Facilitating Conditions	0.513	0.759	0.834
Hedonic Motivation	0.652	0.849	0.904
Price Value	0.774	0.911	0.885
Habit	0.557	0.833	0.879
Personal Innovativeness in IT	0.541	0.825	0.825
Intention to use e-learning systems	0.452	0.710	0.900
Adoption	0.712	0.881	0.908

Source: Survey Data, 2021

**Table 4: Results of discriminant validity test**

	PE	EE	SI	FC	HM	PV	HA	PIIT	IN	VIF
PE	<b>0.729</b>									2.910
EE	0.725	<b>0.786</b>								2.814
SI	0.481	0.510	<b>0.754</b>							1.488
FC	0.702	0.690	0.454	<b>0.716</b>						2.612
HM	- 0.086	-0.039	-0.043	- 0.018	<b>0.807</b>					1.016
PV	0.708	0.716	0.508	0.679	- .0017	<b>0.747</b>				3.099
HA	0.231	0.222	0.152	0.253	0.006	0.284	<b>0.880</b>			1.143
PIIT	0.447	0.453	0.373	0.490	- 0.012	0.552	0.213	<b>0.673</b>		1.625
IN	0.695	0.661	0.504	0.691	- 0.057	0.736	0.346	0.589	<b>0.844</b>	3.125

Source: Survey Data, 2021

**Table 5: Sample profile of the study**

		Frequency	Percentage
Gender	Male	90	47.1
	Female	101	52.9
	<i>Total</i>	<i>191</i>	<i>100.0</i>
	Between 20-25 years	72	37.7
	Between 25-30 years	40	20.9
	Between 30-35 years	33	17.3
	Between 35-40 years Above 40 years <i>Total</i>	20 26 <i>191</i>	10.5 13.6 <i>100.0</i>
Following degree program	Undergraduates	92	51.8
	Postgraduates	99	48.2
	<i>Total</i>	<i>191</i>	<i>100.0</i>

Source: Survey Data, 2020

**Table 6: Regression results for simple mediation**

Predictor	B	SE	t value	p-value
<b>Intention to use e-learning systems (M)</b>				
Constant	-0.6272	0.2780	-2.2562	0.0252
Performance Expectancy	0.2210	0.0826	2.6740	0.0082
Effort Expectancy	0.0632	0.0722	0.8746	0.3830
Social Influence	0.0859	0.0557	1.5434	0.1245
Facilitating Conditions	0.2001	0.0717	2.7894	0.0058
Hedonic Motivation	-0.0242	0.0405	-0.5984	0.5503
Price Value	0.1287	0.0480	2.6833	0.0080
Habit	0.2929	0.0824	3.5535	0.0005
Personal Innovativeness in IT	0.2185	0.0588	3.7179	0.0003
Model Summary	R	R <sup>2</sup>	p-value	
	0.8246	0.6800	0.000	
<b>Total effect on Adoption Behavior</b>				
	<b>Effect</b>	<b>BootSE</b>	<b>BootLLCI</b>	<b>BootULCI</b>
	0.1306	0.1183	0.1028	0.3640
<b>Direct Effect on Adoption Behavior</b>				
	<b>Effect</b>	<b>BootSE</b>	<b>BootLLCI</b>	<b>BootULCI</b>
	0.1103	0.1205	0.1275	0.3482
<b>Indirect Effect on Adoption</b>				
	<b>Effect</b>	<b>BootSE</b>	<b>BootLLCI</b>	<b>BootULCI</b>
Intention to use e-learning systems (M)	0.0202	0.0271	0.0303	0.0799

Source: Survey Data, 2020

**Table 7: Summary of hypotheses testing**

<b>Hypothesis</b>	<b>Survey findings</b>
H1: Performance expectancy has a positive impact on intention to use e-learning systems	Supported
H2: Effort expectancy has a positive impact on intention to use e-learning systems	Not supported
H3: Social influence has a positive impact on intention to use e-learning systems	Not supported
H4: Facilitating condition has a positive impact on intention to use e-learning systems	Supported
H5: Hedonic motivation has a positive impact on intention to use e-learning systems	Not Supported
H6: Price value has a positive impact on intention to use e-learning systems	Supported
H7: Habit has a positive impact on intention to use e-learning systems	Supported
H8: Personal innovativeness in IT has a positive impact on intention to use e-learning systems	Supported
H9: intention to use e-learning systems has a positive impact on the adoption behavior of e-learning systems	Supported

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## **A Gender Role Perspective on the Impact of Work from Home on Work-Life Balance: Employees' Experience During Covid -19 Pandemic in Sri Lanka**

**S.M. Nizath<sup>1</sup> & R.A.I.C. Karunaratne<sup>2</sup>**

<sup>1,2</sup> Department of Human Resource Management  
Faculty of Commerce and Management Studies  
University of Kelaniya,  
SRI LANKA  
nizath9727@gmail.com<sup>1</sup>, ishankac@kln.ac.lk<sup>2</sup>

### **Abstract**

The covid-19 pandemic has impacted every aspect of human life. Many employees start work from home during this pandemic situation, which disturbs employees' everyday work and non-work schedules as it is an unusual practice for some employees. However, there are limited studies which examine the effect of work from home on work-life balance. Based upon work life border theory and crossover spillover theories, the current study attempted to examine the effect of work from home on work-life balance and to examine the moderating role of gender. Using a structured questionnaire, data were collected from 301 employees who started work from home during the Covid-19 pandemic. This study is cross-section nature, as data collection was limited to one point in time. Based upon the extant literature, we developed two hypotheses which proposed the direct effect of work from home on work life balance and the moderating effect of gender on the proposed relationship. The data were analyzed using regression. The results showed that work from home significantly and negatively influence on work-life balance. However, moderating effect of gender was insignificant. Thus, work from home negatively influence on employee work life balance irrespective of their gender. The results of this study inform the literature employees face difficulties of managing their work and non-work life when the there is no clear borders between work and non-work.

**Keywords-:** Covid-19 Pandemic, Employee Gender, Work-Life Balance, Work from Home

### **1. INTRODUCTION**

In recent years, there has been an increasing interest in how employees manage their family life while engaging<sup>i</sup> in work. Moreover, a great deal of research attempted to examine the

interaction between work and family domains (Humphries, McDermott, Creese, Matthews, Conway, Byrne; 2020; Koon, 2020; Lazarova, Westman, & Shaffer, 2010). Work-life balance determines how an employee

shares the available time and the effort between family responsibilities and work requirements. Hill, Hawkins, Ferris, and Weitzman (2001) refer to work-life balance as the extent to which an employee can simultaneously balance temporal, emotional, and behavioral demands of both paid work and family responsibilities (as cited in Darcy & McCarthy, 2007). In particular, there have been observations that the degree of imbalance between family life and work has increased gradually in recent years because the work and family roles have become increasingly intertwined, and the balance between work and life is marked as the struggle facing by the employees on a daily basis in all over the world (Karkouljian, Srour & Sinan, 2016).

The increased focus on work-life balance makes organizations plan and implement work-life policies (Sanchez, Perez, Jimenz & Garces, 2018). Flexible work policy can be referred into different arrangements (Choo, Desa & Asaari, 2016; Oludayo, Salau, Falola, Atolagbe, Ogueyungbo & Fatogun, 2019; Swaty & Pahwa, 2020). Even though, several flexible work policies exist, these days' work from home (WFH) or home-based working has been promoted and motivated by the employers as a way of performing the task, duties, and responsibilities with considering the nature and characteristics of their job to limit the further spread of Covid-19. The so-called global pandemic

seriously affects all aspects of human lives, irrespective of where they are located.

All the entities are scrambling to respond to the Covid-19. Every firm believes that employees are its most valuable resource and is committed to providing a healthy and safe working environment for all its associates. Accordingly, to prioritize the employees' safety within times of crisis, the companies instructed their employees to carry out work duties from their homes while optimizing productivity. Thus, work from home is one initiative that has been implemented and motivated to navigate work responsibilities while staying safe and resilient. The organizations find ease with implementing work from home under *Flexi* work policy with the expansion of residential high-speed internet and advances in telecommunication and network tools and systems in recent years.

However, working under the schedule of working from home may face many challenges with balancing family and work demands effectively as the demands of work and family roles are mutually incompatible. As crossover and spillover theory (Bakker & Demerouti, 2009; Westman, 2001) explained, stress, strain, emotions, or experience can transfer from one domain to another domain; work domain to family domain vis-à-vis. Moreover, extant research has found that stress from the work domain transmits to the family domain., i.e., spillover effect

(Bakker & Demerouti, 2009; Westman, 2001; Westman & Vinokur, 1998). The transmission of stress from one person to another person in a close relationship through an emotional contagion process called crossover effect (Bakker, Demerouti, & Burke, 2009; Westman, 2001; Westman & Vinokur, 1998). However, most extant studies are based on a sample from typical employees (work at the office), and less attention has been paid to work-life balance when employees are working from home. Unlike typical situations, during the Covid-19 period, all family members may stay home, and much interaction can happen among family members. Thus, this study focuses on examining the effect of work from home on work-life balance, particularly during the Covid-19 pandemic.

Sri Lanka as a collectivistic culture still the life revolves around the family. Thus, the family connectedness is paramount in their lives. Prior research on work life balance has shown the strong relationship between work-life balance and work and non-work outcomes. For example, in their study Nilashini & Sajeevanie (2018) found a strong relationship between work life balance and employee performance. As another example, Kailasapathy, Kraimer, and Metz (2014) stated that leader-member exchange negatively related to work interference with family.

Besides that, scholars have examined the gender effect on

work-life interaction. However, the results are inconsistent (Emslie & Hunt, 2009). Moreover, most of these studies are based on a sample from Western countries, and Western understanding of the male and female role is different from other countries. For example, Sri Lanka, as a South Asian country, there is a clear difference of gender role among male and female. For instance, women are responsible for childcare, elder care, and managing household chores. Men are the family's breadwinner, mainly responsible for earning money and less engaging with household chores. Thus, the western understating of gender role might be different from culturally different economies. Thus, this study also attempts to understand how gender moderates the impact of work from home on work-life balance.

The rest of this paper is organized as follows. 'Literature review' section reviews the relevant literature on work-life balance and work from home research with the moderating effect of gender. The 'methods' section describes the methodology, and the 'results' section presents the results of data analysis. The final section discusses the findings, offers practical recommendations, acknowledges the limitations, and concludes this paper.

## **2. LITERATURE REVIEW**

### **2.1 Spillover and Crossover Theory**

Researchers have recognized crossover and spillover as two

different ways family demands and work demands are carried over (as cited in Bakker & Demerouti, 2009). Spillover is a within-person transmission of stress, strain, emotions, or experience that can be happened across domains that could be family and work domains (one particular area of life to another) (Bakker & Demerouti, 2009). For example, an employee may have a conflict in spending time for his or her family role and work responsibilities, when work overload may cause cost in leisure hours. Prior studies (Amstad, Meier, Fasel, Elfering, & Semmer, 2011; Bakker and Demerouti, 2009; Ford, Heinen, & Langkamer, 2007) constantly report the spillover effect of work and family activities.

Westman (2001) defined crossover as the transmission of stress, strain, emotions, or experience from one person to another in a close relationship. Thus, job-related stress, strain, emotions experienced by an individual may lead to the strain being experienced by the individual's close relations. Thus, the spillover is an intra-individual transmission of stress, strain, emotions, and experience, while the crossover is an inter-individual transmission of stressors (Bakker & Demerouti, 2009).

## **2.2 Work-Life border theory**

Work-life border theory was introduced by Clark (2000) as an extension of boundary theory. The theory stated that individuals

create and maintain boundaries to simplify and order the environment demands (Ashforth et al., 2000, p.474). Moreover, the theory discusses the domain, the borders between work and home, the border crosses, and border keepers as central concepts. The domains include the work domain and family domain; individuals have different expectations and objectives to achieve in different domains. Besides, individuals keep borders between work and family, including physical, temporal, and psychological borders. However, people cross the border between work and family when they have a home office (work from home), they have the flexibility of arranging their work schedules, and they discuss work issues with family vis-à-vis.

## **2.3 Work-Life balance**

An individual will never feel truly satisfied by his/her paid work/employment until he/she is satisfied by his personal life. Consequently, the individuals, be moderate in managing the work and non-work domains to enjoy life. Balance is not better time management but boundary management. It depicts how the individuals make choices and provide their time and involvement according to their priorities at a satisfactory level between these two domains. The employees should not confuse having a career or paid work with having a personal life. The individuals and the organizations intensely concentrate on the

balanced life of the employees to create a productive and healthy work culture or the employees who can perform in all the domains. Work itself is not the whole life. Employees should balance all the domains, and organizations should provide proper working arrangements and schedules to the employees to have a balanced life.

Generally, work is known as the paid employment or the job of a person. The activities performed outside the work are known as life (Weerasinghe & Jayawardana, 2019). Since work-life balance is a broad concept, it is defined differently using the diverse dimensions by different researchers. Scholars (Adisa, Gbadamosi & Osabutey, 2017; Clark, 2000; Emslie & Hunt, 2009; Helmle, Botero & Seibold 2014; Poulouse & Sudarshan, 2014; Saltzstein, Ting and Saltzstein, 2001; Semali & Hassi, 2016; Weerasinghe & Jayawardana, 2019) described the "balance" as avoiding the conflict entirely with the satisfaction and smooth functioning at both the work and home.

Greenhaus, Collins, and Shaw (2003) defined work-life balance as the extent to which an individual is equally engaged in—and equally satisfied with—his or her work role and family role.

Thus, work-life and personal life are two different dimensions: interconnected and interdependent and difficult to combine. Engaging more time with the paid work can interfere and make impacts on personal life.

Meanwhile, personal life commitments may impact work-life (Mohan, Prabha & Mohanraj, 2010). The physical, temporal, and psychological boundary between work and home activities become unclear when work and home activities have an exact physical place (Basile & Beauregard, 2016). The work-life imbalance can happen in two ways; family-to-work conflict and work-to-family conflict, as the interference can happen in both directions (Beham & Drobnič, 2010; Driscoll *et al.*, 2004; Mostafa 2020).

Managing work and the rest of life is about spending more time with family commitments or reducing working hours, or working less than earlier. It depicts the minimum level of conflicts when employees perform the roles that are interconnected themselves. Though work from home is associated with some positive impacts, the employees are affected negatively as it presents a unique challenge and barrier to managing the boundaries between work and family life. Valcour (2007) stated that balancing family and work is a significant challenge faced by employees and employers (as cited in Adisa *et al.*, 2017). Further, all the individuals try to maintain good family-related and work-related images to avoid an imbalance between personal and job roles.

#### **2.4 Work from Home**

In recent years, flexible work arrangements are considered an essential factor that helps to gain

positive outcomes for the employees and the organizations (Choo *et al.*, 2016).

When employees have the freedom to schedule and make changes on when, where (in which work), and the total time (how much one works) spend on their work-related tasks and duties, that helps increase the satisfaction. Successful implementation of flexible working policies or arrangements is needed to build a supportive and advantageous working environment (Mohan *et al.*, 2010).

According to Hill *et al.* (2008), flexible work policies have become common practice within organizations. Organizations used different human resource strategies to attract, motivate and retain skilled employees to achieve the organization's targeted goals and personal objectives related to the job they did (as cited Choo *et al.* 2016).

There are three most essential arrangements of flexible working policy to the employees who need a Flexi arrangement and are eligible by the nature of their task and duties; flexibility in working hours, the location of the workplace, and the total time engaging with the paid work. There are common flexible work arrangements such as flex-time, compressed workweek, flexible working hours, shift swaps and job sharing, reduced hours, extra vacation, personal days, annualized hours, and long-term time off (Choo *et al.*, 2016; Oludayo *et al.*, 2019; Swaty & Pahwa, 2020).

Though the several flexible work arrangements introduced by the entities to make efficiency and effectiveness in the employees' job performance and achieve planned organizational goals, home-based teleworking/work from home (WFH) has increasingly become a priority during the Pandemic situation. Businesses and employers are in a critical situation to decide the prevention and slow spread of Covid-19 within the office environment. Thus, considering the suitability of the job, whether it can be done at home or not, the employees are advised to perform their job at their residence by using advanced communication technologies because the employers have no alternative arrangements to provide a safe environment.

Work from home is often used synonymously with various other terms; home-based working, telework, telecommuting, virtual work at home, and remote work. Jackson (1999) and Kurland and Bailey (1999) described telework as home-based paid working, satellite office, neighborhood work center, and mobile telework (for more review see; Morganson, Major, Oborn, Verive & Heelan, 2010; Tietze & Musson, 2003). Telecommuting or telework can be facilitated under the flexible working policy to get work done (Baruch, 2000).

Giving a commonly accepted definition to the telework is difficult as it is a broad and complex phenomenon (Nakrošienė, Bučiūnienė &

Goštautaitė, 2019). Work from home/ home-based teleworking is described as performing the job-related job-related work at home rather than personal and household activities (Song & Gao, 2018). According to Nakrošienė *et al.* (2019), works are getting entirely done from home, where a work agreement exists between the employee who is eligible for working from home by their job nature, and the specific employer is known as work from home.

Although the work from home is implemented to gain positive outcomes (Baruch, 2000; Harpaz, 2002; Tietze & Musson, 2003), research has found that there are some negative consequences of work from home such as isolation, career harm, job insecurity, long work hour, and co-worker resentment (Green, 2019; Harpaz, 2002; Tietze & Musson, 2003).

Work from home can create some challenges for managers, such as difficulty controlling and motivating telecommuters, less committed employees, losing team-working benefits, and team cohesiveness (Baruch, 2000). Researchers found in plenty of studies that the major issue of the work from home is no clearly defined limit or boundary between work and non-work tasks and personal and professional time, which is the root cause of all the issues (Harpaz, 2002).

## **2.5 Hypotheses development**

During the Covid-19 pandemic period, there is no comfort and safe structure other than the own

residence or home of the employees to carry out organizational tasks. Thus, the organizations provide opportunities to work from home to get things done and maintain flow in the business process and services. It has led to more and more employees working from home. Earlier work from home was very rare among organizations, and now it has changed as necessity implementation in the crisis time. Though home-based working has potential benefits to employees and organizations, both face many challenges with that (Song & Gao, 2018). If an employee works under normal circumstances, like going to work and coming home, there will be a clear physical space between work and home. Moreover, it makes a space between work and family roles and it helps to make less psychological attachment. In contrast, if there are no clear boundaries, family members believe that an employee working at home is constantly available for getting done home-related works. Hence, the blurred line between work and home is considered a top issue that can create conflict between work and family. Moreover, as work-family border theory (Clark, 2000) explained, borders between work and family are permeable, which is more severe when employees work from home. For instance, when an employee works from home, family members can enter the office and interact with the employee, disturbing the

employee to perform the job. Moreover, as spillover theory proposed (Westman, 2001) stress or strain can transfer from one domain to another. However, this is more robust when employee work from home as no clear borders between work and life. Besides, crossover theory proposed transmission of stress or strain from one person to another in a close relationship. We believe, this is stronger when people are at the same place.

Thus, we proposed that;

*H1= There is a significant impact of work from home on work-life balance.*

Gender differences and gender-related issues in teleworking have been ambiguous and uncertain. Several researchers (Higgins, Duxbury, & Lee, 1994; Peeters, Montgomery, Bakker & Schaufeli, 2005; Simon, 1995; Williams, 2000) found that work-life balance varies across gender. According to Belanger (1999) and Mokhtarian, Bagley, and Salomon (1998), work from home has been valued more by women than men as telework helps women to take care of their household and children. Mokhtarian *et al.* (1998) mentioned that women perceive more advantages than men when performing organizational tasks and duties from home. Chapman, Sheehy, and Heywood (1995) found that women have been motivated by flexibility and autonomy when working from home. Since not having a better idea to segregate personal and professional time, men and

women who work from home become more involved in household issues than paid work activities. Extant literature on gender role expectations proposed that men and women experience work and family demands in different ways (Peeters *et al.*, 2005). Hofacker and Konig's (2013) found that dealing with the work arrangements is different from men to women.

Moreover, scholars (deLay, Ayman, & LoVerde, 1997; Fast & Frederick, 1996; Frenkenhaeuser *et al.*, 1989; Kohler, Moran, & Tansey, 1988; Lundberg, Mardberg, & Frenkenhaeuser, 1994) found that women perform more non-work tasks than the men while working from home. Thus, work from home can create a greater degree of conflicts, making women more stressed than men while telecommuting than working usual working hours at a traditional office. Therefore, female telecommuters will perceive higher levels of difficulties in balancing work and family than male counterparts because of the unequal burden of the family responsibilities. Further, Huws, Korte, and Robinson (1990) found that women telecommuters feel socially isolated than men.

In contrast, scholars (Eagle, Miles & Icenogle, 1997; Emslie, Hunt, & Macintyre, 2004; Hughes & Galinsky, 1994; Swanson, Power, & Simpson, 1998; Triplett, Mullings, & Scarborough, 1999; Winslow 2005) found that men and women experience a similar

level of conflict when working from home.

Thus, we proposed that:

*H2 = The relationship between work from home on work-life balance will be significantly moderated by gender, such that the negative relationships are strengthened for the females.*

The proposed conceptual framework is shown in figure 1.

### 3. METHODS

#### 3.1 Sample and Procedures

To test the hypotheses collected data from employees who are working from home during the covid-19 pandemic. The respondents were selected via the LinkedIn network, and we distributed around 400 survey invitations. As there was no systematic way to identify employees working from home and private sector companies, we included two screening questions to screen out non-qualified respondents. Only 350 were sent back the completed survey. Out of these respondents, 49 responses were discarded by the researcher since the respondents are not working from home (16 responses), and some respondents are regular workers working from home (33 responses). Thus, we used only 301 respondents for testing hypotheses.

#### 3.2 Measures

##### 3.2.1 Dependent Variable – Work-Life Balance

Work-life balance was measured by using four items scale developed by Brough *et*

*al.* (2014). The anchor points range from strongly disagree (01) to strongly agree (05). The example items are "I currently have a good balance between the time I spend at work and the time I have available for non-work activities" and "I feel that the balance between my work demands and non-work activities is currently about right."

##### 3.2.2 Independent Variable – Work from home

Work from home is measured using a standard measurement scale developed by Lucas (Macquarie University and the University of Technology, Sydney). We asked survey participants, "On average, how many days per week do you work from home?" and "On average, how many hours per day do you work from home?".

Further, in line with prior research, the researcher investigated fundamental individual factors (demographics and anticipatory factors).

### 4. DATA ANALYSES AND RESULTS

Before testing hypotheses, tests for missing data, outliers were carried out. Therefore, a frequency analysis for the Likert scale items in the questionnaire to check whether there are missing values in the data set and the researcher could ensure that the data is entered within the range correctly. The data were subsequently screened for univariate outliers using box plots. There were no univariate outliers found in the data set.

We used simple linear regression to test our hypotheses. Further, the mean, standard deviation, and correlation coefficient are reported in Table 1.

#### 4.1 Hypotheses Testing

In hypothesis 1, we propose that there is a significant impact of work from home on work-life balance. As we proposed, the impact of work from home was significant ( $\beta = -0.709$ ,  $t = -17.4$ ,  $p = 0.000$ ) Thus, H1 is accepted. The model also explained a significant variance ( $R^2 = 0.503$  (50.3%),  $p = 0.000$ ).

In H2, we proposed that the relationship between work from home on work-life balance will be significantly moderated by gender. The results show that, ( $\beta = -0.020$ ,  $p = 0.906$ ). According to that, the sig value (0.906) is greater than 0.05. Therefore, statistically claiming that, Gender is not a significant moderator for the relationship between Work from Home on Work- Life Balance. Thus, H2 is rejected (Results are shown in Table 4).

Further, the researcher uses Andrew F. Hayes process for SPSS (2018) as well to examine the moderator effect of gender on the relationship. According to the Andrew F. Hayes process for SPSS (2018), if the moderator is significant, zero (0) should not be in between lower and upper coefficient intervals, both values must be positive or negative. However, the results showed that  $\beta = -0.0016$ ,  $s.e. = 0.0134$ ,  $t = -0.1178$ ,  $p = 0.9063$ ; 95% CI [-

0.0279 to 0.0248]). As zero (0) is between the lower coefficient interval and upper coefficient interval, the moderator (gender) is not significant (results are shown in table 5 and table 6). Therefore, the hypothesis two (H2) is rejected statistically claiming that, gender is not a significant moderator for the relationship between work from home on work- life balance.

#### 5. DISCUSSION

The findings through analysis of data led to the discussion on the study. In the current study, the researchers found that there is a significant impact of work from home on the work-life balance of the employees, and gender is not a significant moderator of that relationship. Irrespective of contextual differences, the results are in line with and supported by some previous research studies. For example, Green (2019), Harpaz (2002), Irawanto, Novianti, & Roz (2021) and Tietze and Musson (2003) found that there are negative consequences of home-based working. Thus, the finding of this study that there is a significant impact of Work from Home on Work-Life Balance, are consistent with prior studies.

Further, according to Peeters *et al.* (2005), gender may represent an important moderating variable of the work-home interference process. However, the findings of this study showed there is no gender effect on the relationship

between work from home and work-life balance.

These findings are consistent with prior studies such as Eagle *et al.* (1997), Emslie *et al.* (2004), Hughes and Galinsky (1994), Swanson *et al.* (1998), Triplett *et al.* (1999), and Winslow (2005), who found men and women experience a similar level of conflict when working from home (Karkouljian *et al.*, 2016).

## 6. CONCLUSION

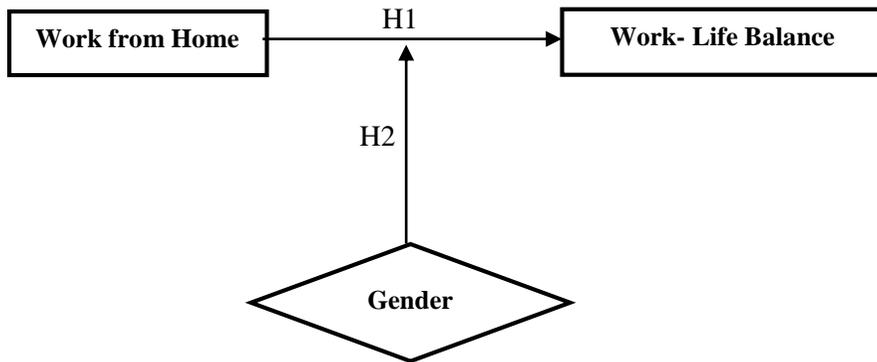
The current study draws attention to the under-researched domains of work from Home and Work-Life Balance in the Sri Lanka context. The study's main objective was to examine the impact of work from Home on Work-Life Balance and moderating effect of gender among workers. The study's findings demonstrate that there is a significant and negative impact of work from Home on Work-Life Balance of the employees who started to practice the work from home during the pandemic period, and gender was not a significant determinant of work-life balance. Considering the findings of the current study, this study concludes by declaring that employees who started to practice work from home face so many challenges in balancing work and family life when their work-related tasks and duties are performed at their home of gender differences. Even though, the Work from Home has introduced to bring flexibility in performing tasks and duties, it brought so many negative consequences among the

employees in balancing work and non-work activities during the pandemic. To overcome this situation the researcher, recommends to be followed to gain the expected benefits from the Work from Home concept. When introducing this concept, the organizations and their managers should have the strong purpose like, the organizations should be committed to supporting Work from Home concept, provided that the needs and objectives of both the organization and the employee can be met, and the employees' deliverables are not disrupted in any form or manner and While not all positions are agreeable and suitable to Work from Home concept, consideration of Work from Home arrangements should be reviewed on a case-by-case basis - taking into account employee's tenure and the nature of the job role.

While it is crucial to continue business operations and strive towards achieving organizational goals and objectives, the organizations should understand that working from home continuously over a long period of time may cause mental fatigue (due to home and technology infrastructure, distraction by family, change in normal routines due to the crisis etc.) and negatively impact productivity levels of employees. Accordingly, the managers or employers should encourage their employees to use the effective practices regarding the working hours, work space, tasks and duties to be performed

and collaboration platform where the employer or the manager should get the full concern and idea of employees' demographic factors; Gender, Age, Civil Status and House Hold Members' details to manage time better and work effectively to achieve success during prevailing pandemic. Moreover, the performance of the employees when working from home, as always, should be evaluated as per usual performance management processes and delivering on goals and KPIs. Finally, considering all the above-mentioned recommendations, document of the guidelines should be prepared and communicated among employees to support the employees and their respective line managers to navigate work responsibilities while staying safe and resilient during prevailing pandemic conditions with the purpose of managing Work from Home effectively, whilst optimizing productivity.

**APPENDIX**



**Figure 1: Conceptual Framework**

**Table 1: Result of Correlation Analysis, Mean, Standard Deviation**

No	Variable	M	SD	1	2	3	4	5	6
1	Gender	1.61	.49						
2	Age	2.03	.96	.22**					
3	Marital Status	1.56	.50	.24**	.77**				
4	Household Members	4.36	.86	.14*	.30**	.20**			
5	Children	2.53	1.45	.24**	.56**	.65**	.47**		
6	Work from Home	16.73	6.59	.14*	.38**	.39**	.301**	.33**	
7	Work-Life Balance	2.19	1.14	-.35**	-.42**	-.45**	-.45**	-.49**	-.71**

Note: N = 301, M=Mean , SD=Standard Deviation

Source: Analyzed Data (2021)

**Table 2: Regression Statistics**

Multiple R	.709 <sup>a</sup>
R Square	.503 (50.3%)
Adjusted R Square	.501
Std. Error of the Estimate	.80217
F	302.104
Sig.	.000 <sup>b</sup>
Regression	Linear
Method	Enter

Source: Analyzed Data (2021)

**Table 3: Coefficients<sup>a</sup> - Work from Home Impacts on Work-Life Balance**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.232	.126		33.48	.000
	Work from Home	-.122	.007	-.709	-17.38	.000

a. Dependent Variable: Work-Life Balance

Source: Analyzed Data (2021)

**Table 4: Results of Linear Regression Analysis of Moderator**

Variables	Model 1	Model 2	Model 3
Work from Home	-.709 (.000)	-.673 (.000)	-.659 (.000)
Gender		-.255 (.000)	-.244 (.018)
Interaction Work from home x gender			-.020 (.906)
$\Delta F$	302.104	43.689	.014
$\Delta R^2$	.503	.064	.000
Equation $F$	302.104	194.462	129.217
Equation adjusted $R^2$	.501	.563	.562

\*n= 301; Standardized coefficients are reported.

Source: Analyzed Data (2021)

**Table 5: Results of Process for SPSS (Model Summary)**

Model Summary						
R	R-sq	MSE	F	df1	df2	p
.7525	.5662	.5650	129.21 72	3.0000	297.00 00	.0000

Source: Analyzed Data (2021)

**Table 6: Results of Process for SPSS (Model)**

	Model					
	coeff	se	T	p	LLCI	ULCI
Constant	5.0397	0.3782	13.3262	.0000	4.2955	5.7840
WFH	-0.1136	0.0218	-5.2005	.0000	-0.1566	-0.0706
Gender	-0.5656	0.2374	-2.3820	.0178	-1.0328	-0.0983
Int_1	-0.0016	0.0134	-0.1178	.9063	-0.0279	0.0248

Product terms key:

Int\_1: WFH x Gender

Source: Analyzed Data (2021)

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**Impact of Turnover Intention on Team Effectiveness of Floor Level Employees of the Five Star Hotels in the Western Province of Sri Lanka**

**R.A. Rathnasiri<sup>1</sup> & S. Mohottige<sup>2</sup>**

<sup>1</sup>Department of Banking and Finance  
Faculty of Business Studies & Finance  
Wayamba University of Sri Lanka Kuliyapitiya  
SRI LANKA

<sup>2</sup>Department of Business Management  
Faculty of Business Studies & Finance  
Wayamba University of Sri Lanka Kuliyapitiya  
SRI LANKA

ranasingher76@gmail.com<sup>1</sup>, smohottige1@gmail.com<sup>2</sup>

**Abstract**

A team is a group in which members work together intensively to achieve common group goal. Teamwork is very important in the hotel industry as effective teams generate positive synergy. Team effectiveness is the capacity of a team to accomplish the goals or objectives. Teams are created in an organization and processes are improved to increase competitive advantage. To create and implement team effectively, management system must be designed to fit the team environment to enhance the productivity. The purpose of this study is to assess the impact of turnover intention on team effectiveness of floor level employees of the five-star-hotels in the western province of Sri Lanka. Research model was developed as a result of the comprehensive literature survey based on the deductive research approach. Proportionate simple random sampling technique was used to select 217 respondents from 3221 total respondents of the selected five-star hotels in the western province of Sri Lanka. Primary data was employed to analyze the data using five point- Likert scale. A structured questionnaire which contained 35 questions was employed to collect primary data from the respondents. Correlation and regression analyses were the main analytical tools employed in this study. The results of the analysis showed that turnover intention has a significant impact on the team effectiveness. It means that Team effectiveness has been substantially influenced by the Predictor variables: Fringe Benefits, Career Development Opportunities, Work environment, Organizational Characteristics and Nature of work. Multiple regression analysis envisaged that 49.9% variation in the team effectiveness has been explained by the estimated multiple regression model. Finally, the finding of the study is useful to the policy makers to design and implement

appropriate policies to retain hotel staff and develop hotel industry in Sri Lanka.

**Keywords-:** Fringe Benefits, Career Development, Organizational Characteristics, Working Environment, Team Effectiveness, Turn Over Intention.

## 1. INTRODUCTION

Present study was designed to investigate the impact of turnover intention on team effectiveness of floor level employees of the Five Star Hotels in the Western Province of Sri Lanka. The annual turnover rate of hotel sector was always between 10% - 18% and it was above the industry average of 1.4 per cent since 2010 (CBSL, 2017). It was found to have a heavy volume of teamwork problems in the hotel sector (see Table 1 for more information).

An organization is a teamwork, where many individuals work together to achieve a common goal. Teamwork is essential in an organization so that a teamwork friendly management system should be designed (Jones and George, 1998). Teamwork is very important in the hotel industry. Effective teams generate positive synergy. Due to low compensation packages and heavy, continuous workloads of employees in the hotel industry, floor level employees are always searching for new job opportunities in another hotel. Work teams are therefore, continuously faced with contextual related problems, compositional related as well as process related problems. There are many other factors that influence employee turnover,

organizational size, coworkers, supervisors, pay, promotional aspects, job itself may influence employee turnover (Robbins et al., 2016).

The tourism sector has been experiencing an impressive growth both in terms of tourist arrivals and in foreign exchange revenues after the restoration of peace and normalcy in the country in 2009 (See Table 1). Achieving another remarkable milestone in the country's booming tourism industry, tourist arrivals reached half million in 2014, an increase of 20% over 2013 and foreign exchange earnings exceeded US\$ 2.4 billion, an increase of 41% over 2013 (CBSL, 2017).

### 1.1 Problem of the Study

Service sector contributed 63 percent to the Gross Domestic Product (GDP) in 2010 and onwards in Sri Lanka. (CBSL 2015). By the way, the tourism industry in Sri Lanka is growing continuously and it contributes to GDP significantly. Many researchers have discovered that the hotel industry is facing the problems of overcoming personnel shortages (Mohamad Nurzeti, 2010). It reflects the high employee turnover rates and shortages of skilled-human resources in the industry. The annual turnover rate was always

above the one digit since the year 2010 and found to be a heavy volume of teamwork problems. As per the Annual Reports of the Central Bank of Sri Lanka (2013 - 2017), annual turnover rates in the hotel sector increased from 13% to 18%.

The annual turnover rate was always above the one digit since the year 2010 and found to be a heavy volume of teamwork problems. Table 1 (see appendix) depicts the annual turnover rates during the last five years.

Present study attempts to investigate to what extent Fringe Benefits, Career Development Opportunities, Work Environment, Organizational Characteristics and Nature of Work which could explained under the Turnover Intention and the possible impact on team effectiveness of floor level employees in the five-star hotels of Western Province of Sri Lanka. Accordingly, the following research objectives were formulated.

- a. To investigate the impact of Turnover Intention on Team Effectiveness of floor level employees of the Five-Star-Hotels in the Western Province of Sri Lanka.
- b. To identify the most influential factor which affects the Team Effectiveness in the five-

star hotels of Western Province of Sri Lanka.

## **2. LITERATURE REVIEW**

This section reviews the literature relating to the team effectiveness, turnover Intention and measuring concepts: Fringe Benefits, Career Development Opportunities, Organizational Characteristics, Work Environment, and the Nature of the Work its.

### **2.1 Team effectiveness**

When organizations use extrinsic rewards as payoffs for superior performance, employees feel they are doing a good job, because of their own intrinsic desire to excel than because that is what the organization wants. Organizational effectiveness is influenced to a great degree by the external environmental characteristics. It is dependent on how the external environment is predictable, complex and antagonistic to the organization and its activities. The major characteristics are predictability, complexity and hostility.

Team Effectiveness referred to as team performance, is a team's capacity to achieve its goals and objectives. This capacity to achieve goals and objectives leads to improved outcomes for the team members, as well as outcomes produced or influenced by the team (Marks, Mathieu, and Zaccaro, 2001;Kozlowski and Ilgen, 2006; Salas, Goodwin, and Burke, 2009).A team is a collection of individuals who are interdependent in their tasks,

share responsibility for outcomes, and view themselves as a unit embedded in an institutional or organizational system which operates within the established boundaries of that system (Halvorsen, Kristin (2013)). Effective teams are made up of members who have the skills necessary to accomplish their goals. Everyone brings their own viewpoints and knowledge to the group. Members engage in open communication, using active listening and responding. In the most effective teams, co-workers trust and support one another. The importance of work teams appears to be gaining in strength as jobs get bigger, organizational structures get more complex, and more and more companies become multinational in scope (Naquin and Tynan, 2003). Successful teams are deeply committed to their goals, approach, and purpose. Members in these teams also are very committed to each other. They understand that the “Wisdom of a team comes with a focus on collective work products, personal growth, and performance results” (Ketzenbach and Smith, 1993). They assert that successful teams always are a result of pursuing demanding performance goals at the team level.

## **2.2 Turnover intention**

Employees leaving their current positions and taking new positions within the same organization refers to internal turnover. There are both positive and negative

effects of internal turnover. The positive effects are increasing employees’ morale. The negative effects are dangerous. Mainly rational disruption internal turnover may be controlled by human resources mechanisms, such as internal policies and procedures. Internal turnover can be a transfer from one location to the other. Typically, such actions are punishment based. Large amount of internal transfers leaving a particular department or division. In that area unless that position is designated steppingstone position (Bruno Stafflbach, 2010).

Since turnover is often associated with job dissatisfaction, most researchers argue that turnovers are voluntary and subject to control by managers (Morrell et al., 2001). Voluntary turnover is possible when employees choose to leave for whatever the reasons. Involuntary turnover is caused by layoffs and similar action where the decision for an employee to leave is made by the organization, but not by the employees. Generally voluntary turnover is measured in percentage to the total labor force. Involuntary turnover caused by layoffs (Boxall et al., 2003).

Having understood, turnover intention is a withdrawal behavior which is in general a set of actions that employees take to separate themselves from the organization. There are many forms of withdrawal ranging from showing

up later or failing to attend meetings to absenteeism and turnover (Robbins, 2015). Employee withdrawal can have a very negative effect on an organization.

## **2.3 Turnover intention and measurement indicators**

### **2.3.1 Fringe benefits**

The success and the survival of any organization are determined by the way the workers are compensated. The reward system and motivating incentives will determine the level of employees' commitment and their attitude to work. Fringe benefits are forms of indirect compensation given to an employee or group of employees as a part of organizational membership. Bratton and Gold (2009) defined them as that part of the total reward package provided to employees in addition to base or performance pay. Fringe benefits focus on maintaining (or improving) the quality of life for employees and providing a level of protection and financial security for workers and for their family members. Like base pay plans, the major objective for most organizational fringe compensation programs is to attract, retain and motivate qualified, competent employees (Bernardin, 2017). Mathis and Jackson (2013) continue to state that an employer that provides a more attractive benefits package often enjoys an advantage over other employers in hiring and retaining qualified employees

when the competing firms offer similar base pay. In fact, such benefits may create "golden handcuffs," making employees more reluctant to move to other 2 employers. Some common examples are; retirement or pension plans, medical and dental insurance, education reimbursement, time off, paid vacation and use of company cars.

### **2.3.2 Career development opportunities**

The theory of Mondy (2010) that career development is a formal approach used by companies to ensure that people with the right qualifications and experience are available when needed. Also according to Mondy, an important role in human resource management is a career development system that aims to attract, retain, and at the same time motivate employees to have a better work spirit. With the motivation of a good career development in a company, it will be directly proportional to the quality and quantity that is good for human resources in a company. Handoko (Hafi, 2016) suggests that career development is an effort made by an employee to achieve a career plan. Companies that cannot provide career development to their employees will have a greater risk of losing their employees if compared with companies that can provide a more open career path to their employees. According to Handoko (Hafiz, 2016) there are several indicators

of career development, namely (1) work performance, (2) exposure, (3) loyalty, (4) mentors and sponsors, (5) opportunities to grow, (6) Management support. The theory underlying the relationship between career development and turnover intention is the theory expressed by Sari Hafiz, (2016) that one of the factors that need to be a concern of the company to reduce employee turnover is how companies provide career development opportunities for these employees and there is an effort to manage human resources well on an ongoing basis organizational career growth shows potential for managing turnover, its biggest impact is on those who desire a career (Weng and McElroy, 2012).

### **2.3.3 Work environment**

Elements of environment assume an imperative part towards the employees' performance. The variables of the environment give an enormous effect to the employees' results either positively or negatively (Chandrasekar, 2011). In the course of the most recent decades, the components of the work environment of the office workers had changed because of the adjustments in a few factors, for example, the social environment, information technology and the adaptable methods for sorting out work forms (Zafir & Fazilah, 2011).

Employees will work harder and increase performance when they

have a great work environment. According to Chei et al., (2014), the capacity for employees to impart information to each other relies upon how the environment is utilized. This encourages organizations to expand value regarding profit, level of aggressiveness and others. Safety and health working conditions are one of the highlights that organizations need to consider. A threatening workplace is probably going to cause physical disharmony. Poor and hazardous workplace will convey genuine risk to employees. Organizations additionally see that office outline and format will bring in a successful management process and this will expand employee performance.

Other than that, lighting is also part of the working environment. Mills, Tomkins, and Schlangen (2007) stated that brightness and wavelength of light have an impact on task performance and human system like mood and alertness. According to Hameed and Amjad (2009), office layout and design, which are defined by good design and layout of the workplace, can make employees perform better. Office design and work performance are interrelated.

### **2.3.4 Organizational characteristics**

Organizational characteristics refer to the general conditions that exist within an organization. Various organizational characteristics influence

organizational effectiveness. The major characteristics are structure, technology, innovation and development corporate governance. An organizational structure defines how job tasks are formally divided, grouped and coordinated. For organizational effectiveness, six elements need to be addressed while designing organizational structure. These are: work specialization, departmentalization, chain of command, span of control, centralization and decentralization, and formalization. Complex organizational structures can often lead to ineffective execution of the business strategy. No one element by itself can drive sustainable business results-all elements must be working together toward the same goal in order to get strategy execution right. These elements work together, mutually reinforcing each other, and must be focused and aligned to effectively achieve execution.

### **2.3.5 Nature of work**

Work climate, which is mostly known as the nature of the job, is strongly related to the individual's level of job satisfaction, job involvement, employee commitments and employee motivation. However, a positive overall workplace climate is being linked with higher customer satisfaction and employee performance. Nature of the job partly depends on the chain of command principle, supervisor or manager

or higher rankers for whom subordinates (may be managers or even non managers) are responsible. Another important determinant is unity of command principle. Existence of dual command (two supervisors – one subordinate) causes severe breakdowns in authority and discipline. Employees should receive orders from only one supervisor. It is believed that recognition and observance of this principle would eliminate the causes of interdepartmental and interpersonal conflicts that are aroused leads to jurisdictional issues. Further, clarity of task influences employee performance. Some supervisors feel that they can do the job faster without subordinates (Donnelly, 2001)

In the short run it may be possible and correct, but in the long run, it is a myopic leads number of problems in the office, however assigning people at work by delegating authority enable the subordinates to develop competence and free the supervisor to devote his or her valuable time to another important task, may be fruitful and there are number of advantages, yet the most important task which is urgent, manager must do, while planning other jobs to assigned with others with properly delegated(Donnelly, 2001).

Having too much to do with too little time to do it is a common perception in the workplace. This problem is often referred to as work or role overload. Proper

workload management is an essential part in nowadays working environment as the majority of firms expect their employees to increase their productivity in order to cope with more work.

Work pressure created by negative core workers; those who are less competitive, less skill attempts are made to disturb other workers who have more skills and more competitive advantages.

Work pressure created by Negative supervisory behavior; this is due to inferiority because they have come from dirty blood associated with less people.

### 3. METHODS

#### 3.1 Conceptual framework

The following conceptual model developed based on the literature review (See figure 1). Accordingly fringe benefits, career development opportunities, working conditions, organizational structure and nature of the workload identified as the indicators of turnover intention which will have an impact on team effectiveness of the organization.

#### 3.2 Hypothesis

The following Hypotheses were formulated on the basis of the conceptual model shown above.

**H1:** There is a significant positive impact of Fringe Benefits on Team Effectiveness of five-star

hotels in the Western Province of Sri Lanka.

**H2:** There is a significant positive impact of Career Development Opportunities on Team Effectiveness of five-star hotels in the Western Province of Sri Lanka.

**H3:** There is a significant positive impact of Work Environment on Team Effectiveness of five-star hotels in the Western Province of Sri Lanka.

**H4:** There is a significant positive impact of Organizational Characteristics on Team Effectiveness of five-star hotels in the Western Province of Sri Lanka.

**H5:** There is a significant positive impact of Nature of Work itself on Team Effectiveness of five-star hotels in the Western Province of Sri Lanka.

**H6:** Variance in Team Effectiveness of five-star hotels in the Western Province of Sri Lanka is significantly explained by the Turnover Intention related variables.

#### 3.3 Data and technical root of the study

This study was conducted by distributing the 217 questionnaires to Five Star hotel employees in Western Province of Sri Lanka. There are 31 five-star hotels operated in the island. And there are 16 five-star hotels operated in the Western Province. The five hotels selected for the sample represent 31% five star hotels of the Western Province and 16% of total five star hotels in

Sri Lanka. Sample size was determined in accordance with the Morgan Table (Uma Sekeran, 2013). The questionnaire was composed of two sections, the first section solicited demographic information about respondents, while the second part was related to employee performance. The items were measured using the 5-point Likert scale, where 5 refers to “strongly agree” and 1 refers to “strongly disagree” for each and every statement in the questionnaire. The scale was adopted from Sekaran, (2013).

It includes descriptive data analysis and the inferential data analysis for which Pearson's correlation coefficient analysis was performed to assess the relationship between each independent variable and the dependent variable and Linear regression analysis was performed in order to find the impact of turnover intention on team effectiveness.

## **4. RESULTS**

### **4.1 Reliability analysis**

Table 02 shows Cronbach's Alpha for the independent and dependent variables. The closer the Cronbach's Alpha is to 1, the higher the internal consistency reliability. As pointed out by Sekaran (2013), the reliability that is less than 0.60 is considered as poor and if it is in the range of 0.70, it is considered as acceptable. As per Table 02, above reliability of the items of

the questionnaire were found strong as Cronbach's Alpha values were always more than point seven.

### **4.2 Descriptive data analysis**

Table 3 presents the descriptive statistics of the sample selected for the study. From Table 03, four (04) variables indicate mean value more than 3.18 out of five-point scale which indicates a good result for Likert scale (Sekaran, 2013). Mean value shows the average that is used to derive the central tendency of the data in question. In this study, the mean value for four variables is close to 4.0, which indicates that most of the respondents have provided favorable responses for four questions asked. Mean value for one variable falls below 3.0 and indicates that respondents have provided an unfavorable response for the questions related to “Career Development Opportunities”.

### **4.3 Correlation analysis**

To examine the relationship among Fringe Benefits, Career Development Opportunities, Work Environment, Organizational Characteristics, Nature of Work and Team Effectiveness. Pearson correlation coefficient analysis methods were used to compute the correlation and the strength of different variables. Table 04 displays the correlations among all of these variables in the model. All the variables or corresponding values are found to be greater than 0.712.

Hence there are significant positive relationships between independent variables and Team Effectiveness of five-star hotels in the Western Province of Sri Lanka.

#### 4.4 Regression analysis

In accordance with the Table 05, ANOVA for multiple regression, p value = 0.000, which is less than 0.01. The F statistic is 195.30 is significant. The model of the regression is capable of explaining the regression variation. Predictor variables: Fringe Benefits, Career Development Opportunities, Work Environment, Organizational Characteristics and Nature of Work have been able to explain the variance in the dependent Variable (Team Effectiveness).

As per Table 06 in appendix, parameter estimates indicate that all the predictor variables have a significant impact on the dependent variable. It means that Team Effectiveness has been substantially influenced by the Predictor variables: Fringe Benefits, Career Development Opportunities, Work Environment, Organizational Characteristics and Nature of Work.

Fringe Benefits is the highest contributor Beta Value = 0.353. Nature of Work becomes the second highest contributor Beta Value = 0.189. Work Environment is the third contributor Beta Value = 0.168.

Career Development Opportunities is the fourth contributor Beta Value = 0.145. Organizational Characteristics is the fifth contributor Beta Value = 0.093.

#### 5. FINDINGS AND DISCUSSION

As per inferential data analysis, Correlation coefficient between Fringe Benefits and Team Effectiveness is high,  $r = 0.712$ . R Square is 0.507, which indicates that Team Effectiveness is positively influenced by Fringe Benefits. F statistic ( $F = 45.992$ ) which is statistically significant, Beta coefficient value = 0.238. Therefore, H1 is accepted. Hence there is a significant positive relationship between Fringe Benefits and Team Effectiveness of five-star hotels in the Western Province of Sri Lanka and concluded that Fringe Benefits positively influence Team Effectiveness.

Correlation coefficient between Career Development Opportunities and Team Effectiveness is high,  $r = 0.715$ , R Square is 0.511, which indicates that Team Effectiveness is positively influenced by Career Development Opportunities. F statistic ( $F = 70.412$ ) which is statistically significant, Beta coefficient value = 0.191. Therefore, H2 is accepted. Hence there is a significant positive relationship between Career Development Opportunities and Team Effectiveness of five-star

hotels in the Western Province of Sri Lanka and concluded that Career Development Opportunities positively influence Team Effectiveness.

Correlation coefficient between Work Environment and Team Effectiveness is high,  $r = 0.718$ . R Square is 0.515, which indicates that Team Effectiveness is positively influenced by the Work Environment. F statistic ( $F = 51.361$ ) which is statistically significant, Beta coefficient value = 0.12. Therefore, H3 is accepted. Hence there is a significant positive relationship between Work Environment and Team Effectiveness of five-star hotels in the Western Province of Sri Lanka and concluded that Work Environment positively influences Team Effectiveness.

Correlation coefficient between Organizational Characteristics and Team Effectiveness is high,  $r = 0.791$ . R Square is 0.625, which indicates that Team Effectiveness is positively influenced by Organizational Characteristics. F statistic ( $F = 46.607$ ) which is statistically significant, Beta coefficient value = 0.113. Therefore, H4 is accepted. Hence there is a significant positive relationship between Organizational Characteristics and Team Effectiveness of five-star hotels in the Western Province of Sri Lanka and concluded that Organizational Characteristics positively influence Team Effectiveness.

Correlation coefficient between Nature of Work and Team Effectiveness is high,  $r = 0.724$ . R Square is 0.524, which indicates that Team Effectiveness is positively influenced by Nature of Work itself. F statistic ( $F = 51.361$ ) which is statistically significant, Beta coefficient value = 0.187. Therefore, H5 is accepted. Hence there is a significant positive relationship between Nature of Work and Team Effectiveness of five-star hotels in the Western Province of Sri Lanka and concluded that Nature of Work positively influences Team Effectiveness.

Model summary of the Multiple Regression, R squared value is 0.499, therefore it can be predicted that 49.9% variation in Team Effectiveness has been explained by the predictor variables. Parameter Estimates indicate that all the predictor variables have a significant impact on the dependent variable. It means that Team Effectiveness has been substantially influenced by the Predictor variables: Fringe Benefits, Career Development Opportunities, Work environment, Organizational Characteristics and Nature of Work. These findings are in line with the previous literature (Bernardin, 2017; Weng and McElroy, 2012; Hameed and Amjad 2009; Donnelly, 2001). Fringe Benefits is the highest contributor Beta Value = 0.353, Nature of Work becomes the

second highest contributor Beta Value = 0.189, Work Environment is the third contributor Beta Value = 0.168, Career Development Opportunities is the fourth contributor Beta Value = 0.145, Organizational Characteristics is the fifth contributor Beta Value = 0.093.

Teamwork is a huge factor in hospitality industries around the world. Most hospitality industries including tourism and hospitality survive by teamwork. Teamwork in the tourism industry has great importance for more than one reason. Teamwork brings a sense of security, trust, and loyalty to employees as well as the employers. Without teamwork, morale can be lowered. If morale is lowered, then productivity could be lowered as well. Hospitality industries are aware of this fact, so they implement programs and activities to keep morale and productivity at its highest attainable level. Teamwork in the company has great importance for more than one reason. Hospitality industries, who have embraced the concept, have reported increased performance in work production, problem solving and have stimulated new growth. This group project approach has improved employee morale and increased input when managed correctly. The benefits of teamwork can make a positive effect in the company that incorporates this type of teamwork approach. Resources

must be available within the company or outsourced by businesses that will come in and train company employees to make the most effective effort. A high-performance workplace focuses on increasing people's influence on the business as well as the impact of processes, methods, the physical environment, and the technology and tools that enhance their work.

Teamwork is the ability to work together toward a common vision. Moreover, it explains the ability to direct individual accomplishments toward organizational objectives. It is the fuel that allows common people to attain uncommon results. A team is a small number of individuals associated in some joint action, with a strong, deep seated, common sense of purpose. Team members are mutually committed, mutually supportive, and collectively responsible for the achievement of team goals and objectives. Real teams create synergy; they perform at levels above that of groups. Team members work closely and freely with each other to achieve their common performance goals. Real teams perform tasks that cannot be achieved by individuals alone. Effective teams consist of members who have the skills necessary to accomplish their own and group goals. It is crucial for every team member in an effective team to bring their own knowledge and viewpoints to the entire group. They should know

everything about open communication, active listening and responding.

All members of effective teams are accountable for achieving goals and are motivated to do well. They trust and support one another. Why do we need any model for team effectiveness? It can help to figure out which attitude, tools, and strategies to adapt for your own team. Perhaps, it will assist to shed light on what is working and what is not in your own team.

## **6.CONCLUSION AND RECOMMENDATIONS**

### **6.1 Conclusion**

Respondents are not satisfied with the Salary. But satisfied with Service Charges, Medical Benefits, Welfare Facilities, Food and Accommodations. Respondents are less satisfied with Career Advancement Opportunities, Job Security, Career Development Opportunities, Cross Exposure and Promotions. Respondents are found to be less satisfied with senior management and with Supervisors. However, they are found to be satisfied with peers, with other employees and the level of Interpersonal relationship maintained.

Respondents are found to be satisfied with opportunities and skills can be used, recognition given by Management, Corporate

Culture, relationship with co-workers, relationship with supervisors they have, agreed that they indifferent with task freedom, satisfied with role freedom, satisfied with the behavior of supervisors, with authority provided, but not satisfied with job freedom and work life balance.

Respondents clearly indicate that they are able to provide timely delivery of services, minimum number of guests' complaints, positive Social Media comments, minimum number of conflicts created by team members and minimum level of loafing by the team members.

Fringe Benefits, Career Development Opportunities, Work Environment, Organizational Characteristics and Nature of Work have been able to explain the variance in the dependent Variable (Team Effectiveness). Model summary of the Multiple Regression, R squared value is 0.499 therefore it can be predicted that 49.9% variation in Team Effectiveness has been explained by the predictor variables.

Parameter estimates indicate that all the predictor variables have a significant impact on the dependent variable. It means that Team Effectiveness has been substantially influenced by the Predictor variables: Fringe Benefits, Career Development Opportunities, Work Environment, Organizational

Characteristics and Nature of work.

Fringe Benefits is the highest contributor Beta Value = 0.353, Nature of Work becomes the second highest contributor Beta Value = 0.189, Work Environment is the third contributor Beta Value = 0.168, Career Development Opportunities is the fourth contributor Beta Value = 0.145, Organization Characteristics is the fifth contributor Beta Value = 0.093.

## 6.2 Recommendations

Study recommends that Salary and allowances of floor level employees to be revised taking into consideration industry standards, while Service Charges, Medical Benefits, Welfare Facilities and Food and Accommodations to be revised in compliance with the present living expenses in the country.

Respondents are dissatisfied with Career Advancement Opportunities available to them; also they are dissatisfied with Job Security, Career Development Opportunities, Cross Exposure and Promotions. Therefore, the study recommends that hotel management should take necessary arrangements to enhance the level of Career Development Opportunities in the future.

Respondents are found to be less satisfied with senior management and with supervisors. However, they are found to be satisfied with

peers, with other employees and the level of Interpersonal relationship maintained. Therefore, the study recommends that hotel management should take necessary arrangements to reinforce the evidence of organizational justice to the employees.

However, respondents are found to be satisfied with opportunities and skills that they can use in the hotel, recognition given by Management, Corporate Culture, relationship with co-workers, and relationship with supervisors. Therefore, the study recommends that hotel management should take necessary arrangements to maintain the existing level of interpersonal relationships between and among employees.

Respondents have agreed that they are satisfied with task freedom, satisfied with role freedom, satisfied with the behavior of supervisors, with authority provided, with job freedom and work life balance. Therefore the study recommends that hotel management should take necessary arrangements to maintain the existing level of employee job autonomy in the respective hotel.

Respondents clearly indicate that they are able to provide timely delivery of services, minimum number of guests' complaints, positive Social Media comments, minimum number of conflicts created by team members and minimum level of loafing by the team members. Therefore, study recommends that hotel

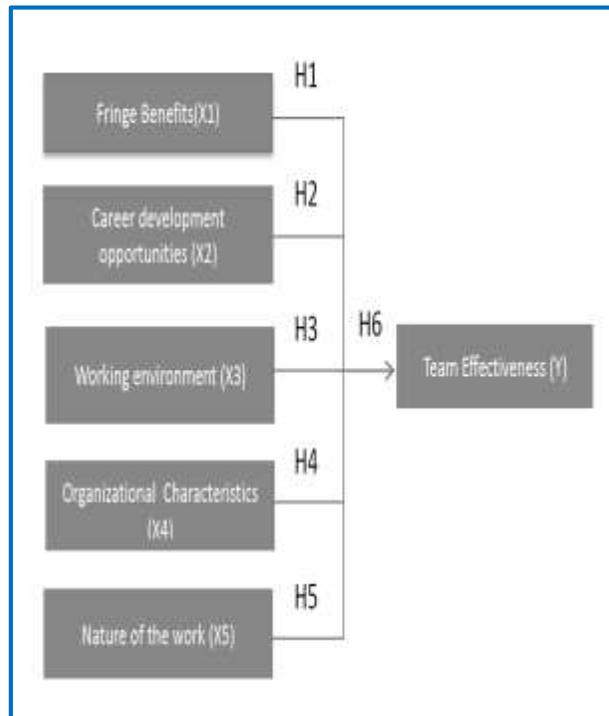
management should be able to manage the existing policy framework favorable to relevant parties in the respective hotel.

**APPENDIX**

**Table 01: Annual Turnover Rates in Hotel Sector 2013 – 2017**

Year	2013	2014	2015	2016	2017
Number of Employees	43715	48611	54050	60022	61255
Number of employees left	4311	5428	5881	5785	6041
Number of employees recruited	6323	7315	8223	10115	10348
Annual Turnover Rate	10%	12%	13%	11%	18%

Source- Annual Reports, 2013 - 2017, Central Bank of Sri Lanka



**Figure 1. Conceptual Model**

**Table 02: Reliability Analysis**

<b>VARIABLE</b>	<b>Code</b>	<b>DIMENSIONS</b>	<b>CRONBACH'S ALPHA VALUE</b>
Independent	X1	Fringe Benefits	0.725
Independent	X2	Career Development	0.716
Independent	X3	Working Environment	0.719
Independent	X4	Organizational Characteristics	0.727
Independent	X5	Nature of the work	0.719
Dependent	Y	Team Effectiveness	0.709

Source: Based on Survey Data

**Table 03: Descriptive Statistics**

<b>VARIABLE</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Fringe Benefits	217	1	4	3.184	0.7253
Working Environment	217	1	4	3.742	0.7986
Career Development Opportunities	217	1	4	2.68	0.8510
Organizational Characteristics	217	1	4	4.28	0.6856
Nature of Work	217	1	4	3.74	0.7077
Team Effectiveness	217	1	1	4.46	0.7611

Source: Authors Calculation Based on Survey Data

**Table 04: Correlation Matrix**

VARIABLE	x1	x2	x3	x4	x5	Y
Fringe Benefits (x <sub>1</sub> )	1					.712
Career Development Opportunities (x <sub>2</sub> )		1				.715
Working Environment (x <sub>3</sub> )			1			.718
Organizational Characteristics (x <sub>4</sub> )				1		.791
Nature of Work (x <sub>5</sub> )					1	.724
Team Effectiveness (Y)	.712	.715	.718	.791	.724	1

Source: Authors Calculation Based on Survey Data

**Table 05: ANOVA Multiple Regression**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	152.342	5	30.468	195.30	.000 <sup>b</sup>
	Residual	33.007	211	.156		
	Total	185.349	216			

- a. Dependent Variable: Team Effectiveness
- b. Predictors: (Constant), Fringe Benefits, Career Development Opportunities, Work Environment, Organizational Characteristics and Nature of work

Source: Authors Calculation Based on Survey Data

**Table 06: Regression Results**

**Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t-stat	Sig.
		B	Std. Error	Beta		
1	(Constant)	.176	.087		2.023	.000
	Fringe Benefits	.353	.068	.351	5.191	.004
	Career Development	.145	.079	.143	1.835	.005
	Work Environment	.168	.088	.167	1.909	.003
	Organizational Characteristics	.093	.067	.092	1.367	.005
	Nature of Work	.189	.055	.186	3.436	.002

a. Dependent Variable: Team Effectiveness

b. Predictors: (Constant), Fringe Benefits, Career Development Opportunities, Work Environment, Organizational Characteristics and Nature of Work

Source: Authors Calculation Based on Survey Data

**Table 07: Ranking of Beta values of Independent Variables**

Independent Variables	Beta coefficient	Rank
Nature of Work	0.189	2
Career Development Opportunities	0.145	4
Working environment	0.168	3
Organizational Characteristics	0.093	5
Fringe Benefits	0.353	1

Source: Author Calculations

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## **Continuous Growth through Entrepreneurial Leadership: A Case study on a Packaging Company in Sri Lanka**

**T. Perera<sup>1</sup> & S. Rathnayake<sup>2</sup>**

<sup>1</sup>Stax Inc.  
Colombo  
Sri Lanka

<sup>2</sup>Postgraduate Institute of Management  
University of Sri Jayewardenepura  
SRI LANKA

thilinicp22@gmail.com<sup>1</sup>, samantha@pim.sjp.ac.lk<sup>2</sup>

### **Abstract**

A humble man who pursues high standards in quality establishes one of the most foremost brands in the packaging industry in Sri Lanka. Korean SPA Packaging (Pvt) Ltd exhibits continuous growth over a long period. Continuous growth measures through several factors—the three critical drivers of constant growth identified as entrepreneurial leadership, operational performance, and green practices. The authors referred to in-depth research deliberations to explore the three drivers and the outcome and developed a conceptual framework to focus on the case study. The authors conducted ten in-depth interviews and four focus group discussions with a structured interview guide, apart from the secondary sources. The case study findings would help many businesses as executing entrepreneurial leadership is not bound to a particular industry but to any company that seeks more promising returns. The case showcases how leaders drive performance and green practices.

**Keywords-:** Entrepreneurial Leadership, Operational Performance, Green Practices

### **1. INTRODUCTION**

Due to many factors such as globalization, sophisticated customers, and deregulation of the market and international trade, the business environment has become a lot more competitive than ever before. Therefore, the concept ‘business growth’ can frighten the entrepreneurs, business owners, or managers as much as it excites

them. Nevertheless, they are aware and act upon the famous mantra in business: ‘grow or die’. Therefore, any company, whether from the private sector or public sector, SME or a multinational, has the ‘business growth’ in their agendas. Different organizations follow different growth patterns. Organizations in diverse industries catering to varying customers under different

circumstances will not grow at the same rate. However, organizations with to experience continuous growth, in other words, growth over a more extended period as opposed to short term growth agendas as growth in one period does not necessarily guarantee the growth in the next period.

The packaging industry worldwide experienced strong growth during the past decade due to the expansions into new markets and the shifts in consumer preferences. Further, recent trends such as digital printing, minimalist product packaging, sustainable packaging, vibrant colors and gradients, and the rise in e-commerce reshape the operations of the packaging industry. The experience, expertise, affordable price, and world-class service standards of Sri Lankan package companies deliver some of the best packaging solutions in the world. Korean SPA Packaging (Pvt) Ltd (KSPA hereafter) is a reputed packaging solutions provider in the country and the only packaging solution provider that caters to flexible packaging needs and corrugated packaging needs. With the vision "to become premium packaging solution provider in Sri Lanka," the company is well equipped with state-of-the-art machinery to provide inventive packaging solutions to the market. Being a BOI registered company, its comprehensive range of innovative products has always

been the strength when catering to the market's changing needs.

### **1.1 The theme of the case**

The theme of this case is "Continuous growth through entrepreneurial leadership." This case seeks to explore how entrepreneurial leadership can contribute to the continuous growth of an organization, along with the organization's operational performance and green practices. Companies, specifically entrepreneurial ventures, face several obstacles arising from internal and external environments in any industry. However, the organization's ability to overcome these obstacles will determine the growth of the organization. In this context, the entrepreneurial spirit in accepting challenges, finding exciting business opportunities, the ability to foresee the future etc., help entrepreneurial ventures to touch the greener pastures even among the modern business dynamics.

### **1.2 Objectives of the study**

This case focuses on executing entrepreneurial leadership, driving operational performance, and adopting green practices in business operations. Therefore, the objectives of this are:

- i.** To explore how KSPA has achieved continuous growth during the last 12 years.
- ii.** To study the characteristics of entrepreneurial

leadership in its continuous growth.

- iii. To explore whether continuous growth is influenced by entrepreneurial leadership, operational performance, and green practices.

### **1.3 Scope of the case**

The scope of the case is continuous growth, and the unit of analysis is Korean SPA Packaging (Pvt) Ltd. Hence, all the departments within KSPA, such as production, marketing, quality, finance, and human resource, stay within the case scope. With the modern challenges in the business world, it is not easy for a company to sustain itself for a long time. This is because success is decided by the amount of profit a company can generate and the level of evolution a company can bring into a country's economy. The amount of contribution a company makes towards society and its environment also plays a greater role in determining its success. Although external challenges such as inflation, exchange rate crises, price fluctuations in raw materials, etc., the company's revenue growth have been steady during the past 12 years. The business accomplishments and the recognition from the society that KSPA has earned throughout its existence prove its success.

## **2. LITERATURE REVIEW**

### **2.1 Continues growth**

The main objective of any organization is to experience

growth over time. Achtenhagen et al. (2010) suggest that if an organization is experiencing growth over a more extended period, those can be considered organizations that share continuous growth. The survival of the organizations has a close relationship to the development of the organizations. However, what entrepreneurs and business owners seek to achieve is continuous growth in the organization. While there are several measurements to measure the development of an organization, the most commonly used size is the growth in sales. According to Fávero et al. (2018), sales growth is of great importance to the organization as it confirms its continued performance and operation. As per Delmar et al. (2003), revenue growth can be affected by the variations and changes in exchange rates and inflation rates.

Organizations can grow in several ways. An organization's growth patterns are related to several factors, such as the demographics of the organization. In addition to the growth in sales, another measurement of organizational development is employment growth (Fadahunsi, 2012). As per Belsito et al. (2018), organizations should acquire new employees to experience growth in the employment base. Further, Lafuente and Rabetino (2011) claim that the organization's administration should also look for ways to retain their employees as retention of employees too adds

to employment growth. Keeping and acquiring employees is equally important to an organization because employees are the key strengths of an organization that controls the other assets effectively and efficiently. According to Sarlija et al. (2016), growth in terms of assets is also crucial for an organization to experience growth. Eide et al. (2021) mention that a broader customer base and customer demand play an important role in experiencing long-term success and growth.

## **2.2 Entrepreneurial leadership**

Conducting business in the current VUCA (Volatile, Uncertain, Complexity and Ambiguity) world is challenging. There are rapid changes in technology, sophisticated customer demands, fierce competition, increased regulations, etc.; organizations need to look for new ways of overcoming the challenges and adapting to the environment to be competitive in the market (Soomro et al., 2019). In this regard, the importance of entrepreneurial leadership is highly anticipated for organizations to ensure long-term survival compared to the past. According to Harrison et al. (2016), entrepreneurial leadership attributes play a crucial role in achieving success in organizations in this rapidly changing business environment. Miller and Friesen (1978) highlight entrepreneurial leaders are willing to take risks associated with resource commitments considering the

potential future returns for the organization. According to Bird (1988), entrepreneurial leaders will stay positive and take risks when the organizations face challenges emanating from the external environment. Gaglio (2004) suggests that entrepreneurial leadership is about recognizing new opportunities to meet challenging business environments. An entrepreneur should be able to develop new ideas so that organization can exploit new opportunities.

Entrepreneurial leaders focus on contributing to the organization purely on their capabilities and seek the contribution from their employees to flourish the organization in the future. Stemming from the leadership studies, entrepreneurial leadership shares many common aspects with transformational leadership, highlighting the importance of the leaders evoking the employees to be proactive in achieving organizational goals. Thus, Chi-hsiang (2015) defines entrepreneurial leadership as a style of leadership that entails creating a visionary scenario for corporate development and managing the resources to achieve those. Chan et al. (2010) discuss that entrepreneurial leadership encompasses achievement motivation to become successful. The achievement motivation can explain the tendency to accept and continue to work on tasks that result in favorable outcomes despite the challenges. At the same time, when leading an

organization, entrepreneurial leaders should be able to make decisions, manage stress, time pressures, and be conscientious and competitive (Fernald et al., 2005).

### **2.3 Operational performance**

The effects of globalization have significantly changed the ways and means of doing business in the modern world. Advancements in technology, ever-changing customer needs, trade agreements, and volatile markets worsen the situation created by globalization. As a result, manufacturing organizations are continuously exposed to pressure to enhance their operational performance and maintain competitiveness. According to Narasimhan and Das (2001), operating performance is strategic dimensions organizations choose to compete over rivals. One such dimension commonly used by scholars is quality (Corbett & Van Wassenhove, 1993). Depending on the situation and context, quality can perceive from many aspects. Brown (2013) postulates that organizations should provide superior features and functionalities as customers perceive quality.

While quality is a critical metric, an organization needs to know the other dimensions used to measure operational performance. By implementing essential aspects required under these selected dimensions, organizations can gain a competitive advantage, ensuring continuous growth.

Some of the other commonly used measurements of operational performance include cost, delivery, and flexibility (Hallgren & Olhager, 2009; Jabbour et al., 2013). Organizations focus on reducing costs as a way of improving financial performance. According to Sweeney (1981), organizations can improve cost performance by significantly enhancing their production processes. At the same time, delivery speed ensures the products are available in the market when customers require them. Da Silveira et al. (2013) claim that organizations incorporate ERP systems to improve delivery performance. These measurements are considered the co-competencies in manufacturing organizations; hence, excelling in these enable organizations to outperform their competitors.

### **2.4 Green practices**

Increased incidents around global warming, climate change implications, depletion of natural resources, etc., have resulted in the public being more cautious about protecting the environment. Therefore, organizations too cannot escape from adopting environmental protection initiatives and implementing green practices. Moreover, governmental bodies and environmental pressure groups are aggressively monitoring organization's businesses practices to ensure that they do not result in adverse ecological situations. Therefore, the

importance of adopting green practices by organizations has become more critical than ever. According to Lo and Shiah (2016), green practices define an organization's actions or initiatives to minimize adverse environmental effects. Adopting green practices includes introducing improved or new methods, processes, or systems to reduce environmental pollution by emissions (El- Fadel et al., 2001). Organizations implement such novel processes even if it involves a substantial financial commitment, considering the responsibility towards environmental protection.

Implementing green practices in organizations is a flourishing area of attention. There can be several methods that organizations can choose to implement to minimize the adverse environmental effect. Laosirihongthong et al. (2013) mention that green practices involve pro-active practices such as waste management, energy conservations, opting to suppliers who ensure ecological friendliness in their products, and re-actives procedures such as adhering to regulatory compliances and legislation. Further, Wong (2015) postulates that organizations committed to environmental stewardship incorporate practices such as streamlining suppliers to include ones practicing green initiatives. In this context, implementing green procedures in organizations is the correct thing to do and an

essential component in the business.

## **2.5 Competition**

Competition is an unavoidable aspect of any business operating in any industry. Peroni and Ferreira (2011) highlight that competition is linked to either aggressive conduct of a current company or the number of firms in the market, ultimately affecting prices and costs of products. Though many people see competition as an adverse business condition, it may not necessarily be the situation. Competition pressures organizations to perform well in the market, ultimately resulting in enhanced financial performance. For example, the competition promotes a company's technical progress, thus investing in many research and development activities (Song & Wang, 2018). Moreover, competition act as a mechanism that affects managerial decisions and discipline management (Majeed et al., 2018).

Organizations require resources to conduct their operations. Competition occurs due to the scarcity of resources. Bengtsson and Kock (2000) describe competition as the dynamic situation between organizations because of the fundamental conditions that organizations have to depend on, such as acquiring scarce resources. Here, the resources can be tangible such as machinery and buildings, or intangible resources, such as the intellectual capacity of human

resources. Therefore, competition occurs when actors in a dynamic situation try to gain the advantages that other actors want to achieve under similar conditions during the same period. The essence of this scenario is to eliminate the rivalries in the same industry attracting their customers. Since profit-making is the ultimate goal of for-profit organizations, as Yuan et al. (2019) mention, competition affects ethically prudent decisions. It puts lots of pressure on an organization's costs and benefits.

### **3. METHODS**

The case framework has been developed based on a series of primary and secondary data about KSPA. Entrepreneurial leadership, operational performance, and green practices are the three key drivers driving continuous growth, which is significant. The authors have analyzed the past literature about the three drivers and the result to develop this case framework. The competition identified as a moderator. The case framework, which describes the relationship between the drivers, moderator, and the outcome, is illustrated in Figure 1.

The authors have articulated this case study based on a qualitative approach with quantitative data collected from primary and secondary sources. The main data collection instruments for the qualitative aspect of this case study have been in-depth interviews and focused group

discussions. In addition, observations made by the authors while visiting the factories on several occasions were also helpful in discovering the grounded reality of the company. The interviewed individual sample comprises a combination of top management and middle-level managers. Operational level representatives of the company who are from cross-sections were taken for the focus groups discussions. A structured interview guide was used for the interviews and discussions. Further, to depict the company's growth in terms of quantitative aspects, secondary data on the company's performance such as financial statements and reports and presentations done to the external entities have been used.

### **4. RESULTS**

#### **4.1 About Korean SPA Packaging (Pvt) Ltd**

Across the 27 years in the business, KSPA has grown to a company worth a billion rupees. Excellence in quality, passion for perfection, and serving customers' loyalty uplift organizations to a greater level of success. Since the initiation, KSPA has charted a voyage of triumphs and tribulations to arrive at where they are today. The company produces corrugated packaging solutions and flexible packaging solutions and engages in both direct and indirect exports. Top brands such as Maliban biscuits, MAS, Akbar Brothers, etc., rely on KSPA to help them package and protect

their product when shipping to different corners in the world. Although they were doing well in terms of financial performance, around the 2008/2009 period, the company decided to standardize their processes and comply with international standards to attract more international customers and ensure future growth.

Achieving continuous revenue growth is essential for KSPA to ensure its survival in the market. To experience revenue growth, KSPA had to ensure they were experiencing a boost in sales volume. Back in 1993, KSPA's initial sales were around 200MT – 250MT per month in corrugated production. However, the company gradually increased its sales volumes by diversifying its orders to cater to different industries. Initially, the company was only supplying packaging solutions to garment, luggage, and handbag manufacturing companies. The company started manufacturing products to cater to tea, food, other beverages, fisheries, etc. Adopting such strategies, the company increased its corrugated production sales to 750MT – 800MT per month by 2010. Figure 2 explains the revenue performance, and Figure 3 demonstrates performance in annual sales volume.

Depending on the variability in the factors of the external environment, the organizations experience fluctuations in their sales performance. In 2011, KSPA had to go through a tough time due to the terrorist bomb attack in the

USA. The company had to struggle to retain their orders from their customers. Nevertheless, with several turnaround strategies, the company could hold its orders and recover from the chaotic situation. Moreover, since KSPA is mainly engaged in the export market, changes in the exchange rate act as a favorable condition instead of a crisis in the business context of KSPA.

Providing the same old product without any modifications hinders the sales growth of any organization. Therefore, KSPA constantly focuses on research and development activities to bring novel products to the market and enhance sales performance.

Without employees, the most treasured assets in an organization, companies can do significantly less. Realizing this fact in the early stage, KSPA focused on developing the employee base. As the company grows, the management team seeks to hire more qualified employees to the office staff. Even ground-level workers acquired more skilled laborers who have completed at least certification courses from authorized institutes such as German Technical College. This way, KSPA ensured that its labor force was fully geared to contribute effectively to its growth. At the same time, retaining employees was also crucial to KSPA. They grasped that an employee could leave organizations due to several factors such as unsatisfying salaries, inadequate incentives,

colossal workload, and increased stress level, etc. Hence KSPA is fully committed to providing the best to their employees in all possible ways. Figure 4 depicts the employee growth at KSPA.

Over the years, KSPA invested in numerous fixed assets expecting future returns such as increased capacity, increased production volumes, and increased productivity. Also, by acquiring machines with the latest technology, KSPA tries to obtain a competitive advantage over its rivals. Latest machinery ease-out KSPAs attempts to introduce innovative products to the market. In this packaging industry, if a company cannot cater to the changing market needs, that company's survival is at stake. At present, KSPA is fully equipped with the latest machines used to produce slotted, printed, glued, bundled, or stitched corrugated boxes. Further, KSPA has added six more factories since its inception. Figure 5 shows the growth of KSPA's fixed assets.

#### **4.2 Entrepreneurial leadership**

Organizations generally do not have a steady flow. Yet, entrepreneurs with distinctive leadership characteristics will make a turnaround in companies with their distinct set of qualities and characteristics. Since the initiation of KSPA, the journey to success was never a bed of roses for Mr. Abeyrathne (Chairman), the driving force behind the success of KSPA. His passion for perfection, loyalty to the

customer, and commitment to quality enabled him to touch the peaks of excellence by successfully overcoming the ever-changing challenges in the business environment. Through his venture, he imposed new standards in the packaging industry which competitors couldn't defeat. The COO of KSPA expresses his views about Mr. Abeyrathne "If Sri Lanka had five more leaders like Mr. Abeyrathne, then the country will be a paradise. He is very innovative and takes timely decisions, not afraid to take risks".

Operating in the industry for more than 25 years, KSPA had to face many challenges. However, Mr. Abeyrathne did not escape from his dream of building a great company thus faced every challenge that came across him with a positive mindset. He took risks associated with touching the international waters and established a wholly-owned subsidiary in the U.K. Even though KSPA was functioning smoothly, Mr. Abeyrathne got a head start. He built a new factory complex to manufacture corrugated products so that when orders are increasing, they can cater to those orders smoothly without worrying about the capacity. When the company wanted a twin extruder machine within a short period to start their new project, he did not waste time doing conventional methods of gathering and analyzing data. Still, he moved forward with the very first machine they found.

Even with the recent COVID-19 pandemic where the country experienced sudden lockdowns, Mr. Abeyrathne was not prepared to just wait and watch the next steps. He took the initiative, spoke to relevant parties regarding the situation, and ensured that the company was operating, subject to all safety requirements. The company dispatched the customer orders as agreed.

Staying up-to-date about the market needs and being alert about the changes in the business environment is crucial in entrepreneurial ventures as such alertness helps identify the gaps in the market and results in new business opportunities. Mr. Abeyrathne continually expands the KSPA's product portfolio and develops novel products using the same corrugated paper. One such recent experiment yielded successful results in producing a bobbin used to coil hoses about 30ft long. This product is made entirely of corrugated paper boards and is now being exported to a customer in Australia as direct export. By purchasing an eight-color flexographic printer, Mr. Abeyrathne attempts to provide value-added products to their customers in the polythene section. He identifies many potential opportunities by closely monitoring what is happening in the packaging industry and other sectors in line with his businesses. In 2018, he invested in Embilipitiya paper mill to manufacture their corrugated paper material and seek the

advantages of backward integration.

Entrepreneurs develop plans for the organization to beat the competition in the domain they are operating. As BOI registered company, KSPA can only supply 20% to the local market, and the rest of 80% has to be for exports. While maintaining this ratio, they realized that they were losing many local orders from the customers. Mr. Abeyrathne thought analytically and came up with a strategic plan for this situation. In 2016, KSPA established another wholly-owned subsidiary in Sri Lanka, named Korean SPA Printing Solutions (Pvt) Ltd, to cater to the local market. Mr. Abeyrathne's plans for the company have always focused on long-term survival; hence, he acquired sophisticated machines for the new factory complex. The company can now handle a corrugated production with a capacity of 3,000MT per month.

Giving up was never an option to pass the challenging situations for Mr. Abeyrathne. His attitude when developing a paper pallet from corrugated paper portrays his desire to succeed in challenging environments. He intends to deliver superior service to the customer and perform better than competitors. He builds a fully functional modern laboratory capable of conducting stringent quality tests in line with international standards. The success of Mr. Abeyrathne demonstrates through the number

of awards that he was able to get hold of for the company. The pinnacle amongst all awards is winning the platinum award for "Sri Lankan Entrepreneur of the year" in 2015. Table 1 represents the list of awards that Mr. Abeyrathne achieved.

Individuals make decisions based on their prior knowledge, expertise, and experiences. Such choices can incorporate a certain level of biasedness to the decision as it can disregard or miss other possible perspectives to the given scenario. Being the chairman of his own business, Mr. Abeyrathne seeks opinions of experts or professional knowledge when deciding on critical judgments. He aims to assimilate different perspectives from different individuals, which can sometimes result in more significant advantages. Also, to perform better than the competitors and stay ahead in the market, Mr. Abeyrathne can make quick decisions that bring value to the company. He does not depend on such lengthy analysis when the prevailing situation in the company is critical and needs urgent remedies.

#### **4.3 Operational performance**

Despite the fierce competition in the industry, KSPA stands strong among its competitors. The company had to try several operational strategies that enabled it to be competitive and achieve its design. "The prices of our products are considered to be slightly high in the market, but the

customer still wants to be with us because of the trust we have built by providing facilities that others don't offer," claims Mr. Abeyrathne. Likewise, the company has carefully selected several strategic dimensions that are hard to match by the competitors in the industry.

KSPA pays special attention to the different features and functionality of their product to address customer requirements. KSPA continuously produces products that meet essential quality dimensions of a corrugated box, such as burst strength, thickness, compression, water resistance, and print quality. Further, they identified gaps in their inspections sheets hence renewed them to keep track of the order processes and customer requirements to ensure that the product was manufactured according to the customer specifics. Also, they provide to get the best raw materials for the production process. KSPA built a glue kitchen where the whole process of producing glue was automated, eliminating inconsistencies present with manual mixing. Further, KSPA got hold of certificates such as ISO 9001, which greatly value the company.

Achieving cost reductions in the production process was also crucial for the company to anticipate high-profit margins. KSPA invested in several capital types of equipment to replace manual work to eliminate unwanted costs and achieve soft

savings such as increased productivity and efficiencies. They purchased bag cutting units and a semi-automated die-cutting machine that addressed their issues with scrap and reworks. Similarly, using resources to the maximum can result in significant cost savings. The production department at KSPA developed its process to reuse the scrap reels effectively. Moreover, KSPA used innovative methods to get cost savings, such as centralized the steam distribution system.

Having standard mechanisms that reduce machine downtimes is important for KSPA to complete the order and deliver the finished goods to the customer on the agreed date. KSPA installed a motor protection system in the polybag manufacturing section to prevent sudden machine breakdowns due to the high fluctuations in the electricity supply to the machines. Acquiring the benefits of information technology, KSPA invests in an ERP, and later they switch to another, intending to address the issues with the first system.

#### **4.4 Green practices**

Due to the competition to source resources faster and better than the others, companies worldwide are consuming Earth's natural resources at an alarming phase. Yet, KSPA never forgets environmental stewardship in its journey to success. KSPA makes sure that all of its production processes agree to environmentally friendly

guidelines. Through advanced knowledge and experience, KSPA amended many of its business practices to adhere to environmentally friendly conditions.

If a company is practicing energy-saving methods to contribute to environmental stewardship, efficient electricity use is vital. KSPA opts to use natural lighting, such as using transparent sheets in the roof but realizing the energy consumption by keeping lights switched on near virtual machines, they replaced CFL bulbs with LED bulbs over time. They replaced the furnace oil boilers with biomass boilers. Realizing process improvements and technological advancements alone cannot control energy savings, KSPA increased employee awareness regarding the company's efforts to save energy.

Hazardous chemical water is a crucial emission from KSPAs manufacturing plants. Despite the financial cost, KSPA built ink purification plants at their factory premises. This plant does a biological treatment to the wash-up water to bring the pH level to the standard level. KSPA also has solid waste generated through various production processes. One such hazardous solid waste is the caustics left after the biological treatment to the wash-up water. The company sends them to Holcim (now INSEE), equipped with incinerators that can destroy these materials without leaving behind any particles.

With the importance placed on environmental considerations, obtaining ISO certification regarding Environmental Management Systems was important to KSPA. Therefore, KSPA gets hold of ISO 14001 EMS certification to show its commitment to making the planet a greener place. Furthermore, KSPA has been careful when selecting the paper suppliers for the corrugated carton production. Therefore, they streamlined their paper suppliers and opted for suppliers with FSC certification so that KSPA too can be responsible for their production. As a result, the company acquires FSC certification. This certification guarantees that the company uses paper materials that are sourced in a 100% sustainable manner.

## **5. DISCUSSION**

### **5.1 Achieving continuous growth**

The modern business world entails numerous uncertainties, which present many challenges resulting in several ups and downs. Achtenhagen et al. (2010) argue that if an organization is experiencing growth over a more extended period, those can be considered organizations that share continuous development. Initiated in 1993 and continuing business till today, KSPA experienced steady growth across the years, specifically over the past 12 years. An increase in sales is of great importance to the organization as it confirms

continued performance and operation, as argued by Fávero et al. (2018). Through various diplomatic strategies, KSPA anticipated growth in sales and ensured its survival in the business. Delmar et al. (2003) argue that revenue growth is affected by the variations and changes in exchange rates and inflation rates. By focusing on the export rather than the local market, KSPA eliminated the risks associated with the exchange rate crisis and ensured good revenue performance.

Fadahunsi (2012) argues that employment growth is another measurement that indicates growth in the organization. Over the years, KSPA experienced a growth in its employee base. Belsito et al. (2018) argue that organizations should focus on acquiring new employees to experience a growth in employment base. KSPA concentrates on developing new employees who pose required qualifications for the relevant posts and ensuring a good employee base. Moreover, Lafuente and Rabetino (2011) argue that organizations' administration should also look for ways to retain their employees to increase employment growth. By employing practices such as providing three months salary as bonuses, giving incentives for high performers, and employee welfare activities, KSPA ensured that it retains its employees. Sarlija et al. (2016) claim that growth in assets is essential for an

organization to experience growth. By acquiring new machinery as per requirement and expanding factory area, KSPA anticipated growth in their investments. Eide et al. (2021) argue that a broader customer base and customer demand enable firms to experience long-term success. KSPA acquired many valuable customers such as IKEA to their customer base. Similarly, Amberry - a small venture in Sri Lanka, diversified its business to include curated gift boxes to broaden its customer base. Initially, the company was producing artisan wooden bow ties and cufflinks for men.

## **5.2 Entrepreneurial leadership drives continuous growth**

Over 25 years, KSPA has supplied corrugated and flexible packaging solutions to the market as one of the best packaging solution providers in Sri Lanka. Throughout this journey, Mr. Abeyrathne, the owner/ chairman of the company, has been uniquely leading the company demonstrating many entrepreneurial leadership characteristics. Miller and Friesen (1978) argue that entrepreneurial leaders will risk committing considerable resources to opportunities that can/may fail. Mr. Abeyrathne made a substantial financial commitment in 2017 by acquiring land and setting up Factory - 6. Bird (1988) argues that entrepreneurial leaders will lead the organization even during the turbulence situations that arise due to changes in the

external environment and bring the organization to a stable point, taking risks associated with it. During the recent chaos that emerged due to the COVID-19 pandemic, Mr. Abeyrathne conducted business without rattling even during the lockdown period taking all the necessary safety measures. Gaglio (2004) argues that entrepreneurial leaders are proactive in identifying opportunities and exploiting them to enhance their performance. Mr. Abeyrathne gets involved in many R&D initiatives and introduces novel products to the market to attract new customers, improving financial performance.

Entrepreneurial leaders create imaginative scenarios and develop strategic plans to achieve their targets for the organization's future (Chi-Hsiang, 2015). Since KSPA is a BOI-registered company, it can only supply 20% of its production to the local market, restricting potential local customers. Realizing this bottleneck, Mr. Abeyrathne opens a new subsidiary to cater to the demand from a local customer. Chan et al. (2010) argue that entrepreneurial leadership demonstrates achievement motivation to become successful despite the potential challenges. KSPA couldn't find a suitable customer for its new product – the paper pallet. Mr. Abeyrathne wasn't ready to give up on that. Continuous research on the further developments and constant search for potential buyers enable to win one of the famous brands in the

World – IKEA as their customer for this product. Fernald et al. (2005) argue that entrepreneurial leaders make appropriate decisions managing stress and time pressures. Mr. Abeyrathne made timely decisions about purchasing state-of-art machines when required and ensured smooth production. Likewise, to stand firm amidst the COVID-19 pandemic, a small Sri Lankan entrepreneurial venture in the tourism industry, operating a hotel in the hill country, shifted their businesses and launched Celeste Daily. Celeste Daily is an online marketplace to sell fresh produce in Colombo.

### **5.3 Operational performance boosts continuous growth**

In today's dynamic business environment where there are regular changes in customer needs, increased access to the information, frequent updates to the latest technologies, KSPA had to outperform their competitors to sustain itself in the industry. In this expedition, KSPA chooses several strategic dimensions to secure a unique position in the market to ensure better operational performance. Quality is one such dimension that organizations use as their co-competency, as Corbett and Van Wassenhove (1993) argued. KSPA gives extra attention to their products' quality and has taken all possible actions to deliver a quality product to the market. Explaining how customers perceive quality, Brown (2013) argues that specific

attributes of the product, performance of the product, and level of conformance to the specified standards are key focus areas compared against the competitors. KSPA introduced several products with unique attributes, making KSPA the sole supplier of those products to market. Further, KSPA equips with ISO 9001 QMS certification, which proves its commitment to quality.

Cost-effectiveness and delivery lead time are two other dimensions used together with quality to measure operational performance (Hallgren & Olhager, 2009). KSPA, through different attempts, seeks to improve its cost performance and delivery performance to be competitive in the industry. Sweeney (1981) argues that continued efforts to enhance processes may result in cost reductions. KSPA revamped its steam distribution process, which they used two different boilers at their two plants to use only one boiler. Hence, they were able to enjoy a considerable amount of cost savings. Further, da Silveira et al. (2013) suggest that using the ERP system helps organizations improve their delivery performance. KSPA invested in a comprehensive ERP system called "Axpert" to get more visibility into their operations and improve planning so that they can deliver orders to the customer at the agreed date.

### **5.4 Green practices backing to achieve continuous growth**

KSPA gears to support the global efforts to protect Earth's natural resources and commitment to environmental sustainability. KSPA did not desire to achieve success at the expense of ecological stability. Lo and Shiah (2016) define green practices as practices that organizations adopt to minimize the adverse effect on the environment through their facilities. KSPA adopted several practices to reduce, where possible, eliminate adverse effects on the environment when conducting the business. El-Fadel et al. (2001) argue that adopting green practices includes introducing improved or new methods, processes, or systems to reduce environmental pollution by emissions. KSPA spent a significant sum of money on building purification plants in their factory premises. The washup water from the factories undergoes a chemical treatment to separate the contaminants from the wash-up water before disposing to the environment. This washup water consists of several hazardous chemicals which harmful to the environment if mixed directly.

KSPA, as responsible traders, was confident that they could do more to minimize the adverse effects on the environment. Laosirihongthong et al. (2013) argue that adopting green practices includes waste management, energy conservations, opting for suppliers who ensure environmental friendliness in their products,

adhering to regulatory compliances and legislation, etc. Intending to attach to renewable energy sources, KSPA switched from furnace oil boilers to biomass boilers. Wong (2015) claim that organizations committed to environmental stewardship incorporate green requirements when selecting their suppliers, and it is an integral part of environmental management. KSPA has got hold of FSC certification, and currently, more than 70% of their corrugated suppliers are FSC certified.

## 6. CONCLUSION

Conclusions for this case study are arrived at based on the three objectives set at the beginning of this case study. These conclusions are particular to this case study and result from the company's gathered primary and secondary data and the observations made during the factory visits.

Through the gathered data, the authors were able to show evidence of how KSPA achieved continuous growth over the last 12 years. One such key evidence is how KSPA made constant profits throughout the period despite all the challenges such as exchange range crisis, inflation, and most importantly, even during the COVID – 19 pandemics, where most companies struggled to survive. At the same time, the amount of assets such as state-of-art machines and land and buildings the company was able to acquire indicates their continuous

growth. Further, the company's ability to develop the world's foremost brands, such as IKEA, gives enough evidence of how it grew its customer base to ensure continuous revenue. Moreover, due to various best practices, the company also shows growth in its employee base. Primary data highlighted that majority of the employees of the company have been with the company for more than ten years, which is evidence for the retention of existing employees, which ultimately contributes to the growth of the employee base.

The case study mainly discusses the execution of entrepreneurial leadership, which is the key driver of the company's continuous growth. The primary and secondary data gathered provides enough evidence to the characteristics of entrepreneurial leadership practiced by the owner/chairmen of the company. The chairman was never willing to delay any step that would bring affluence to the company; hence took risks associated with them and worked on strategies to make the impossible possible. Further, he grabbed the opportunities that evolved through the external environment, market knowledge, and innovation without delays so that the company gets the first-mover advantage. He has always had the long-term vision and gathered a supporting cast to take the company to greener pastures. Moreover, he always has a passion for perfection and achievement motivation, further evidenced by

the number of prestigious awards. He never delayed any critical decisions that needed to be taken and did not allow biasedness to get carried away.

It was clear that KSPA focused on several dimensions to stand among the competition, which helped boost their operational performance. Through increased focus on improving product features and functionality and research and development activities, KSPA delivered high-quality products that customers desire. At the same time, revamping production processes results in cost savings in productions and seeks ways to provide the product to customers at the agreed time. These dimensions helped KSPA to grow continuously.

Further, the company never ignored the environmental considerations while running the business hence adopted many green practices. The data show that the company formed better ways to dispose of their hazardous waste despite costly investments and implemented energy-saving practices. The compliance certifications they were able to get hold of are testimony to their contribution to the environment. Therefore, green rules adopted by KSPA acted as catalysts to achieve continuous growth. These factors discussed here facilitated the authors to accomplish the third objective of the case study.

### **6.1 Practical implications**

Rooted in a humble beginning, how KSPA strives to be the most preferred packaging solution provider in the industry is truly an eye-opening success story representing many learning points for entrepreneurial ventures and other businesses. Although the inherent volatility in the current business environment, how the company's leadership effectively demonstrated entrepreneurial qualities to bring the best is an excellent learning point to entrepreneurial businesses. Start-ups can learn a lot about how the leader took risks with the expectation of favorable returns and how he made strategies to overcome such challenging scenarios envisioning the future. Further, his thirst to find new business opportunities and techniques to make those opportunities a reality illustrate how companies should be diplomatic when conducting businesses.

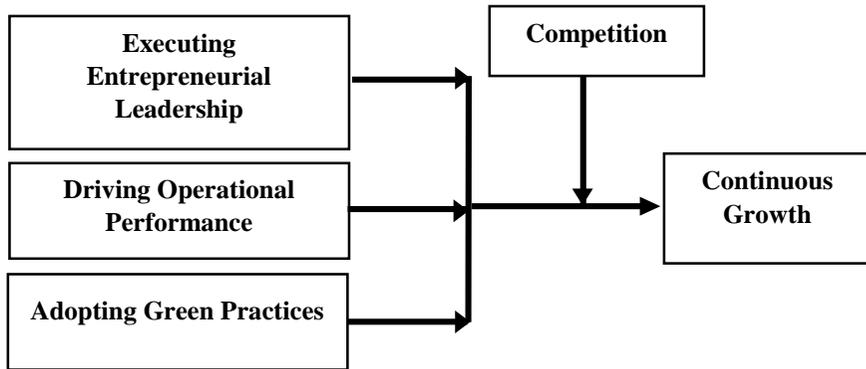
Many organizations struggle because they cannot identify the critical competitive aspects they should focus on to beat the competition. KSPA carefully selected several dimensions that they should continue to work on to stand solid among the competitors. Its efforts to produce a quality product to the market demonstrate many lessons to the organizations as to why they shouldn't ignore customer requirements and disregard the quality of the product and services

they provide. Despite the comparatively high price that KSPA charges, customers still prefer KSPA's products due to the superior quality. At the same time, KSPA's approaches to delivering orders on the date agreed are also a good learning point for any manufacturing organization.

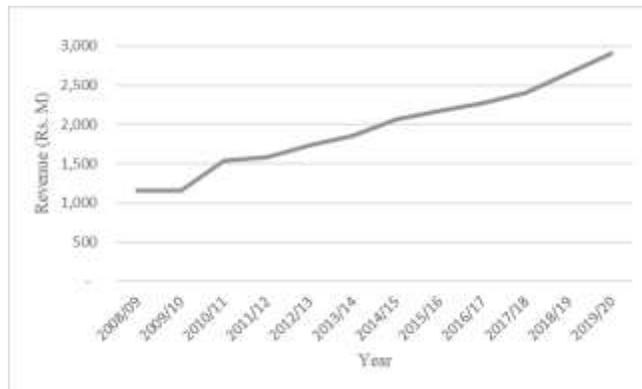
How KSPA ensured environmental stewardship is also an interesting learning point for other organizations in the journey to success. The green practices KSPA adopted reveal how organizations genuinely committed to the environment behave in the industrial world. Despite the costly investments, KSPA built several solutions to address the areas that create adverse environmental effects. Other companies could learn from KSPA and take the same path to treat the environment as adopting green practices played an essential role in the continuous growth experienced by KSPA.

**APPENDIX**

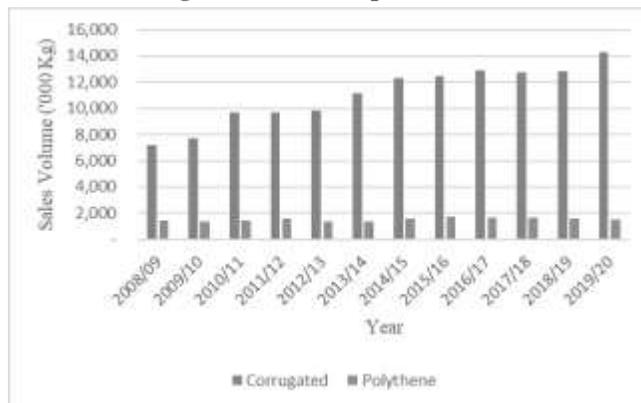
**Figure 1: Case framework**



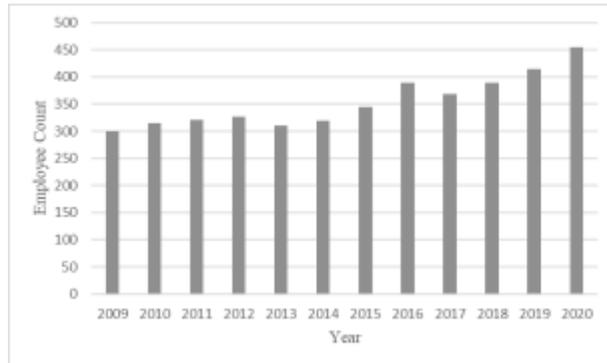
Source: Authors



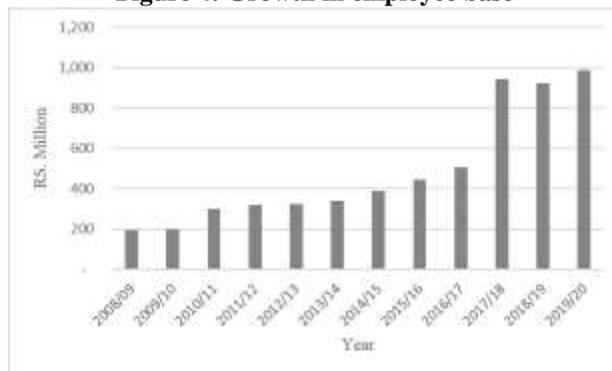
**Figure 2: Revenue performance**



**Figure 3: Sales volume performance**



**Figure 4: Growth in employee base**



**Figure 5: Growth in property plant and equipment**

**Table 1: Awards received by KSPA**

Year	Award
2006	NCE Exports Awards Organized by National Chamber of Exporters – Sri Lanka
2007	NCE Exports Awards – Silver Organized by National Chamber of Exporters – Sri Lanka
2008	NCE Exports Awards – Silver Organized by National Chamber of Exporters – Sri Lanka
2014	Sri Lankan Entrepreneur of the Year – Silver Organized by FCCISL
2014	Sri Lankan Entrepreneur of the Year – Gold Organized by FCCISL
2015	Sri Lankan Entrepreneur of the Year – Gold Organized by FCCISL
2015	Sri Lankan Entrepreneur of the Year – Platinum Organized by FCCISL
2015	Best Packaging Solution Provider – Presidential Exports Awards Organized by Sri Lanka Export Development Board

Source: Company Survey Data

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**Exploring Strategies to Establish an Effective  
Organizational Culture to Enhance Corporate  
Performance: A Concept Paper**

**Y.L. Pathiranage<sup>1</sup>, L.V.K. Jayatilake<sup>2</sup> & R. Abeysekera<sup>3</sup>**

<sup>1</sup> Faculty of Graduate Studies  
University of Kelaniya  
SRI LANKA

<sup>2,3</sup> Faculty of Commerce and Management Studies  
University of Kelaniya  
SRI LANKA

pathiranage@gmail.com<sup>1</sup>, lakminij@kln.ac.lk<sup>2</sup>, ruwanab@kln.ac.lk<sup>3</sup>

**Abstract**

Maintaining an effective organizational culture within the corporate group is indeed a must to enhance organizational performance and shareholder return. A concept is proposed for a qualitative study aimed to explore prominent strategies that one corporate group deploys to establish an effective organizational culture to enhance performance. Denison organizational culture model is served as the theoretical underpinning for the study. “What strategies do senior managers deploy to establish an effective organizational culture to enhance performance” is identified as the research problem of the study in order to bridge the prevailing research gap. The research problem is answered through four research questions. An exploratory single-case study design is used for the study. A purposive sample of 20 senior managers from a leading corporate group in Sri Lanka participate in semi structured face-to-face interviews. The study corporate group has 47 companies belongs to six main sectors, which is one of the largest corporate groups in Sri Lanka. The chosen participants conform the criteria of a minimum of 5 years of experience with strategies in establishing an effective organizational culture in the corporate group. The findings of this study would reveal a new model for business managers to enhance corporate performance by establishing an effective organizational culture.

**Keywords-:** Concept Paper, Corporate Group, Corporate Performance, Organizational Culture

## 1. INTRODUCTION

Organizational culture can be considered as an indispensable element of organizational performance, and also a source of sustainable competitive advantage (Childress, 2013; Kenny, 2012). In a corporate group structure with diversified companies, managers have more challenges to establish an effective organizational culture (Lee & Gaur, 2013). Lee and Gaur (2013) indicated that establishing an effective organizational culture in the corporate group is necessary to enhance performance.

This paper highlights the conceptual approach for a qualitative study of exploring the strategies that one corporate group deploys to establish an effective organizational culture to enhance performance. The paper consists of five main sections, which explain the conceptual approach of this study with academic rigor. In the first section: background of the study and analysis of the existing research gaps are explained. The second section focuses on identification of research problem and research questions according to the research objectives. In the third section: the empirical and practical significance of the study are explained. The fourth section emphasizes on the research methodology used for the study. And finally, in the fifth section: assumptions, limitations, and delimitations relate to the study

are highlighted.

## 2. BACKGROUND OF THE STUDY

A corporate group or holding company business structure has been an imperative strategy for corporate growth since 1960 (Eukeria & Favourate, 2014). A corporate group is a series of legally independent companies that operates as a single commercial entity under a common power of control, governance, and leadership (Gajewski, 2013; Kenny, 2012).

When an organization becomes more diverse, managers have more challenges to manage and control resources within the group (Kenny, 2012). Managers of the corporate group may feel the loss of control when group diversification increases (Gajewski, 2013). Managers struggle to execute and sustain their strategy without adequate organizational culture support (Eaton & Kilby, 2015; Weber & Tarba, 2012). Though an economic advantage can be obtained by managing diversified companies under common leadership, lack of effective organizational culture causes corporate groups to fail (Kenny, 2012; Lien & Li, 2013). Therefore, organizational culture can be considered as an indispensable element of organizational performance, and also a source of sustainable competitive advantage.

Organizational culture is

important to amalgamate various company cultures in the corporate group structure (Kenny, 2012). Corporate managers can establish an effective organizational culture to enhance performance (Childress, 2013; Flamholtz & Randle, 2011; Melo, 2012). Efficacious cultural integration within the corporate group is an important element in maintaining successful communication and enhancing performance (Idris, Wahab, & Jaapar, 2015). Lee and Gaur (2013) indicated that establishing an effective organizational culture in the corporate group is necessary to enhance performance.

Many corporate managers struggle to survive in a competitive market due to the dynamic characteristics of global business (Bolboli & Reiche, 2014). Increasing global price competition and satisfying demands of different stakeholders are some of the key challenges faced by business managers today (Bolboli & Reiche, 2013). In a corporate group structure with diversified companies, managers have more challenges to establish an effective organizational culture, which is an indispensable element to enhance performance (Kenny, 2012; Lee & Gaur, 2013).

Profitability is a crucial factor for the persistence of any business, and expanding the

business scope is also vital for the growth of the business (Erdorf, Hartmann-Wendels, Heinrichs, & Matz, 2013). Poor cultural integration within diversified companies affects the financial performance of the corporate group and shareholder value (Eaton & Kilby, 2015; Idris et al., 2015). Weber and Tarba (2012) indicated that cultural disparities that exist within the group are major obstacles to corporate performance. Bolboli and Reiche (2014) indicated that over 90% of business excellence initiatives fail to thrive due to poor cultural integration among managers in the corporate group. Therefore, it is obvious that business managers must understand the importance of establishing an effective organizational culture to enhance performance in the corporate group (Viegas-Pires, 2013).

### **3. RESEARCH GAP**

This section analyses the theoretical, literature / empirical, and practice gaps for the intended study. How an effective organizational culture was established to enhance the corporate performance can be recognized as a needed research scope in the context of bridging the prevailing research gaps expressed as below.

#### **3.1 Theoretical gap**

Organizational culture theory involves beliefs, assumptions, and symbols of organizational

members that define the process in which a company conducts its business. Business managers use organizational culture theory to address different business issues in the organization (Schneider, Ehrhart, & Macey, 2013).

Nwibere (2013) indicated that a lack of theoretical support exists to advance the manager's knowledge in the area of effectiveness of organizational culture. Hartnell, Ou, and Kinicki (2011) found a disagreement and lack of universal standardization to measure the effectiveness of organizational culture.

Flamholtz and Randle (2011) indicated that the existing organizational culture literature does not fully cover the role of culture on performance.

### **3.2 Literature / Empirical gap**

Denison (1990) identified four elements of organizational culture model: involvement, consistency, adaptability, and mission, where involvement and consistency as internal factors, and adaptability and mission are external factors in maintaining an effective organizational culture. Hacker (2015) found a positive relationship between high employee involvement in the decision-making process and organizational performance. But, Givens (2012) argued that a high level of involvement in numerous activities results in a lack of specialization, and it is

difficult to identify the individual responsible for the specific task. Givens (2012) identified consistency as one of the key factors for creating an effective organizational culture and enhancing organizational performance. But, Nongo and Ikyanyon (2012) argued that a high degree of consistency in the organization does not directly influence the commitment of employees and organizational performance.

There are four types of organizational culture: clan culture, adhocracy culture, hierarchy culture, and competition culture (Fiordelisi, 2014; Kim & Chang, 2019; Sok, Blomme, & Tromp, 2014; Wiewiora, Murphy, Trigunarsyah, & Brown, 2014). Research findings showed how clan culture positively relates to organizational performance (Han, 2012; Man & Luvison, 2014; Murphy, Cooke, & Lopez, 2013). But, Givens (2012) argued that clan culture involves issues of employee relations rather than enhancing organizational efficiency and effectiveness. Hartnell et al. (2011) found a positive relationship between adhocracy culture and corporate performance in the long-term perspective. Han (2012) found a negative relationship between hierarchy culture and corporate performance.

Research findings showed that developing a positive workplace

culture leads a performance enhancement in the organization (Fusch & Gillespie, 2012; O'Reilly III, Caldwell, Chatman, & Doerr, 2014; Uddin, Luva, & Hossian, 2013). However, Childress (2013) argued that organizational culture does affect business performance positively or negatively. Unger, Rank, and Gemunden (2014) found a positive relationship between corporate culture and financial performance. Flamholtz and Randle (2012) indicated that 46% of corporate earnings are affected by the effectiveness of organizational culture. However, Berg and Wilderom (2012) argued that the organizational culture might affect performance, where the change is a long-time interval showing the effects of culture on financial performance. While recent studies showed that organizational cultural traits and organizational performance are positively correlated (Cura, 2018; Gorondutse & Hilman, 2019; Heris, 2014; Kohtamaki, Thorgren, & Wincent, 2016; Nikpour, 2017; Sengottuvel & Aktharsha, 2016; Wahyuningsih, Sudiro, Troena, & Irawanto, 2019), a study carried by Rashid and Shah (2016) rejected the hypothesis that stated there is a significant relationship between organizational culture and organizational performance. Moreover, Leithy (2017) argued that both work-related attitudes and work behaviour can be seen

as related to organizational performance, and the structural equation model apparently eliminated the relationship between organizational culture and performance.

Empirical evidences further showed that when diversification supports with an effective organizational culture, diversified companies outperform the other companies (Gajewski, 2013; George & Kabir, 2012; Lee & Gaur, 2013). In contrast, other study findings showed that diversification activities show less financial return in the short-term, but high financial return and competitiveness in the long-term (Coad & Guenther, 2013).

Though a substantial amount of literature on organizational culture includes publications since 1980 in Western countries, a gap exists in the literature in the context of developing countries (Nwibere, 2013). Moreover, in the Sri Lankan context, there were very few studies conducted so far focusing on organizational culture.

### **3.3 Practice gap**

Organization's culture is an important conceptual tool that can provide useful insights into effective performance management (Landekić, Šporčić, Martinić, & Bakarić, 2015; Taylor, 2014). Business managers may develop and maintain a positive

organizational culture to enhance the performance in the organization (Childress, 2013; Flamholtz & Randle, 2011; Melo, 2012). Pinho, Rodrigues, and Dibb (2014) highlighted that employees and business managers with strong organizational culture have an excellent professional quality that contributes to performance enhancement in the organization.

Weber and Tarba (2012) indicated that 89% of newly acquired businesses in the United States of America fail to succeed due to a lack of cultural integration between member companies and the corporate office. Another recent study also showed that 68% of corporate business managers in the world believe that their organizational culture does not align with their business strategy (Eaton & Kilby, 2015). Though 72% of corporate leaders recognized the importance of organizational culture to organizational performance, only 25% identified an effective organizational culture for their organizations (Eaton & Kilby, 2015).

In the pilot study (initial discussions had with Sector CEOs and Company GMs) carried out of the study company, it has been revealed that establishing an effective organizational culture is the key to their superior performance (Anonymous Holdings PLC,

2019). Therefore, exploring the prominent strategies that senior managers deploy to establish an effective organizational culture to enhance performance, is vital and can be recognized as a needed research scope.

#### **4. PROBLEM STATEMENT**

The absence of effective organizational culture and poor cultural integration affect organizational performance and decrease shareholder return in a corporate group (Idris et al., 2015). As per Eaton and Kilby (2015), 72% of corporate leaders recognized the importance of organizational culture to organizational performance, but only 25% identified an effective organizational culture for their organizations. The general business problem is that some company managers lack an effective organizational culture, which often leads to poor performance in the corporate group (Eaton & Kilby, 2015; Viegas-Pires, 2013). The specific business problem is that certain senior managers in the corporate group lack strategies to establish an effective organizational culture to enhance performance (Hirsch, 2015).

#### **5. RESEARCH OBJECTIVES**

The main objective of this qualitative exploratory single-case study is to explore the prominent strategies which senior managers deploy to

establish an effective organizational culture to enhance performance.

The other specific objectives of this research are:

- To explore how senior managers utilize “Involvement” trait of organizational culture to enhance performance
- To explore how senior managers utilize “Consistency” trait of organizational culture to enhance performance
- To explore how senior managers utilize “Adaptability” trait of organizational culture to enhance performance
- To explore how senior managers utilize “Mission” trait of organizational culture to enhance performance

The target population of the study is senior managers with prominent strategies in establishing an effective organizational culture in a leading corporate group from Sri Lanka. Eaton and Kilby (2015) indicated that creating and maintaining an effective organizational culture is important to enhance performance.

The findings of the study may positively support business managers by understanding the role of organizational culture and providing strategies to

enhance their company performance. The public may also benefit from the existence of a productive company in many ways (Childress, 2013).

## **6. RESEARCH PROBLEM AND RESEARCH QUESTIONS**

The research problem of the study is the following:

What strategies do senior managers deploy to establish an effective organizational culture to enhance performance?

One of the essential criteria in choosing a research method is specifying an appropriate research problem for the study (Yin, 2014). Exploratory qualitative research problems include “what”, “how”, and “why” questions. Yin (2014) indicated that research problems which start with “what”, “how”, and “why” terms are appropriate for an exploratory case study. The research problem is important to guide the study and to explore the role of organizational culture in the corporate group.

The study includes four research questions to collect relevant information to answer the research problem as follows:

1. How do senior managers utilize “Involvement” trait of organizational culture to enhance performance?

2. How do senior managers utilize “Consistency” trait of organizational culture to enhance performance?
3. How do senior managers utilize “Adaptability” trait of organizational culture to enhance performance?
4. How do senior managers utilize “Mission” trait of organizational culture to enhance performance?

#### **7. SIGNIFICANCE OF THE STUDY**

The promotion of business excellence in the organization depends on organizational culture and successful implementation of necessary changes in shared basic assumptions, beliefs, values, behaviour, and attitudes of employees (Bolboli & Reiche, 2014; Kenny, 2012; Lee & Gaur, 2013; Ruiz-Palomino & Martínez-Cañas, 2014). Business managers may use the study results to enhance their understanding of the role of organizational culture in the corporate group (Bolboli & Reiche, 2014). A deep understanding of the culture of an organization contributes to establish and maintain an effective organizational culture throughout the organizational system, which helps to enhance performance in the corporate group (Raza, Anjum, Shamsi, & Zia, 2014).

The study results may contribute to expand the body of knowledge regarding the

organizational culture and organizational performance as there were very few studies conducted so far in the Sri Lankan perspective.

The study results may be useful to business managers in the corporate sector who face challenges of enhancing performance for their organizations. Moreover, this study would reveal a new model for business managers to enhance corporate performance by establishing an effective organizational culture. Cura (2018) indicated that 25% of performance is affected by organizational cultural traits, and therefore cultural enhancing will result in performance enhancement by 25%.

#### **8. METHODS**

An induction research logic is considered for the study since it focuses on theory building in the area of organizational culture (Creswell, 2007; Gill & Johnson, 2002; Saunders, Lewis, & Thornhill, 2007). A qualitative method is used to explore the role of organizational culture in the study company since qualitative methods are suitable to explore the intended phenomenon in a study, especially in studying individual and group behaviour in an organization (Tsang, 2014; Yin, 2014).

Case study research design is used for the study since it investigates a contemporary

phenomenon of organizational culture in depth and within its real-life context, it answers the “how” type of exploratory questions, and it does not control the phenomenon being studied (Yin, 2014). The exploratory case study approach is used for the study since it is suitable to explore situations and processes in the case, and it is appropriate to answer “how” type questions in the research (Poulis, Poulis, & Plakoyiannaki, 2013). The single-case design suites the needs of the study since the study company having a history of using an effective organizational culture to enhance performance (Anonymous Holdings PLC, 2019). Yin (2014) indicated that single-case might represent the critical test of a single theory.

Face-to-face interview is used as the main data collection technique for the study since in-depth interviews are useful to explore the study’s phenomenon comprehensively (Cleary, Horsfall, & Hayter, 2014; Yin, 2014). A purposive sample of 20 senior managers from the study corporate group participates in semi-structured face-to-face interviews. The study corporate group has 47 companies belongs to six main sectors, which is one of the largest corporate groups in Sri Lanka (Anonymous Holdings PLC, 2019). The chosen participants conform the criteria of a minimum of 5 years of experience with strategies in establishing an effective

organizational culture in the corporate group.

## **9. ASSUMPTIONS, LIMITATIONS, AND DELIMITATIONS**

It is important to understand assumptions, limitations and delimitations related to the study in order to recognize possible threats to the research design and also to avoid chaos among readers (Connelly, 2013). The study is based on the following assumptions, limitations, and delimitations.

An assumption can be identified as a realistic expectation of a research process (Ellis & Levy, 2009). The primary assumption of this exploratory single-case study is that the selected participants (senior managers of the corporate group) have appropriate knowledge and experience on the topic, and suited the needs of the study (Yin, 2014). The second assumption is that the participants respond honestly to the interview questions since the participation is voluntary.

Limitations include deficiencies and conditions of a research process (Connelly, 2013). The first limitation of the study is the readiness and flexibility of research participants (senior managers of the corporate group) to devote enough time to the interview due to their busy schedules. The second limitation is that the potential personal bias of research participants based on

their long-standing experience in the company.

Delimitations relates to the scope and extent of a research process (Pemberton, 2012). The first delimitation is that some of the findings of the study might not be relevant and applicable to other business managers working in different sectors. The second delimitation is exploring the role of organizational culture from a single corporate group in Sri Lanka.

### 10. CONCLUSION

Establishing an effective organizational culture in the corporate group is necessary to enhance performance. This paper proposed a conceptual approach for a qualitative study of exploring the strategies that one corporate group deploys to establish an effective organizational culture to enhance performance. The focus was confined to: background of the study, analysis of the existing research gaps, identification of research problem and research questions according to the research objectives, empirical and practical significance of the study, research methodology, assumptions, limitations, and delimitations relate to the study. The proposed conceptual approach was well argued with academic rigor in order to extend it towards a doctoral study which would reveal a new model for business managers to enhance corporate performance by

establishing an effective organizational culture.

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## **Factors Influence on the Profitability of ABC Bank PLC**

**M. Rishitharan<sup>1</sup>, S. Guruge<sup>2</sup> & E. Pavithira<sup>3</sup>**

<sup>1</sup>ICBT Campus  
Colombo  
SRI LANKA

<sup>2</sup>Sri Lanka Institute of Advanced Technological Education  
Ampara  
SRI LANKA

shiyarishii@gmail.com<sup>1</sup>

### **Abstract**

In the present context the banking industry in Sri Lanka has become highly competitive. The country is filled with financial institutions more than required to serve the people in Sri Lanka. As a result of the stiff competition between the banks, it has become a real challenge for each of them to earn profit and there are many factors that influence the profitability of the banks. The study is all about the ABC Bank PLC in Sri Lanka and analyzed the determinants which have their impact on the profitability of the bank. There are internal and external variables influencing the profitability of the banking industry. The study especially analyzed the internal determinants which affect the profitability of the bank. There were number of studies done in the past and based on the studies the dependent variable has been identified as Return on Asset in order to measure the profitability and the following variables are identified as independent variables; Total Asset, Non-Interest Income, Cost Income ratio, Equity ratio and Loan Loss Provision/Total Loans. The analysis is done based on the secondary data published by the ABC Bank PLC. The empirical results exhibit the relationship between the dependent variable and the independent variables. Further the recommendations are given based on the empirical results from this study.

**Keywords-:** Banking Sector, Cost Income Ratio, Equity Ratio, Loan Loss Provision, Non-Interest Income, Profitability, Return On Asset and Total Asset.

## 1. INTRODUCTION

In the present context, banks are having huge role and responsibility towards the country and its nationals. Actually, banks are the back born of the country's economy. Globalization has connected the banking network immensely and as a result the entire network is very much interconnected. The primary objective of the bank is to maximize their bottom-line. Hence, the banks are compelled to compete with the internal and external forces which prevent them from generate profit. Profitability is very much important to a banking sector. Because it determines the survival of the institution (Dincer et al., 2016). Moreover, it has a huge influence on the expansion of the bank network and growth of the organization. In the investor's perspective, profit plays the key role in their decision making. If the profitability of the bank is not up to expected standards, then the bank will have to encounter many challenges like drop in stock prices, rating sector and etc.

Nevertheless, there are certain banks that failed to overcome these obstacles in their day to day operations. There are number of internal and external determinants that exist (Pasiouras and Kosmidou, 2007). The determinants as follows; Internal determinants: Capital Adequacy, Cost to Income Ratio, Total Assets, Credit Risk, Liquidity Risk, Total Loan, Non-Performing Advances, Provisions, Non-Interest Income. External determinants: Inflation, Broad Money, Competitors, Policy rates, Statutory

Reserve requirement and Gross domestic product (GDP).

In Sri Lanka there are 24 numbers of licensed commercial banks and 39 numbers of licensed finance companies are having their foot prints across the island (CBSL, 2021). In addition to that there are number of micro finance institutions which are widely operating their branches across the country. Especially, they are very much active in the rural areas to fund the micro credit activities. The population of the country is around 21.2 million in the year 2016 according to the World Bank's data base (2017) and the head count of the banking population is very limited of the total population of the country. Thus, there are a large number of financial institutions which are fighting for a small target group in order to generate a considerable amount of profit and to sustain their brand for a long period of time in order to attract the local and foreign investors.

The study is about the determinants influencing on the profitability of ABC bank PLC. ABC Bank PLC was incorporated in 1987 and opened business for the public on 24<sup>th</sup> March 1988. The bank has successfully completed three decades of operations in the Island. Moreover, it is part of a biggest and a successful conglomerate in Sri Lanka. In 2008, the bank faced a sudden shock of public lacking confidence which caused due to crisis faced by one of the connected Companies which is a subsidiary of the said conglomerate. As a result, the bank was pushed to almost

bankruptcy status. With the immediate action taken by the Central Bank of Sri Lanka (CBSL, 2017) the panic was controlled and the public mindset slowly gained back confidence and recorded PAT of 1.2 billion for the first time in its history in the year 2010.

Even though the bank has overcome the crisis, still the profit growth is not in a stable manner. Therefore, it gives an indication that there are some independent variables which are influencing the bottom-line. As a result, it has given a lead to investigate the influential independent variable which affect the profitability of the ABC Bank PLC. As discussed earlier, there are number of variables determine the profitability of the bank. In the recent past there are number of researches (Ayanda, Christopher and Mudashiru, 2013) done related to this topic. With the assistance of the existing literature, this problem is going to be analyzed based on the facts and figures. The study is mainly based on the secondary data published by the bank for the past seven year. In other words, the last thirty interim financial statements were analyzed to arrive the empirical results.

In the present context there is no country exist without the banking system. Banks are the most important to the economy and naturally the prime objective of the bank is to earn more profit. Therefore, profit has an important role in the today's context. The world class banks' also have the restriction in earning the profitability. Hence the profit is

decided by many factors around the banking environment and the external environment. It is a compulsion to the banks to identify their strengths and weakness related to the profitability. In Sri Lanka there are twenty four licensed commercial banks operate their branch network across the country. Each and every bank has their own profit target for each year.

The primary objective of this research is to construct a framework related to the profitability and its determinants or the influential factors. The main purpose is to understand the independent variables which influence the dependent variable, in other words profit. With the understanding of this objective, the company can perform well and rectify the lapses exist at present.

Since it is a business research and also there are limited studies done in the Sri Lankan context, this research finding will helpful to a certain extent to the management of the Sri Lankan banks. Further it will be helpful to the academic students and researcher those who are going investigate the similar subject in the future. There can be an in-depth researches based on the above topic in future. Hence this study will be helpful to the business purposes as well as the academic purposes.

## **2. METHODS**

It carries the conceptual framework, hypothesis and the research design to proceed with the perfect data analysis. Even though there are too methods available in collecting the

data, this study has been done based on the secondary data since it is required the ratios and figures related to the bank. The study has been identified the dependent variable and the independent variables which influence the profitability.

## **2.1 Conceptual framework of the research**

The conceptual framework is developed to drive the research on a specific track. It is designed based on the literature review of this study and the relevance tree methodology. In this study there are internal and external variables represented as determinants of profitability. But the internal variables only been taken in to consideration due to various reasons. Based on the conceptual framework the study is going to proceed the data analysis process. Figure 1 exhibits the entire information of the variables identified through the research findings. Further Figure 2 shows the conceptual framework which was selected for this study.

## **2.2 Development of Hypothesis**

The hypothesis has been developed based on the conceptual framework and it is used to identify the relationship between the dependent and the independent variables. i.e. it is used to identify whether there is a relationship between the variables or there is no relationship between the variables. The following hypothesis was developed for this study;

H<sub>1</sub>: There is a significant impact of Total Asset of Return on Asset.

H<sub>2</sub>: There is a significant impact of Non-Interest Income of Return on Asset.

H<sub>3</sub>: There is a significant impact of Equity Ratio of Return on Asset.

H<sub>4</sub>: There is a significant impact of Cost Income Ratio of Return on Asset.

H<sub>5</sub>: There is a significant impact of LLP/TL of Return on Asset.

## **2.3 Research design**

### **2.3.1 Sampling design**

The study is mainly focused on ABC Bank PLC and its profitability determinants. Since it is related to profitability factors, there are number of financial ratios and information are required about the company to do the sampling. Hence it is purely relied on the published data of the company, the quarterly interim financial statements have been collected since March 2010 till the last quarter. In other words, there are 30 numbers of interim financial statements have been taken in to consideration to do this analysis.

### **2.3.2 Data collection methods and techniques used for research analysis**

The data collection method of this study is from secondary data and it has been extracted from the Quarterly Interim Financial Statements of the ABC Bank PLC. In this study there are five numbers of hypothesis analyzed with the technical support of the IBM SPSS software. Further, Descriptive statistic of data, Pearson correlation, significant analysis and the Regression analysis have been

analyzed in a detailed manner. The data analysis mechanism has been carried out with the entire set of variables and the outcome of the said analysis have been explained separately.

### 3. DATA PRESENTATION AND ANALYSIS

#### 3.1 Analysis of Hypothesis No: 01

The relationship between the Total Assets and the ROA was analyzed as follows;

H1<sub>a</sub>: There is no relationship between Total Asset and the Return on Asset.

H1<sub>b</sub>: There is a relationship between Total Asset and the Return on Asset.

In the Figure no 3.1, the Return on Asset (dependent variable) placed in the Y axis and the Total Asset (independent variable) placed in the X axis. The  $R^2$  value interprets the impact of the Total Asset have on the Return on Asset. The  $R^2$  value showed as 0.157 which means 15.7%. It can be interpreted in another way also. i.e. 15.7% of the total profitability has been influenced by the Total Asset of the bank. It is a total scale of the relationship between the dependent and independent variable and it does not project the exact relationship between the two variables.

The adjusted  $R^2$  value came from the regression analysis 0.127 which means 12.7% of the total profitability influenced by the Total Asset of the bank. In the above correlation table provides the Pearson Correlation of the Total

Asset as 0.396 which is a moderate positive relationship available between the Total Asset and Return on Asset. It is important to identify the confidence level whether to accept null hypothesis H1<sub>a</sub> or the alternate hypothesis H1<sub>b</sub>. In this analysis, the acceptable confidence level is 95%. In other words, the 5% error confidence level could be accommodated. The calculated significant value is 0.03. i.e. the error confidence level is 3% which is lower than the acceptable error confidence level.

Based on the above, the alternative hypothesis H1<sub>b</sub> should be accepted and the null hypothesis H1<sub>a</sub> should be rejected. It could be interpreted as, there is a moderate positive relationship between the Total Asset and Return on Asset at the 95% confidence level. Hence there is a significant relationship between the two variables. In a nutshell, the Total Asset of the bank is positively contributed towards the profitability of the bank.

#### 3.2 Analysis of Hypothesis No: 02

The relationship between the NII and the ROA was analyzed as follows;

H2<sub>a</sub>: There is no relationship between Non-Interest Income and the Return on Asset.

H2<sub>b</sub>: There is a relationship between Non-Interest Income and the Return on Asset.

Data depicted in Figure 3.2 shows that the Return on Asset (dependent variable) placed in the Y axis and the Non-Interest Income

(independent variable) placed in the X axis. The  $R^2$  value interprets the impact of the Non-Interest Income have on the Return on Asset. The  $R^2$  value showed as 0.186 which means 18.6%. It can be interpreted in another way also. i.e. 18.6% of the total profitability has been influenced by the Non-Interest Income of the bank. It is a total scale of the relationship between the dependent and independent variable and it does not project the exact relationship between the two variables.

The adjusted  $R^2$  value came from the regression analysis 0.157 which means 15.7% of the total profitability influenced by the Non-Interest Income of the bank. In the above correlation table provides the Pearson Correlation of the Non-Interest Income as 0.431 which is a moderate positive relationship available between the Non-Interest Income and Return on Asset. It is important to identify the confidence level whether to accept null hypothesis  $H_{2a}$  or the alternate hypothesis  $H_{2b}$ . In this analysis, the acceptable confidence level is 95%. In other words, the 5% error confidence level could be accommodated. The calculated significant value is 0.017. i.e. the error confidence level is 1.7% which is lower than the acceptable error confidence level.

Based on the above, the alternative hypothesis  $H_{2b}$  should be accepted and the null hypothesis  $H_{2a}$  should be rejected. It could be interpreted as, there is a moderate positive relationship between the Non-

Interest Income and Return on Asset at the 95% confidence level. Hence there is a significant relationship between the two variables. In a nutshell the Non-Interest Income of the bank is positively contributed towards the profitability of the bank.

### 3.3 Analysis of Hypothesis No: 03

The relationship between the Equity Ratio and the ROA was analyzed as follows;

$H_{3a}$ : There is no relationship between Equity Ratio and the Return on Asset.

$H_{3b}$ : There is a relationship between Equity Ratio and the Return on Asset.

In the Figure no 3.3, the Return on Asset (dependent variable) placed in the Y axis and the Equity Ratio (independent variable) placed in the X axis. The  $R^2$  value interprets the impact of the Equity Ratio have on the Return on Asset. The  $R^2$  value showed as 0.001 which means 0.1%. It can be interpreted in another way also. i.e. 0.1% of the total profitability has been influenced by the Equity Ratio of the bank. It is a total scale of the relationship between the dependent and independent variable and it does not project the exact relationship between the two variables.

The adjusted  $R^2$  value came from the regression analysis -0.035 which means (-3.5%) of the total profitability influenced by the Equity Ratio of the bank. In the above correlation table provides the Pearson Correlation of the Equity Ratio as 0.027. There is no relationship available between the

Equity Ratio and Return on Asset. It is important to identify the confidence level whether to accept null hypothesis  $H3_a$  or the alternate hypothesis  $H3_b$ . In this analysis, the acceptable confidence level is 95%. In other words, the 5% error confidence level could be accommodated. The calculated significant value is 0.888. i.e. the error confidence level is 88.8% which is higher than the acceptable error confidence level.

Based on the above, the alternative hypothesis  $H3_b$  should be rejected and the null hypothesis  $H3_a$  should be accepted. It could be interpreted as, there is no relationship between the Equity Ratio and Return on Asset also it not significant since the error confidence level is 88.8%. Hence there is no significant relationship between the two variables. In a nutshell, the Equity Ratio of the bank is not contributed towards the profitability of the bank.

### 3.4 Analysis of Hypothesis No: 04

The relationship between the Cost Income ratio and the ROA was analyzed as follows;

$H4_a$ : There is no relationship between Cost Income Ratio and the Return on Asset.

$H4_b$ : There is a relationship between Cost Income Ratio and the Return on Asset.

Data illustrated in Figure 3.4 shows that the Return on Asset (dependent variable) placed in the Y axis and the Cost Income Ratio (independent variable) placed in the X axis. The  $R^2$  value interprets the impact of the

Cost Income Ratio have on the Return on Asset. The  $R^2$  value showed as 0.302 which means 30.2%. It can be interpreted in another way also. i.e. 30.2% of the total profitability has been influenced by the Cost Income Ratio of the bank. It is a total scale of the relationship between the dependent and independent variable and it does not project the exact relationship between the two variables.

The adjusted  $R^2$  value came from the regression analysis 0.277 which means 27.7% of the total profitability influenced by the Cost Income Ratio of the bank. In the above correlation table provides the Pearson Correlation of the Cost Income Ratio as -0.549 which is a moderate negative relationship available between the Cost Income Ratio and Return on Asset. It is important to identify the confidence level whether to accept null hypothesis  $H4_a$  or the alternate hypothesis  $H4_b$ . In this analysis, the acceptable confidence level is 99%. In other words, the 1% error confidence level could be accommodated. The calculated significant value is 0.002. i.e. the error confidence level is 0.2% which is lower than the acceptable error confidence level.

Based on the above, the alternative hypothesis  $H4_b$  should be accepted and the null hypothesis  $H4_a$  should be rejected. It could be interpreted as, there is a negative relationship between the Cost Income Ratio and Return on Asset at the 99% confidence level. Hence there is a significant relationship between the two variables. In a nutshell the Cost

Income Ratio of the bank is negatively contributed towards the profitability of the bank.

### 3.5 Analysis of Hypothesis No: 05

The relationship between the LLP/TA and the ROA was analyzed as follows;

H5<sub>a</sub>: There is no relationship between LLP/TL and the Return on Asset

H5<sub>b</sub>: There is a relationship between LLP/TL and the Return on Asset

In the Figure no 3.5, the Return on Asset (dependent variable) placed in the Y axis and the LLP/TL (independent variable) placed in the X axis. The  $R^2$  value interprets the impact of the LLP/TL have on the Return on Asset. The  $R^2$  value showed as 0.162 which means 16.2%. It can be interpreted in another way also. i.e. 16.2% of the total profitability has been influenced by the LLP/TL of the bank. It is a total scale of the relationship between the dependent and independent variable and it does not project the exact relationship between the two variables.

The adjusted  $R^2$  value came from the regression analysis 0.132 which means 13.2% of the total profitability influenced by the LLP/TL of the bank. In the above correlation table provides the Pearson Correlation of the LLP/TL as 0.402 which is a moderate positive relationship available between the LLP/TL and Return on Asset. It is important to identify the confidence level whether to accept null hypothesis H5<sub>a</sub> or the alternate

hypothesis H5<sub>b</sub>. In this analysis, the acceptable confidence level is 95%. In other words, the 5% error confidence level could be accommodated. The calculated significant value is 0.027. i.e. the error confidence level is 2.7% which is lower than the acceptable error confidence level.

Based on the above, the alternative hypothesis H5<sub>b</sub> should be accepted and the null hypothesis H5<sub>a</sub> should be rejected. It could be interpreted as, there is a positive relationship between the LLP/TL and Return on Asset at the 95% confidence level. Hence there is a significant relationship between the two variables. In a nutshell the LLP/TL of the bank is positively contributed towards the profitability of the bank.

## 4. CONCLUSION

The study is going to conclude with the results from the data analysis. According to the empirical finding of this research, the relationship between the Total assets and the ROA is positive and significant at 95% confidence level. The finding is supported by the argument of Pasiouras and Kosmidou (2007); Smirlock (1985); Bikker and Hu (2002) that the total assets significantly contribute to the profitability in a positive manner. Hence the conclusion of the study is, the total assets of the bank is positively contributed to the profitability of the bank.

According to the empirical finding of this research, the relationship between the NII and the ROA is positive and significant at 95%

confidence level. The finding is supported by the argument of Leea, Yang and Chang (2014); Sufian and Chong (2008) that the NII significantly contribute to the profitability in a positive manner. Hence, the conclusion of the study is, the NII of the bank is positively contributed to the profitability of the bank.

According to the empirical finding of this research, that the Equity ratio and the ROA have no relationship and it is not significant at the 95% confidence level. Hence the conclusion of the study is, the Equity ratio of the bank is not contributed to the profitability of the bank.

According to the empirical finding of this research, the relationship between the Cost Income ratio and the ROA is negative and significant at 99% confidence level. The finding is supported by Tan (2016), Ben-Khediri et al. (2008) that the cost income ratio significantly contributes to the profitability in a negative manner. Hence the conclusion of the study is, the Cost Income ratio of the bank is negatively contributed to the profitability of the bank.

According to the empirical finding of this research, the relationship between the LLP/TA and the ROA is positive and significant at 95% confidence level. The finding is supported by the argument of Miller and Noulas (1997), Mustafa, Ansari and Younis (2012) that the LLP/TA significantly contribute to the profitability in a positive manner. Hence the conclusion of the study is,

the LLP/TA of the bank is positively contributed to the profitability of the bank.

The summary of the conclusion is, there are variables identified which could increase the profitability of the bank as well as decrease the profitability of the bank.

## 5. RECOMMENDATIONS

There is a positive relationship between the Total Asset and the profitability. Therefore, it is recommended the bank to increase the asset base in order to boost their profitability. It is observed that the balance sheet of the bank consists a significant portion of the customer loans in the Total Assets side. Hence, it is possible to the bank to increase their loan book to record higher profit in the future.

The NII has a positive relationship with the profitability and it is observed that the mean value of same is 0.2384. In other words, the average NII of the bank is 23.84% of the total revenue. Since the results proven the relationship as positive, it is recommended to concentrate little more in the non-interest income generating activities and it would support to increase the profit figure in future.

The research resulted there is no relationship between the Equity ratio and the profitability. Hence, it is not necessary to take any action immediately at the juncture. When it comes to the cost to income ratio, it is resulted negative relationship between the profitability and cost income ratio. The mean value of cost income is 0.5750. In other

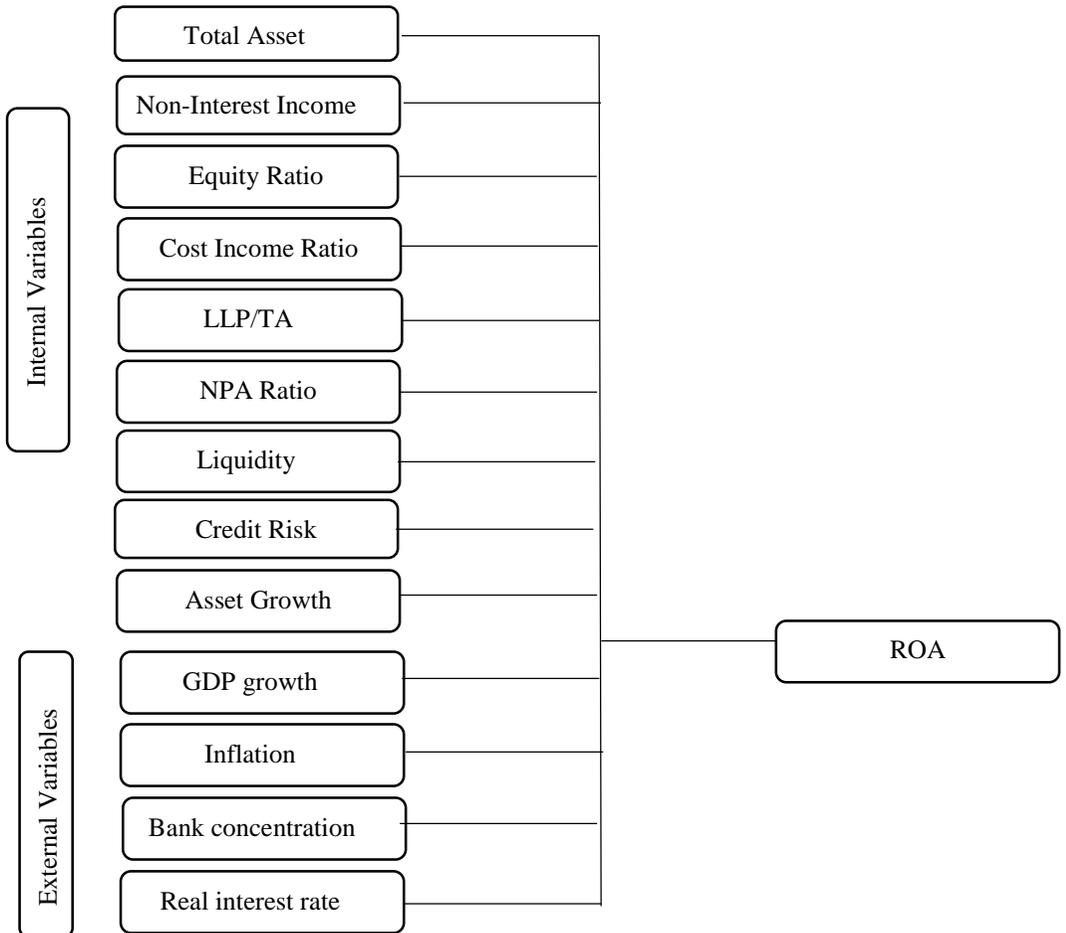
words, the average cost income ratio of the bank is 57.5%. The bank is losing 57.5% of the total revenue. It is a bad sign for an organization like banks. Generally, the banks are tried to maintain the ratio below fifty percentage. Hence, the bank should take serious concern in this matter and implement proper cost-efficient practices in the entire banking system. It could be recommended to employ well trained staff members in the right places and increase the productivity per person. Moreover, the bank should cut down the expenses which is not bringing any return to the bank in any form. By implementing proper cost-effective practices would bring higher profit to the organization.

The LLP/TA has a positive relationship with the profitability.

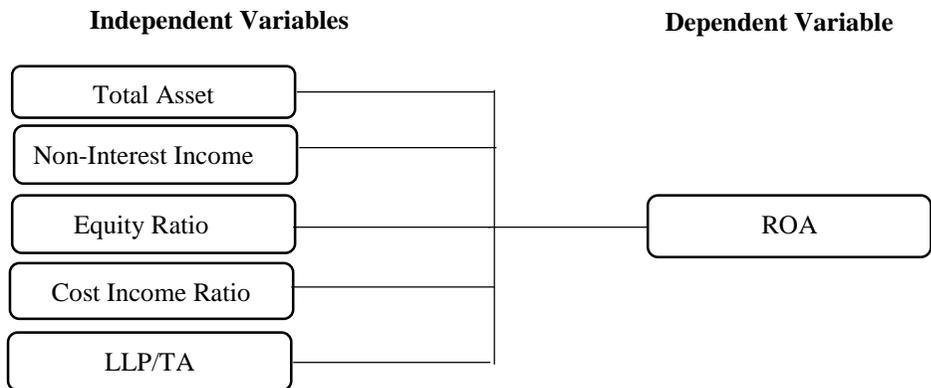
The mean value of LLP/TA is 0.0030. Which means the bank maintain the loan loss provision at 0.3%. It is a great achievement of the organization and the bank should sustain this percentage in the future as well. As a result, it would affect the profitability in a positive manner.

Finally, the ROA of the bank, the mean value of the ROA is 0.015 which means the average ROA of the bank is 1.5%. It is recommended to target the ROA at 2% and the bank should work towards to achieve same. They could consider the appropriate recommendations given in this study to implement their strategy towards achieve higher profit target.

**APPENDIX**



**Figure 1: Extracted view of literature review**

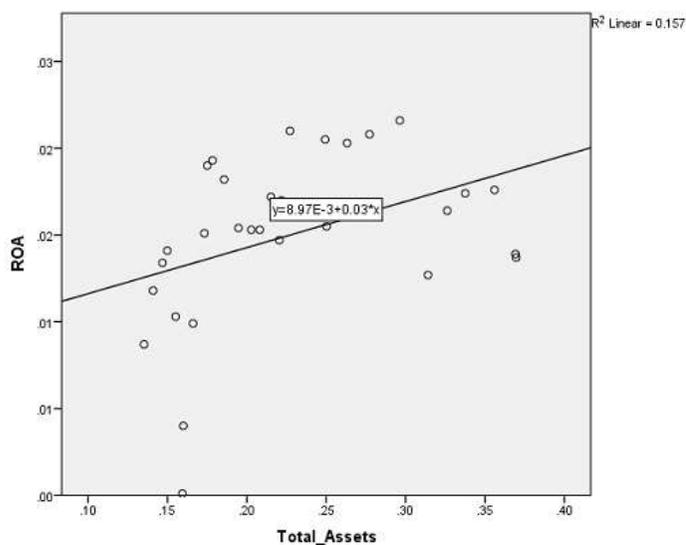


**Figure 2: Conceptual Framework**

### 3. Data Presentation and Analysis

#### 3.1 Analysis of Hypothesis No: 01

**G Graph**



**Figure 3.1: Scatter diagram for Total Asset vs Return on Asset**

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.1: Descriptive statistic of Total Asset and Return on Asset**

	Mean	Std. Deviation	N
ROA	.0150	.00489	30
Total Assets	.2275	.07300	30

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.2: Correlation outcome of the Total Asset and Return on Asset**

		ROA	Total Assets
ROA	Pearson Correlation	1	.396*
	Sig. (2-tailed)		.030
	N	30	30
Total Assets	Pearson Correlation	.396*	1
	Sig. (2-tailed)	.030	
	N	30	30

\*. Correlation is significant at the 0.05 level (2-tailed).

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.3: Regression analysis for the Total Asset and Return on Asset**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.396 <sup>a</sup>	.157	.127	.00457

a. Predictors: (Constant), Total Assets

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.4: Regression analysis for the Total Asset and Return on Asset**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	5.222	.030 <sup>b</sup>
	Residual	.001	28	.000		
	Total	.001	29			

a. Dependent Variable: ROA

b. Predictors: (Constant), Total Assets

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.5: Regression analysis for the Total Asset and Return on Asset**

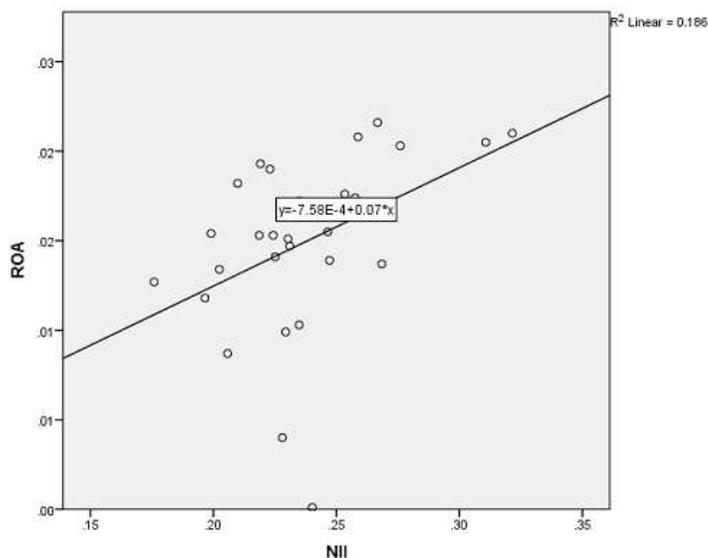
		Coefficients <sup>a</sup>				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.009	.003		3.236	.003
	Total Assets	.027	.012	.396	2.285	.030

a. Dependent Variable: ROA

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

### 3.2 Analysis of Hypothesis No: 02

#### G Graph



**Figure 3.2: Scatter diagram for Non-Interest Income vs Return on Asset**

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.6: Descriptive statistics of NII and Return on Asset**

	Mean	Std. Deviation	N
ROA	.0150	.00489	30
NII	.2384	.03190	30

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.7: Correlation outcome of the NII and Return on Asset**

<b>Correlations</b>			
		ROA	NII
ROA	Pearson Correlation	1	.431*
	Sig. (2-tailed)		.017
	N	30	30
NII	Pearson Correlation	.431*	1
	Sig. (2-tailed)	.017	
	N	30	30

\*. Correlation is significant at the 0.05 level (2-tailed).

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.8: Regression analysis for the NII and Return on Asset**

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.431 <sup>a</sup>	.186	.157	.00449

a. Predictors: (Constant), NII

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.9: Regression analysis for the NII and Return on Asset**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	6.404	.017 <sup>b</sup>
	Residual	.001	28	.000		
	Total	.001	29			

a. Dependent Variable: ROA

b. Predictors: (Constant), NII

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.10: Regression analysis for the NII and Return on Asset (Coefficients)**

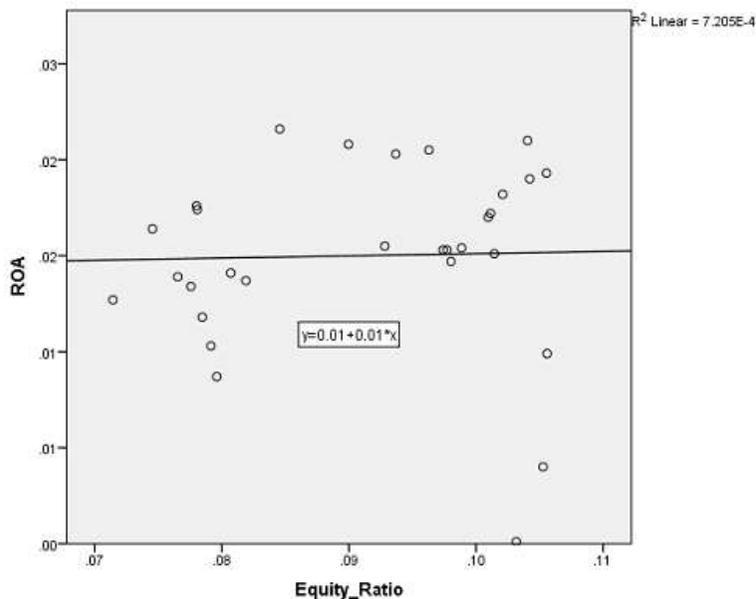
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.001	.006		-.121	.905
	NII	.066	.026	.431	2.531	.017

a. Dependent Variable: ROA

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

### 3.3 Analysis of Hypothesis No: 03

#### G Graph



**Figure 3.3: Scatter diagram for Equity Ratio vs Return on Asset**

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.11: Descriptive statistics of Equity Ratio and Return on Asset**

	Mean	Std. Deviation	N
ROA	.0150	.00489	30
Equity Ratio	.0913	.01149	30

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.12: Correlation outcome of the Equity Ratio and Return on Asset**

		ROA	Equity Ratio
ROA	Pearson Correlation	1	.027
	Sig. (2-tailed)		.888
	N	30	30
Equity Ratio	Pearson Correlation	.027	1
	Sig. (2-tailed)	.888	
	N	30	30

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.13: Regression analysis for the Equity Ratio and Return on Asset**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.027 <sup>a</sup>	.001	-.035	.00497

a. Predictors: (Constant), Equity Ratio

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.14: Regression analysis for the Equity Ratio and Return on Asset**

**ANOVA <sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	.020	.888 <sup>b</sup>
	Residual	.001	28	.000		
	Total	.001	29			

a. Dependent Variable: ROA

b. Predictors: (Constant), Equity Ratio

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.15: Regression analysis for the Equity Ratio and Return on Asset**

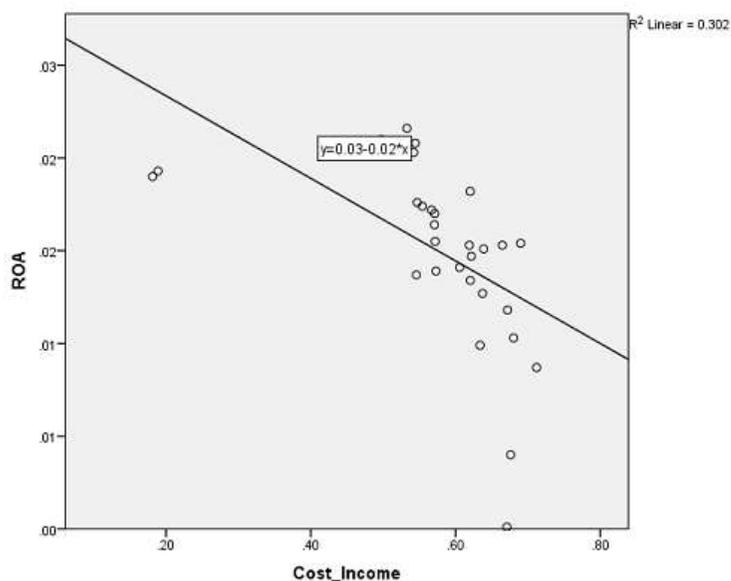
		Coefficients <sup>a</sup>				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.014	.007		1.889	.069
	Equity Ratio	.011	.080	.027	.142	.888

a. Dependent Variable: ROA

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

### 3.4 Analysis of Hypothesis No: 04

#### G Graph



**Figure 3.4: Scatter diagram for Cost Income Ratio vs Return on Asset**

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.16: Descriptive statistics of Cost Income Ratio and Return on Asset**

	Mean	Std. Deviation	N
ROA	.0150	.00489	30
Cost Income	.5750	.12064	30

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.17: Correlation outcome of the Cost Income Ratio and Return on Asset**

		ROA	Cost Income
ROA	Pearson Correlation	1	-.549**
	Sig. (2-tailed)		.002
	N	30	30
Cost Income	Pearson Correlation	-.549**	1
	Sig. (2-tailed)	.002	
	N	30	30

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

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.18: Regression analysis for the Cost Income Ratio and Return on Asset**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.549 <sup>a</sup>	.302	.277	.00416

a. Predictors: (Constant), Cost Income

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.19: Regression analysis for the Cost Income Ratio and Return on Asset**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	12.097	.002 <sup>b</sup>
	Residual	.000	28	.000		
	Total	.001	29			

a. Dependent Variable: ROA

b. Predictors: (Constant), Cost Income

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.20: Regression analysis for the Cost Income Ratio and Return on Asset**

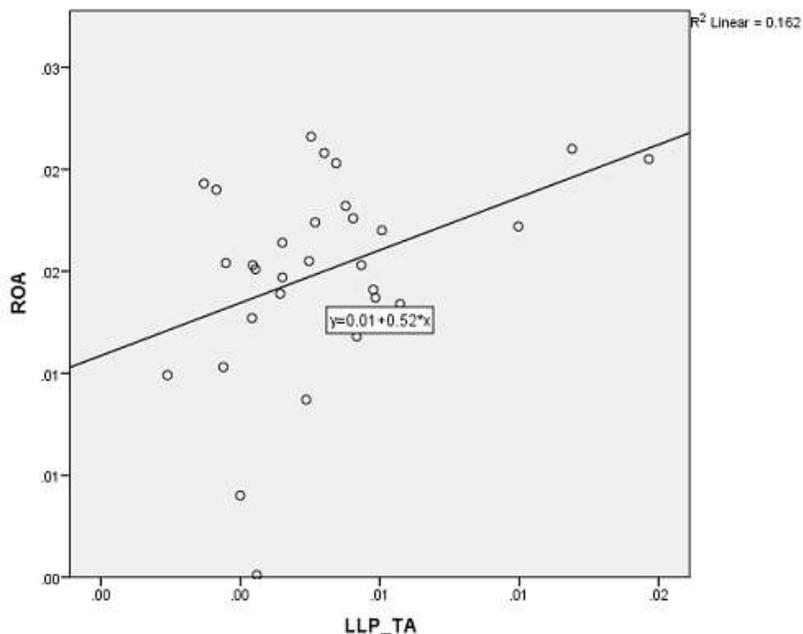
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.028	.004		7.401	.000
	Cost Income	-.022	.006	-.549	-3.478	.002

a. Dependent Variable: ROA

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**3.5 Analysis of Hypothesis No: 05**

**G Graph**



**Figure 3.5: Scatter diagram for LLP/TL vs Return on Asset**

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.21: Descriptive statistics of LLP/TL and Return on Asset**

	Mean	Std. Deviation	N
ROA	.0150	.00489	30
LLP_TA	.0030	.00380	30

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.22: Correlation outcome of the LLP/TL and Return on Asset**

		ROA	LLP TA
ROA	Pearson Correlation	1	.402*
	Sig. (2-tailed)		.027
	N	30	30
LLP_TA	Pearson Correlation	.402*	1
	Sig. (2-tailed)	.027	
	N	30	30

\*. Correlation is significant at the 0.05 level (2-tailed).

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.23: Regression analysis for the LLP/TL and Return on Asset**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.402 <sup>a</sup>	.162	.132	.00455

a. Predictors: (Constant), LLP\_TA

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.24: Regression analysis for the LLP/TL and Return on Asset**

**ANOVA <sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	5.410	.027 <sup>b</sup>
	Residual	.001	28	.000		
	Total	.001	29			

a. Dependent Variable: ROA

b. Predictors: (Constant), LLP TA

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

**Table 3.25: Regression analysis for the LLP/TL and Return on Asset**

		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	.013	.001		12.603	.000
	LLP TA	.517	.222	.402	2.326	.027

a. Dependent Variable: ROA

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

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## **Application of Differentiation Strategy on the Profitability of SMEs**

**(Evidence from Western Province in Sri Lanka)**

**R.Sivashanker**

University of Kelaniya  
Sri Lanka  
rshanker06@ yahoo.com

### **Abstract**

Differentiation strategy is being used fully or partially by many enterprises operated in the Small and medium scale. Adaptation of differentiation strategies supports the SMEs on their sustainability. The study aims to investigate the influence of the differentiation strategy on the performance of the enterprises in terms of profitability and sustainability. 750 sample enterprises were selected using stratified random sample throughout three districts secretariats in western province in Sri Lanka. Primary data collection methods were used along with descriptive and inferential techniques. Confirmatory factor analysis along the structural model has been used. The Study highlights the differentiation towards profit maximization. Enterprises can focus much on green concerns in differentiating the products as the alternatives for obstacles faced through finance and resources. Better understanding of differentiation with sustainable values would distinct the product in earning competitive advantage as well as business existence.

**Keywords-:** Differentiation strategy, Business Performance, Sustainability

## 1. INTRODUCTION

### 1.1 Background of the study

Limited resources and unlimited wants create the trading era with tremendous changes which occur frequently. The scarcity of the resources stresses on strategic alternatives available to small firms. Hence the resource utilization is possessed by larger scale firms, the smaller scale firms need to evaluate the potential marketing strategies to recognize the distinctive competencies. This is a part of the ground theory of Porter's generic strategy which is introduced by Michal Porter during 1980's (Yoan, 2018). According to Jimnah (2020) the business strategy is mandatory as to run business operation beyond operational efficiency. A successful business strategy like differentiation strategy helps in measuring the growth and success of the business and increase adaptability. Similar to Michal porter's theory Edward Chamberlin (1993) implied the theory of monopolistic market completion regarding the market structures and functions of economic units. In the theory he has stated that the imperfect marker such as monopolistic ought to partially or slightly differentiate the product as to gain over the economical advantage in the market. Further he argues that differentiation is the effective mechanism in a market where large buyers and sellers are applicable in trading activities in gaining financial benefits. Even in

agriculture markets the watermelons are differentiated with the shape and size using genetically modified crops technology (Praiz, 2021). Adopting the differentiation strategy requires technology, set of specialized assets, and high intellectual workers to distinguish their products from their competitors. Differentiation strategy is able to add to profitability of a firm from the high profit margin made by providing firm's products (Retnaningtyas, 2018). The strategy of differentiation means course of action in distinguish the product, process or conduct of a business from its rivals as to make uniqueness for itself. This strategy would bring firms to upgrade the economical performance and to exist in the industry for a long run. Firms that use differentiation strategy as their business strategies will be able to reach certain financial gains due to their premium profit margin and competitive advantages constructed by the firms. In deed firms generally pursue differentiation strategy less forced to use real earnings management.

According to porter (1994) the differentiation strategy, the organization attempts to be unique in its industry in several scopes generally valued by consumers. The organization chooses single or multiple attributes that are observed important by many consumers within the frame work of the industry and uniquely puts it to

meet those requirements. The organization then rewarded with premium price because of its exceptionality and uniqueness. The technique to distinct is dissimilarity for each industry. According to Roy (2018) Differentiation can be based on the product, product delivery methods, marketing approach, and other a range of aspects. Further he states that the major types of the differentiation strategies in to product, service and brand differentiation.

Exploiting differentiation strategy works out when the firms themselves realize as inimitableness with respect to the others in its particular industry. According to Dickson (2018) there is a difference between market segmentation and product differentiation and found that even marketers are unable to agree on what the distinctions are, or which specific element placed in first at sustain the brand or a firm. When it applied to the small businesses, they need to refrain being pre occupied with attempting to identify market segment and they will not have the resources to be able to explore all of the alternatives for prospective market segmentation. With a lack of identification, the firms will need to choose mass marketing. This adversely impacts the small firms in finding and growing the unit of economy (Roy A. Cook, 2012).

Formulating a differentiation strategy is an effectual way of coordinating and evaluating the internal and external factors. The insight of the enterprise needs to be capable enough to adopt the requirements of customer and the attributed perceived from the market (Grant, 2002).

Utilization of resources and usage of appropriate strategies can be known as critical factor for not only profitability but also sustainability of the business. In context of Asian countries its evident full that differentiating the core item than the substitutes would improve the financial performances (Nijuhan, 2015). The resource-based theory also ropes the ideology of the financial performance and differentiation strategy. In fact the usage of differentiation positively impact on financial as well as economic performance of the industries like manufacturing (Jimnah, 2021). However adopting and implying the differentiation strategy would be challengeable for the firms especially like small and medium scale enterprises. There are limitations in applying differentiation strategy; those are capital, not having an effective distribution channel, mindset in doing business, and lack of technology (Joy, 2021).

The main center of attention of firm that uses differentiation strategy is customer satisfaction and successful products' performance, rather leading to earnings management (David,

2020). The firms do undertake differentiation strategy by forming a perception of certain values such as product performance, product innovation, product durability, and brand recognition to its customers.

Every organization that competes in a market has a willingness to be superior to its competitors. In common context the organizations apply this competitive strategy through the functions of various existing firms located in the market. The basic concept of the formulation of a competitive strategy begins with the development of a general formula on how a business would grow and the policies along the approaches required reaching the targets (Bayal, 2021).

Approximately 90% of entities would belong to SMEs where it creates 45% job opportunities and 52% on economic growth (Shares of economic sectors, 2019). Generating employment opportunity would diminish the unemployment as well as poverty of the nation (Central Bank of Sri Lanka 2018). The small and medium scale enterprises are the execution of the entrepreneurship of a society. Defining SME would be distinct since the measures are varying from country to country according to the socio-economic nature. Basically number of labours employed, amount of capital employed and the annual turnover earned would be the common measures in framing SME. According to Sri Lankan context, the enterprises that

gratifies the annual turnover not exceeding Rs.750 million and employing lesser than 300 employees can be categorized in to small and medium scale business (Sri Lanka National policy frame work 2015).

## **1.2Research problem**

According to Porter (1990) suggested four "generic" business strategies that could be adopted in order to gain competitive advantage based on cost leadership and the product differentiation. According to CMA (2020) 75% of the enterprises operated in Sri Lanka represent SME's and they contribute 45% of the total employment of the country where 52% of the GDP driven through these productive units. The SME's that are practicing self directed culture and dynamic learning show approximately 30% to 50% of sustaining rate compared to the other enterprises in the market. At the same time those organizations reflect higher productivity of 52% other than the substitutes in the industry (Most admired companies of Sri Lanka, 2019). The challenges experienced by many SME's are relevant to the labour training, technology adaptation, asymmetric information and the high competition in the market. Due to some dynamic obstacles some ventures fall on to the shutdown stage too (National human resource & employment policy, 2021). Therefore, the study intends to investigate the significance of profitability of SMEs to identify the influence of

the strategies such as differentiation on the entrepreneurial and business functions towards the operational efficiency.

### 1.3 Research questions

- Does the differentiation strategy positively influence the business performance?
- Does innovation process impact on the operational efficiency of the business?
- Does differentiation of goods, services and process contribute to the competitive advantage of SMEs?

### 1.4 Research objectives

- To identify the relationship between the differentiation strategy and business profitability.
- To examine the influence of differentiation strategies on the existence of the firms.
- To evaluate the role of differentiation on the customer value proposition of SMEs.

Therefore, the study aims to address the issues related to the adaptation of differentiation strategy among the SMEs.

## 2. METHODS

The conceptual model focuses on theoretical reflection of the concepts relevant to the research on the influence of differentiation strategies towards the profitability and sustainability of enterprises.

The conceptual frame work has been developed as the empirical model which elaborates the clear cut ideology supported through the pragmatic evidences from the literatures and the former studies. The study provides the overall knowledge on strategy adaptation towards success entities. The study is carried out based on confirmatory factor based and the sample frame work has been drawn the population in the western province through 40 different divisional secretariats and 03 district secretariats. The data collection is use through primary data collection method. Reliability and validity testing done along with regression analysis are expressed in deriving the hypothetical testing. According to the definition formulated by the OECD (OECD, 2011a), green growth

means taking measures conducive to growth and economic development, while ensuring that natural assets continue to provide the resources and environmental services which contribute to the country's prosperity. Green growth focuses on accelerating investments and innovations that will underpin sustainable development and provide new economic opportunities. Reilly (2012) states that the push for green economic growth expresses the intention to direct the economy towards technologies

and consumption patterns that create jobs and economic growth as well as reduce the impact on the environment

### **2.1 Location of the study**

The study concerns the area of western province comprises through 40 divisional secretariats. These divisional secretariats are including 20450 (Gampaha DS statistics, 2019) registered and existing small and medium scale enterprises.

### **2.2 Development of hypothesis**

Based on the summary of referred literatures and the general observation there are four basic hypothesis used to explore the influence among the factors on business performance.

H1: Products innovation positively contribute to the performance of enterprises

H2: Product uniqueness positively contribute to the performance of the enterprises

H3: Product image positively contribute to the performance of the enterprises

H4: Product design attributes positively contribute to the performance of the enterprises

H5: Product value creations positively contribute to the performance of the enterprises

### **2.3 Conceptual framework**

Conceptual frame work of this study expresses the major five forms of differentiation approach that are influencing on the performance level of SMEs. According to the literatures and

the observation the critical and most common practices that have been used in differentiating the goods, services and the process are associated with the performance level of the enterprises (Figure 01).

### **2.4 Sample framework**

There are approximately 20450 registered ventures of small and medium scale up to 2019 throughout 40 divisional secretariats and 3 district secretariats in the western province (District secretariat statistics, 2018). The enterprises are taken from the different sectors such as food and beverage, cosmetics and herbal, house hold groceries, farm and agricultural items, clothing and apparel and handmade crafts & souvenirs. Stratified random sample technique has been used to testify the influence of differentiating practices to the enterprises' success. Similarly in determining the sample size requirement non proportionate sampling technique is being used (Table 1).

### **2.5 Data collection instrument**

The study uses the data collection basically from primary sources through self-administered close ended question.

Reliability and validity test has been done through Alpha Cronbatch to ensure the accuracy of factor variables along the model. The results are expressed through descriptive as well as inferential ways. Illustrative figures and tables, central

tendency are used to reflect the descriptivemanner. Regression analysis and Pearson correlation test are being to reflect inferential manner. According to thehypothetical test the results are interpreted and generalized.

### **2.6 Variables of the study**

Performance of enterprises is being the dependent variable there are 5 independent variables such as Innovation, image, uniqueness, design attributes and value are used to examine the influence resting on the performance of enterprises. The performance is measured through the profitability and sustainability (Table 2).

## **3. RESULTS & DISCUSSION**

According to the former findings and the reviews taken from the literature the most prominent factors are identified and associated with the theoretical concepts as to testify the generic practices of differentiation. Regression analyses along with Pearson correlation test have been conducted as to testify the validity of formed hypothesis to generalize the results findings.

### **3.1 Results of reliability & validity**

There are major five major factors that have been resulted out from the fifteen elements. Reliability was measured through CR and tested by convergent validity via AVE. CR values of the factors is above 0.70 which is at the satisfactory level. As a result reliability and validity of the

variance were up to the satisfaction as illustrated in the table 03.

### **3.2 Results of confirmatory factor analysis**

This study basically examines the remarkable differentiation factors that are highly essential to be considered on operational efficiency such as maximizing profit of enterprises.

There are five critical factors loaded along with 15 elements (variables) forming a well-fitted measurement structure. Product innovative factors (variable 01) derived from three elements such as novelty, demand and business knowledge notified from element 01-03. Product image factors (variable 02) derived from three elements such as awareness, recognition and admiration comprised from the elements 4-6. Product uniqueness factors derived from the elements of customer value, customer loyalty and competency of firms are loaded from elements 7-9. Product attributes factors are comprised of the elements of aesthetic, performance and the affordability tagged through the elements 10 to 12. Product value creation factor includes the elements from 13-15 such as Green concerns, profit margins and green technology. The model summarizes that the Number of parameters was 57, the values of indices GFI and AGFI were 0.88 and 0.85 respectively in adducing that model is fit along the data (Urbach&Ahlemann, 2010)

### 3.3 Results of the structural model

Application of the structural model to this study represents the relationship of the latent variables from 1-15 that are hypothesized to the major 5 factors in the model of exploration. The main thumb rules for this model are the R2 measures and the significance level of the coefficient (Duarte & Raposo, 2015).

As indicated by results of structural model (table 4) out of the five key factors the product innovation factors, product uniqueness factors and product value creation factors are significantly correlated on the performance of enterprises in terms of profitability or operational efficiency. Among the formed five hypotheses, the first hypothesis (product innovation factors) effects on the productivity of business performance and accepted ( $p=0.008$ ). Also the third hypothesis (product uniqueness factors) has the direct collision on profitability of the enterprises and accepted ( $p= 0.001$ ). Hypothesis five (product value creation) showing a momentous relationship to the enterprises' performance and accepted from the testing value ( $p= 0.019$ ) conversely the second hypothesis (product image factor) reflects the inconsequential relationship on business performance thus rejected with the value ( $p=0.114$ ). Finally, the fourth hypothesis (product attributes factor) implies the insignificant relations towards the performance level of the

enterprises ( $p= 0.066$ ).

### 3.4 Results of coefficient analysis

The Un-standardized coefficient exemplifies to what extent the dependent variable is varying along the independent variable while other all independent variables are remaining constant. As per the significance value there are nine differentiation aspects were showing the significance where the coefficients are implying the significant different to zero and bring to a close that the phases of differentiation approaches such as the novelty, demand for the product, business knowledge, customer loyalty, product valuable, competency of the firm, green perceptions of the firm, profit margin, and the usage of green technology are positively associated to the performance of the enterprises. Table 5 illustrates the implication of coefficient analysis.

### 3.5 Discussion of the results

The study was targeted with the 750 sampled SMEs from different stratum. From the responds given through the questionnaires 18 were rejected due to the lack of reliability of the response. Therefore the study associates with only 732 questionnaires which is 98% in response rate. In general over view many enterprises confess that the application of differentiation strategy would stimulate the performance level of their businesses. 98% of the enterprises agree in adopting the differentiation process in benefiting the enterprises (Figure 2).

As per the results of the study it has been proven that production innovative factors ( $p= 0.008$ ) product uniqueness factors ( $p= 0.001$ ), and product value creation factors ( $p=0.019$ ) are significantly associated with the business performance. Whereas the enterprises are showing that product image factors ( $p= 0.114$ ) and product attributes factors ( $p= 0.066$ ) are having insignificant association towards the business performance. The study has revealed that Enterprises are fully or partially adopting the differentiation approach in their products would experience the efficiency throughout the business operations. Since novelty is the process of an introduction of the item which has never been there in the market would gain the competitive advantage thus it allows the enterprises to earn more revenue through the incremental volume of sales. According to the study 66% of the enterprises confess that through the innovation and novelty they experience the profitability of their enterprises. There is a significance relationship seen among the novelty of the item and the performance of a business ( $p= 0.09$ ).

Differentiating a product will be as a push factor in increasing the demand in the market. This is proven in the study as well and the response rate revealed that 87 % of the enterprises believe on differentiation as to boost the demand than the existing situation and 50.5% of the enterprises highly agree upon the product

differentiation. The study encounters a positive relationship between the demand after differentiation and the business performance ( $p=0.015$ ). To differentiate the product, the business enterprises, need to adjoin the business experience gained through the operations for so long in bringing up the product as to match the customer requirements and opinion. This is factual in the study as well. 85.3% of the enterprises in the survey admitted that the business knowledge is advantageous in product differentiation towards the profit and existence. There is a significant relationship shown between business knowledge and the business performance ( $p=0.007$ ).

According to Miller (2016) Differentiation strategy is the potential to present inimitable and superior value to the consumer in terms of product quality, exceptional characteristic and variation. This is supported from the findings of the study where 72.5 % of the enterprises confess that making the unique product would gain profitability. And this is shown through the significant association among unique value towards the operational efficiency ( $p=0.021$ ). Differentiation is a feasible approach for SMEs. This is possible since the enterprises are diminutive to abide a cost strategy (Beal, 2000). The view of the consumers might differ from person to person and the sensitivity on the manner in which the enterprise offers the consumers the

heterogeneous item at reasonable price in making consumers pride while using the item. (Peter, 2017) indeed the survey validate the nature where 91.5% of the enterprises believe that the differentiation makes adequate profit in real scenario as well there is a positive relationship shown on the customer loyalty towards business betterment ( $p=0.010$ ). According to Naushua, (2015) Product differentiation is not limited only to the visual aspect of the products. Even the way of advertising or marketing the product comes with the differentiation of the product among the substitutes and the market.

The study has shown that perceived competencies such as ability to compete and resilience would impact on the business performance and 54.3% of the enterprises strongly agree on this. Business competency and the business performance is significantly related ( $p=0.015$ ).

Using eco-friendly materials and energies would differentiate the product in competitive edge. Perceptions of the consumers are towards sustainability in the contemporary situation. Therefore making a different through sustainable materials would help the venture to succeed. The study has shown that 84% of the enterprises believe in using green based resources in making profits. The study shows the significant relationship between the sustainable concerns and performance ( $p=0.020$ ). Modes of distinctions can be perceived by

the consumers valuing the rational concern which positions itself to meet the formed requirements. This would be resulted in skimming prices and the supernormal profit. In deed this is adducible from the findings of the survey. 95.3% of the enterprises have the same opinion where producing or distributing some this unique and distinct would make the enterprises in better economic returns. The study has shown the significant relationship between product differentiation and rising profit margins ( $p= 0.003$ ). the result of the survey verdict that 53% of the respondents have confessed that usage of sustainable technology and green process would gain them the competitive advantage as to utilize the operational efficiency. This is reflected from the study among there significant co relationship ( $p=0.52$ ).

On the other hand, many literatures have supported the differentiation takes place through brand image would improve the business performance. Numbers of enterprises do offer trial products, in order to create an attention for the consumers to identify and distinguish the product from other rivals 'offerings. The ways of branding the product would be critical since economic agents such as producers, consumers, mediatory are acting in ways of weaken brands instead of building the brands. Therefore this branding technique would serves to differentiate products and creates a basis for forming brand

reputation through consumer trust (Nausha, 2015). But the results of the survey indicate that product image and the business performance have insignificant relationship ( $p= 0.114$ ). Simultaneously the purpose of branding is not only to differentiate the product from the rivals but also to create the unique selling point in making the existing products salable (Robert, 2017). As to support this 62.2% of the enterprises do not believe that the product awareness guarantees the profit. Also 47.4% of the enterprises confront as product admiration towards the profitability.

Amoako (2008) investigated the interaction among the production design mix covering aesthetic appearance, cost, and the performance of the product towards the performance of the firm. The positive relationship has been victimized among the two variables and the approaches of manufacturing comprises with quality, cost, flexibility, and the aesthetic appearance. Addition to that the findings of the study shows that the product modification and quality stress on the competitive edge of an enterprise which is a simple and flexible technique for SME's even to adopt at lower trade off. In contrast the study reveals that there is an insignificant correlation between the product attributes and the business performance ( $p= 0.066$ ) and also the enterprises used in the survey confessed that 45% of them are in confrontation with the product performance and the profitability

of the firms. The study of Susan (2017) states that the phase of product differentiation comprises with set of components such as product innovation, quality of the product, product design, and consumer unique value not basically the image created by the community of the product.

#### **4. CONCLUSION**

Differentiation strategy would offer superior extent for the organizations to produce and distribute goods and services with advantageous aspects as a way of competing the market covering existing and the new consumers. It is adducible that competitive advantage can be gained through differentiating the product strategy and impact on the operations of the organization similar to consumer goods manufacturing enterprises. Efficiency increases essentially out of worth a firm is able to create for its consumers which exceeds the enterprises' cost of forming the new value. Product differentiation strategy can be a device of competitive advantage which is agreed to by the firms with the intention of provide products which satisfies individual customer's needs. In that angel valuing their expectations in offering the product value without compromising the cost advantage is fundamental.

Based on rational concept the valuable root of differentiation of products would facilitate an enterprise to increase its total revenues and to counterbalance

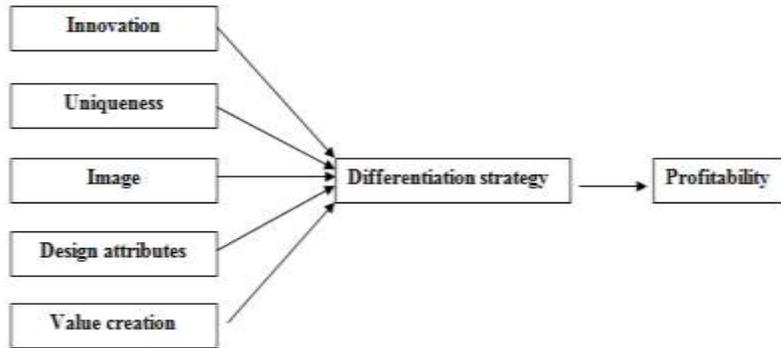
market threats, uncertainties as to take advantage of opportunities and trends in the industry.

Therefore differentiating the product not actually creating a novel item and its some modification made on the existing products. Further creating product image through advertisements and awareness campaigns will not advantageous in the prevailing context. But when ventures are differentiating the products through creating value with sustainable materials, resources and process would enhance the awareness and the customer attraction. Therefore, the SMEs need to focus more on differentiation the items through

the less costly sources in including the eco friendliness and the innovation as much as simple and flexible in minimizing cost and maximizing profit.

In fact, when the SMEs are focusing much on the innovation, uniqueness and value creation would better them off other than considering the image and aesthetic related factors. This would gain them not only the operational efficiency but also the long term sustainability of the enterprises.

**APPENDIX**



**Figure 01: Conceptual framework**

Source: Author's Empirical evidence

**Table 01: Sample framework**

Districts	Number of Divisional Secretariat	Number of SMEs	Sample
Gampaha	13	7012	250
Colombo	13	7418	250
Kalutara	14	6020	250
<b>Total</b>	<b>40</b>	<b>20450</b>	<b>750</b>

Source: Author's estimation from Gampaha secretariat data-2020

**Table 02: Variables & measures**

Factors	Types of variable	elements	Variables	Question number
Product innovation	Independent	01	Novelty	3 & 4
	Independent	02	Demand	5& 6
	Independent	03	Business knowledge	7&8
Product image	Independent	04	awareness	9 &10
	Independent	05	Recognition	11& 12
	Independent	06	Admiration	13 & 14
Product uniqueness	Independent	07	Valuable	15 &16
	Independent	08	Customer Loyalty	17& 18
	Independent	09	Competency	19 &20
Product attributes	Independent	10	Aesthetic attraction	21 & 22
	Independent	11	performance	23 & 24
	Independent	12	Affordability	25& 26
Product value creations	Independent	13	Green concerns	27 & 28
	Independent	14	Profit margin	29 &30
	Independent	15	Green technology	31 & 32
Business performance	Dependent	16	Business profitability	33

Author's Compilation

**Table 03: Summary of factor loading measurement model**

Factors	1	2	3	4	5	AVE	CR
01	0.906						
02	0.902						
03	0.900					0.902	<b>0.922</b>
04		0.810					
05		0.811					
06		0.831				0.817	<b>0.913</b>
07			0.884				
08			0.888				
08			0.804			0.858	<b>0.902</b>
10				0.820			
11				0.803			
12				0.909		0.846	<b>0.901</b>
13					0.904		
14					0.922		
15					0.890	0.905	<b>0.908</b>

Source: Author's estimated values from factor loading

**Table 4: Results from structural model**

H(s)	Factors	$\beta$	S.E	C.R	Sig
<b>H1</b>	Product innovation	0.252	0.08	2.127	0.008
<b>H2</b>	Product image	0.266	0.02	1.050	0.114
<b>H3</b>	Product uniqueness	0.400	0.09	1.251	0.001
<b>H4</b>	Product attributes	0.331	0.03	2.863	0.066
<b>H5</b>	Product value creation	0.420	0.07	2.980	0.019

Source: Author's estimated values from structural model

**Table 5: Summary of coefficient analysis**

	Un standardized coefficient		Standard coefficient	t	Sig
	B	Standard error		B	Standard error
Constant	-8.212	6.522		-1.652	0.122
Novelty	0.885	0.288	0.381	4.010	0.009
Demand	0.810	0.202	0.255	3.001	0.015
Business knowledge	0.802	0.221	0.243	3.901	0.007
awareness	0.020	0.121	0.090	0.552	0.100
Recognition	0.009	0.115	0.088	0.501	0.120
Admiration	0.017	0.297	0.072	0.221	0.051
Valuable	0.726	0.102	0.212	2.172	0.021
Customer Loyalty	0.877	0.211	0.344	4.011	0.010
Competency	0.882	0.228	0.392	3.991	0.015
Aesthetic attraction	0.080	0.110	0.043	0.442	0.066
performance	0.091	0.165	0.038	0.450	0.052
Affordability	(0.010)	0.210	(0.026)	(0.662)	0.122
Green concerns	0.801	0.130	0.352	3.820	0.020
Profit margin	0.790	0.142	0.310	3.600	0.003
Green technology	0.901	0.132	0.322	3.588	0.052

Source: Author's estimated values from coefficient analysis

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## **Determinants of Employee Turnover: A Case During the Covid-19 Pandemic**

**M. M. D. R. Deegahawature<sup>1</sup> & H. M. I. Lakmali<sup>2</sup>**

<sup>1</sup>Department of Industrial Management  
Wayamba University of Sri Lanka  
Kuliyapitiya  
SRI LANKA

dharsana@wyb.ac.lk<sup>1</sup>, imalkalakmali5@gmail.com<sup>2</sup>

### **Abstract**

The interest of employee turnover and determinants remains because it influences the survival of firms despite wider studies. Though the Sri Lankan government promotes SMEs in economically backward provinces yet, they struggle with several human resource management issues. A sudden increase in employee turnover in a manufacturing firm located in Buttala Industrial Zone during the turbulent environment of the Covid-19 and contradictory findings about the determinants of turnover before and during the pandemic motivated the study. Therefore, this study attempts to identify the determinants of employee turnover during the Covid-19 pandemic. Cross-sectional data were collected through a questionnaire that was developed using previously tested measures. Data collected from 114 respondents of the firm were analyzed by using the regression analysis. The results revealed that job satisfaction, and remuneration and benefits have a negative effect on employee turnover. Contrary to the hypotheses, the work environment characterized by organizational support and supervisor support has a positive effect. This study strengthens present literature studying human resource management practices and outcomes in a turbulent environment. Managerial implications, limitations, and future research directions are provided.

**Keywords-:** Employee Turnover, Covid-19 Pandemic, Determinants, Sri Lanka

## 1. INTRODUCTION

Human capital is identified as an important and unique resource for any organization (Wang, Xu, Zhang, & Li, 2020) and it becomes critical for labor-intensive industries. Therefore, retention of employees and maintaining lower employee turnover is one of the priorities in human resource departments.

Literature posits that a high turnover rate is a major problem in human resource management for a variety of reasons (Salleh, Nair, & Harun, 2012). Employee turnover directly influences the effectiveness of an organization and is a critical strategic issue in terms of survival and sustainability (Jung, Namkung, & Yoon, 2010). Therefore, organizations are supposed to adopt carefully developed human resource practices and strategies to mitigate employee turnover and ensure organizational sustainability.

Small and medium scale enterprises (SMEs) play a significant role in any economy irrespective of the differences among economies (Amah & Oyetuunde, 2020). Particularly, the SMEs located in the rural areas of a country are salient since they become an important employment sector thereby, contribute to upgrade the standard of living. In the Sri Lankan context, Sri Lanka has identified the need of developing SMEs in Uva Province as it is an economically backward province (MIC, 2016). Also, the economic indicators in the province are among the lowest in the country. As an example, 52 percent of the employed population in the province

engages in the agriculture sector (DCS, 2020). Out of two districts in the province, Moneragala is economically lagging behind Badulla. The number of establishments in Moneragala District is 1.8 percent out of total establishments in the country that bears 1.3 percent of employees out of total employees in the country (DCS, 2015). Thus, the support extended to develop industries in this area would help develop the province.

Though the government has identified the necessity of promoting SMEs in Uva province including Moneragala district, yet, SMEs faces several unique human resource related issues such as employee retention and higher turnover despite the fact that human resource is one of the critical resources in determining organizational success and survival (Arshad & Puteh, 2015). The adverse effect of this issue on the firms has been intensified due to the scant of skilled employees in the Moneragala district. Also, it dilutes the strength of the skilled workforce of firms thereby, disrupts the smooth operations. Finally, organizations will not be able to achieve their goals thereby, they will not be able to contribute to the economic and social development of the area as the government expects. This study focuses on the organizations in this region with the aim of giving insight to those firms regarding employee turnover.

This study is based on a case of a limited liability company incorporated under the Companies Act in Sri Lanka. The organization is in the manufacturing industry and is

located in Buttala Industrial Zone, Moneragala district, Uva province in Sri Lanka. This study is motivated by the fact that the focal firm has been experiencing higher employee turnover. The firm's statistics reveal that the employee turnover has increased during the Covid-19 pandemic, and it is high as 20 percent in 2020, which marks a 10 percent increase. When the employee turnover is significantly higher compared to its previous experience or similar organizations, it becomes essential to investigate the reason and take remedial actions (Armstrong, 2006). On the other hand, the studies done during the pandemic conclude contradictory findings about the determinants of employee turnover compared to the findings before the pandemic (Gunadi, Siahaan, & Adji, 2021). Therefore, this study attempts to identify the determinants of higher employee turnover during the Covid-19 pandemic.

The findings of the study help the practitioners including the firm and contribute to the literature in several ways. First, the firm will be able to identify the determinant of employee turnover during the present turbulent pandemic, and take suitable steps to mitigate the adverse effect of the issue. The present rate of turnover has drastically influenced the function and performance of the organization thus, the findings will be useful to the organization to take appropriate corrective measures to retain its competitiveness and ensure survival. Also, the retained skilled employees would help maintain higher productivity and profitability.

Second, the findings will help understand the effect of certain factors over employee turnover in distinct contexts particularly, during a turbulent time and present pandemic. It will help resolve inconsistencies in the literature. Thereby, this will contribute to strengthening the present literature. This understanding will help the organization effectively face unexpected upheavals in the future. Third, this study focuses on SMEs in an economically lagging area where the environment is distinct. The study will explore determinants of employee turnover in this unique environment. Organizations that face a similar issue in similar environments may understand and come up with appropriate solutions to cope up with the issues. The rest of the paper is organized as below. The next section is allocated to review literature related to the factors influencing employee turnover, followed by the methodology adopted in the study. The next section presents the results while the final section is devoted to discussion and conclusion.

## **2. LITERATURE REVIEW**

### **2.1 Employee turnover**

Employee turnover generally refers to the rate at which employees leave the firm during a given period usually, a year. CIPD (2021) defines it as "the proportion of employees who leave an organization over a set period (often on a year-on-year basis), expressed as a percentage of total workforce numbers". Armstrong (2006) defines employee turnover as the number of employees

leaving the organization. As indicated by CIPD (2021), the employee turnover rate can be calculated as the percentage of the number of leavers in a specified period over the average number of employees during the same period. This rate indicates how effective the human resource policies, strategies, and practices of an organization are. Also, a higher rate results number of negative outcomes over the organization including decreased productivity, lower employee morale, hinder skill development, lower competitiveness, etc. (Long, Perumal, & Ajagbe, 2012; Armstrong, 2006). Therefore, the organizations attempt to control employee turnover by bringing favorable policies, strategies, practices, etc.

This study considers the turnover intention of employees. The turnover intention does not mean that the employee departs from the organization however, it reflects the employees' mindset to leave (Abdullateef, Muktar, Yusoff, & Ahmad, 2014). However, turnover intention is an effective indicator of employee turnover. The turnover intention may be voluntary or involuntary (Noe, Hollenbeck, Gerhart, & Wright, 2006). Voluntary turnover refers to the departure of employees as their own decision. Accordingly, employees themselves terminate their employment based on their will. Involuntary turnover refers to the termination of employment by the employer. This study takes the definition of Mobley & Fisk (1982) and defines the employee turnover intention as the voluntary intention

of employees to quit a job or change the organization, they work for.

Retaining skilled and experienced employees by controlling employee turnover is a strategic issue that ensures sustainability (Huang, Du, & Lin, 2021) while maintaining employee morale (Hassan & Govindhasamy, 2020). There is a plethora of literature about employee turnover and the causes determining the same in different contexts (Ongori, 2007). Literature investigates the effect of various factors on employee turnover and these factors can be identified under diverse categories such as personal factors, organization and work factors, and social and economic factors (Zhang, 2016). Studies confirm that individual factors such as age, gender, individual skills, marital status, education, etc. influence employee turnover. Also, organization and work factors such as learning culture, job satisfaction, engagement, benefits package, involvement, relationship with superiors and peers, the scale of the firm, career growth, human resource management practices, autonomy, job stress, etc. determine the employee turnover. The literature identifies labor market characteristics, transportation system, health system, perception of the society, etc. as social and economic factors influencing the employee turnover. However, due to the unique nature of the organizations, generalizing these factors across different situations is difficult (Hassan & Govindhasamy, 2020). Also, referring to the pandemic situation, several studies

have investigated the effect of several factors such as job satisfaction, remuneration, benefits, work environment, perceived external employments, salary, organizational commitment, rewards, supervisor support, and poor quality of care, etc. on employee turnover (Aungsuroch, Gunawan, & Fisher, 2022; Putri & Arquisola, 2021; Gunadi, Siahaan, & Adji, 2021; Lavoie- Tremblay, et al., 2021; Yorulmaz & Sevinc, 2021).

This study focuses on the influence of four organizational factors on employee turnover. The selection of organizational factors is appropriate as this study considers the employee turnover in a selected organization. Also, the study selected the variables based on the influence of the present environment over specific variables. Accordingly, the job satisfaction, remuneration and benefits, work environment, and supervisor support were considered. The following sections present a detailed discussion on those variables and employee turnover.

## **2.2 Job satisfaction**

Job satisfaction refers to how employees feel about and evaluate their job and job context, and it may be a positive or negative impression (Salleh, Nair, & Harun, 2012). Also, it is the feeling of employees resulting after assessing various aspects of the job. In line with this definition, Locke (1976) defines job satisfaction as the pleasing or positive emotional state of employees resulting from the evaluation of their job or job environment. Spector (1997) defines

it as employees' general feeling about the job or different facets of their jobs. According to Saeed, Waseem, Sikander, & Rizwan (2014), employees get satisfied with the job when their attitudes are favorable towards this job. However, an enhanced gap between expected and available levels of different facets of the job and its context reduces job satisfaction. Employee job satisfaction affects not only employees but also employers. Job satisfaction reflects that the employees meet their expectations related to the job while it helps organizations achieve higher performance through increased employee performance (Ali & Anwar, 2021). Considering the above facts, this study defines job satisfaction as employees' general perception about their jobs and job environment.

As mentioned earlier, job satisfaction is determined by various facets of the job. These facets include career opportunities, job influence, teamwork, and job challenge (Riyadi, 2020). Also, Spector (1997) identifies that factors such as coworkers, appreciation, challenges, job conditions, promotion, and organizational policies and procedures determine job satisfaction. According to Moorhead & Griffin (1999) and others, facets of job satisfaction include needs and desires of employees, social relationships, management style, quality of management, job design, working conditions, long-range opportunities, opportunities outside the organization, etc. Accordingly, the literature covers a vast spectrum

of financial and non-financial factors as determinants of job satisfaction.

Job satisfaction is identified as one of the key drives of several positive outcomes in an organization such as higher commitment, performance, engagement, productivity, responsiveness, workplace learning, and quality, etc. as well as lower absenteeism, tardiness, grievance, accidents, etc. (Ali & Anwar, 2021; Saeed, Waseem, Sikander, & Rizwan, 2014; Salleh, Nair, & Harun, 2012; Armstrong, 2006; Rowden & Conine, 2005; Spector, 1997). Also, it is recognized as an important driver of employee turnover. Investigating the association between job satisfaction and turnover intention, several authors confirm a negative association (Saeed, Waseem, Sikander, & Rizwan, 2014). The studies conducted in western culture (Duraisingam, Pidd, & Roche, 2009; Lee & Rwigema, 2007) as well as in eastern culture (Alam & Asim, 2019; Zhou, Long, & Wang, 2009; Jiang, Baker, & Frazier, 2009) confirms similar findings. Also, several studies conducted in the Sri Lankan context provide evidence for the negative effect of job satisfaction over employee turnover (Perera & Madagamage, 2018; Rajapaksha & Kappagoda, 2017; Wickramasinghe, 2010; Wickramasinghe, 2009). Research-based evidence proves that job satisfaction is low while the turnover intention is high among employees during the pandemic (Lavoie- Tremblay, et al., 2021). Analyzing the turnover intention during the Covid-19 pandemic, Gunadi, Siahaan, & Adji (2021)

conclude that job satisfaction negatively impacts it. According to these findings, employees tend to leave the organization when they are not satisfied with the job thus, the turnover intention of employees is negatively influenced by job satisfaction. Based on this ground, the following hypothesis is posited.

H<sub>1</sub>: Job satisfaction has a negative effect on employee turnover intention.

### **2.3 Remuneration and benefits**

Pay inequity is often recognized as a reason for employee turnover (Tripathi & Srivastava, 2020; Heshizer, 1994). Not only the equity but also certain other aspects such as procedure, type, etc. influence the employee turnover (Bryant & Allen, 2013). The procedure refers to the way organizations determine, administrate pay raises, etc. whereas the types refer to the availability of different methods of pay and benefits. Employees' satisfaction with their remuneration and benefits may positive or negative due to the outcome of the comparison between actual pay and expected pay (Locke, 1969). Two popular models, equity and discrepancy models, describe pay satisfaction as a psychological outcome of comparison of pay received against expected to receive (Wang, Chen, Hyde, & Hsieh, 2010). Pay satisfaction is defined by Porter & Lawler (1968) as "the feelings or affective perceptions that an individual experiences in relation to the existing pay system" (Wang, Chen, Hyde, & Hsieh, 2010). Based on this definition, this study defines remuneration and benefits as the

perception of employees about their experience with the present pay system in the organization.

A plethora of studies inquires about the relationship and effect of remuneration and benefits over employee turnover. These studies cover different contexts and different aspects of remuneration and benefits. Studies in developed countries confirm the existence of negative effects from pay practices on employee turnover (Pek-Greer, Wallace, & Al-Ansaari, 2016; Guthrie, 2000). Similar results are found in the African region (Kamau & Omondi, 2020; Lekartiwa, Rintari, & Moguche, 2020). Also, a positive effect of pay satisfaction over employee retention was found in the Asian region (A'yuninnisa & Ridwan, 2015; Wang, Chen, Hyde, & Hsieh, 2010). Reviewing the literature about employee retention in Pakistan, Aman-Ullah, Aziz, & Ibrahim (2020) present a number of studies that conclude positive association and effect of remuneration and benefits over employee retention. Also, similar effects are found by several studies conducted in the manufacturing sector (Wickramasinghe & Sajeevani, 2018; A'yuninnisa & Ridwan, 2015). Further, several studies conducted in Sri Lanka provide evidence for the negative effect of remuneration and benefits on employee turnover. Investigating the effect of the reward system on employee turnover, Mendis (2017) finds that better financial and non-financial rewards strongly influence employee turnover. Importantly, compensation practices, remuneration, and benefits are

recognized as significantly and negatively influencing factors on employee turnover intention by several studies conducted in the Sri Lankan apparel sector (Fernando, 2019; Wickramasinghe & Sajeevani, 2018; Wimalasiri & Jayatilake, 2016; Chamini & Randeni, 2016). Also, a significant effect of salary satisfaction over employee turnover is reported during the Covid-19 pandemic (Putri & Arquisola, 2021). Contrary to that, Gunadi, Siahaan, & Adji (2021) find no significant effect of remuneration on employee turnover during the pandemic. Therefore it is essential to clear this doubt. In compliance with the majority of findings, the study postulates that the perception of employees over their remuneration and benefits may negatively influence employee turnover intention. This proposition is further supported by the fact that the remuneration and benefits of employees in the focal organization consist of incentives that refer to the pay structure thus, the present pandemic may adversely affect the employee perception about present remuneration and benefits. On this ground, the following hypothesis is postulated.

H<sub>2</sub>: Remuneration and benefits have a negative effect on employee turnover intention.

## 2.4 Work environment

The work environment is the general context where employees work. It refers to the working conditions consisting of elements that create a conducive context for the employees. Thus, it is “the perceived entirety of

non-pecuniary elements that provide surroundings to employees' job" (Bibi, Ahmad, & Majid, 2018). Employees will be able to work in their jobs satisfactorily, peacefully, and safely in a supportive work environment (Danish, Ramzan, & Ahmad, 2013). Thus, it becomes an essential element for various positive employee outcomes (Verbeke, Volgering, & Hessels, 1998). Searching for the elements of the working environment, different studies find a number of elements in different contexts (Yusof, Ibrahim, Senin, Hassan, & Nordin, 2021; Alias, Zailan, Jahya, & Othman, 2019; Kullab & Kassim, 2017; Mbaruku, Larson, Kimweri, & Kruk, 2014). As an example, the elements such as nature of work, work flexibility, challenges, dispute, working times, work schedules, etc. are identified as the elements of the work environment. The literature recognizes perceived environment (climate) as a salient dimension of the work environment. It can be defined as employees' perception of the environment, particularly about its support, organizational support, friendliness, trust, fair treatments, etc. (Yusliza, et al., 2021). On this ground, the present study defines the work environment as the perception of employees about the support received from the organizational environment.

Employees who are satisfied with their work environment are more likely to be motivated and productive. According to the literature, organizations with generous human resource policies well satisfy their employees by

providing a conducive work environment, which intern increases employees' motivation to stay in the organization in long run. Thus, organizations create work environments capable of attracting, motivating, and retaining talents (Irabor & Okolie, 2019). Contrasting to this, a difficult work environment where organization support is weaker leads to disputes thereby several negative outcomes such as job stress, burnout, absenteeism, negative attitudes, turnover, etc. (Kokt & Ramarumo, 2015; Roelofsen, 2002). Accordingly, the existence of a supportive environment negatively impacts employee turnover (Timothy, 2009). A plethora of literature supports the argument that the work environment influences employee turnover (Bibi, Ahmad, & Majid, 2018; Bibi, Pangil, Johari, & Ahmad, 2017; Kundu & Lata, 2017).

Similar results are reported by the studies conducted across the countries. Several studies conducted in Malaysia confirm that there is a negative effect of work environment on employee turnover (Yusliza, et al., 2021; Alias, Zailan, Jahya, & Othman, 2019; Kullab & Kassim, 2017). Studies conducted in several other countries in the same region such as Pakistan, Indonesia, India, etc. confirm the existence of a similar effect (Naz, et al., 2020; Kurniawaty, Ramly, & Ramlaw, 2019; Umamaheswari & Krishnan, 2016). Msengeti & Obwogi (2015) conclude that the work environment plays a major role in determining employee turnover in the hospitality industry, Kenya. Also, the research

provides evidence from both service (Naz, et al., 2020; Yusliza, et al., 2021; Msengeti & Obwogi, 2015) and manufacturing industries (Kundu & Lata, 2017; Umamaheswari & Krishnan, 2016) for a similar effect. The limited research conducted in the Sri Lankan manufacturing sector also provides evidence for the negative effect of the work environment on employee turnover (Fernando, 2019; Chamini & Randeni, 2016). However, the studies conducted during the Covid-19 pandemic reveal that there is no significant effect of the work environment on employee turnover (Gunadi, Siahaan, & Adji, 2021) while some studies identify workplace guidance and support as an element of employee retention (Elsafty & Ragheb, 2020). Adapting to the majority of the findings, this study postulates that the employees' assessment and perception about the support received from the work environment may influence employee turnover. On this ground, the following hypothesis is posited.

H<sub>3</sub>: Work environment has a negative effect on employee turnover intention.

## **2.5 Supervisor support**

The literature distinguishes between organizational support and supervisor support thus, they become two distinct concepts (Kottke & Sharafinski, 1988; Wayne, Shore, & Liden, 1997). The organizational support is labeled here as the work environment. Some authors identify supervisor support as a dimension of perceived organizational support (Purba & Fawzi, 2019). This study

identifies it as a distinct concept that has a number of positive outcomes. As examples, organizational effectiveness (Ilyas, et al., 2020; Thomas, Bliese, & Jex, 2005), commitment, satisfaction, productivity, and performance (Basuil, Manegold, & Casper, 2016), etc. are among those positive outcomes. Supervisor support refers to employees' perception about the level of support and encouragement that they receive from the supervisors to carry out their jobs, and the level of concern of supervisors on employees (Burke, Borucki, & Hurley, 1992). Accordingly, it explains the employees' assessment of the encouragement, support, and concern received from supervisors. Employees consider several factors including support for implementing achievable work practices, solving employees' issues, directing for future achievements, etc. during the assessment of supervisor support. Also, this encourages mutual support between supervisors and employees (Rafferty & Griffin, 2006). Discussing the LMX model, Maslyn & Uhl-Bien (2001) also insist that both supervisors and employees mutually give away trust, respect, and opinion to the other party. Thus, supervisor support is characterized by trust, respect, and opinion. Accordingly, this study defines supervisor support as the employees' perception of the support, encouragement, and care that they receive from the supervisors.

Previous studies provide evidence for the relationship and effect of supervisor support over employee

turnover. Supervisor support is identified as a tool to reduce employee stress (Etzion, 1984) thereby, it helps reduce employee turnover through lower stress (Ilyas, et al., 2020). While several studies claim that there is no direct influence between supervisor support and turnover intention (Astuti & Helmi, 2021), other studies conclude that there is such direct influence (Arici, 2018; Newman, Thanacoody, & Hui, 2012). Also, literature provides evidence for the negative relationship about the focal effect across a different scale and types of organizations. As an example, Ilyas, et al. (2020) find a negative effect in SMEs while Newman, Thanacoody, & Hui (2012) find a similar effect in multinational organizations. Several studies in the Sri Lankan context conclude that supervisor support has a negative relationship and effect on turnover intention. Also, studies find similar results in both service (Arachchi & Dahanayake, 2020; Wijebandara, Malalage, & Fernando, 2019; Mendis, 2017; Wickramasinghe & Abeywardhana, 2015) and manufacturing industries (Kularathne & Senevirathne, 2020; Tennakoon & Herat, 2017; Dulanji & Hettiarachchi, 2016; Chamini & Randeni, 2016). Also, these studies cover diverse locations such as Colombo district (Wijebandara, Malalage, & Fernando, 2019), Anuradhapura district (Dulanji & Hettiarachchi, 2016; Arachchi & Dahanayake, 2020), Galle district (Chamini & Randeni, 2016), etc. On the other hand, perceived positive treatment of supervisors leads to emotional commitment within employees, in turn, it leads to

motivation to stay in the organization (Purba & Fawzi, 2019). Also, owing to its positive effect on family and career satisfaction (Karatepe & Uludag, 2008), supervisor support may negatively affect employee turnover. Conversely, negative and abusive behavior of supervisors may increase employee turnover (Richard, Boncoeur, Chen, & Ford, 2020). Also, the negative effect of supervisor support on employee turnover is confirmed by the studies conducted during the Covid-19 pandemic (Yorulmaz & Sevinc, 2021). Further, employees may need special care and support from supervisors during the present pandemic since they are vulnerable to a highly turbulent environment. On this ground, the following hypothesis is postulated.

H<sub>4</sub>: Supervisor support has a negative effect on employee turnover intention.

### 3. METHODS

**Sample and data Collection:** This study considers individual employee perceptions on focal variables thus, the unit of analysis was employees. As this study investigates the particular scenario in an organization located in an economically backward province outside main provinces, the employees working in a manufacturing firm located in Monaragala District in Uva Province of Sri Lanka were selected as the respondents. Data were collected during April and May 2021 when the country was at the early stage of the third wave of the Covid-19 pandemic. The data was collected through a structured questionnaire

and the researchers directly involved in the data collection process with due permission from the firm's management as the respondents may be reluctant to provide their candid opinion for the sensitive questions regarding their present employment. Responses were anonymous and it was further ensured that none of the responses are disclosed to any external party. This procedure helps minimize the effect of social desirability bias (Podsakoff, MacKenzie, & Podsakoff, 2012). The population was 415 employees and the study selected a sample of 150 employees by convenience sampling method, based on the requirement to perform the regression analysis (Green, 1991). Though the response rate was 100 percent, the rejection rate was 24 percent due to incomplete responses. Finally, 114 questionnaires were retained for the analysis, yielding a 76 percent net response rate. 53.39 percent of the sample were male respondents. 61.4 percent of respondents were in the age group of 30-40 years and 20.18 percent were in the age group of 41 years and above while the balance represented the age group of 29 years and below.

**Measures:** This study used reflective measures to operationalize constructs, and used previously validated measures. The level of agreement for each item was rated by the respondents on a 5-point Likert Scale that range from 1 (strongly disagree) to 5 (strongly agree). Cronbach's alpha statistics were above 0.60 for each construct which satisfies the minimum threshold of 0.60 (Mohamad, Sulaiman, Sern, &

Salleh, 2015) indicating that the constructs are reliable. Also, several sociodemographic characters that may be influential on employee turnover during the Covid-19 pandemic such as gender and age were considered as control variables (Bajrami, et al., 2021; Cole, Ali, Ahmed, Hamasha, & Jordan, 2021). The questionnaire was first developed in English and translated to the local (Sinhala) language. The translation was improved by a subject expert and a language professional. Finally, the questionnaire was given to 10 employees working in a manufacturing firm and they confirmed the clarity of the questionnaire.

Job satisfaction was measured by the 3-item scale of Michigan Organizational Assessment Questionnaire–Job Satisfaction Subscale (MOAQ-JSS) (Bowling & Hammond, 2008). This scale has been developed by converting a 7-item scale of the Michigan Organizational Assessment Questionnaire (Cammann, Fichman, Jenkins, & Klesh, 1979) to a 3-item scale. Sample items of this scale are: “All in all I am satisfied with my job”, “In general, I like working here”. This scale has been widely tested and used to assess job satisfaction across a variety of contexts (Puhakka, Nokelainen, & Pylväs, 2021; Lehtonen, Nokelainen, Rintala, & Puhakka, 2021; Bruce, Rayton, & Yalabik, 2014). Cronbach alpha of this scale was 0.68.

The study employed a 6-item scale of Tessema & Soeters (2006) to measure remuneration and benefits.

“There is an attractive compensation system”, “The salary and benefits that I received reflect the standard of living” are sample items of the scale. This scale has been widely used and tested measure of this variable (Bibi, Ahmad, & Majid, 2018; Nawaz & Pangil, 2016; Joarder & Sharif, 2011; Bashir & Khattak, 2008), and the Cronbach’s alpha was 0.79.

A 3-item scale developed by Kundu & Lata (2017) based on the scales of Ghosh & Sahney (2011) was employed to measure the work environment. Sample items of this scale include “Work stations in the department are comfortable”, “Senior executives/managers are willing to extend cooperation in order to help employees perform their jobs to the best of their ability”. A number of studies have tested this scale and used it to measure the variable in different contexts (Yusliza, et al., 2021; Yusliza, Faezah, Muhammad, & Ramayah, 2021), and its Cronbach alpha was 0.61.

The study employed a 4-item scale of Kottke & Sharafinski (1988) to measure supervisor support, and sample items include, “My supervisor strongly considers my goals and values”, “My supervisor really cares my well-being”. This scale has been tested by a number of studies in different contexts (Yang, Huang, & Zhou, 2021; Dhir & Dutta, 2020; Ghazali, Nashuki, & Othman, 2018; Rhoades, Eisenberger, & Armeli, 2001), and reported Cronbach alpha was 0.73.

The turnover intention was measured by a 4-item scale proposed by

(Kelloway, Gottlieb, & Barham, 1999). Cronbach alpha was 0.61 and sample items of this scale include “I am thinking about leaving this organization” and “I am planning to look for a new job”. This scale has been widely tested and used to measure turnover intention across different contexts (Lin & Huang, 2021; Dane & Brummel, 2013; Chen, Ployhart, Thomas, Anderson, & Bliese, 2011).

**Data analysis:** The study employed regression analysis to test the hypothesis along with basic descriptive statistics and correlation. The regression analysis is appropriate as this study investigates the effect of several predictive variables on a dependent variable (Kothari, 2010).

#### 4. RESULTS

Table 1 presents the results of correlation analysis along with the mean and standard deviation. Since the study used a larger sample ( $n > 50$ ), the Kolmogorov test was used to test the normality and the test statistics ( $p > 0.05$ ) shows that the data is normally distributed (Mishra, et al., 2019). The effect of multicollinearity was tested by the variance inflation factor (VIF). The highest VIF value was 2.03, and it is far below the threshold value of 10 (Neter, Wasserman, & Kutner, 1990). Thus, the results alleviate the issue of multicollinearity. Durbin-Watson test statistic (1.67) is within the acceptable range of 1.5 to 2.5 (Dave & Sohani, 2019) that confirms no-autocorrelation among variables. Assessing the overall statistical significance of the model, the

ANOVA statistics given in the Table 2 reveal that the model is significant. Accordingly, the F-test indicates that the model is statistically reliable and can be used to explain the hypothesized effect ( $F=13.07$ ,  $p<0.01$ ).

The results of the regression analysis are shown in Table 3. The model summary statistics shows that R-square is 0.33 ( $p < .05$ ). Accordingly, 35 percent of the variance in employee turnover is explained by the independent variables considered in this study. The results show that job satisfaction has a significant negative effect on the employee turnover intention ( $\beta = -0.41$ ,  $p < .01$ ), supporting the postulated effect in hypothesis 1. Thus, hypothesis 1 is accepted. According to the results, remuneration and benefits show a significant negative effect on the employee turnover intention ( $\beta = -0.29$ ,  $p < .01$ ). This supports the postulated effect in hypothesis 2 thus, hypothesis 2 is accepted. Contrary to the proposition of hypotheses 3 and 4, the results indicate a significant but, positive effect. Accordingly, work environment ( $\beta = 0.19$ ,  $p < .10$ ) and supervisor support ( $\beta = 0.24$ ,  $p < .01$ ) have positive effect over employee turnover intention. Therefore, hypotheses 3 and 4 were not accepted.

## 5. DISCUSSION AND CONCLUSION

Sri Lankan government has identified the need of developing SMEs as a strategy to develop economically lagging areas such as Moneragala District, Uva province.

However, the organizations in the area face unique human resources-related issues such as high employee turnover that has intensified adverse effects on the success and sustainability of organizations. This study is motivated by the significant increase in employee turnover of the selected firm located in the Buttala Industrial Zone during the Covid-19 pandemic. Accordingly, the study attempted to identify the factors influencing employee turnover in this special context. The study investigated the effect of job satisfaction, employee remuneration, work environment, and supervisor support on employee turnover intention in this unique context.

The results of this study confirm the negative effect of job satisfaction on employee turnover during the pandemic. Present literature confirms a similar effect. As an example, in their study on large-scale technology companies, Lehtonen, Nokelainen, Rintala, & Puhakka (2021) found a similar effect. Also, the present finding is in line with the findings of Puhakka, Nokelainen, & Pylväs (2021) in consultancy and software developing firms. Several studies investigating this effect in the Sri Lankan context provide evidence for a negative effect (i.e. Perera & Madagamage, 2018; Rajapaksha & Kappagoda, 2017). The studies conducted during the pandemic confirm a similar effect (Gunadi, Siahaan, & Adji, 2021). Thus, employees' general positive perception and emotional state about the job and job environment discourage employees' intention to depart and spur their retention. Also, this finding supports the scholars'

claim that employees' satisfaction leads to positive outcomes.

According to the results, remuneration and benefits negatively influence employee turnover intention. Employees' positive perception about the present pay system encourages employees to retain minimizing their intention to leave. This finding does not violate the findings of the present literature. As an example, studies conducted in developed countries (Pek-Greer, Wallace, & Al-Ansaari, 2016) and developing countries (Kamau & Omondi, 2020) confirm a similar effect. Aunguroch, Gunawan, and Fisher (2022) claim that rewards and benefits are essential to mitigate the turnover rate during the pandemic. Also, salary fairness is identified as a determinant of turnover intention during the Covid-19 pandemic (Putri & Arquisola, 2021). Investigating the effect of remuneration and benefits on turnover intention in apparel manufacturing firms in Sri Lanka, (Fernando, 2019; Wickramasinghe & Sajeevani, 2018) conclude negative effect. A similar effect is confirmed by the studies conducted during the Covid-19 pandemic (Putri & Arquisola, 2021). While confirming the conclusions of the present literature, this study confirms the speculation that remuneration and benefits become an effective strategy across different contexts including the contexts similar to the present turbulent pandemic.

In contrast to the postulated direction of the effect, this study finds a positive effect from the work environment over the turnover

intention. The work environment accessed the employees' perception about the support they receive from the organizational environment. Literature supports the fact that a difficult work environment due to less support received from the organization generates a series of negative outcomes including employee turnover (Kokt & Ramarumo, 2015). Also, the studies in different contexts such as Malaysia (Alias, Zailan, Jahya, & Othman, 2019), Pakistan (Naz, et al., 2020), India (Umamaheswari & Krishnan, 2016), Sri Lanka (Fernando, 2019), service industry (Msengegi & Obwogi, 2015), and manufacturing industry (Kundu & Lata, 2017), etc. confirm the negative effect. Also, the effect of the work environment on employee turnover is not significant during the Covid-19 pandemic (Gunadi, Siahaan, & Adji, 2021). However, the findings of this study are contrary to them. The context in which the present study was conducted is dissimilar to that of previous studies. The context of the present study is unique since it was conducted during a turbulent period, during the Covid-19 pandemic. Hence, one possible explanation for this contrary finding may be: the turbulent environment created by the Covid-19 pandemic may moderate the relationship between work environment and employee turnover intention. This explanation is supported by the literature that confirms the existence of a moderating effect from a turbulent environment (Gyedu, Tang, Ntarmah, & Manu, 2021; Sheng, Zhou, & Li, 2011). Another possible reason may be: the positive

effect may be due to the organizational support in the work environment at a level that employees do not expect. As an example, higher organizational support in the work environment may reduce employees' autonomy, flexibility, etc. that in turn, may spur the turnover intention. Thus, there may be a curvilinear relationship between these variables.

Similar to the work environment, the results indicate that the supervisor support positively influences the turnover intention, and it is inconsistent with the postulated direction. However, the literature provides evidence for the negative effect suggesting that the employees' positive perception about the support, encouragement, and care received from the supervisor leads to lower turnover intention (Burke, Borucki, & Hurley, 1992). Several empirical studies conducted in different contexts such as SMEs (Ilyas, et al., 2020), multinational organizations (Newman, Thanacoody, & Hui, 2012), the service sector (Arachchi & Dahanayake, 2020), manufacturing sector (Kularathne & Senevirathne, 2020) confirm the negative relationship. The Sri Lankan studies also confirm the equivalent negative effect (Wijebandara, Malalage, & Fernando, 2019; Tennakoon & Herat, 2017). Also, a negative effect of supervisor support on employee turnover is found during the Covid-19 pandemic (Yorulmaz & Sevinc, 2021). Despite the above evidence, surprisingly, the present study finds that supervisor support positively influences turnover intention. This

may be owing to the fact that the present study was conducted in a unique context, during the Covid-19 pandemic. None of the previous studies has been conducted in similar turbulent contexts. Thus, the employees may experience a distinct situation and have unique concerns due to the turbulent environment created by the Covid-19 pandemic. Therefore, one possible explanation for contradictory findings may be: the present turbulent environment may moderate the relationship between focal variables. The claim of previous studies that environment turbulent acts as a moderator (Gyedu, Tang, Ntarmah, & Manu, 2021; Sheng, Zhou, & Li, 2011) supports this explanation. Another possible explanation may be: this positive effect may be due to the supervisor support beyond employees' expectations that may reduce the employees' autonomy, flexibility, etc. Employees may need freedom for personal matters such as family care due to emotional commitment during a turbulent period. Also, higher supervisor support intensifies the stress thereby spurs the intention to leave. Therefore, a curvilinear relationship may exist between supervisor support and employee turnover.

In conclusion, this study concludes that certain organizational factors determine employee turnover during the present pandemic. Therefore, it is essential to concentrate and manage organizational factors during a turbulent condition such as the present pandemic. The employee turnover intention is discouraged by employee satisfaction, and

remuneration and benefits during the pandemic. Employee positive perception about the job and job-related environment reduces their intention to leave. Also, employee retention is spurred by the positive perception about their experience on the pay system. However, the findings of the present study about the effect of work environment and supervisor support are contrary to the mainstream thus, the study concludes that, during the pandemic, employees' perception of both work environment and supervisor support promotes the intention to leave. Accordingly, the higher level of support, encouragement, and care received from both the organizational environment and supervisors spur employees' departure during the pandemic.

**Theoretical implications:** Present study makes several contributions to employee turnover literature. First, the study aims to identify the factors influencing employee turnover in a specific environment, the Covid-19 pandemic. Thus, it provides a new lens to view human resource management practices and their outcomes in a turbulent environment. Second, this study identifies that job satisfaction, and remuneration, and benefits negatively influence employee turnover. While confirming the findings of past studies, this study identifies that both become effective and valid practices across different situations and contexts. Third, this study finds that the effect of certain practices may be different in unique situations thereby stresses the importance of developing strategies, practices, etc.

considering the distinct condition of the context. Because the context determines the effectiveness of certain human resource management practices. Both work environment and supervisor support have a positive influence over employee turnover.

**Practical implications:** This study provides several practical implications. First, job satisfaction, and remuneration and benefits are salient in determining employee turnover. The managers' attention is sought on developing and establishing long-term practices spurring job satisfaction and positive perception about remuneration and benefits. Since job satisfaction is resulted by whether employees meet their expectations related to the job and job environment, the managers should make an attempt to identify such expectations, and take steps to facilitate meeting their expectations. Also, the establishment of a fair pay system is in need to provide a positive experience to the employees. Particularly, managers can adopt these two practices in different situations disregarding the differences across situations. Second, both the work environment that measures organizational support and supervisor support should be handled carefully. Positive effects found in this study demand the managers' attention on the optimal level of both work environment and supervisor support in developing and implementing practices to mitigate employee turnover. Also, the cross effect of such practices over other outcomes such as tardiness, absenteeism, productivity, etc.

should be assessed. Particularly, the effect of human resource management practices in dissimilar contexts should be given attention. Third, the human resource managers in the geographical area covered by the present study may get an insight into developing their human resource practices.

**Limitations and future research**

**directions:** This study has some limitations and those limitations open new research opportunities. Though the study delivered useful insight into employee turnover during the pandemic, it was limited to one manufacturing firm located in Moneragala district, Uva province in Sri Lanka limiting the generalizability of findings. Thus, new research may be conducted in the other organizations located within and outside the focal geographical area during the pandemic. Second, though the testing of well-established relationships in a distinct context such as the present pandemic is salient (Eden, 2002), the findings related to the work environment and supervisor support are contrary to the mainstream. The turbulent environment created by the Covid-19 pandemic may influence these conflicting findings. However, this study did not consider any moderating effects. Therefore, future studies may inquire about the moderating effect of certain contextual variables such as the

turbulent environment. On the other hand, these contradictory findings may be due to the existence of a curvilinear relationship between focal variables. Thus, future studies may investigate the possibility of having a threshold or optimal level of work environment covering organizational support, and supervisor support. Third, this study was based on cross-sectional data that may lead to biased responses since the responses are based on respondents' distinct experiences at the point of data collection. Since both variables that are found contrary to the literature are related to the employees' perception about the support received from the organization and supervisors, cross-sectional data may depend on the unique experience of respondents at the point of data collection. This situation may influence the variables. The possibility of biased responses may be higher since respondents are vulnerable to an unanticipated environment due to the Covid-19 pandemic. Also, the suggestion for the longitudinal approach is supported by the fact that the responses for focal variables should be based on the long-term experience of the respondents. Also, it may allow for the comparison of the situation during and after the Covid-19 pandemic, and help better understand the effect. Thus, future studies may adopt the longitudinal approach.

**APPENDIX**

**Table 1: Basic descriptive statistics and correlations**

	Mean	SD	1	2	3	4
1. Emp. turnov.	3.34	.35	1	-	-	-
2. Job satisfact.	3.48	.25	-.05	1	-	-
3. Remu. & ben.	3.20	.46	-.42**	-0.06	1	-
4. Work enviro.	3.47	.39	.33**	.53**	-.32**	1
5. Supe. support	3.31	.43	.28**	.40**	.03	.54**

\*\* $p < .01$ , \* $p < .05$

Source: Results of the analysis

**Table 2: ANOVA table**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	4.44	4	1.109	13.07	.000 <sup>b</sup>
Residual	9.25	109	.085		
	13.69				

Predictors: (Constant), Job satisfaction, Remu. & benefits, Work envt., Supervisor support

Source: Results of the analysis

**Table 3: Regression analysis**

Variable	Unstandardized Coefficient		Standardized Coefficient Beta	<i>p</i>
	B	SE		
Constant	4.258*	.458		.000
Job satisfaction	-.411*	.131	-.296	.002
Remu. & benef.	-.290*	.066	-.380	.000
Work environm.	.187**	.102	.207	.068
Supervi. support	.239*	.079	.297	.003
R				.57
R <sup>2</sup>				.33
Adjusted R <sup>2</sup>				.30

N = 114; \*\* $p < .05$ , \* $p < .10$

Source: Results of the analysis

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## **A Literature Review of How Industry 4.0 Developments Achieving Strategic Objectives of Supply Chain Management**

**U.J. Mirando<sup>1</sup>, A. Fernando<sup>2</sup> & K.L.D.S. Perera<sup>3</sup>**

<sup>1</sup> Department of Marketing Management, Faculty of Commerce &  
Management Studies, University of Kelaniya  
SRI LANKA

<sup>2,3</sup> Department of Industrial Management, Faculty of Science,  
University of Kelaniya  
SRI LANKA

uditha.mirando.95@gmail.com<sup>1</sup>, anushikafernando4@gmail.com<sup>2</sup>, &  
dineshaperera617@gmail.com<sup>3</sup>

### **Abstract**

In 21 century, the fourth industrial revolution has influenced the way that modern business is continuing. These days' Supply Chain Management (SCM) is playing a vital role and higher complete area. Therefore, worth exploring how techniques of Industry 4.0 utilization in the process of supply chain & the role of Industry 4.0 on achieving strategic objectives of SCM. The study presented in this paper reviews recent literature in Industry 4.0 and SCM to link the effects of Industry 4.0 on strategic objectives of supply chain management. Within this study, 30 different articles based on the study area were reviewed, through which the aspects of quality improvement, the efficiency of supply chains, optimization of logistics & distribution are found to be heavily impacted due to the developments of industry 4.0. The findings of this study explored that quality improvement, the efficiency of supply chains, transport, and logistics are heavily impacted due to the developments of industry 4.0 concepts within supply chains in the modern age. After achieving objectives of quality enhancement and optimization of logistics and distribution, it will lead to achieve the third objective of efficiency. Further, using the proposed model of this study indicated the linkage between the strategic objective of the supply chain in the industry 4.0 era. Future research suggested to consider other strategic objectives such as the leadership of SCM. And conduct the study concerning specific industries such as apparel, fast food.

**Keywords** -: Efficiency, Industry4.0, Optimization of Distribution Channels, Optimization of Logistics Routines, Strategic Objectives, Quality, Supply Chain Management,

## 1. INTRODUCTION

A Supply Chain is a set of three or more entities (organizations or individuals) directly involved in the upstream and downstream flows of products, services, finances, or information from a source to a customer. Measuring organizational performance from the perspective of supply chain, logistics & distribution is a challenging task. There are several criteria & indicators currently used to measure and analyze flexibility, reliability, responsiveness, quality and asset management, efficiency, quality, performance improvements, innovation, time, price, and availability. In the contemporary business environment, there is competition among different supply chains between industries. A high level of integration among players in the supply chain is identified as a crucial factor in increasing the overall performance of the supply chain. Hence the organization at present, sharing the right information among the right players in the supply chain process at the right time will increase supply chain performance in terms of responsiveness, cost, quality, service delivery, and optimize logistic functions (Strandhagen et al., 2017).

However, business firms always attempt e-business solutions, innovation technologies, process integration & analytical capabilities (Fatorachian & Kazemi, 2021). Technologies & concepts enabled by Industry 4.0 lead to a collaboration of the critical

indicators effectively, execute effective communication flow from the point of origin to the point of consumption, and increase the overall organizational performance. The foundation of Industry 4.0 is about the transformation of modern supply chains into intelligent supply chains, employing various cutting-edge and disruptive technologies such as Cyber-Physical Systems, the Internet of Things, Cloud Computing, Virtual Reality, Simulation, 3D-printing, Big Data Analytics, Cloud Technologies, Cyber Security, Radio Frequency Identification (RFID), Machine to Machine Communication (M2M), Automatic Identification and Data Collection (AIDC), Robotics, Drones, Nanotechnology and Business Intelligence (BI) (Carvajal Soto et al., 2019). These developments imply drastic improvements of existing supply chains in the achievement of the strategic objectives, where countries, industries, and companies implementing the developments of industry 4.0 in their supply chains would achieve a significant competitive advantage and revolutionize industries, redefining product & service availability, cost reduction and increase of market share. At the same time, Industry 4.0 is an industrial approach based on three fundamental principles. The first one is interoperable equipment and processes maximizing autonomous operations and integration (horizontal and vertical) across the entire supply chain. The

second one is the digitalization of products and services. Finally, innovation and digital business models (Bauernhansl et al., 2014). Automation, digitalization, integration across manufacturing processes, intelligent networking, intelligent logistics, intelligent factories, allow information sharing, flexibility, and customization of the product. High-level collaborative production technologies are incorporated into modern supply chains through SCM 4.0, resulting in optimized decision making. Enabling procurement control systems could improve the procurement efficiency and reduce the procurement cost. Intelligent production could enhance the efficiency of enterprise management services including enterprise inventory management, quality management, and labour utilization. Smart technologies enable tracking of raw materials, components, semi-finished products, and finished goods in real-time. Availability of real-time data reduces error rates, allows tracking of product quality while intelligent logistics optimize the storage modes, transportation routes, etc. Smart systems could learn and solve their problems by themselves, improving the efficiency and reducing expenses of modern supply chains.

The modern trend of manufacturing supply chains is a robust collaboration with suppliers and their important partners as it enables the balance between demand and supply while generating a competitive advantage. Further, collaboration among partners in the

supply chain allows an on-time product or service delivery, minimizes procurement lead time, and enables just-in-time production (Tarigan et al., 2021). Developments of industry 4.0 applicable to supply chain & logistics and distribution help satisfy several strategic objectives of an organization, such as increasing efficiency, productivity of the production process, improving the quality of materials, finished goods, and service delivery process. Hence, it is noticeable that modern Industry 4.0 technologies play a crucial role in increasing performance & realizing strategic objectives of SCM, logistics & distributions Management & Information Technology. Industry 4.0 & its potential developments will lead to improvements in every area & business process in every organization, where those that adapt and implement the effects of Industry 4.0 in organizational processes will remain strong in a globally competitive market (Tarigan et al., 2021).

According to recent literature, implementing industry 4.0 developments in a typical supply chain requires further investments, studies, and additional technology development.

However, investments and efforts by the government are also needed to overcome challenges regarding legislation. Effects of industry 4.0 concepts have increased the performance of supply chains in terms of three primary areas, such as efficiency, quality, and optimizing the routines (Logistics &

distribution). Those increments of quality increase the efficiency and optimizations of logistics & distributing routines are also known as strategic objectives of Supply chain management (Strandhagen et al., 2017; Tarigan et al., 2021). Subsequently, to achieve the strategic objective of supply chain management, the role-played Industry 4.0 has not been explored so far. Not only that, but also interconnection among three Supply Chain strategic objectives in Industry 4.0 era has not been identified. Therefore, the two main research objectives of this study are as follows.

RO1. To explore the role played by Industry 4.0 to achieve efficiency, quality, and optimization of routines in the Supply Chain process.

RO2. To explore interconnectivity among strategic objectives of supply chain process among Industry 4.0 era.

## **2. METHODS**

The main purpose of this study is to identify the role of Industry 4.0 developments on strategic objectives of supply chain management. Among several strategic objectives, this study considers only three strategic objectives enhance the quality of the whole supply chain, improve efficiency & optimize the logistics & distribution routines. These identifications were assembled using a rigorous literature review. Within this study, 30 different articles based on the study area were categorized based on the potential three areas such as quality

improvement, efficiency improvement, & optimizations of logistic & distribution routines. To identify the relevant articles, databases such as Scopus, Emerald Insight, Google Scholar, and Jstor belong to different journals from various disciplines were used. In selecting relevant articles, the year of publication was considered and is from 2011 to 2021. Keywords such as Industry 4.0, supply chain management, strategic objectives, quality enhancement, improve efficiency, optimization of logistic routines & optimization of distribution were used in the keyword search.

## **3. LITERATURE REVIEW**

### **3.1 Industry 4.0 & quality enhancement**

The fourth industrial revolution has created new capabilities, new skills & new resources for business organizations in terms of quality improvement. It will increase the efficiency of the production process, improve the quality of the final products, speed the delivery of the product or service to target customers & quickly collect feedback from the target market (Sanders et al., 2016). In terms of the strategic objective of quality improvement in supply chains, thousands of concepts, models & frameworks have been established over the last few decades to help managers of organizations enhance the value of tasks & processes. The quality improvement attempt of managers could be quality assurance or quality management or quality assurance, or business excellence.

Within these three quality aspects, quality frameworks such as ISO 9001 Quality Management International Standards, continues improvements such as Lean, Six Sigma & Lean Six Sigma, business excellence tools such as European Foundation for Quality Management EFQM, the MBNA (EUA), or the Deming (Japan) models or awards are included. Quality tools, practices & frameworks help ensure suitability (Fonseca & Domingues, 2018). In other words, there is a positive relationship between economic, social & environmental sustainability and best quality practices among the supply chains of organizations (Siva et al., 2016). ISO 9001:2015 aims at satisfying the customer and relevant stakeholders, complementing and reinforcing environmental management systems (for example, ISO 14001). Concepts such as Lean and Kaizen tend to decrease wastage of business processes simultaneously, improving organizational performance in terms of sustainability. Several quality techniques and tools such as Quality Function Deployment (QFD) and Design of Experiments aim to increase sustainability practices of business organizations in the supply chain process. Using the abovementioned tools, Managers can identify the requirements of customers, design & develop the product or services. Those processes can be evaluated to measure the sustainable influences with its' potential alternatives. Guidelines of the Deming Prize (2018) view the

concept of quality as providing benefits and value with little or no harm to society and the environment. The European Foundation for Quality Management (EFQM) 2020 business excellence model incorporates the United Nations Sustainable Development Goals (SDGs) and European values that support business ethics. Quality management emphasizes improvement (continuous and disruptive) (Fatorachian & Kazemi, 2021).

Quality has risen to become a crucial factor for the supply chain performance of organizations in the present digital transformation era due to Industry 4.0. In the process of adapting to & implementing Industry 4.0, several tools & models can be adopted, combined with quality management, information technology & digitalization to create value for customers & take competitive advantage among rivalries in the sense of quality enhancement task in Industry 4.0 adoption (Küpper et al., 2019; Sony et al., 2020; Vial, 2019). Quality enhancement in Industry 4.0 consists of quality of process & quality of the product. Within a supply chain, they are considered to increase productivity & satisfy customer requirements ultimately. But also, within the process of Industry 4.0 practices, planning, organizing, implementing & evaluating should be considered (Delić et al., 2014).

Conversely, intelligent sensors, automation, and big data can support Statistical Process Control

(SPC) or Six Sigma at the process level or provide data for high-level Total Quality Management (TQM) and business excellence models. Simultaneously, big data and analysis can be applied to the identification & prevention of defects in the supply chain process of a specific business organization. It could be done using an accurate & proper data analyzing plan (Fei & Qinglin, 2017). The research encompassing quality and Industry 4.0 is comparatively scarce. Authors have focused on customers, quality, Lean, Industry 4.0, quality scorecards, quality management, and Industry 4.0, or, more recently, quality as a strategy for Industry 4.0 adoption (Fatorachian & Kazemi, 2021). Therefore, by combining traditional quality management approaches and tools with Industry 4.0 approach, business organizations can enhance the accuracy of the TQM techniques. The Industrial Internet of Things will lead to a faster and more effective business process, given its ability to clinically segregate defects in the supply chain process. It will lead to the maintenance of quality by preventing defects and saving resources of the organization (Illa, Kumar, & Padhi, 2018). Further, Cloud computing will lead to integrations at all levels, increasing process & task interoperability, real-time data availability & information sharing among the supply chain functions, thereby enhancing the performance of supply chains on a large scale (Illa & Padhi, 2018). In the scope of quality in Industry 4.0, there are several plausible

technologies in addition to the above. Some of them are cyber-physical systems, artificial intelligence (Tarigan et al., 2021). Blockchain, simulation, modeling, visualization technology (augmented and virtual reality), automation and industrial robots, and additive manufacturing (Peres et al., 2019).

Without the concept of quality, the supply chain of a business organization in the context of Industry 4.0 is useless as the absence of which directly impacts the flexibility and productivity of supply chains. There is a firmly established relationship between the performance of business organizations & the quality concept. To mitigate risks in the future, managers should pay attention to quality & operations performance with digital transformations. Quality & digital processes should be integrated within the supply chain as quality provides body knowledge (Consisting of models, theories, systems, tools & techniques) to manage changes & implications brought about by developments of industry 4.0 in supply chains. Combining Information & Communication Technology & digital transformation with machines & products will create Industry 4.0.

On the other hand, technology is a crucial factor for the digital transformation process in Industry 4.0; simultaneously, several models & tools are needed for quality. This quality concept is an essential factor for winning customers in the supply chain process of the organization.

Finally, both circuital elements should be performed successfully to maintain a smooth flow of business processes (Küpper et al., 2019; Sony et al., 2020). In other words, it will lead to delivering the right product or service in terms of reaching at the right time, at the right cost in the right condition (quality) to the right customer.

### **3.2 Industry 4.0 & optimization of logistics & distribution**

In this modern business era, most organizations have focused on the supply chain of their organization & how to manage organizations' supply chain to take competitive advantage. Subsequently, logistics & distribution & their routines, which are a part of an organization's supply chain while play a vital role. Due to the developments of industry 4.0, tools such as cyber-physical systems are available for resource planning & management procedures. Specially, it helps to increase the productivity, flexibility of the overall supply chain system. With the proper forecasting of resources (people, materials, equipment) and increasing the visibility and transparency of the process, we can level up the efficiency of supply chains (Wee et al., 2015). Finally, it will lead to minimize the unnecessary routines from suppliers to plant. In other words, optimize the routines of organizations' supply chain. In the sense of the warehouse, it is the hub of the SCM system. Nowadays, it plays a remarkably challenging role as it adapts to future requirements and newly

introduced technical methods of smart warehouse management systems (Schrauf & Bertram, 2016). As the development of industry 4.0, intelligent warehouse management systems have incorporated RFID tags using sensor technology to find the location of each transporter, using which the warehouse management systems can communicate with the transporter and allocate them to the correct destination point (distribution center/ warehouse) and predict arrival time according to the current traffic, weather, etc., and select proper docking slots, select gate-in, and gate-out locations, optimizing time constraint simultaneously. When pallets are moved from the assigned area, it automatically updates the current availability of the warehouse management systems stocks on time. As an advantage of the automated warehouse management systems updates, warehouse managers can take actions in advance to control out-of-stock situations. Consequently, it will lead to optimizing the distribution efforts & resources that have been allocated for the distribution function.

Further, organizations' transportation management system plays a crucial role in SCM because it is connected to transportation logistics and deals with order management systems and distribution centers or warehouses. The development of Internet of Things with a transportation management system can create communication networks between customers, trade partners, and

carriers. The transportation management system can assess real-time and inline data resulting in the efficiency and effectiveness of Logistics 4.0. Using RFID tags with sensor technology and GPS technology ensures product tracking, fix shipping conditions, facilitate identification of product loading and unloading, significantly reducing time with the interaction of intelligent transportation systems. Few outcomes of the automated transportation management system are safer transport, fuel consumption, and pollution (Barreto et al., 2017; Skapinyecz et al., 2018). Currently, most industries are adopting the transportation management system and increasing service using cloud services and cloud computing. Transportation management system with cloud bases is found to be the upcoming the standard. A well-defined and configured transportation management system with interactive Internet of Things devices called a Smart transportation management system is a turning point of the SCM's towards flexible and efficient Logistics 4.0 operations (Qin et al., 2013).

Further, the intelligent transportation system is a new field of transportation systems such as transportation management, control, infrastructure, operations, policies, and control methods. Smart transportation system's essential for increasing safety and reliability, travel speeds, traffic flow, and reducing risks, accidents rate, carbon emissions, and air pollution. On the other hand, an intelligent

transportation system provides cooperation solutions and a reliable transport platform. The most recent generation of the smart transportation system, generation 4.0, uses multimodal systems incorporating personal mobile devices, vehicles, infrastructure, and information networks for system operations and unique contextual mobility solutions (Factors & Its, 2012). Intelligent transportation systems play an essential role with cooperative systems technologies to support and enhance the logistic process and the effectiveness of the fleet to substantially improve the results of the transportation community economically, in addition to sustainability. Consequently, combining typical warehouse, logistics & distributions tools & practices with modern industry 4.0 concepts & tools tends to reduce the unnecessary vehicle routines & distribution costs involved with the early era.

### **3.3 Industry 4.0 & efficiency**

To achieve strategic supply chain objectives, firms should have suppliers who emphasize cost reduction, improvement in quality, process flexibility, delivery reliability, use of technology, and commitment towards achieving supply chain objectives. Generally, performance measurement is defined as quantifying the effectiveness and efficiency of an action (Jajja et al., 2011). The consideration of sustainability as a strategic objective in supply chain management; Sustainable SCM suggests that the contribution of

developments related to Industry 4.0 in increased sustainable industrial value creation will be remarkable in the future. Through recent literature, aspects in a supply chain such as efficient resource allocation, which includes water, energy, raw material, and other products, based on data that is collected in real-time are considering sustainability as a strategic objective of SCM resulting in new sustainable green practices (Chalmeta & Santos-deLeón, 2020). Industry 4.0 suggests broad communication among different supply chain components, such as companies, factories, suppliers, logistics, resources, and customers (Barreto et al., 2017). Each of them optimizes its configuration in real-time depending on the demands and status of the subsequent links in its supply chain, which will allow the incorporation of sustainable practices and the realization of strategic objectives in SCM efficiency (Barreto et al., 2017; Martínez-Olvera & Mora-Vargas, 2019).

After the industry 4.0 revolution, the demand for high-quality products and services is gradually increasing. According to the requirement, inbound and outbound logistics must be flexible with this new environment. The continuous high demand due to these developments cannot be fulfilled with primary planning and control practices (Barreto et al., 2017; Müller et al., 2015). The combination of innovative logistics and applications of the Cyber-physical systems and smart services and smart products called "Logistics 4.0" therefore

becomes imperative. Intelligent services and smart products can get involved with the supply chain processes with more intelligence and automatic processes than employees, services, and products could, as logistics 4.0. Using the Internet, logistics 4.0 systems build a real-time communication platform between machines and humans. An efficient and strong Logistics 4.0 must consider the following technological applications such as resource planning systems, warehouse management systems, transportation management systems, intelligent transportation systems, and information security systems.

The literature found that such developments in information technology are to be adopted to overcome challenges posed due to increased complexities in supply chains concerning industry 4.0. Therefore, the combined use of digitalization and automation of Industry 4.0 together with big data technology is found to have great potential to overcome some of the problems affecting sustainable SCM and to achieve the strategic objectives of modern SCM and increase efficiency at various levels (Fatorachian & Kazemi, 2021). Big data analytics and related advancements in data analytics allowing the acquisition of intelligence and the extraction of unknown, hidden, valid, and valuable relationships, patterns, and information are identified to be heavily associated with the developments of industry 4.0 applications (Siva et al., 2016). With

cloud computing and big data, enterprises can accurately gain insights into customers' purchase frequency and preference, use dynamic pricing strategies, allocate shelf capacity, and optimize product adjustment to maximize product sales.

#### 4. DISCUSSION

Importantly, this study has attempted to recognize the role played by Industry 4.0 on Supply Chain strategic objectives separately. Firstly, quality is considered as one of the strategic objectives which hope to achieve through higher performance. The present digital transformation era is adapting & implementing tools that engage within quality management. Techno intelligent sensors, automation, and big data for traditional statistical process control or six sigma techniques. They are further, Using the Internet of Things, able to clinically segregate defects in the supply chain process. Through technologies such as Cloud technology, Artificial intelligence, Blockchain, Simulation and modeling, Visualization technology (augmented and virtual reality), Automation and industrial robots, and Additive manufacturing hoped to achieve process & task interoperability, real-time data availability & information at all levels of the supply chain. In the end, it will be able to function the supply activities of the supply chain smoothly, identify the defects earlier, and respond to the defects safely. In the end, quality will be achieved.

Secondly, in transport, logistics & warehouses in the supply chain, RFID tags use sensor technology to predict arrival time according to the current traffic and weather. GPS technology ensures product tracking, fix shipping conditions, facilitate identification of product loading and unloading. Further, intelligent transportation system increases travel speeds, traffic flow and for reducing risks, accidents rate. Consequently, it will lead to optimizing time constraints, enhance the logistic process and the effectiveness of the fleet. Finally, hoped to achieve the third strategic objective of optimizing the logistic function of the supply chain. Thirdly, in this dynamic environment, enterprises can capture honest customer feedback. Logistics 4.0 will lead to high demand regularly. Usage of smart services and intelligent products is subjected to more intelligence and automatic processes than employees. Concerning the above positive factor, parties in the supply chain can access accurate insights, reduce cost & process flexibility. Finally, it would be able to achieve the third strategic objective of supply chain performance called efficiency. This study explored how tools & systems of Industry 4.0 will lead to achieve the three strategic objectives of SCM separately. Consequently, the findings answer the first research question. Further, this study associate and extends prior Industry 4.0 literature research by proposing a model representing the interconnectivity among strategic objectives (quality,

optimized routines & efficiency) of the supply chain process in the Industry 4.0 era. The findings of this study revealed that separate tools & systems in Industry 4.0, which led to achieve quality enhancement, can be used to achieve efficiency of the Supply Chain as well. Because of attaining quality, finally, it will lead to achieve efficiency as well. Subsequently, through the quality tool in the industry, utilize to achieve quality enhancement, Subsequently, utilize to achieve efficiency. At the same time, separate tools & systems in Industry 4.0, which led to optimize logistics & distribution routines, can be used to achieve efficiency of the supply chain as well. Because of optimizing routines, finally, it will lead to achieve efficiency as well. Subsequently, through the optimization tools in Industry 4.0, utilize to optimize routines, Subsequently, utilize to achieve efficiency. Finally, conclude that using Industry 4.0 devices accomplishes the first two strategic objectives called quality enhancement & optimizations of routines. Subsequently, it will lead to achieve a third strategic objective called efficiency. In achieving the research objectives, the results of this paper, based on a model developed from the rigorous literature review, replicates earlier findings on Industry 4.0 and three strategic objectives of SCM.

### **5. MANAGERIAL IMPLICATIONS**

The present study explored how the techniques of Industry 4.0 will lead

to achieving the three strategic objectives of SCM separately. Despite the importance of Industry 4.0 for strategic objectives of SCM, the present study makes a vital contribution by developing a model on how the interconnection between the strategic objectives of the supply chain in the industry 4.0 era happens. Hence, this paper provides a better understanding of how to influence industry 4.0 techniques for achieving strategic objectives of SCM. The study revealed that after achieving objectives of quality enhancement and optimization of logistics and distribution, it will lead to achieve the third objective of efficiency. Further, using the proposed model of this study indicated the mentioned linkage between the strategic objective of the supply chain in the industry 4.0 era. Consequently, the findings of this study provide valuable insight to top managers & information & technology managers when they are going to adapt available Industry 4.0 techniques for achieving different strategic objectives of the supply chain. There can identify which tool is suitable for attaining which objective & linkage exist among three objectives in Industry 4.0 era.

### **6. LIMITATIONS & FUTURE RESEARCH DIRECTION**

The study is expected to assist scholars in relevant research areas in literature analysis and research gap identification. Importantly, this study only considers three strategic objectives: enhancing quality, optimizing logistics & distribution routines, & increase efficiency.

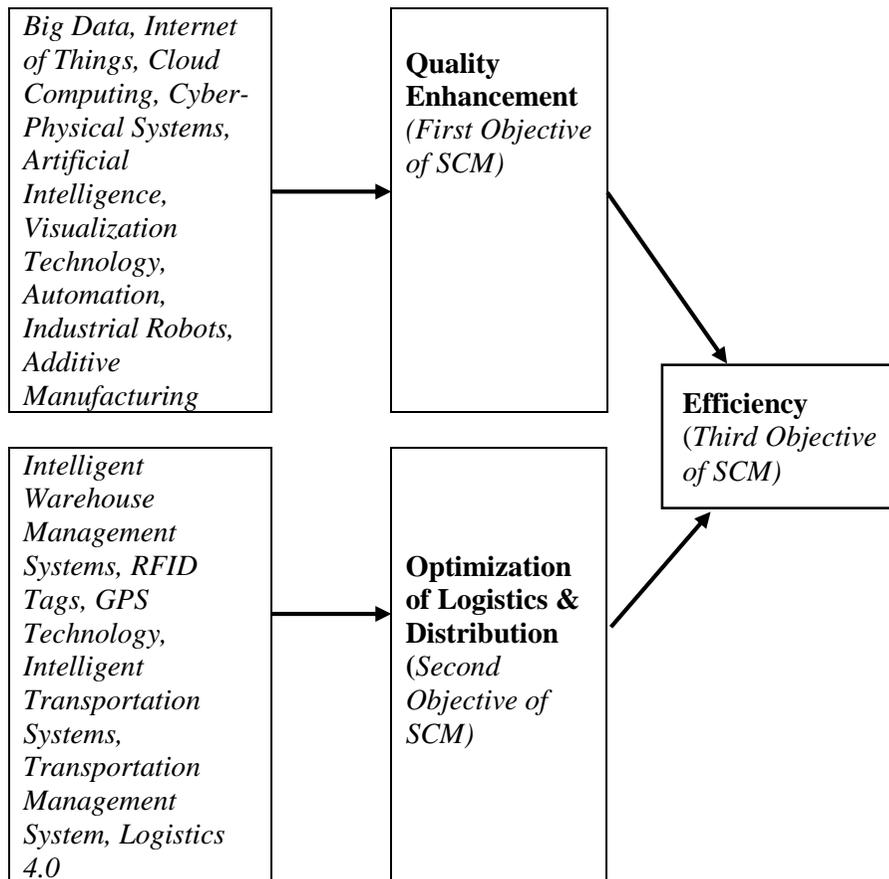
However, there are several other strategic objectives of SCM as well. Some build competitive advantages, create a set of value to the end customer, and optimize the plant capacity. Consequently, it is more worth exploring how tools & systems of Industry 4.0 influence to achievement mentioned strategic objectives as well. Further, this study is not limited to any industry or sector. Considering the supply chain of apparel, hotel & tourism, rubber manufacturing, a supermarket chain with Industry 4.0 concept would be able to exposure & identify more specific & unique behaviors & patterns. Subsequently, suggest considering mentioned industry or sector in future studies. When engaged with a concept such as Industry 4.0, it will create challenges in the areas of security and privacy where risks associated with improper data acquisition, leakage and unauthorized disclosure of information, and insertion of malicious software. Therefore, considering such threats, how influence to achieve strategic objective parallelly while implementing the tools & systems of Industry 4.0.

## **7. CONCLUSION**

The study presented in this paper presents an analytical review of recent literature in Industry 4.0 and SCM to link the effects of Industry 4.0 on strategic objectives of SCM. Within this study, a total of 30 different articles based on the study area were reviewed. It was identified that the aspects of quality

improvement, the efficiency of supply chains, transport, and logistics are heavily impacted due to the developments of industry 4.0 concepts within supply chains in the modern age. Industry 4.0 & its potential consequences will lead to improvements in every area & business process in every organization. Those that adapt and implement the developments of Industry 4.0 in organizational processes and supply chains will remain strong in a globally competitive market. Within this study indicated & revealed that how tools & systems of Industry 4.0 will lead to achieve the three strategic objectives of SCM separately. Further, using the proposed model of this study indicated the linkage between the strategic objective of the supply chain in the industry 4.0 era.

**APPENDIX**



**Figure 1.1: Interconnection between Identified Three Strategic Objective of SCM in Industrial 4.0 Era.**

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## **Social Media Usage and Business Performance among Small and Medium Scale Marketers in Batticaloa, Sri-Lanka**

**A. S. M. Siraj<sup>1</sup>, M. Vajra<sup>2</sup> & P. Pretheeba<sup>3</sup>**

<sup>1,2,3</sup>Faculty of Commerce and Management  
Eastern University  
SRI LANKA

Jiffrysiraj@gmail.com<sup>1</sup>, vajramuthukumar@gmail.com<sup>2</sup>,  
p.pretheeba@gmail.com<sup>3</sup>

### **Abstract**

The popularity of social media has exploded in decade ago, and during this pandemic situation, the need and the role of social media plays a massive role. The current study intended to produce empirical evidence on the relationship and the effect between social media usage and business performance in the context of Small and Medium Enterprises in Batticaloa. Mainly the research aims to reveal the influence of customer relationship management, market access, and information on the advancement of SMEs. The study utilized a descriptive survey methodology, with 250 respondents. The data were analyzed using descriptive, univariate, and bivariate analysis. The study revealed that social media has a strong positive impact on the business performance of SMEs. This study postulated an awareness of the significance of social media and its benefits. The results would motivate and guide SMEs in the espousal of social media as a tool for business activities.

**Keywords-:** Business Performance, Social media usage, SMEs

## 1. INTRODUCTION

Small and medium-sized businesses (SMEs) are considered the backbone of the economy. According to a study performed by Sri Lanka's Ministry of Industry and Commerce (2017), SMEs account for 45 percent of employment and 75 percent of all enterprises in the country's economy. According to the Ministry of Industry and Commerce, Sri Lanka has about 500,000 SMEs, each employing three to five people on average. This sector accounts for about 52 percent of GDP when combined with other unregistered micro-enterprises and SMEs. SMEs make a significant contribution to the economic health of a country. It enhances both inventions and innovation. SME's play a significant role in many nations across the world. This is due to their role in producing jobs and promoting regional growth and innovation, all of which benefit the country's economy (Shemi, Alice & Chris Procter, 2018).

SMEs have occupied a low level of technological expertise and minimal resources. As a result, contemporary information and communication technology (ICT) applications are deemed important to promote the growth of SMEs in various areas, such as effectiveness, efficiency, and competitive advantage (Consoli, 2012). The acceptance, usage, and popularity of social media have grown tremendously in recent times in well-developed countries

and developing nations in the world. Concerning regarding the usage of ICT, in the total population of 7.79 billion, 5.15 billion people are being unique mobile users and 4.57 billion people are internet users and 3.96 billion people are active social media users around the globe. It indicates that around 50.83 percent of individuals use social media sites.

In the contemporary marketing environment, the attention in social media marketing (SMM) has been increased among researchers in the internet technology (IT) field. This is in response due to the positive social media adoption that always keeps on developing as a necessary medium between firms (Parveen et al., 2015). Social media refers to "content distributed through social interactions. These media utilize various firms that offer services or tools to help consumers and firms build connections" (Grewal, Motyka & Levy, (2018)). Social media provide serious opportunities for SMEs in terms of sales and cost advantages, as well as communication and sharing advantages (Gümüş & Kütahyalı, 2017).

Businesses appear to be rushing to utilize these internet apps as a marketing platform for their products and services, with the primary goal of attracting new consumers, maintaining existing ones, and increasing sales and profits. Against the backdrop of

stiff competition in the market, the majority of SMEs have chosen to use social media platforms as a marketing strategy to ensure they meet their marketing and sales goals (Castronovo & Huang, 2012). The basic ideas of social media marketing as a strategy are to create and sustain an engaged online community of followers and supporters (Chaffey, 2016).

The Internet has transformed communication by allowing individuals and organizations to bypass geographical and time restrictions, allowing consumers and businesses to interact with one another anywhere in the globe at any time (Harris, Rae & Grewal, 2008). In the present competitive environment, SMEs confront new challenges in the current competitive scenario, which is characterized by the increasing variation and uncertainty in market demand and strong competition brought about by the globalization process. On one hand, SMEs have limitations in terms of finance, human resources, and organizational resources, which make the company very vulnerable in the market. On the other hand, some ways can be used to improve SMEs in terms of expanding networks in new markets to overcome company limitations, pursue access to external resources, and develop product innovations. This capacity seems to be supported by the adoption of information and communication technology, which affects sales performance (Roberta, Marco

Cioppi & Alessandro Pagano, 2017).

Scholars have argued that the adoption of social media has helped firms understand the need of their customers. Therefore, social media has its advantages that contribute positive influences when organizations use it. This phenomenon created hot discussion and arguments on the influence of social media on SMEs by scholars. Many research and studies recommend that SMEs should adopt social media platforms to survive in this competitive world and for business growth (Virtanen, Henrik, Peter & Elin, 2017).

Due to the emergence of social media as a powerful networking tool, replacing a significant part of direct contact and other traditional forms of interaction, business enterprises have jumped into the gravy train hoping to cut down on the costs of sales and marketing significantly. Despite this, there is not yet concrete evidence that performance improvements among such enterprises can be accurately attributable to the adoption of social media marketing, rather than other confounding factors such as legal reforms, among others. SMEs are increasingly embracing social media marketing intending to enhance organizational performance (Olonde, 2017).

Several scholars have argued that the non-adoption of social media by SMEs in this digital era is a

reason for some of its failures (Flanigan & Obermier, 2016). Therefore, the primary objective of this study was to examine the influence of social media usage on the business performance of SMEs in Batticaloa. Although Hitherto, there are a number of studies investigating social media adoption in SMEs in developed countries (Grandon & Person, 2004, Chen & Mc Queen 2008, Kapurubandara & Lawson, 2008, Scupola, 2009, Ainin, Parveen, Moghavvemi, Jaafar & Shuib, 2015; Wamba & Carter, 2016 ) ; How every Social media adoption among SME in emerging countries, such as Sri Lanka limit number of researchers are available on the contexts of social media usage in SMEs(Effendi, Sugandini & Istanto, 2020, Samsudeen & Kaldeen, 2019, McCann & Barlow, 2015). And also the main reasons to carry out this research is hitherto there are no such studies have been conducted related to this problem in the Batticaloa district. Therefore, it is intended to conduct this study by identifies a certain question related to the influence of social media on small and medium-scale marketers in Batticaloa District. Therefore, the key research problem of this study is, “Whether the use of social media influences the small and medium scale SMEs in Batticaloa District?”

## **2. LITERATURE REVIEW**

Small and medium-sized enterprises have been designated as a key strategic sector for

supporting Sri Lanka's economic and social development (Ministry of Industry & Commerce, 2017). Small and medium-sized enterprises have received widespread recognition as a key source of employment, income, poverty reduction, and regional development (Dhar, Uddin & Roy, 2020). According to Amaratunge (2003), creating new jobs is a better option than upgrading technology since poverty reduction can only be done by creating new job possibilities.

Social media has the potential to play a critical part in the future of marketing; it can reach a focused audience at a low cost, reach interested individuals regardless of their geographic location, and aid in the development of potential consumers (Pradiptarini, 2011). Organizations that use and implement the latest social media technologies seem to outperform their competitors with additional benefits such as lower cost and better efficiencies (Kim and Ko, 2012), and organizations that use and implement the newest social media technologies seem to outperform their competitors with additional benefits such as lower cost and better efficiencies ( Eisenfeld & Fluss, 2009). As a result, according to Parveen et al., (2016), social media use has a beneficial influence on the organizational performance of the small business in terms of cost savings, improved customer interactions, and increased information accessibility.

Business enterprises and governmental bodies utilize social media as a communication tool. These businesses utilize social media to advertise and communicate with customers, as well as to create customer relationships, brand themselves, and so on (Kim & Ko, 2012). The informed effective use of social media was studied in order to explore the use of social media in organizations since this was an essential indicator of technological success, which has an influence on companies (DeLone & McLean, 2003).

According to Verheyden and Goeman (2013), both small and large firms are increasingly using social media to bring value to their operations. According to Trainor et al., (2014), the use of social media in the company is favorably and substantially linked to greater financial and non-financial performance. The benefits of business adoption of social media are numerous, and multiple studies have found a link between social media adoption and corporate performance (Ainin et al., 2015). Brand image may be improved with the use of social media. In 2011, more than half of social media users followed companies on the platform (Belleghem, Eenhuizen, & Veris, 2011). Individuals can create a profile within a limited system, share it with other users, and view and navigate their list of connections as well as those established by others within the

system on social networking sites. The usefulness of social media advertising, as well as how it interacts with other forms of media such as television (Fossen, & Schweidel, 2019) and influences new product uptake through the dissemination of knowledge processes, is still being investigated (Hennig-Thurau, 2015).

Social media is simple to use and available to a huge number of people (Berthon et al., 2012). YouTube, Facebook, Twitter, Flickr, and Wikipedia are examples of social media apps that are used to distribute social media content. Text, images, videos, and social media networks make up the content of social media (Berthon et al., 2012). User-Generated Content (UGC) is a word that is frequently used to describe content created by people utilizing various social media platforms (Kaplan et al., 2010).

SMEs will use social media, according to Zeiller and Schauer (2011), if these applications provide a significant amount of relevant and high-quality up-to-date content. However, a study of SMEs managers in the United States, the United Kingdom, Australia, and India found that firm innovativeness, age, and geographic location significantly impact SMEs' adoption of Twitter (Wamba & Carter, 2013).

Social media provide a unique commercial communication technique (Eagleman, 2013).

Positive WOM has little to no influence on customer choices, according to Hennig-Thurau et al.,(2015), but negative WOM can have a detrimental effect on consumer preferences. Improving export marketing success (Lu & Julian, 2007); offering strategic benefits; delivering interactional and transactional benefits (Thao & Swierczek, 2008) such as cost reduction, revenue generation, and managerial effectiveness (Teo & Cho, 2001); improving innovation (Anderson, 2001); reducing marketing cost; improving customer relationships; and improving company image and competitive position (Molla & Heeks, 2007).

Furthermore, according to the research, social media allows for integrated marketing operations to be carried out with far less work and cost than before (Kim & Ko, 2012). Enhancing a brand's reputation; improving value, relationship, and brand equity (Kim & Ko, 2012); digital advertising and promotion; handling customer service issues; mining innovative ideas, and building customer relations are all areas where social media can have a significant impact on organizations (Solis, 2010). More precisely, social media aids businesses in improving consumer interactions and services (Parveen et al., 2014). The use of social media in businesses lowers the cost of marketing and customer service (Parveen et al., 2014). Furthermore, companies may use social media to learn more about

the industry, rivals, and, most importantly, their consumers and their requirements. This increases the companies' information accessibility (Parveen et al., 2014). Other benefits of social media use for SMEs include reaching out and creating relationships with new clients, distributors, and end customers, as well as improved exposure. Social media is utilized in the manufacturing industry to promote marketing, engagement, cooperation, and networking among stakeholders. This type of business necessitates the use of many, interconnected social media platforms (Tajudeen, Farzana, Jaafar, & Ainin, 2018).

Teo and Pian (2003) discovered a substantial link between corporate Internet use and Internet performance in terms of revenue growth, relationship development, cost reduction, and time savings. Similarly, Shuai and Wu (2011) discovered that an Internet marketing tool is favorably related to a firm's success in their research of E-marketing. Ferrer et al., (2013) discovered that the usage of social media technology improves an organization's social capital and, as a result, its performance.

Similarly, Rodriguez (2014) discovered that social media use in a company has a favorable influence on the customer-oriented process, which has a good impact on an organization's performance.

The marketing equity hypothesis, developed by Kim and Kom

(2012), asserts that social media marketing efforts have been shown to have a beneficial impact on an organization's success. According to Chaffey (2012), social media marketing is viewed as an informal marketing strategy. By assisting companies in obtaining more information about the market, new trends, industrial information, feedback on goods, rivals and their strategies, and consumers and their requirements, social media may increase information accessibility (Parveen et al., 2013). As a result, utilizing social media, organizations may successfully communicate their organization's information to the public (Parveen et al., 2016).

### **2.1 Theoretical background**

The theory originated by Chaffey (2012) looks at social media marketing as an informal marketing approach. According to the theory, communication and human networking are at the core of human behaviour, and ultimately customer behaviour. Social media marketing, therefore, utilizes these platforms to influence opinions on different products and services, and ultimately lead them into making purchases, and even maintain loyalty to one brand. This theory focuses on social media as a relationship-building tool. Through such interactions, a meaningful relationship is fostered between the business and its clients. The significance of this theory to the study is that it brings in a new angle of viewing the impact of social media marketing

(Heinze, Fletcher, Rashid, & Cruz, 2016).

By establishing a long-term relationship with clients, not only does it cause an immediate impact, but also secures the performance of the business in the long term. It, therefore, calls for an evaluation of the short term and critically overseeing the long-term benefits of social media marketing. The theory however does not specify the conditions under which its postulations would be valid. Previous studies such as Kimaru (2011) have for example determined that haphazardly implemented communication and networks can be counterproductive.

### **3. SIGNIFICANCE OF THE STUDY**

In the present digital environment, small and medium businesses need to understand Facebook, Twitter, and the strategies behind using social media for growing their business. Unfortunately, many small businesses do not have a strategy when they begin using social media. The study aimed at conducting analytical research and establishing the evident effects on business performance by the direct influence of social media marketing on organization performance for a targeted sample study of Small and Medium Marketers in Batticaloa District.

This research will contribute to a deeper understanding of the impact and value of social media

usage in business opportunity recognition and success. Small and medium businesses are here to stay and will continue to represent an important force in the business-economy environment of Sri Lanka. Some businesses fail for the very equivalent reasons year after year. Therefore, the study is an attempt to isolate and identify the significant relationship between social media and the business to perform as a profitable organization in the short-run as well as in long run. Small Medium Enterprise managers/owners would take inspiration from the findings of this study with relevance to social media usage as a tool toward their development and benefits that can be derived from its adoption.

#### **4. METHODS**

Based on the theoretical explanations and the empirical finding, this study has conceptualized independent variables and dependent variables in figure 1.

In this conceptual model, the independent variable Social Media Usage consists of three dimensions, which are use SM for Marketing, use SM for Customer Relations, and use SM for Information Search. At the same time, the dependent variable is the Business Performance of SMEs.

The study data were collected and analyzed using a quantitative technique. Cross-sectional data were collected and processed to achieve the study's goal. To obtain

the necessary information from respondents, a survey approach was used. The questionnaire's validation and assurance were appropriately tested using reliability and validity tests.

The study's survey questionnaire was based on prior research in the literature from which existing scales were picked to obtain the information needed in this study's setting. The researcher ran a pilot study to confirm the validity of the items before launching the questionnaire for extensive data gathering. The instrument was passed around and pre-tested among the experts. The internal consistency of the scale was confirmed through Cronbach's alpha reliability. Joppe (2000) defines reliability as the extent to which results are consistent over a while and therefore an accurate representation of the total population under a particular study is referred to as reliability from a quantitative perspective. It indicates that if the study's findings are replicated using a comparable technique, the research findings will be regarded trustworthy. The test-retest technique, which examines stability, may be used to determine the consistency of each individual answer from the questionnaire employed in attaining dependable results. And a high degree of stability, in this case, indicates a high degree of reliability (Charles 1995).

All of the items for the three types of usage were adapted from

previous studies to cover various dimensions of the usage construct (Moen et al., 2008; Papastathopoulou & Avlonitis, 2009; Teo & Choo, 2001), by using a five-point Likert scale ranging from 1= strongly disagree to 5= strongly agree was used. This study also categorized organizational performance as a dependent variable. All of the items were adapted from previous studies (Boxal et al., 2003; DeLone & McLean, 1992; Feher & Towell, 1997; Teo & Choo, 2001), by using a five-point Likert scale ranging from 1= strongly disagree to 5= strongly agree was used. The internal consistency of the items was determined to be above 0.70 in proportion to the items, which was good. Minor revisions were made, such as fixing typographical mistakes and enhancing text style and questionnaire design. Finally, a questionnaire with proven validity and reliability was distributed to the data collection's final sample.

The degree of data aggregation acquired during the subsequent data analysis step is referred to as the unit of analysis (Segaran, 2007). The unit of analysis in this study is individual small and medium-scale owners in the Batticaloa district. The information was gathered through a survey of 284 small and medium-sized businesses in the Batticaloa district. Researchers utilized questionnaires in a direct "face to face" survey to obtain the data. As a result, a high percentage of valid completed surveys (250)

was collected. Due to constant, direct interaction between the authors of this article and the marketers who were requested to fill out the questionnaire, a reasonably high response rate of 88.0 percent was attained. Aside from demographic data, the questioned marketers were asked to answer 23 questions to get their perspective on social media usage in small and medium enterprises the scale comprises 23 questions linked to 3 components, social media usage for marketing, social media usage for customer relations, and social media usage for information accessibility. The grading was done on a five-point Likert scale, with 1 representing strongly disagree and 5 representing strongly agree. The objective of this research, bivariate analysis was used to examine the relationship between social media usage among SME marketers in the Batticaloa district.

### **3.1 Hypothesis development**

#### **3.1.1 Social Media Usage and SME Business Performance.**

DeLone and McLean (2003) suggested that the informed and effective use of technology is an important indication of its success, which in turn has an impact on organizations. Previous studies have investigated the relationship between system use and performance and found significant results. For instance, Apigian et al. (2005) found that the higher the internet usage, the more impact it would have on

organizations in terms of revenue expansion, relationship enhancement, cost, and time reduction. Organizations that use and implement the latest social media technologies seem to outperform their competitors with additional benefits such as lower cost and better efficiencies (Kim and Ko, 2012), and organizations that use and implement the newest social media technologies seem to outperform their competitors with additional benefits such as lower cost and better efficiencies (Eisenfeld & Fluss, 2009). As a result, according to Parveen et al., (2016), social media use has a beneficial influence on organizational performance in terms of cost savings, improved customer interactions, and increased information accessibility. Similarly, when organizations use social media effectively for various tasks like marketing, customer relations, and information search, then it is likely to have a positive impact on organizations especially in terms of cost reduction (marketing, communication, and customer service), improvement in customer relations and enhancement in information accessibility. Based on the above studies, the following hypothesis is proposed:

*H<sub>01</sub>: Social media usage for marketing has a significant positive impact on SME's business performance.*

### **3.1.2 Social Media Usage for Customer Relations and SME Business Performance.**

Using social media for customer relationship management can benefit the business performance of microenterprises in many aspects. In particular, the ability of the companies to interact with customers and to customize their marketing communication on a one-to-one basis allows the companies to enhance customer satisfaction and commitment to a long-term relationship. Andzulis, Panagopoulos, & Rapp, (2012) explained in their study that all customers are now “customer benefits” and that every interaction is an integral part of a new collaboration between the company and the customer, yielding CRM 2.0. The ways consumers communicate with each other have been changing dramatically over the last decade, and the same is true for how consumers gather and exchange information about products and how they obtain and consume them. The rise of a plethora of new media has provided consumers with extensive options for actively providing information on services and products: “The digital innovations of the last decade made it effortless, indeed second nature, for audiences to talk back and talk to each other” (Deighton & Kornfeld, 2009). Based on the above studies, the following hypothesis is proposed:

*H<sub>02</sub>: There is a significant positive impact between social media usage for customer relations and SME's business performance.*

### **3.1.3 Social Media Usage for Information Accessibility and SME Business Performance.**

Organizations are using social media to improve their social network salience, enhance interest in their organizations, and build relationships with the online public. The relationship developed through social media not only brings customers closer to the organization but also helps organizations to get more information about the market trends, customers' needs, and wants (Parveen et al., 2015). These benefits associated with social media make it grow as an important strategic tool among organizations (Gomez & Soto, 2011). Regardless of the existing debate on the advantages and disadvantages of social media, investments in these technologies are growing high (Leader-Chivée & Cowan 2008). A survey by the McKinsey Quarterly on the implementation of Web 2.0 in the business sector showed that more than 75% of organizations planned to maintain or increase their investments in Web 2.0 (Chu, 2011).

*H<sub>03</sub>: There is a significant positive impact between social media usage for information accessibility and SME's business performance.*

## **4. RESULTS AND DISCUSSION**

Personal information of the respondents such as gender, age, name of the institution, degree of education, kind of business, and

operation age of the business was utilized to build a profile of the respondents.

**4.1 Distribution of age of respondents:** can be gleaned in table-1 the distribution of small and medium marketers in terms of age. According to the study's sample, 48.8% of SME owners were between the ages of 41 and 50 years. The results show that 2.8 percent of SME owners were under the age of 20, 21.1 percent of SME owners were between the ages of 21 and 30, 20.4 percent of SME owners were between the ages of 31 and 40 years, and 4.8 percent of SME owners were between the ages of 51 and 60 years and 2 percent of SME owners were above 60 years. In the context of the Batticaloa district considering the age distribution of 250 respondents, the middle age (41-50) respondents were mostly engaged in marketing who represent more than 48.8%. But below age 20 and above age 60 people are rarely engaged in small and medium scale marketing. Because it consists around 2%.

**4.2 Distribution of gender of the respondents:** can be gleaned in table-2 the distribution of small and medium marketers in terms of gender. An overview of the gender group demographic information of the collected samples. The majority of respondents are male marketers. They consist of 69.9%. Among 250 respondents only 76 respondents are female small and

medium-scale marketers. Female marketers consist of 30.4%.

**4.3 Level of Education:** it can be gleaned in table-3, the sample includes five categories of the educational levels of SME owners.

Educational level was categorized G.C.E. (O/L), G.C.E. (A/L), Diploma, Bachelor, and Others. Among the participant's educational levels most of the respondents had G.C.E. (O/L) qualifications. It consists of 61.5%.

**4.4 Distribution of nature of business of the respondents:** below table 4 illustrate that the nature of the business was categorized as retail, wholesale, manufacturing, and service. Among the SMEs nature of business, most of the samplers are retailers. It consists of 66.4%. Only 5.6% of the samplers are manufacturers.

**4.5 Distribution of operating age of business of the respondents:** it can be gleaned in table-05, the sample includes five categories of operation age of business of SMEs. Among the SMEs operation of the age of business, most of the respondents are running the businesses 1-3 years. It consists of 34.4%.

**4.6 Social media usage and business performance of SMEs:** table 06 shows the result of the Pearson correlation between social media usage and organizational performance. The

correlation coefficient (r) value is 0.566 between social media usage and organizational performance at the 0.01 significance level (2-tailed) is 0.000. It revealed that changes in usage of social media may be positive or negative changes create some variation in the business performance of SMEs.

**4.7 Social media for marketing and business performance of SMEs:** below table 7 shows the result of the Pearson correlation between using SM for marketing and business performance. The correlation coefficient (r) value is 0.575 between social media for marketing and organizational performance at the 0.01 significance level (2-tailed) is 0.000.

**4.8 Social media for customer relations and business performance of SMEs:** table 8 shows the result of the Pearson correlation between using SM for customer relations and business performance. The correlation coefficient (r) value is 0.575 between social media for customer relations and organizational performance at the 0.01 significance level (2-tailed) is 0.000. It indicates that customer relations via social media create a positive insight into the business performance of SMEs.

**4.9 Social media for information accessibility and business performance of SMEs:** table 9 shows the result of the Pearson correlation between using SM for

information accessibility and business performance. The correlation coefficient (r) value is 0.640 between social media for customer relations and organizational performance at the 0.01 significance level (2-tailed) is 0.000. Here also the usage of social media has a positive influence over the business performance by providing customer required information on a timely and needed basis according to the finding the correlation coefficient (r) value is positive between social media usage and organizational performance at 0.01 significance level (2-tailed) is 0.000. Moreover, the value falls under the coefficient range of 0.5-1.0. So, there is a significant positive relationship between social media usage and the business performance of SMEs. When SMEs use the media in a proper way it will help them to have better performance and leads to earning more income. Previous kinds of literature also validate this statement. According to Delone and Mclean (2003), the informed and efficient use of technology is a key indicator of its effectiveness, which influences the organization. Apigian (2005) discovered that the more internet usage, the greater the impact on companies in terms of revenue growth, relationship enhancement, cost reduction, and time reduction.

#### **4.10 Multiple Regression**

In order to identify the impact of social media on business

performance of SMEs multiple regression analysis was performed. Table 10 reveals the multiple correlation coefficient where the R-value is 0.665, whereas the value of R square is 0.442 as in the above model there is more than one variable so the researcher considers the value of adjusted R square. The value of adjusted R square is 0.435 of independent variables which are multiplied by 100. That means 43.5% of the variation on the dependent variable (Business Performance of SMEs) can be predicted from the independent variable (using Social Media for Marketing, for Customer Relations and Service, for Information Search).

Business Performance of SMEs =  
 $1.144 + 0.380(\text{SMM}) + 0.276(\text{SMCR}) + 0.445(\text{SMIS}) + \varepsilon$

Based on the equation the value of constant was 1.144 which implies that while the other three dimensions remind constant or zero, the business performance of SMEs is 1.144. Hence p-value of the constant term was considered to be significant ( $p < 0.05$ ). Accordingly, the value of the beta coefficient in SMM, SMCR, and SMIS was positive. There is a positive impact between the variables. It illustrates that if SMM increases by one unit while another variable is constant, the BP is increased by 0.380 if SMCR increases by one unit while the other variable is constant; the BP is increased by 0.276 if SMIA increases by one unit while

another variable is constant; the BP is increased by 0.276.

The regression coefficient ( $r$ ) value is 0.380 between social media for marketing and organizational performance which is not significant as per the study. Moreover, the value falls under the coefficient range of 0.5-1.0. Marinez- Nunez and Perez- Aguiar (2014) discovered a link between online social networking usage and sales. Several studies have found a link between the use of social media technologies and “hard” performance impacts, such as financial performance and/or company growth. Social media use has a beneficial impact on business turnover, with this connection being mediated by marketing cost reductions and marketing-related outputs.

The regression coefficient ( $r$ ) value is 0.276 between social media for customer relations and organizational performance at the 0.01 significance level (2-tailed) is 0.000. Therefore, based on this evidence the null hypothesis of this study is rejected concerning the alternative hypothesis. So there is a significant positive impact between social media for customer relations and business performance of SMEs. Prior research has backed up this assertion. As a communication medium, social media assists businesses in achieving a variety of organizational goals, including marketing, public relations, advertising, branding, customer service, human resources, and

issue resolution (Kim & Park, 2013; Nisar & Whitehead, 2016).

The regression coefficient ( $r$ ) value is 0.445 between social media for information search and organizational performance at the 0.01 significance level (2-tailed) is 0.000. Therefore, based on this evidence the null hypothesis of this study is rejected in relation to the alternative hypothesis. So there is a significant positive impact between social media for information search and business performance of SMEs. Prior research has backed up this assertion. As a communication medium, social media assists businesses in achieving a variety of organizational goals, including marketing, public relations, advertising, branding, customer service, human resources, and issue resolution (Kim & Park, 2013; Nisar & Whitehead, 2016). Hence considering the Batticaloa district of Sri Lanka the social media usage in customer relationship management and information search is vital which has a significant influence on the performance of the organization

## **5. CONCLUSIONS AND RECOMMENDATIONS**

This study was to find out the impact of social media usage on the business performance of Small and Medium Scale Marketers in Batticaloa. This study found that the existing level of social media usage in Small and Medium Scale Marketers in Batticaloa and its dimensions, using social media for marketing, using social media

for customer relations, and using social media for information accessibility. The existing level of influence of social media users indicated that there is a high level of business performance of SMEs. The result of the study showed that dimensions of social media usage namely using social media for marketing, using social media for customer relations, and using social media for information accessibility have remained high level. The regression analysis was applied to analyze the impact between the variables. There is a significant level of impact between Social Media Usage and Business Performance of SMEs especially concerning the dimensions of customer relations and services and information search. Also, there is a high level of impact between the independent variables such as using social media for marketing, using social media for customer relations, using social media for information accessibility, and the dependent variable of business performance of SMEs in Batticaloa district. This result is in congruence with preceding research outcomes of Kimani et al (2015), Parveen et al., (2016), Parveen et al., (2015) which revealed that social media usage enhances the worth of the firms by allowing them to connect directly with customers and helps the firms to quickly react to the swift changes of the business milieu. Research indicated that social media helps to get some supplementary news about the firm's competitors and their

actions and reactions, which can assist to nurture the products and services of the organizations (Stone et al., 2007), Kaplan and Haenlein (2010) revealed that, deployment of social media supports to provide rich information with better customer support as quickly as possible helps to increase the annual sales and financial gain, helps connect businesses to customers, build up relationships and cultivate those relationships.

Based on the results of this study, it can be recommended that the use of social media is a very effective way of improving the performance of small and medium enterprises. Therefore it is necessary to increase knowledge in the use of social media as a medium for business.

### **5.1 Implication of the Study**

Due to the existing debate on the positives and negatives of social media, most organizations are confused regarding the usage of social media. This study will provide a clearer idea of the real importance of social media and its benefits. Organizations which had not used social media can plan for their successful start. Lessons learned from others' experiences can provide valuable insights for entrants planning future deployments for their business.

In the context of social media, there is a lack of studies that investigated the organizational usage of social media in an integrated model (Akar & Topcu,

2011; Lovejoy & Saxton, 2012). Therefore the current study using an integrative model examined the determinants of social media use, the extent of social media use, and its impact on organizational performances.

SMEs could aim to gain an understanding of how can we use social media tools to develop our business. The study further recommends the findings for the development of policies that will be geared towards increasing the sustainability of SMEs through social media marketing.

Finally, the study recommends that the owners of the various SMEs in Batticaloa district should use the findings for guidance in making necessary changes in their business to enable them to compete effectively in the increasingly crowded sector. Specifically, because the study findings have drawn important lessons for success and best practices for the SME growth since they comprise a significant portion of the Sri Lankan Gross Domestic Product (GDP).

**APPENDIX**

**Table 01: Age Distribution**

<b>Years</b>	<b>Frequency</b>	<b>Percentage</b>
Below 20 years	7	2.8%
21-30 years	53	21.1%
31-40 years	51	20.4%
41-50 years	122	48.8%
51-60 years	12	4.8%
Above 60 years	5	2.0%
<b>Total</b>	<b>250</b>	<b>100.0%</b>

Source: Survey Data (2020)

**Table 02: Gender Distribution**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	174	69.6%
Female	76	30.4%
<b>Total</b>	<b>250</b>	<b>100.0%</b>

Source: Survey Data (2020)

**Table 03: Educational Level**

<b>Educational</b>	<b>Frequency</b>	<b>Percentage</b>
G.C.E O/L	154	61.5%
G.C.E A/L	84	33.6%
Diploma	7	2.8%
Bachelor	4	1.6%
Other	1	0.4%
<b>Total</b>	<b>250</b>	<b>100.0%</b>

Source: Survey Data (2020)

**Table 04: Nature of Business**

<b>Nature</b>	<b>Frequency</b>	<b>Percentage</b>
Retail	166	66.4%
Wholesale	44	17.6%
Manufacturing	14	5.6%
Service	26	10.4%
<b>Total</b>	<b>250</b>	<b>100.0%</b>

Source: Survey Data (2020)

**Table 05: Age of the Business**

<b>Nature</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 12 months	16	6.4%
1-3 years	86	34.4%
4-6 years	73	29.2%
7-9 years	64	25.6%
Above 9 years	11	4.4%
<b>Total</b>	<b>250</b>	<b>100.0%</b>

Source: Survey Data (2020)

**Table 06: Correlation between Social media usage and business performance**

Variable		Business Performance
Social Media Usage	Pearson Correlation	0.566*
	Sig. (2-tailed)	0.000
**. Correlation is significant at the 0.01 level (2-tailed)		

Source: Survey Data (2020)

**Table 07: Correlation between Social media usage for Marketing and Business Performance**

Variables		Business Performance
Using SM for Marketing	Pearson correlation	0.575*
	Sig. (2-tailed)	0.000
**. Correlation is significant at the 0.01 level (2-tailed)		

Source: Survey Data (2020)

**Table 8: Correlation between Social media usage for Customer Relations and Business Performance**

Variables		Business Performance
Using SM for customer relations	Pearson correlation	0.575*
	Sig. (2-tailed)	0.000
**. Correlation is significant at the 0.01 level (2-tailed)		

Source: Survey Data (2020)

**Table 9: Correlation between Social media usage for Information Accessibility and Business Performance**

Variables		Business Performance
Using SM for information accessibility	Pearson correlation	0.640*
	Sig. (2-tailed)	0.000
**. Correlation is significant at the 0.01 level (2-tailed)		

Source: Survey Data (2020)

**Table 10: Model Summary for Social Media Usage and Business Performance of SMEs**

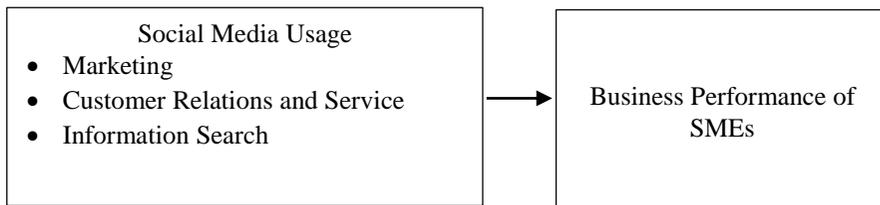
Model	R	R Square	Adjusted R Square	Durbin- Watson
1	0.665	0.442	0.435	1.601

Source: Survey Data (2020)

**Table 11: Coefficient for using Social Media for Marketing, for Customer Relations and Service, for Information Accessibility and Business Performance of SMEs**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std.Error	Beta		
(Constant)	1.144	0.284		4.022	0.000
SM for Marketing	0.380	0.048	0.380	0.799	0.425
SM for CRS	0.276	0.076	0.243	3.628	0.000
Using SM IS	0.445	0.063	0.473	7.017	0.000

Source: Survey Data



**Figure 1: Conceptual Framework**

Source: Tajudeen, Farzana, Noor, and Ainin, 2018

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## **Effect of Job Design on Task Performance of Engineers of Public Utility Sector Organizations in North Western Province, Sri Lanka**

**L.C.M.K. Kulathunga<sup>1</sup>, W.A.D.K.J. Wanigasekara<sup>2</sup> & M.O.S. Mendis<sup>3</sup>**

<sup>1</sup>Faculty of Business Studies & Finance  
Wayamba University of Sri Lanka  
SRI LANKA

<sup>2,3</sup>Department of Accountancy  
Faculty of Business Studies & Finance  
Wayamba University of Sri Lanka  
SRI LANKA

malikakulathunga@yahoo.com<sup>1</sup>, kaushalya@wyb.ac.lk<sup>2</sup>,  
oshanimendis33@gmail.com<sup>3</sup>

### **Abstract**

This study was designed to identify the influence of job design factors on the task performance of project engineers employed in public utility sector organizations in the North Western Province of Sri Lanka. Skill variety, task identity, task significance, autonomy and job feedback factors are considered as independent variables to measure the job design. Research carried out using 113 project engineers in public utility sector organizations in North-Western Province revealed that skill variety, task identity, task significance, autonomy and job feedback influence on employee task performance in a project context. The analysis was done by applying correlation analysis and multiple regression analysis. It was illustrated a significant moderate relationship between independent variables and dependent variables. Results of the regression analysis indicated a significant positive impact of independent variables on dependent variables. Further, the results revealed that job autonomy is the highest contributing factor while task identity, job feedback, task significance, and skill variety contribute to the task performance of the project engineers, respectively. Therefore, it is concluded that the job design enhance task performance of project engineers in public utility sector organizations in the North Western Province of Sri Lanka.

**Keywords-:** Job Design, Sri Lanka, Task Performance, Utility Sector

## 1. INTRODUCTION

Human Resource is the backbone of an organization. It has the most significant effect on the organization compared with other resources like machines, materials, land, etc. The success of the effective physical resources of an organization cannot be achieved without human resources. In the organizational context, the effectiveness of human resources depends on designing the job according to human capability and characteristics. Job design is the most important function of human resources management. (Boxall *et al.* 2008) It indicates the designing of contexts, methods and functions of the job. Employee task performance directly influences goal achievements and performance towards the organization. According to the past research, certain factors individually and collectively affect the task performance of the employees.

Organizations have been focused on issues such as employee satisfaction, retention, turnover, brain drain, job enrichment, job enlargement, work design, performance evaluation, and other human resource tasks for the past two decades in order to retain people loyal to the company. (Khalid & Nawab, 2018). Thereby, the need of human resource management becomes more pronounced and obligatory, as human resources cannot be replicated. It is the managerial factor that makes the difference in achieving organizational success.

Many people believe that income is the most significant motivator at work. However, studies show that a different factor, job design, has a significant impact on worker performance. The design of a work has a significant impact on employee motivation, job satisfaction, commitment to an organization, absenteeism, and turnover. In the organizational context, the effectiveness of human resources depends on designing the job according to humans' capabilities and characteristics. (Boxall *et al.* 2008) The employee performs his or her task, duties and responsibilities. The achievement of goals and objectives of the organization is assessed by the performance of its resource like a human.

Zhu *et al.* (2007) highlighted that the initial development of the human resource management concept is based on the effective utilization of people and treating them as resources leading to the realization of business strategies and organizational objectives. Employee performance is the most decisive component in each organization because the accomplishment of organizational objectives depends on the performance of its employees. Accordingly, many corporate-level managers evaluate the employee performance of each staff member annual or quarterly basis to identify the areas for performance improvement.

### 1.1 Research Problem

National Water Supply & Drainage Board (NWSDB) has its beginning as a sub-department under the Public Works Department (PWD) for Water Supply and Drainage. The NWSDB presently functions under the Ministry of Water Supply. During the last 45 years, the organization has considerably expanded its scope of activities. The numbers of employees have increased from one thousand to ten thousand from 1975 to 2020. NWSDB has the most qualified and experienced staff in the water supply and sewerage sector in Sri Lanka.

The electricity sector in Sri Lanka is governed by the Sri Lanka Electricity Act, No. 20 of 2009. Ceylon Electricity Board (CEB), established by the CEB Act No. 17 of 1969 (as amended), is under a legal obligation to develop and maintain an efficient, coordinated and economic system of electricity supply in accordance with any licenses issued. The CEB has to develop and maintain an efficient and coordinated economic system of electricity supply to the country as well as generate or acquire supplies of electricity.

In the 1950s, the country's main road network was developed and maintained by the PWD. This department was responsible for roads and buildings, water supply & drainage, and housing, etc. In the mid-1960s, the PWD was responsible only for the development and maintenance of

the public roads and buildings. The Road Development Authority (RDA) functions were expanded in 1986, when it became the successor to the Department of Highways. In 1986, the RDA was entrusted with developing and maintaining all classified roads in the country (A, B, C, D and E class roads) totaling up to approximately 28,000 km of roads and bridges.

During the last few years, local and foreign-funded projects conducted by NWSDB, CEB and RDA were not completed within the designed time period. Key Performance Indicators (KPI) of the selected organizations show that delays (refer Table 1) in completing the projects affected productivity, performance and economy of the particular organization. Therefore, it is highly influence for overall performance of the organization itself. It is anticipated that job design is engaged for each objective or project. It should generate a synergy effect to exhibit higher performance.

The reports issued by the Department of Project Management and Monitoring (DPMM) (Progress of development projects and programme as at 31<sup>st</sup> of March, 2019) identified major reasons for delay the funded projects in Sri Lanka.

The figure 1 shows that when considering the issues pertaining to the project implementations, a considerable percentage (38 percent) represents the

organizational and project monitoring unit issue. These are related to organizational employees' performance, which might be affected by the different human resource managerial aspects, including job design. Therefore, it should take the necessary steps to complete all components within the agreed time frame by effective contract management through proper job design and close supervision of the contractor's performance. In the progress reports of the DPMM unit concluded that performance incommensurate of project staff is a burning issue and it is required to address this issue immediately.

Moreover, there is a general perception among the public that the public sector organizations are inefficient and ineffective in using limited resources, and thereby those organizations constitute a significant burden to the government of Sri Lanka, (Athukorala *et al.* 2017). The behavioral pattern of the engineers was changed during the past few years, showing that absenteeism, unionized behavior, turnover, etc. Also, criticism was pointed out internally by the top management of public utility sector organization and Project Management unit staff about the antagonistic behaviors of engineers less attention, commitment and involvement role of their work. Some engineers and engineering assistants are not confident about their jobs and tasks; they have not perceived the job autonomy and level of job

authority. Therefore, a low degree of job involvement was found during the past within these government utility sector organizations.

Specially, for the success of a project, the project management unit must consider how to ensure that employees are equipped with attributes as responsibility, quality of work, job knowledge, ability, experience, accuracy, judgement and initiative. Therefore, it is significant to carry out the studies to explore the reasons behind such low level of engineers' and engineering assistants' performance, which in turn affects delay in implementations of projects.

There are studies available in the international context to explore the impact of job design on task performance of employees (Humphrey, 2007; Demerouti, 2006; Morgeson, 2005; George & Zhou, 2001; Tierney & Farmer, 2002; Oldham & Cummings, 1996). But, according to the knowledge of the authors, there are no research studies done on the effect of job design on task performance of engineering staff in public utility sector organizations in Sri Lankan context. Therefore, the present study was designed to fill this empirical research gap. Thus, the research problem, which this study addressed, is, "Is there any effect of job design on task performance of engineers of public utility sector organizations in North Western Province in Sri Lanka?".

Thus, the answer for this research question is found based on the performance of engineering employees in all levels, who are employing in the public utility sector organizations, such as; NWSDB, CEB and RDA in the North-Western province of Sri Lanka.

### **1.2 Research Questions**

Following research questions are formed to be answered through the present study;

1. Does job design impact the task performance of engineers at all levels in public utility sector organizations in the North Western province of Sri Lanka?
2. To what extent does skill variety impact the task performance of engineers of all levels in public utility sector organizations in the North-Western province of Sri Lanka?
3. Does the task identity impact the task performance of engineers of all levels in public utility sector organizations in the North Western province of Sri Lanka?
4. Does task significance impact the task performance of engineers of all levels in public utility sector organizations in the North-Western province of Sri Lanka?
5. To what extent does job autonomy impact the task performance of engineers of all levels in public utility sector organizations in the North-Western province of Sri Lanka?

6. Does feedback impact on the task performance of engineers of all levels in public utility sector organizations in the North Western province of Sri Lanka?

### **1.3 Research Objectives**

The primary objective of this study is to investigate the impact of job design on task performance of engineers.

More specifically following objectives are to be achieved by the study.

1. To identify the impact of job design on task performance of engineers of all levels in public utility sector organizations in North Western Province of Sri Lanka.
2. To determine the impact of skill variety on task performance of engineers of all levels in public utility sector organizations in North Western Province of Sri Lanka.
3. To investigate the impact of task identity on task performance of engineers of all levels in public utility sector organizations in North Western Province of Sri Lanka.
4. To identify the impact of on task significance on task performance of engineers of all levels in public utility sector organizations in North Western Province of Sri Lanka.
5. To find the impact of feedback on task performance of engineers of all levels in public

utility sector organizations in North Western Province of Sri Lanka.

6. To determine the impact of job autonomy on task performance of engineers of all levels in public utility sector organizations in North Western Province of Sri Lanka.

#### **1.4 Significance of the Study**

The main purpose of this study is to find the impact of job design on the task performance of the engineers of all levels in the public utility sector organizations. Therefore, more importantly, the findings of the study will be significant to the projects in NWSDB, CEB and RDA, North Western Province in Sri Lanka. Because, these organizations spend massive amount of capital, technology and labor, knowledge, experience and expertise toward the accomplishment of utility infrastructures. Thus, it will be significant to the public utility sector organization as to take necessary action to improve project engineers' task performance in projects.

In addition, this research may be greatly significant to employers, it gives supplementary information and knowledge that can carry out productive task performance. Managers can focus on which factors can affect task performance of employees and help the organization earn a higher level of performance.

Further, the research findings of the present study are beneficial to the projects staff, such as engineers, technical officers, administration staff, etc. They can improve their job performance which can ultimately increase organizational performance.

Moreover, the present research findings will be useful to the project directors, contractors, engineers, and other stakeholders to implement their project activities based on effective job design and achieve the best performance of project engineers.

The rest of the article contains the literature relating to employee performance and job design, methodology, findings and discussion and finally the conclusion.

## **2. LITERATURE REVIEW**

### **2.1 Task Performance of Employees**

Employee performance is a key factor that contributes directly to the performance of the company. Companies today, with increased competition in the business arena, are keen to boost employee performance in order to enhance their profitability, market reach and brander cognition. Thus, human resource managers and quality managers have put special emphasis on techniques to gauge employee performance and periodically conduct review sessions in order to monitor it. Campbell (1990)

defined job performance as actions or behaviors relevant to organizational goals, which includes both productive and counterproductive employee behaviors that contribute to or detract from organizational goals. It is introduced Viswesvarn (2000) as the more recent definition of job performance as behavior and outcomes that employees undertake that are contribute to organizational goals. Motowidlo (1993) refers to job performance as the effectiveness of individual behaviors that contribute to organizational objectives and should consist of task performance and contextual performance. Both constructs are influenced by different factors, for instance, job-related experience determines task performance while Organ (1988) defined individual's personality type determines contextual performance and term "job performance" may need to redefine to essentially broaden this construct to include non-productivity or extra-role dimensions such as cooperation, helping co-workers and superiors and generalized tendencies toward compliance. Gomez (2007) stated that task performance should be distinguished into quality of work done, quantity of work performed, and interpersonal effectiveness. Therefore, from the above definitions it is clear that task performance is related to the extent to which an employee is able to accomplish the task assigned to him or her and Mawoli (2011) defined by how the accomplished task

contributes to the realization of the organizational goal.

## **2.2 Job Design**

Job design is an important factor that makes a significant amount of impact on employee performance. The more efficient job design leads to more job satisfaction and good employee's performance. Therefore, employers, departmental head of the organization and the company managers are always looking for the opportunity and alternatives to increase a well-developed job design and employee satisfaction because worker performance basically depends on the level of job design and satisfaction on the job. Meanwhile, company's vision, mission, goals, and objectives are also reliant on employee's performance.

Buchanan (1979) found that job design as specifying the contents or methods of any job in such a way that various requirements of the job holder can be effectively satisfied. Ambrose (2013) defined job design as the creation of tasks and work settings for specific tools. Job design focuses on the way that a set of tasks or an entire position is organized (Grant, 2010). Opatha (2009) defines job design as the function of arranging tasks, duties and responsibilities into an organizational unit of work for the purpose of accomplishing the primary goal and objectives of the organization. He further noted there are two categories of elements, i.e. efficiency elements and behavioral

elements. Efficiency elements include division of labour, standardization and specialization. Behavioral elements include skill variety, task identity, task significance, autonomy and feedback.

The skills, task identity, task significance, autonomy, feedback, job security and compensation are important factors for the motivation of employees as identified by Bassey (2002), Garg & Rastogi (2005) and Hackman & Oldham (1976).

### **2.3 Job Design and Task Performance of Employees**

The study focuses on the topic that "Impact of Job Design on Employees' Performance in People's Banks of Ampara District" by Ali & Aroosiya (2010) identified whether the job design shapes the employees' performance. Some of the researchers have analyzed the relationship of job design and employee performance and concluded that there is a strong positive relationship between them. Studied about "Job Design and Employees' Performance with special reference to school teachers in the Kalmunai zone by Ali & Rehman (2014) studied about "Impact of Job Design on Employee Performance, mediating role of job satisfaction. A study of FMCG's sector in Pakistan" The study measured about the effect of job design on employees' performance while the mediation effect is job satisfaction.

According to Rush (1971), the main purpose of the job design (or re-design) is to increase both employee motivation and productivity. Job design can have a significant effect on motivation. Increased productivity can manifest itself in various forms. Garg & Rastogi (2005) established body of knowledge supporting the idea that certain jobs and goal setting can enhance the performance. It is experience that well designed jobs can have a positive impact on both employee satisfaction and the quality of performance. Therefore, the study of Garg & Rastogi (2005) shows that a well-defined job would enhance motivation, satisfaction and performance of the employees.

### **2.4 Theoretical Background**

Organizations may apply various types of theoretical approaches for job design. Each one of the approaches indicates different aspects that have to be considered for job design effective. There are two theories about job design; Herzberg's Two-Factor Theory (1966) and Job Characteristics Model (1976).

The Job Characteristics Model is the most appropriate theoretical underpinning for the current study. Therefore, the following section presents the Job Characteristics Model.

#### **2.4.1 Hackman Job Characteristics Model**

The job characteristics model was originally developed by Turner and Lawrence and has been revised by Hackman and Lawler. The final version of the job characteristics model, as used in many theoretical reviews, has been done by Hackman and Oldham (1976). They summarized the job characteristics into five core dimensions as illustrated in Figure 2.

The Job Characteristics Model asserted that individual performance can be enhanced when employees perceive that their job entails the above mentioned five main characteristics. The design and characteristics of job are important for an organization because they provide significant influence on employees' intrinsic motivation and would lead to a higher level of job performance among employees as per the studies of George & Zhou (2001) Tierney & Farmer (2002) and Demerouti (2006). Whereas past researchers have proposed other dimensions of job characteristics such as autonomy, feedback, skill variety, task significance and task identity as dimensions of job factors that significantly affect employee performance. Oldham and Cummings (1996) and Morgeson (2005) found out jobs that are designed with high complexity characterized by high levels of autonomy, skill variety, identity, significance and feedback can have a positive impact on employees' performance.

### **3. METHODS**

#### **3.1 Population and Sample**

The population of this study is 160 project engineers in NWSDB, CEB and RDA of North Western Province in Sri Lanka. The researchers had to limit only to the North Western Province in Sri Lanka due to the data collection difficulties aroused because of Covid – 19 pandemic situations. The sample was selected using systematic random sampling. According to the Morgan Sample Criteria, 113 project engineers were selected.

#### **3.2 Conceptual Framework**

The conceptual framework is presented in the figure 03 of the appendix.

#### **3.3 Hypotheses**

According to Benjamin (2012) the theory behind providing skill variety in job design is that it will reduce boredom, thereby increasing job satisfaction and motivation. Similarly, Ghosh (2015), Krasman (2012), Sulea *et al.* (2012) and Davis (2005) reported that a job that allows employees to engage in different activities and to use various skills and talents will result in a positive attitude and behavioural outcomes at work. Feldman, & Pentland, (2003) stated that skill variety is considered as the number of various task elements that are necessary for job fulfilment. Task variety communicates clarity of knowledge. According to the

literature of careers, employees at the start of their careers make attempts to discover tasks from which they attain or achieve their goals (Feldman & Thomas, 2012).

Accordingly, the first hypothesis of the study is formulated as;

**H<sub>1</sub>**. There is a significant effect of skill variety on task performance of engineers of all levels in public utility sector organizations in the North Western Province of Sri Lanka.

Task identity is the degree to which the job requires completion of a whole and identifiable piece of work that is doing the job from beginning to end with a visible outcome. Task wholeness increases the employees' sense of responsibility, ownership and control over work activities (Fiedler, 1997). As task identity increases, employees are able to evaluate themselves in terms of the quality of work done. Uruthirapathy and Grant (2015) found that employees who have enlarged jobs and are involved in more tasks in their workflow are more likely to perform better than those who are not undergoing such work conditions. Task identity was considered a source of motivation for the employees, which then leads to improved performance (Choge *et al.* 2014).

Based on the literature discussed above, the second hypothesis of the study is formulated as;

**H<sub>2</sub>**- There is a significant influence of task identity on task performance of engineers of all levels in public utility sector organizations in the North Western Province of Sri Lanka.

Task significance is an integral part of job characteristics that contribute to employee performance. Hirschfeld *et al.* (2002) proved that high performance increases if the results of the specific efforts are seen to be highly important and relatively has an impact on others. A high level of task significance is relative to a low level of absence from work (Rentsch & Steel, 2003) and a high level of individual work satisfaction (Orpen, 1979). As for the public servants, when they recognize that their work has an important impact on the organization's ability to achieve its mission, vision, and established business goals, they will develop feelings of social impact and social worth, particularly in the context of their present employment. In essence, public servants would consider that their jobs worthwhile if they believe that their role would make a positive impact on others in the respective department they are attached to as well as on the community at large (Hauff & Richter, 2015; Hassan, 2014; Krasman, 2012).

Thus, the third hypothesis can be formulated as;

**H<sub>3</sub>**- There is a significant impact of task significance in task performance of engineers of all

levels in public utility sector organizations in the North Western Province of Sri Lanka.

Job autonomy is defined as the degree to which the job provides substantial freedom, independence, and discretion to the individual in scheduling work and in determining the procedures to be used in carrying it out. Job autonomy is one of several core job design characteristics developed by Hackman & Oldham (1975).

Gallantly and Irving (2001) found a positive effect of perceived autonomy on contextual performance. Managers who report greater autonomy in their work have a better performance than managers who report lower autonomy. Claessens *et al.* (2004) found that perceived autonomy in time was positively related to job performance and job satisfaction and negatively to work strain. According to Langfred & Moye (2004), job autonomy enhances job performance because they perceive themselves as capable and more resourceful in performing the task. Psychologically, employee will more motivate to do the best and leads to higher performance. Therefore, a positive linkage can be hypothesized between job autonomy and job performance

**H<sub>4</sub>**- There is a significant impact of autonomy on task performance of engineers of all levels in public utility sector organizations in North Western Province of Sri Lanka.

Feedback refers to the degree to which carrying out the work activities required by the job results in the individual's obtaining direct and clear information about the effectiveness of his or her performance (Garg & Rastogi, 2006 cited in Ali & Aroosiya, 2010). In their study Morris and Venkatesh (2010) revealed that feedback has a positive relationship with job performance. Bacha (2014), Ghosh *et al.* (2015) and Krasman (2012) reported in their findings that employees who obtained feedback from the work they have done are more likely to demonstrate positive attitude and behavior at work. Thus, the fifth hypothesis of the study is;

**H<sub>5</sub>**- There is a significant impact of feedback on task performance of engineers of all levels in public utility sector organizations in North Western Province of Sri Lanka.

The design and characteristics of job are important for organization because it provides significant influence on employees' intrinsic motivation and would lead to higher level of job performance among employees as per the studies of George & Zhou (2001); Tierney & Farmer, 2002 and Demerouti (2006). Whereas previous studies have proposed other dimensions of job characteristics such as autonomy, feedback, skill variety, task significance and task identity as dimensions of job factors that significantly affect employee performance (Oldham & Cummings, 1996; Tierney & Farmer, 2002). In accordance with

the literature, the last hypothesis of the study is formulated as;

**H<sub>6</sub>** - There is a significant effect of job design on the task performance of engineers of all levels in public utility sector organizations in the North Western Province of Sri Lanka.

### **3.4 Research Instrument and Method of Data Collection**

A structured questionnaire, which was based on the previous literature was used for the data collection. The questionnaire contained 29 numbers of questions except the questions related to the respondents' profile data. All other questions were put forwarded in "Likert Scale".

There were 5 questions related with demographic factors of the respondents, 4 questions each for Skill verity (differentiation of skills, level of skill use, variety of skills, number of skills), task identity (task involvement, task arrangement, level of task, task completion) and task significance related indicators (task significance, impact of task), 9 job autonomy related questions (work scheduling autonomy, planning, decision making autonomy, work method autonomy), 3 feedback related questions (effectiveness of performance, feedback on performance and information) and 5 task performance questions (timeliness, quality of work, quantity of work, less supervisory

intervention and interpersonal cooperation) in the questionnaire.

The questionnaire was distributed among project engineers of NWSDB, CEB and RDA office within the North Western Province through emails. The relevant project directors were informed about the survey and the purpose of the study. Then the data were collected via email, post and by hand.

### **3.5 Results of Reliability Assessment**

The Cronbach's alpha was calculated to assess the reliability. Cronbach's alpha value indicates how far established questions are consistent as group and relativeness to the established variable. Accordingly, all the variables have a very good reliability (skill variety = 0.924, task identity = 0.901, task significance = 0.881, job autonomy = 0.850, feedback = 0.950, employee performance = 0.914 and job design = 0.708). According to Zikmund *et al.* (2010) all the variables have very good reliability except job design, which has good reliability.

### **3.6 Method of Data Analysis**

The reliability analysis was done to ensure the internal consistency of all components in the questionnaire Assumptions for regression analysis were also executed before analyzing the data. The descriptive statistics were used to explain the behaviour of data. Regression analysis and correlation analysis

were undertaken to analyze the data and to test the hypotheses.

#### **4. RESULTS AND DISCUSSION**

This proceeded with data presentation and analysis of obtained views from the questionnaire.

##### **4.1 Results Demographics Analysis**

The demographic analysis revealed that Gender distribution shows 77.9% percentage of males and 22.1% percentage of females exists in the considered sample of project engineers. It shows that, male employment is much higher than female employment in the construction project sector in Sri Lanka. The age distribution shows that 13.3% are below 30 years ages and 53.1% are in 31 years to 40 years. 22.1% is in the age category of 41 years to 50 years. 11.5% are in the age category of 51 years to 60 years. The educational background of the engineers selected for the study shows that the majority of the engineers have postgraduate qualifications (61.1%), indicating an excellent educational background among the project engineers in Sri Lanka.

##### **4.2 Results of Correlation Analysis**

The table 2 indicates that the moderate positive relationship between skill variety and task performance of project engineers coefficient of correlation is 0.591,

which is statistically significant ( $P < 0.05$ ). Further, a moderate positive relationship between task identity and task performance of project engineers coefficient of correlation is 0.473, which is also statistically significant ( $P < 0.05$ ). The correlation coefficient between task significance and task performance is 0.403, which is statistically significant and a higher positive relationship exists ( $P < 0.05$ ). Moreover, the relationship between job autonomy and task performance is also moderate, and the correlation coefficient value is 0.525, which is statistically significant. Furthermore, there is a moderate positive relationship between feedback, and task performance of project engineers correlation coefficient is 0.529, which is statistically significant.

According to the correlation analysis, it is revealed that skill variety, task identity, task significance, job autonomy and feedback have moderate positive relationship with task performance of project engineers and correlation is statistically significant, indicating that there is a significant relationship between job design and task performance of project engineers in public utility sector organizations in North Western province of Sri Lanka.

##### **4.3 Results of Regression Assumption**

It was found that all the variables satisfied the normality criteria, and it was assessed through the histogram analysis. Further, collinearity diagnostic was done using statistics of tolerance and Variable Inflation Factor (VIF) to identify the multicollinearity problem. According to the results of the statistics, it was ensured that there were no multicollinearity symptoms in the data set. Moreover, heteroscedasticity and linearity of data test were measured by examining the actual standardized residual values of a dependent variable against the predicted residual values of the dependent variable, classical assumption test in the regression model. Based on the scatterplot output, it can be indicated that the regression model has no heteroscedasticity and linearity problems. Thus, all of the tested normality assumptions in the study were at a satisfactory level.

#### **4.4 Results of Regression Analysis**

The present study used multiple regression analysis to analyze the impact of skill variety, task identity, task significance, feedback and job autonomy on task performance of project engineers in public utility sector organizations in North Western province in Sri Lanka.

The table 3 presents the results of the regression analysis of the study. The regression results show that all the independent variables have a significant positive impact on employee performance of project engineers in public utility sector organizations in North Western province in Sri Lanka.

The lowest contribution according to the beta coefficient, skill variety is identified ( $B = 0.073$ ). Hence, the predicted skill variety variable relatively influences to task performance. On the other hand, skill variety explains the variation in skills at the lowest contributing level compared with the other four predictors: task identity, task significance, feedback, and job autonomy.

Further, the coefficient of determination ( $R^2$ ) reveals a high explanation power on task performance by the study's independent variables. The study's independent variables explain 83.8 percent of variance of the task performance of project engineers of public sector utility sector organizations in North Western province of Sri Lanka.

#### **4.5 Hypotheses Testing**

According to the results of the regression analysis, the hypotheses of the study can be tested.

The hypothesis 1 of the study ( $H_1$ ). There is a significant effect of skill variety on task performance of engineers of all levels in public

utility sector organizations in North Western Province of Sri Lanka) can be accepted, since the regression coefficient of skill variety was 0.073, which was significant ( $p = 0.021$ ). The regression coefficient relating to task identity was 0.525 with  $p$ -value of 0.000. Therefore,  $H_2$ , i.e. there is a significant influence of task identity on task performance of engineers of all levels in public utility sector organizations in North Western Province of Sri Lanka, can also be accepted. Further, it was found that the regression coefficient of task significance was 0.378, which was significant ( $p = 0.000$ ). Hence the third hypothesis of the study ( $H_3$  - There is a significant impact of task significance on task performance of engineers of all levels in public utility sector organizations in North Western Province of Sri Lanka) was accepted. Moreover, the regression coefficient of job autonomy was found as 0.795 with  $p$ -value of 0.000. Thus,  $H_4$ - There is a significant impact of autonomy on task performance of engineers of all levels in public utility sector organizations in North Western Province of Sri Lanka can be accepted. Furthermore, it was found that the fifth hypothesis of the study ( $H_5$ - There is a significant impact of feedback on task performance of engineers of all levels in public utility sector organizations in North Western Province of Sri Lanka) can also be accepted since there was a regression coefficient of feedback of 0.486 with a  $p$ -value of 0.000.

Finally, the last hypothesis of the study, i.e.  $H_6$  - There is a significant effect of job design on task performance of engineers of all levels in public utility sector organizations in North Western Province of Sri Lanka can be accepted since all the independent variables representing job design have shown a significant positive impact on task performance of engineers of all levels in public utility sector organizations in North Western Province of Sri Lanka.

## 5. CONCLUSION

This study was designed to investigate the impact of job design on the task performance of the project engineers in all levels of the public utility sector organizations in the North-Western province of Sri Lanka.

The study used a structured questionnaire with excellent reliability to collect the views of 113 engineers at all levels in the public utility sector organizations in the North-Western province of Sri Lanka. The majority of the respondents were males, and the majority was in the matured level of their age. Further, it was revealed that the majority of the engineers in public utility sector organizations in the North-Western province of Sri Lanka have good academic qualifications.

There are moderate positive relationships existing in job design, skill verity, task identity, task significance, job autonomy

feedback on task performance of project engineers, which are statistically significant. It indicates that project engineers' task performance is moderately related to skill verity, task identity, task significance, job autonomy, and feedback in engineers in public utility sector organizations in North Western Province, Sri Lanka.

Further, according to the regression analysis, job autonomy is the strongest variable that influences task performance. This means that task performance strongly depends on job autonomy approach. It emphasized that project engineers believe that job autonomy is often dictated by an organization's structure and culture. The traditional and bureaucratic organizations often have little autonomy, but newer, more organic structures rely on autonomy, empowerment, and participation to succeed. Engineers' job autonomy is believed to have minimized some of the relational barriers between superiors and subordinates. Therefore, autonomy may improve workplace functions through their ideas and suggestions and foster relationships with a greater degree of trust between management and employees.

The second strongest variable is the task identity. This means task identity strongly contributes to increasing task performance in engineers of the public utility sector organization in North Western Province. When the task and role of employees have been well defined, responsibilities have

been clearly stated, required training provided, involved in decision-making, and well-authorized project engineers perform their duties in an excellent manner. Considering the completion of the project on time within the allocated budget frame, it is essential to have engineers' job involvement and the ability to engineers to do an entire piece of work from the beginning to end and giving engineers the chance to completely finish the pieces of work that they begin.

The third strongest variable is feedback. Accordingly, it is emphasized that feedback strongly influences task performance. It implies that job feedback is the supported component on task performance of engineers in projects of public utility sector organizations in North Western Province. Effective feedback can reduce employee mistakes, enhance performance and increase efficiency within the workplace. Therefore, it is critical that managers who are seeking to increase productivity and reduce costs ensure to provide effective feedback to their employees. In general, job feedback in the project is effective within and outside the organization.

The fourth strongest predictor variable is task significance. The results of engineers' work are likely to significantly affect other people's lives within the organization. The job itself is very significant and important in the broader scheme of things. The job has a large impact

on people outside the organization, and work performed on the job has a significant impact on people outside the organization.

Skill variety is the lowest contributing variable of this model on task performance. Project engineers should have qualified for high technical practices and be aware of updated technology with different skills. Skills in designing, planning, procurement, communication and construction are essential for project settings. The skills in usage of technology are common in most projects, specially in multinational projects. Because these funded projects are constructed by foreign contractors and they are aware of different skills with the modern techniques in globally. Therefore, it is obvious that project engineers should have such skills. Hence, project engineers believe that skill verity is

not the most impactful factor for task performance compared with other factors.

The findings of the study are consistent with previous research findings (Demerouti, 2006; Morgeson, 2005; Tierney & Farmer, 2002; George & Zhou, 2001; Oldham & Cummings, 1996).

Accordingly, all the hypotheses of the study were accepted. It was concluded that skill verity, task identity, task significance, job autonomy and feedback factors considerably affect the performance of project engineers in public utility sector organizations in North Western Province in Sri Lanka. Moreover, the model is good enough to explain the variances in task performance of engineers in public utility sector organizations in North Western Province in Sri Lanka.

**APPENDIX**

**Table 1: Delays in Projects of Public Utility Sector Organizations in North Western Province from 2015 to 2019**

Project	Year of Commencement	Year of Completion (Projected)	Year of Completion (Actual)
Dry Zone urban water and sanitation project (Chilaw/Puttalam)	June 2009	December 2017	March 2019
Greater Kurunegala Water Supply and Sewerage Project	February 2014	November 2017	October 2018
Deduru Oya Water Supply Project	December 2016	March 2019	Ongoing (80%)
Galagedara – Mawathagama Water Supply Project	2014	2016	Ongoing (94%)
Flyover at Polgahawela	April 2016	December 2018	March 2019
Integrated Road Investment Programme	2014	2018	Ongoing (95%)
Green Power Development and Energy Efficiency Improvement - Puttalam	March 2016	February 2018	Ongoing (90%)

Source: Progress Development Project and Programme as at 31<sup>st</sup> March 2019, Department of Project Management and Monitoring

**Table 2: The Results of Correlation Analysis**

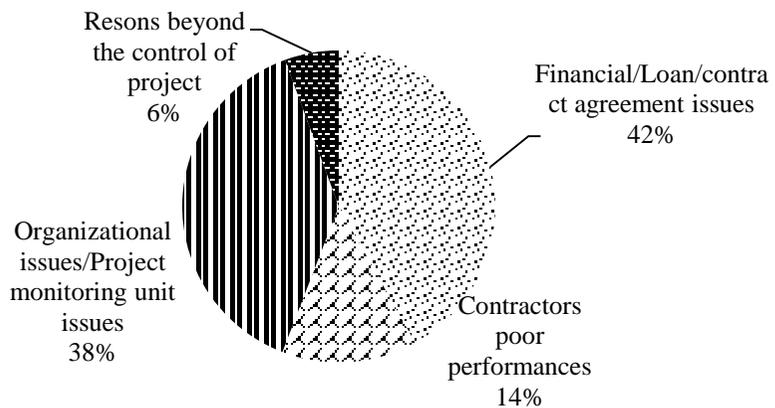
Variable		TP	JA	FB	TS	TI	SV
TP	Pearson Correlation	1	.525**	.529**	.403**	.473**	.591**
	Sig. value		.000	.000	.000	.000	.000
JA	Pearson Correlation	.525**	1	.129	.072	.096	.351**
	Sig. value	.000		.175	.446	.310	.000
FB	Pearson Correlation	.529**	.129	1	.251**	.235*	.510**
	Sig. value	.000	.175		.007	.012	.000
TS	Pearson Correlation	.403**	.072	.251**	1	.590**	.383**
	Sig. value	.000	.446	.007		.000	.000
TI	Pearson Correlation	.473**	.096	.235*	.590**	1	.194*
	Sig. value	.000	.310	.012	.000		.039
SV	Pearson Correlation	.591**	.351**	.510**	.383**	.194*	1
	Sig. value	.000	.000	.000	.000	.039	

Source: Compiled by authors  
(TP-Task Performance, JA-Job Autonomy, FB-Feedback, TS-Task Significance, TI-Task Identity, SV-Skill Verity)

**Table 3: Results of Regression Analysis**

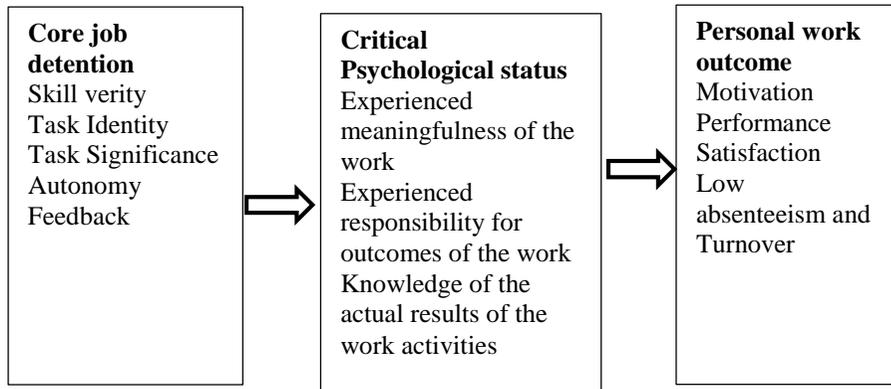
Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Standard Error	Beta		
Constant	-1.922	0.398		-2.103	0.000
SV	0.073	0.053	0.071	1.378	0.021
TI	0.525	0.041	0.736	12.895	0.000
TS	0.378	0.083	0.255	-4.566	0.000
FB	0.486	0.038	0.683	12.763	0.000
JA	0.795	0.092	0.360	8.602	0.000
R <sup>2</sup>	0.838				
Adjusted R <sup>2</sup>	0.830				
a. Predictors: (Constant), Skill verity, task identity, task significance, job autonomy, feedback					
a. Dependent Variable: Task Performance					

Source: Compiled by the authors



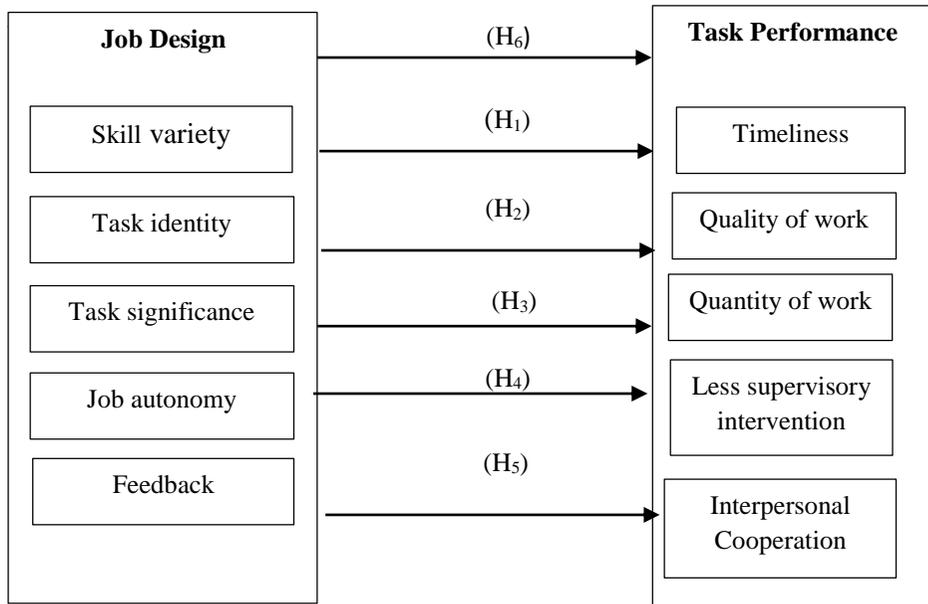
**Figure 1: Implementation issues of large and Mega scale project**

Source: Progress of development projects and programmes as at 31st of March 2019 (DPMM)



**Figure 2: Job Characteristics Model of Work Motivation**

Source: Hackman & Oldham (1976)



**Figure 3: Conceptual Framework**

Source: Compiled by the authors

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## **Factors Influencing Customer Purchase Intention : Reference to Social Media Advertising**

**S.M.F. Shafnaz**

Centre for Research & Knowledge Dissemination

Sabaragamuwa University of Sri Lanka

SRI LANKA

shafishafnaz1993@gmail.com

### **Abstract**

Social media plays a vital role in the lives of customers. Customer buying decision is influenced by social media advertising (SMA). It is a great challenge of marketers, to identify how customers' make purchasing decisions and what factors influence their purchase decision. Current study is conducted to identify factors of SMA influence customer purchase intention. Theoretical framework developed based on the UTAUT2 model (performance expectancy, hedonic motivation, & habit) including interactivity and informativeness. Data collected from 400 respondents through google forms with 81% of response rate. Data analyzed through correlation and multiple regression techniques. Results revealed performance expectancy, hedonic motivation, interactivity & informativeness impacted on purchase intention whereas habit was not a significant influencing factor. Facebook dominates in Sri Lanka and informativeness is the strongest influencer of purchase intention. Furthermore, SMA is more effective in advertising products to male, young, & educated customers.

**Keywords-:** Customer Purchase Intention, Social Media Advertising, Informativeness, Interactivity, UTAUT2

### **1. INTRODUCTION**

In the Web 2.0 environment, people often meet online using technology rather than offline, face to face mode. According to Kemp (2021) internet users in Sri Lanka by February 2021 was 10.90 million. Internet penetration in Sri Lanka stood 50.8% in January 2020. Social media users in Sri Lanka were 7.9 million in January 2021. That was 18.9% increment compared to February 2020. According to Social Media Stats Sri Lanka - November 2020 (2020), Facebook dominates

social media platforms in Sri Lanka amounting to 61.29% users. Other social media dominators are YouTube, 16.93%; Pinterest, 13.75%; Twitter, 6.57%; Instagram, 0.73%; and Reddit, 0.31% respectively. Social media creates a platform of people, organizations, and government interact socially, commercially and politically. Social media is becoming a hub for market intelligence where marketers could understand customer behavior and purchase intention (Balakrishnan *et al.*, 2014).

Bandara (2021) reports there has been a remarkable development in SMA in the recent past decade.

Marketers need to be more aware about today's consumers as they are informed and critical compared with past consumers. Social media has given customers with plenty of information and more control, which is a great challenge faced by marketers (Nasir *et al.*, 2012). However, Web 2.0 is a strategic marketing tool, and has lot of opportunities for marketers as well as customers.

Organizations spend huge amount of money and effort to promote their products through social media platforms. Marketers use social media to understand the customer buyer readiness stage and influence them to purchase company products. Advertising, Electronic word of mouth, branding and customer relationship management are different marketing practices that organizations could use over social media. There is a significant concern over advertising through social media as advertising is more costly comparatively and heavily used by the organizations (Alalwan *et al.*, 2017). Thus it is crucial to ensure the effectiveness of social media ads and how those ads could attract and retain more consumers.

According to the available literature there are some contradictions in the findings of different authors related to factors of SMA which shapes customer

purchase intention (Plume *et al.*, 2016; Dwivedi *et al.*, 2017; Shareef *et al.*, 2017). Thus it is obvious to find what factors of SMA and how those factors shapes customer purchase intentions (CPI) (Kapoor *et al.*, 2017; Alalwan *et al.*, 2017; Shareef *et al.*, 2017). According to Oh *et al.* (2015) researchers should focus on identifying the dimensions of SMA which influence customer reaction and perception towards social media ads. Bandara (2021) also pointed out the gap in the Sri Lankan context which needs to be addressed on SMA. As per the research gaps, the current research aims to discover and examine the main factors which could predict the customer's purchase intention for the products which are marketed through SMA. Furthermore, current research attempts to answer the following questions:

1. What conceptual model could be used to provide a clear understanding about the main factors related to social media ads which influence customer purchase intention?
2. What are the main factors associated with social media advertising that could predict the customer's purchase intention?

Shareef *et al.* (2017) stated there is a critical role of intrinsic motivation and extrinsic motivation toward SMA. Extrinsic motivation can be explained through performance expectancy whereas intrinsic

motivation can be explained through hedonic motivation (Alalwan *et al.*, 2017). Thus the researcher used the theory of “extended Unified Theory of Acceptance and Use of Technology” (UTAUT2) in the current study by considering three factors; performance expectancy, hedonic motivation, and habit from the theory of UTAUT2. However, the other factors in theory such as; effort expectancy, price value, and facilitating conditions of UTAUT2 theory have not considered in this study as they are not suitable to be considered in SMA (Venkatesh *et al.*, 2003). SMA is free of charge as customers do not bear any cost to watch or read such ads. Effort expectancy and facilitating conditions are not important for social media ads as customers have rich experience (simple and little effort) in dealing with social media platforms. However, those factors could be important for other technologies such as internet banking and mobile banking. Interactivity is an important concept in social media as it is a web 2.0 technology (Alalwan *et al.*, 2017; Sundar *et al.*, 2014). Using social media ads firms could have more informative and interactive communication with customers compared with traditional mass media ads (Palla *et al.*, 2013; Lee & Hong, 2016; Wu, 2016). The nature of the SMA empower customer engagement through liking, sharing, posting, commenting, and learning. Therefore, interactivity is added in the

current study as a factor which shapes the CPI. According to Jung *et al.* (2016) and Lee and Hong (2016) customers are influenced by the degree of useful and adequate information provided by social media ads. Thus, informativeness is added to the current study as an important factor.

The major objective of current study was “to identify the factors of social media advertising which influence customer purchase intention related to the products advertised through social media advertising”. The specific objectives of present study were as follows;

- To find out the impact of Performance expectancy on customer purchase intention of products advertised through social media
- To find out the impact of Hedonic Motivation on customer purchase intention of products advertised through social media
- To find out the impact of Habit on customer purchase intention of products advertised through social media
- To find out the impact of Interactivity on customer purchase intention of products advertised through social media
- To find out the impact of Informativeness on customer purchase

intention of products advertised through social media

The research examines the impact of factors of SMA on CPI of products advertised through social media advertisements. The remainder of the article is organized as follows. Section 2 explains the literature review along with the development of hypothesis, in section 3 there will be research methodology used in the present study, section 4 describes the results of the study, section 5 presents the discussion, and finally in the section 6 conclusion is presented along with theoretical implications, practical implications, limitations and future research directions.

## 2. LITERATURE REVIEW

La Press, the French newspaper (in June, 1836) was the first newspaper included paid advertisement which was copied over the time (Bakshi & Gupta, 2013). Hot Wire sold their first banner on their company website in 1994, which was the beginning of online advertising. Banner ads, interstitial ads, ads on search engine pages, rich media ads, social media ads, advertising networks, and email ads are some examples of online advertising. Bakshi and Gupta (2013) stated, social media will become an effective tool for efficient

advertisers. U.S online ad spending increased from 19% to 54.2% in 2019 (Donnellan *et al.*, 2020). In current days, consumers obtain all important product information through online. Online platforms are capable of sharing customer personal experiences, knowledge and opinions.

Social media platforms provide remarkable development in human interactions in the 21<sup>st</sup> century. As cited in Sudha and Sathya (2020) social media has become as vital in 21<sup>st</sup> century. They studied the impact of social media on CPI. As cited in Palalic *et al.* (2020), 70% of customers use social media to get product information, 49% of consumers made product buying decision, and 60% users preferred to share information with others. Further, it is stated the users of social media platforms are becoming customers. Social media has changed the view of marketing and the consumer buying behavior. Further, the cyber world enables marketers to reach customers faster and more efficiently. Social media platforms have become vital marketing strategy to reach generation Y customers (Balakrishnan *et al.*, 2014). Marketers have begun to understand customer buying behavior, and they understand the reason of consumer preferences to specific brands. Therefore, social media is considered as a hub for market intelligence (Balakrishnan *et al.*, 2014). Communicating with

the customer, amending the marketing message as to customer requirements, and maintaining company brand's presence are capable because of the opportunities available in social media platforms.

SMA is quick than other forms of advertisement as the day it is started is the same day the results starts to occur. Balakrishnan *et al.* (2014) stated, marketers can very quickly and easily launch social media advertisement promotions on various platforms. SMA platforms are becoming standard with the adoption of ad fission of the internet (Balakrishnan *et al.*, 2014). SMA platform offers; interactive services, rich media tools and global reach. Balakrishnan *et al.* (2014) and Alalwan (2018) found SMA and CPI are significantly and positively related. They further stated advertisements done via online are effective in promoting company brand and products (goods and services) through company website as well as through social media platforms.

Social media platforms considered in this study were; Facebook, Instagram, LinkedIn, Twitter, and Pinterest. Facebook allows marketers to advertise promotional posts within the mobile environment where majority of the users access Facebook (Bakshi & Gupta, 2013). Facebook increases reach dramatically through likes, shares and comments. Offers promoted through Facebook spread virally

as people accept and pushing it to friends where people will become brand advocates. Pinterest is another social media platform, which drives more customer traffic to business websites. Pinterest is growing massively as a promotion tool. Marketers use Pinterest in various ways such as; by posting images of their products, including a URL, including links and listing prices (Bakshi & Gupta, 2013). Average people spend 2 hours and 24 minutes per day on Facebook, 40 minutes per day on YouTube, 14.2 minutes per day on Pinterest (Donnellan *et al.*, 2020).

As suggested by several authors (Lee & Hong, 2016; Shareef *et al.*, 2017; Dwivedi *et al.*, 2017; Zhu & Chang, 2016) there is an increased interest on studying the issues in SMA. In the modern era there is a concern related to the importance of SMAs on predicting customer reactions. Therefore, the researcher developed a conceptual framework (Table 1) to identify the factors contributing CPI of products advertised through SMA. The dependent variable of current study is "purchase intention". The researcher focused on the CPI with regards to the products advertised through SMA. The independent variables of the study are performance expectancy, hedonic motivation, habit, informativeness and interactivity. Performance expectancy, hedonic motivation, and habit were extracted from UTAUT2 model developed by Venkatesh *et al.* (2012).

Interactivity was extracted from the study of Jiang *et al.* (2010) whereas Informativeness was extracted from the study of Logan *et al.* (2012).

Purchase intention means “the subjective judgement of consumers which is reflected after general evaluation to purchase products or services (Balakrishnan *et al.*, 2014). He gives several meaning to the definition; customer willingness to consider purchasing, buying intention in the future, and decision to repurchase. Further, they stated purchase intention is “the degree of perceptual conviction of a consumer to buy a particular product.

### **2.1 Performance expectancy**

Chang *et al.* (2015) discovered the role of usefulness as a similar variable for performance expectancy on customer preferences. Performance expectancy is the extrinsic motivation (usefulness). Thus, the current study consider performance expectancy as a concept of usefulness of social media ads. According to several authors (Venkatesh *et al.*, 2012; Alalwan *et al.*, 2017; Dwivedi *et al.*, 2017; Shareef *et al.*, 2017) it is argued that customers will engage in social media if they perceive that platforms as more useful and productive. Jung (2016) researched the way in which perceived relevance could predict perceived relevance or avoidance of social media ads. She argued, customers will pay a considerable

interest on ads if they perceive a relevance. Lin and Kim (2016) found the impact of usefulness on customer purchase preference. According to customer intention to purchase online mall is considerably predicted by perceived usefulness of social media ads. Another study conducted by Shareef *et al.* (2017) found a significant relationship between usefulness of SMA and CPI. Accordingly, the first hypothesis is developed;

H<sub>1</sub>: Performance expectancy positively impacts on customer purchase intention of products advertised through social media

### **2.2 Hedonic motivation**

Hedonic motivation is the intrinsic motivation of fun and entertainment. Bandara (2021) argues when there is more entertainment, it is more attractive which impacts purchase intention through persuasion. Social media has a high recognition in people for experiencing entertainment (Alalwan *et al.*, 2017; Hsu and Lin, 2008; Shareef *et al.*, 2017). SMA are more attractive and creative which makes people more attention and attractive. recently Jung *et al.* (2016) and Shareef *et al.* (2017) discovered positive impact of hedonic motivation (entertainment) on CPI of products advertised through SMA. Accordingly, the second hypothesis is proposed;

H<sub>2</sub>: Hedonic motivation positively impacts on customer purchase

intention of products advertised through social media

### 2.3 Habit

Venkatesh *et al.* (2012, p. 161) define habit as “the degree to which individuals are willing to act automatically because of learning”. Alalwan *et al.* (2017) and Shareef *et al.* (2017) argue customers will have a habitual behavior towards social media platforms and ads posted on social media based on their daily interactions. Wu (2016) considered Habit as one of the most important factors in shaping customer perception, purchase intention and behavior toward SMA. Wang *et al.* (2015) considered habit in terms of previous usage experience on three main dimensions such as perceived ease of use, perceived enjoyment, and perceived usefulness. According to LaRose *et al.* (2014) discovered habit could concurrently obstacle the negative impact on social media usage and accelerate the positive impact of social media usage through the habitual behavior of continuous usage of such social media platforms. Users of social media platforms are becoming customers (Sudha & Sathya, 2020). As cited by Venkatesh *et al.* (2012), customers will be more engaged with social media platforms if they have a habit of using those. According to the arguments it could be proposed that the customers who have a habit of using social media will influence them to purchase the

product which advertised through SMA. Accordingly, the next hypothesis is developed as follows;

H<sub>3</sub>: Habit positively impacts on customer purchase intention of products advertised through social media

### 2.4 Interactivity

According to Steuer (1992) interactivity is defined as “the extent to which an individual can control the context and information of the media platform”. According to Liu and Shrum (2002) the concept is defined as “ability of a media platform to provide a synchronous communication”. Several researchers believe interactivity is one of the most crucial factor associated with social media platforms and this concept has been deriving a significant interest by researchers (Kioussis, 2002; Kweon *et al.* 2008; McMillan & Hwang, 2002). The effectiveness of technological features provided by social media will enlarge the customer perception horizon and customers’ ability to process more information. There are several studies in the literature which proved the role of interactivity on consumer intention toward various technologies. Lee (2005) proved a significant relationship between interactivity and customer intention toward mobile commerce. Another study conducted by Wang *et al.* (2015) found the impact of interactivity on customer online buying behavior. Therefore, based on the

arguments the fourth hypothesis is developed;

H<sub>4</sub>: Interactivity positively impacts on customer purchase intention of products advertised through social media

### 2.5 Informativeness

Informativeness is defined by Rotzoll and Haefner (1990) as “the degree to which a firm can provide adequate information based on which customers can make better purchase decisions”. Lee and Hong (2016) believe informativeness as “the ability of the sender to attract consumer response as influence the consumer to cognitively assess the adoption of information provided”. Taylor *et al.* (2011) empirically validated the positive relationship between informativeness and customer attitude toward SMA. The positive role of informativeness on CPI to purchase products which were advertised through social media was empirically found by Lee and Hong (2016). Hewage (2019) studied the role of SMA as information search engine for consumer buying decision process. Considering all the facts in the available literature, informativeness factor of SMA will influence CPI. Accordingly, the final hypothesis of the study is developed;

H<sub>5</sub>: Informativeness positively impacts on customer purchase intention of products advertised through social media

## 3. METHODS

Data were collected using Google forms through online questionnaires from sample of customers who already use social media platforms. Questionnaire was administered through Facebook and WhatsApp. Data collected within the time frame of three weeks. The questionnaires comprised of two sections. First section included 6 question items to collect demographic data from the respondents. The second section of the questionnaire included 23 question items to collect data about independent and dependent variables. Question items of Performance expectancy, hedonic motivation and habit were adapted from the scale of Venkatesh *et al.* (2012) which is validated and reliable. Question items of interactivity were measured using items from Jiang *et al.* (2010) which has been validated by Alalwan *et al.* (2018) in the area of SMA. Informativeness was measured through scale items of Logan *et al.* (2012) which was already validated by Lee and Hong (2016) in their study of SMA. The dependent variable, purchase intention was tested through the items of Duffet (2015). 5 point Likert scale utilized for the second section and the anchor ranges from 1 (strongly disagree) to 5 (strongly agree).

Quantitative research methodology was used by the researcher by developing hypothesis based on the literature. Study approach was deductive and as the data were collected only

by administering questionnaires, the mono method was applied. Researcher interference was minimal. The type of investigation was correlational as the study aimed at identifying the impact of one variable over the other. The unit of analysis was individual customers whereas the time horizon of the study was longitudinal as data collection was over a period of three weeks. Research strategy of the study was survey strategy. In Sri Lanka there are 6.40 million social media users by January 2020 (Social Media Stats Sri Lanka - November 2020, 2020). Convenient sampling, which is a non-probabilistic sample method was utilized as the population framework is unknown. Questionnaires were distributed to 400 respondents who are close contacts of the researcher (Facebook friends and WhatsApp contacts) and Response rate was 81% with 324 responses. 310 questionnaires were considered for final analysis after omitting the incomplete questionnaires.

In the step of data analysis, the data gathered was statistically analyzed using IBM's SPSS software to see if the hypotheses that were generated have been supported. Nature of the sample was identified through Descriptive statistics. Correlational analysis was used to determine the relationship between dependent and independent variables. Finally, multiple regression analysis was used to test the impact of factors

of SMA on CPI of products advertised through social media.

#### 4. RESULTS

The 01<sup>st</sup> section of the questionnaire represented the nature of the sample. Accordingly the sample consisted of 67.9% male and 32.1% female. Most of the respondents were in the age group of 20-30 who were young customers amounting to 94% of the sample. 3% of the customers were in the age group of 31-40 whereas 3% of the customers were in the age group of 41-50. But the sample did not represent customers in the age group of more than 50 age. According to the sample 74.2% of the customers were degree holders and 19.6% of the customers had an education up to A/L. 97.3% of the respondents think social media advertising is beneficial. Only 2.7% of the respondents think social media advertising is not beneficial.

According to responses most of the customers have Facebook accounts, and least of the customers have Pinterest accounts. 90.2% of respondents have Facebook accounts, 69.6% use Instagram, 50% have LinkedIn, 37.5% have Twitter accounts and 30.4% customers use Pinterest. According to the question no. 06 of section no. 01, "What social media platform/s you use to get product information", 91% of the respondents use Facebook to get product information to make product purchase decision. 50.5%

use Instagram, 18.9% use LinkedIn, 9% use Twitter, and 16.2% use Pinterest. Thus it is clear, Facebook dominates in Sri Lankan market within social media advertising platforms amounting highest number of customer accounts and as a source of product information. The second place was obtained by Instagram as a mean of social media advertising platform. The study results of the second part of questionnaire is discussed in the next section.

The Table 1 shows the validity results of the dependent and independent variables. According to the Table 1, all the variables considered in the research can be concluded as valid with 95% confidence (P value = 0.000) as the KMO & Bartlett's test values are greater than 0.5.

The instruments used for the research was reliable with good values as Cronbach's alpha value for all the variables are greater than 0.8 (Refer Table 2). According to Sekaran (2003) the reliability values above 0.8 are good

whereas the general acceptance level is greater than 0.7.

Correlation acts as a precursor for regression (Field, 2009). Therefore, correlation is tested prior to test regression. The results shown in the Table 3.

According to the Table 3, all the factors of social media advertising (performance expectancy, hedonic motivation, habit, interactivity, & informativeness) have a significant relationship with PI with 95% level of confidence (0.000 level of significance).

Multiple Regression Analysis conducted using SPSS to test the hypothesis developed by the researcher, to find out the whether the factors of social media advertising (Performance Expectancy, Hedonic Motivation, Habit, Interactivity, and Informativeness) influence customer purchase intention of the products advertised through social media advertising. The Regression Model is depicted as follows;

$$E(Y_i/X_1, X_2, X_3, X_4, X_5) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon_i$$

$Y_i$  = Purchase Intention

$B_0$  = Constant (Regression Coefficient)

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  = Slope (Regression Coefficient)

$X_1$  = Performance Expectancy

$X_2$  = Hedonic Motivation

$X_3$  = Habit

$X_4$  = Interactivity

$X_5$	= Informativeness
$i$	= $i$ th observation
$\epsilon_i$	= Random Error Term

**H<sub>1</sub>: Performance expectancy positively impacts on customer purchase intention of products advertised through social media**

The regression results are depicted in the Table 4. Accordingly when referring the value of Performance Expectancy, since the significance value is less than 0.05 (0.017) it can be concluded with 95% level of confidence, performance expectancy positively impacts on customer purchase intention of products advertised through social media.

**H<sub>2</sub>: Hedonic Motivation positively impacts on customer purchase intention of products advertised through social media**

As per the data in the Table 4, since the p value for Hedonic motivation is less than 0.05 (0.031) it can be concluded with 95% level of confidence that hedonic motivation positively impacts on customer purchase intention of products advertised through social media.

**H<sub>3</sub>: Habit positively impacts on customer purchase intention of products advertised through social media**

When referring the Table 4, since the significance value is greater than 0.05 (0.230) it can be concluded with 95% level of confidence, there is no impact of

Habit on customer purchase intention of products advertised through social media.

**H<sub>4</sub>: Interactivity positively impacts on customer purchase intention of products advertised through social media**

Further considering the Table 4, since the p value of Interactivity is less than 0.05 (0.045) it can be concluded with 95% level of confidence that Interactivity positively impacts on customer purchase intention of products advertised through social media.

**H<sub>5</sub>: Informativeness positively impacts on customer purchase intention of products advertised through social media**

As shown in Table 4, since the level of significance is less than 0.05 (0.000) it can be concluded with 95% level of confidence, there is a significant positive impact of Informativeness on customer purchase intention of products advertised through social media.

It is obvious to ensure the strength of the fitted model. The Adjusted R Square gives some ideas of how well the model generalizes (Field, 2009). It explains the variation in dependent variable through the model taken for the sample. According to the Table 5, the Adjusted R Square value is 0.500 which means 50% of the

variability of the dependent variable (Purchase Intention) could be able to explain through the fitted regression line. Furthermore, for any two observations the residual terms should be uncorrelated. That is known as randomness of residuals. It could be tested through Durbin Watson test value. Significance value of this test should be very close to +/- 2. The value for the current model is 1.918 (Refer Table 5). Therefore it can be concluded that the residuals are randomly distributed. According to Saunders *et al.* (2009) nonexistence of any relationship between independent variables is called as multicollinearity. Multicollinearity is low when the VIF values are less than 10. All the VIF values for independent variable of the current study are less than 10 (Refer Table 5).

$$\mathbf{E \text{ (Purchase Intention)} = 0.634 + 0.193 \text{ (Performance Expectancy)} + 0.091 \text{ (Hedonic Motivation)} + 0.081 \text{ (Interactivity)} + 0.463 \text{ (Informativeness)}}$$

According to the fitted model, it is clear that the CPI of products advertised through social media is greatly impacted by Informativeness of SMA (0.463) compared with Performance Expectancy, hedonic motivation and interactivity. Second highest impact is created by Performance expectancy factor of SMA. In other words customer purchase intention of products advertised through social media is impacted

Therefore, it can be concluded that there is no problem of multicollinearity.

Analysis of variance tells whether the model is significant fit of the data (Field, 2009). When referring the Table 6, since the significance value is less than 0.05 (0.000) it can be concluded with 95% level of confidence the fitted model is significant.

As per the regression results obtained, it is concluded that there is a significant positive impact of Performance expectancy, hedonic motivation, Interactivity, & informativeness on CPI of products advertised through social media. Therefore the hypothesis, H<sub>1</sub>, H<sub>2</sub>, H<sub>4</sub>, and H<sub>5</sub> were accepted. However, the Hypothesis H<sub>3</sub> is rejected since the regression result is insignificant. The fitted Regression equation is as follows;

by usefulness of social media ads. The least impact on CPI is created by the interactivity of SMA.

## 5. DISCUSSION

The main objective of the research was to identify the factors of SMA which shape the CPI. Results of the current study revealed performance expectancy, hedonic motivation, interactivity and informativeness impact on purchase intention, whereas habit

does not impact on CPI of products advertised through SMA. This finding is mostly similar with past studies as well as contradicts with some available literature.

Informativeness was the first strongest variable impact CPI of products advertised through SMA as per the current study results. This result is consistent with the previous study conducted by Hewage (2019) and Sarathchandra *et al.*, (2020) in Sri Lankan context. This implies customers are more likely to buy products when SMA provide valuable product information. Customers use social media as a platform to find worthy information related to products. According to the existing literature several studies have proven the role of informativeness in CPI (Pavlou *et al.*, 2007; Jung *et al.*, 2016; Lee & Hong, 2016). Further, Social media ads provide product information from two important sources, from the organization as well as from the customer (Taylor *et al.*, 2011). According to Logan *et al.* (2012) SMA provide timely, up to date and comprehensive information in a convenient way to customers. Ariely (2010) as cited in Donnellan *et al.* (2020) has a contradictory viewpoint. They stated seeing repeating ads and information overload makes the customer frustrated instead of making them purchase the product. They suggest to use consumer friendly advertising

instead of overloaded information.

Performance expectancy was the second strongest variable which impact CPI according to the findings of the current study. In other words customers who perceive SMA as useful are more likely to purchase products advertised through SMA. This finding is similar with other studies conducted by some researchers such as Lin and Kim (2016), and Shareef *et al.* (2017). Furthermore, study result is consistent with the previous study conducted by Sarathchandra *et al.*, (2020) who argued usefulness as a strongest influencer of purchase intention.

Hedonic motivation was another factor which influence CPI of products advertised through SMA. According to the findings of Hsu and Lin (2008), Alalwan *et al.* (2017), and Shareef *et al.* (2017) more creative and novel social media ads will give customers more entertainment and fun which will influence them to purchase the products. Similar findings have been obtained by several researches in the existing literature (Dwivedi *et al.*, 2017; Hsu & Lin, 2008; Jung *et al.*, 2016; Lee & Hong 2016; Shareef *et al.*, 2017). Furthermore, current study consists with the findings of Bandara (2021) related to entertainment feature of SMA.

According to the current study results interactivity was the least significant factor predicting CPI. However, customers use SMA as

a most effective media in communicating with organizations. Interactivity feature of social media allows customer and organization two way communication (Sundar *et al.*, 2014). Jiang *et al.* (2010) finding reveals interactivity gives more emphasis to customer opinions as SMA are capable of receiving customer feedback. Several other researchers (Palla *et al.*, 2013; Wang *et al.*, 2015; Barreda *et al.*, 2016) found a strong and significant impact of interactivity on customer purchase intention of products advertised through social media ads though the current study results reveal its least impact. According to the studies conducted by Palla *et al.* (2013), Wang *et al.* (2015) and Barreda *et al.* (2016) Interactivity is the strongest predictor of CPI. However, informativeness is the strongest predictor of CPI according to the current study results.

Study result reveals habit does not significantly impact on CPI. This finding is consistent with the existing literature findings of some other researchers (Campbell & Keller, 2003; Rau *et al.*, 2014). Campbell and Keller (2003) discovered advertising message could lose its attraction if it repeatedly seen by customers. Rau *et al.* (2014) discovered a negative relationship between habitual watching of SMA and the effectiveness of advertising.

## **6. CONCLUSION & RECOMMENDATION**

### **6.1 Conclusion**

The present study conducted to discover the factors of social media advertising which influence customer purchase intention of products advertised through social media advertising. Researcher developed a conceptual framework for the current study based on the past literature on the concepts. As per the results of the current study researcher found; performance expectancy positively impacts on customer purchase intention of products advertised through social media advertisements, hedonic motivation positively impacts on customer purchase intention of products advertised through social media advertisements, habit does not significantly impact on customer purchase intention of products advertised through social media advertisements, interactivity positively impacts on customer purchase intention of products advertised through social media advertisements, and informativeness positively impacts on customer purchase intention of products advertised through social media advertisements.

### **6.2 Theoretical implications of the research**

The current study provides a theoretical contribution in the related area based on Sri Lankan context. The conceptual model used three factors from UTAUT2 model developed by Venkatesh *et al.* (2012). They invited researchers to apply and expand

their findings in new systems and applications. Those three factors (performance expectancy, hedonic motivation, habit) also used by Alalwan (2018) in his study. Further, as suggested by several authors (Kioussis, 2002; Kweon *et al.* 2008; McMillan & Hwang, 2002) this study added interactivity in the model which is an important and significant contribution in the relevant field. Further, the study included informativeness in the current study as suggested by Taylor *et al.* (2011), Lee and Hong (2016), and Alalwan (2018). Thus the current study was capable of explaining the current understanding of SMA and discovers the important factors of SMA which shapes the CPI on products advertised through social media ads.

### **6.3 Practical implications of the research**

Marketers will gain a great knowledge from the results of the current study which relates to the designing of SMA. The main factors of attention in designing SMA in Sri Lankan context is somewhat different compared with other countries. Informativeness seems to be the most important and the strongest factor contributing CPI other than other factors of SMA. However, according to previous findings in other countries interactivity was the strongest predictor of CPI. Marketers should design their marketing strategies by more emphasizing informativeness which will influence CPI in Sri

Lankan context. Marketers should design SMA according to the customer preferences and interest as performance expectancy (usefulness) also predicted by the findings of the present study. Mohammed *et al.*, (2003) as well as Zhu and Chang (2016) suggest to use Survey Monkey to discover the main aspects which drove customer attention and accordingly marketers will be able to design their SMA. Further, marketers also could tailor their SMA based on past customer experience in SMA.

In today's context customers are motivated through fun and entertainment. According to the study results marketers are suggested to consider about creativity and entertainment concept in designing SMA which will influence customers to purchase the products. Hedonic motivation can be increased by utilizing a rich multimedia mix (audio, video, and pictures) which will also emotionally attract customers. Customers are more inclined toward SMA over traditional ads because of the capability of social media ads for interactivity (two way communication). Though interactivity is not the strongest contributing factor of CPI, it is also one of the important and significant contributor according to the present study results. Marketers should actively involve in responding to customer feedbacks, comments and questions posted over social media. Mohammed *et al.* (2003)

suggest to use live chats and chat rooms which will enhance the interactivity. Further, descriptive statistic results reveals Facebook as the most utilized SMA by Sri Lankan community. Thus, prioritizing Facebook as a SMA platform will provide better outcomes. Further, according to descriptive statistics, most of the customers in the sample are young, male degree holders who think social media advertising as beneficial. Therefore, marketers who market products targeted to male, young customers and or educated customers could get desired outcomes by using social media advertising.

#### 6.4 Limitations and future research directions

The study focused on the main factors of SMA which contributes to CPI of products advertised through social media platforms.

However, there could be other factors influencing customer purchase intention. Therefore, future researchers could test the current model as well as test other factors of importance such as technology readiness, privacy concern, image, and advertising creativity. This study utilized questionnaire to collect data from the respondents. However, it is worthwhile if the future researchers could use new techniques such as Netvizz as it allows to analyze customer behavior and perception (Alalwan A. A., 2018). Though the current study collected demographic data from the respondents, the study does not analyze the impact of demographic factors over customer purchase intention. Therefore, it is suggested to study the impact of demographic factors over customer purchase intention of products advertised through social media advertising.

#### APPENDIX

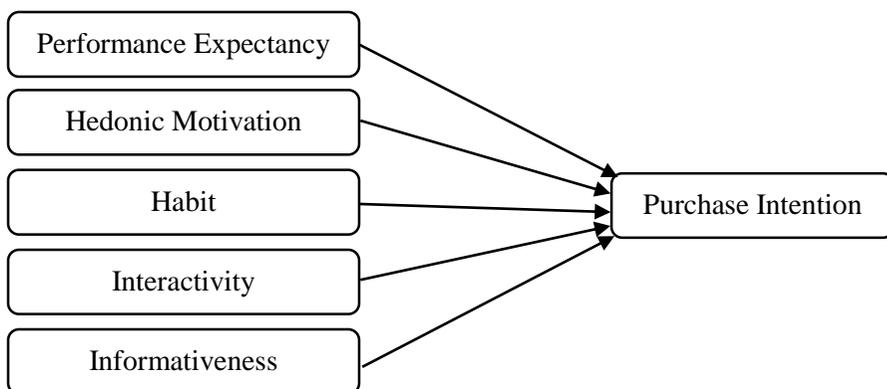


Figure 1: Conceptual Framework

Source: Developed by the researcher based on Venkatesh *et al.* (2012); Jiang *et al.* (2010); Logan *et al.* (2012); Duffet (2015)

**Table 1: Test of Validity**

Variable	P Value	KMO & Bartlett's Test Value
Purchase Intention	0.000	0.810
Performance Expectancy	0.000	0.838
Hedonic Motivation	0.000	0.771
Habit	0.000	0.704
Interactivity	0.000	0.908
Informativeness	0.000	0.853

Source: Survey Data, 2021

**Table 2: Test of Reliability**

Variable	Cronbach's Alpha Value
Purchase Intention	0.937
Performance Expectancy	0.918
Hedonic Motivation	0.947
Habit	0.890
Interactivity	0.955
Informativeness	0.953

Source: Survey Data, 2021

**Table 3: Test of Correlation**

Variable	Purchase Intention	
	P value	Coefficient
Performance Expectancy	0.000	0.601
Hedonic Motivation	0.000	0.432
Habit	0.000	0.502
Interactivity	0.000	0.631
Informativeness	0.000	0.691

Source: Survey Data, 2021

**Table 4: Multiple Regression Analysis**

Model	$\beta$	Sig.	VIF values	Hypothesis
(Constant)	0.634	0.027		
Performance Expectancy	0.193	0.017	2.599	Accepted
Hedonic Motivation	0.091	0.031	1.853	Accepted
Habit	0.102	0.230	1.752	Not Accepted
Interactivity	0.081	0.045	3.526	Accepted
Informativeness	0.463	0.000	3.426	Accepted

Source: Survey Data, 2021

**Table 5: Strength of the model**

Model	R-Square	Adjusted-R Square	Durbin Watson
	0.523	0.500	1.918

Source: Survey Data, 2021

**Table 6: Analysis of Variance**

Model	Sum of Squares	df	Mean Square	F Value	P Value
Regression	61.046	5	12.209	23.222	0.000
Residual	55.731	305	0.526		
Total	116.777	310			

Source: Survey Data, 2021

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## **Effect of Corporate Governance on Corporate Performance: Sri Lankan Evidence**

**I.R.H.M.T.P. Rajakaruna<sup>1</sup> & R.M.N.C. Swaranapali<sup>2</sup>**

<sup>1,2</sup> Department of Accountancy & Finance

Faculty of Management Studies

Rajarata University of Sri Lanka, Mihintale

Sri Lanka

tharakarajakaruna56@gmail.com<sup>1</sup>, nayana\_rjt@mgt.rjt.ac.lk<sup>2</sup>

### **Abstract**

Effective corporate governance practices contribute significantly to various aspects of an organization as a strategic direction. This study examines the impact of corporate governance practices on corporate performance. The top fifty companies from five industries listed in the Colombo Stock Exchange were selected as the sample. Secondary data was extracted from financial statements covering a five year period from 2014 to 2019. Six corporate governance practices; financial acumen, board independence, board size, CEO duality, board committees, and board gender diversity were tested against corporate performance indicators: return on assets, return on equity, and Tobin's Q. Results of multivariate analysis indicated that board size and committees positively impact on corporate performance, while other variables do not provide any significance. The findings of the study will fill some gaps in extant literature in the corporate governance field. It may also facilitate significant policy implications relating to corporate governance by strengthening existing rules and regulations in the institutional framework.

**Keywords-:** Corporate Governance, Corporate Performance, Listed Companies

### **1. INTRODUCTION**

Corporate governance is a mechanism that ensures that the management takes appropriate measures to safeguard the stakeholders' interests (Anandasayanan, 2018). Accordingly, corporate governance practices (CGPs) ensure the alignment of

objectives of the firm among the board of directors, shareholders, and other stakeholders when setting objectives, determining the ways of achieving them, and measuring performance. As a result of major corporate collapses that took place around the world, such as Enron,

WorldCom, and Sathyam, the extensive amount of regulatory consideration was focused on CGPs (Jackling & Johl, 2009). This would develop the quality and reliability of financial reporting and reduce the opportunistic behavior of the management (Niu, 2006). Simultaneously, corporate governance is a vital factor that drives the corporate performance of a firm. According to Pandey (2010), the ultimate objective of the entity is to maximize shareholder wealth by achieving the profits targets of the firm. By aligning the shareholders' interests with the management, corporate governance contributes to the success of an organization (Anandasayanan, 2018).

Firm performance is impacted by CGPs, as it influences the better management of the company (Heenetigala, 2011). Performance measures can be either qualitative or quantitative. These measures provide a tool for an organization to manage the progress toward the predetermined goal by defining key performance indicators. According to Guest et al. (2003), performance is a positive or negative outcome, results, and achievement of organizational activities. Further, they point out that there is a necessity to measure strategic practices in terms of outcome. These outcomes can

be identified as financial measures [e.g., Return on Assets (ROA), Return on Equity (ROE), Profit Before Tax (PBT), turnover], measures of production output (number of units produced, numbers of customers processed), measures of customer satisfaction (number of customer complaints) and measures of employee satisfaction (employee turnover). This study focuses on the corporate performance of the company.

In the Sri Lankan context, corporate governance came into the discussion table in 1997 with the introduction of a voluntary code for corporate governance. With the initiation of the Code of Best Practice on Corporate Governance 2008, which was introduced by the Institute of Chartered Accountants in Sri Lanka (ICSL) and Security and Exchange Commission (SEC), some principles of the voluntary code were incorporated into the listing rules (Section 7 of listing rules) as mandatory compliance for listed companies. Further, in 2017, ICSL and SEC issued a revised code of best practice by incorporating principles regarding cybersecurity and environment, society, and governance (ESG) reporting. However, past studies have come up with inconclusive findings in terms of the impact of CGPs on firm performance. CGPs within a firm provide an internal control framework

which consists of rules and practices in order to achieve firm's goals and objectives by minimizing various stakeholder conflicts. The effectiveness of these CGPs and internal control mechanisms depend on the attitude of higher-level management about CGPs. Internal control failures have caused a few well-known recent corporate collapses, such as Golden Key Credit Company, Pramuka Bank, and ETI Finance Limited. These corporate collapses direct to study how effective corporate governance practices in Sri Lanka. Lakshan and Wijekoon (2012) report that inconsistency in internal control procedures and CGPs indicate some failures in companies. Further, they highlight that poor CGPs enhance the probability of corporate letdown. Therefore, this study focuses on examining whether better CGPs in firms lead to better performance.

Many studies have identified agency theory as the cause of the emergence of corporate governance. According to Ross (1973), the lack of goal congruence between the board of directors and shareholders leads to the emergence of agency theory. Moreover, Arora and Sharma (2016) state that good CGPs improve the firm's performance by reducing agency costs. Effective corporate governance was highlighted through the recent corporate governance reforms in

order to protect the stakeholders' interests in the Sri Lankan context. Furthermore, Lakshan and Wijekoon (2012) state that though financial institutions are highly regulated, the collapse of some banks confirms the weaknesses of the governance system. Evidence of corporate scandals in history confirm that directors were alleged due to the lack of fiduciary duty toward the shareholders.

The adoption of CGPs has improved drastically in the business environment due to their increased importance. These practices have been recognized as a mandatory requirement to exist within the current business world. According to Wallington, Lawrence, and Loechel (2008), investors are willing to offer even a 25% premium to well-governed companies in Australia. Manawaduge (2012) pointed out that the Sri Lankan companies do not equally comply with the CGPs due to the difference in the companies' interests and the commitment to compliance. However, the importance of CGPs has not been undermined in any scenario. Accordingly, the current study aimed to examine the impact of corporate governance on the corporate performance of listed companies in Sri Lanka.

Though the researchers observed some evidence on the relationship between corporate governance and corporate performance in developed countries, the findings of those studies are less applicable to developing countries like Sri Lanka. This is primarily due to Sri Lanka's unpredictable economic situation, dynamic government policies, and unwanted political interferences. Therefore, it is worthwhile to study the relationship from the perspective of a developing country. Further, most of the prior studies focused on a few commonly used characteristics of corporate governance such as chief executive officer's (CEO) duality on firm's performance by narrowing down the scope of those studies (Velnamby, 2013). However, widening the scope this study investigated the impact of rarely used variables, particularly financial acumen and gender diversity along with commonly used four variables. Furthermore, this study's outcomes encourage companies to implement good CGPs constantly to improve their performance. The study's findings and recommendations will assist regulators and policymakers in Sri Lanka, such as the ICSL and the SEC, in enhancing the grey areas of corporate governance regulations. Furthermore, because corporate governance is

so crucial to an organization's existence, this research gives the business information into how to improve its CGPs.

Hence, the current study would contribute to the existing literature and fill the gaps prevailing in the existing literature.

## **2. LITERATURE REVIEW**

### **2.1 Corporate governance**

Better governance mechanism has become one of the imperative causes of success in many organizations and the economy of a country at last. It has become a tool for enhancing the triple bottom line (profit, people, and plant) of the firm (Sarah, 2017). Good CGPs assist a firm for sustainable economic development by improving the corporate performance of the firm. According to Rajendran (2012), in the 1980s, the word corporate governance came into the discussion as a crucial theme. Further, he identified corporate governance as a mechanism of building the relationship between a firm's management and its stakeholders such as shareholders, lenders, regulators and the general public. As per Laporta, Lopez and Sheleifer (1998), the macroeconomic factors within which a firm operates strongly affect the corporate governance of the

country. The implementation of CGPs not only enhances the profitability of the firm but also improves the level of public confidence (Anandasayanan, 2018). Thus, the board of directors has great pressure to implement CGPs to ensure enhanced profitability and serve the interest of stakeholders (Abor & Biekpe, 2007). Bhatt and Bhatt (2017) stated that CGPs vary from country to country based on the institutional development background. Further, Adegbite (2012) remarked that the corporate governance model and regulations are affected by the country's institutional arrangements. These institutions are regarded as fundamental and inseparable components of any country and facilitate the accomplishment or failure of good corporate governance.

As stated by Azeez (2015), the ICSL introduced the first voluntary code in 1997. Further in 2008, 2013 respectively ICSL issued code of best practice cooperatively with the SEC. The revised code of best practice was recently issued in 2017 by ICSL and SEC incorporating the principles regarding cybersecurity and environmental, social and governance (ESG) reporting. The development of corporate governance codes in Sri Lanka has mainly happened with the development of UK corporate

governance codes (Senaratne, 2008).

As discussed above, many researchers had spent considerable effort in studying CGPs. Ehikioya (2009) used CEO duality, ownership concentration, directors' shareholding, board skill and board member relative on the board to measure CGPs. Board size, board independence, audit committee independency, incentives and meetings, and financial expert have been used to measure corporate governance by Farhan, Obaid, and Azlan (2017). Accordingly, various researchers have used different kind of variables in their research studies. However, it is hard to use all of those variables in a single study due to time constraints. As a result of a thorough review of previous literature and discussions on each variable, six variables were chosen for the current research and are described in the following sections.

### **2.1.1 Financial acumen**

As per the fourth principle of the code of best practices on corporate governance 2017, the board should have financial acumen in order to provide insights into financials to the board. The financial expertise on the board increases the effectiveness of decision-making by incorporating

financial insights into the decision (Krishnan & Lee, 2009). Further, the financial experts on the board should have capabilities to oversee the possible failures in financial reporting and litigation matters of regulators (García-Sánchez, Martínez-Ferrer, & García-Meca, 2017).

### **2.1.2 Board independence**

Board independence is a major characteristic of an effective board. Jensen and Mackling (1976) argued that the board which comprises a higher number of non-executive directors improves the firm performance by enhancing monitoring and controlling functions. Further, Jensen and Mackling (1976) emphasized the representation of non-executive directors on the board reduces the opportunistic behavior of executive directors. Dahya and McConnel (2007) investigated that firm's performance can be increased through incorporating non-executive directors in UK firms. The effectiveness of non-executive directors affects their relationship with the executive directors and the tenure (O'Sullivan & Wong, 1999). In contrast, due to non-executive directors' part-time involvement and lack of time for the firm activities may lead to a reduced contribution of non-executive directors to the firm

performance (Weir, Laing, & McKnight, 2002).

### **2.1.3 Board size**

The number of directors within the board can be identified as board size. Since the larger board has a negative impact on firm performance, a reasonable size of the board is recommended by many academics (García-Ramos & García-Olalla, 2011). This is mainly due to the increment in cost with larger boards and the delay in the decision-making process with the communication issues. On the other hand, some scholars preferred a larger board, as it provides better insights and resources for decision making and pool of experience. As per Abor and Biekpe (2007), board size has a positive impact on the profitability of the companies in Ghana. Oppose to the above findings, Ujunwa (2012) established a negative impact of board size on the corporate performance. He suggested that the board size has a negative impact on corporate performance due to an increase in free riders in the board, leading to a reduction in efficiency in monitoring the management. On the other hand, small size of boards is encouraged due to the provision of better quality information to the investor with a higher level of accountability (Bushman, Piotroski, & Smith, 2004).

#### **2.1.4 CEO duality**

CEO duality indicates the structure of the board showing whether there is a separation of roles between CEO and chairman. As per Lam and Lee (2008), a combination of two roles leads to the creations of a powerful CEO which results in ineffective performance. In contrast, Fama and Jenson (1983) emphasized that the separation of CEO and chairman is vital in order to solve the agency problem by safeguarding the interests of shareholders.

Moreover, Ujunwa (2012) suggested that CEO duality negatively affects the corporate performance of Nigerian companies. The separation of CEO and chairman increases the cost of the firm with the disruption of information flow between two roles which may lead to an increase in the cost of the firm (Vafeas & Theodorou, 1998).

#### **2.1.5 Board committees**

Board committees play an important role in eliminating agency conflict between management and shareholder (Rezaee, 2009). As per the code of best practice on corporate governance (2017), audit committee, remuneration committee, and nomination committee are recommended to establish within the firm. These committees need to be independent and competent in

order to perform the assigned duties (Keogn, 2002). Davis (2002) emphasized that when there is a board committee with separate key responsibilities, stakeholders' confidence in the corporate board is enhanced. In contrast, there was also evidence to support the view that board subcommittees had no effect on firm performance (Vafeas & Theodorou, 1998). As per the findings of Weir, Laing and McKnight (2002), board sub-committees have no relationship with the performance but there is a weak association with the committee director quality and the performance.

#### **2.1.6 Gender diversity**

Gender diversity is a part of board diversity (Milliken & Martin, 1996), which affects the effectiveness of the board as per the code of best practice on corporate governance. Hanson and Mullis (1985) stated that women are clever at building a relationship between management and shareholders. Further, women's participation in the board improves the transparency of board activities. Bianco, Ciavarella and Signoretti (2015) argued that female participation on corporate boards improves the firm corporate performance. In contrast, Ujunwa (2012) reported a negative relation between femininity diversity and corporate performance due

to the delay in decision making which negatively affects the performance of the firm. However, some other researchers (Rose, 2007; Marimuthu & Kolandaisamy (2009) have been unable to report a relationship between gender diversity and corporate performance. Hence, the findings are inconclusive.

## 2.2 Corporate Performance

Corporate performance as an indicator of a firm's operational efficiency has much more interested among many researchers. Accounting ratios, market ratios, and a mix of both accounting and market ratios have been used by many scholars throughout their studies to measure corporate performance (Kiel & Nicholson, 2003). The most commonly used accounting ratios are ROA, ROE, and Earning per Share (EPS) (Baysinger & Butler, 1985). Tobin's Q is the most commonly used market-based performance measurement. Bhunia, Mukhuti, and Roy (2011) suggested that the corporate performance of the firm indicates the financial healthiness of the relevant firm. As Halimatusadiah, Sofoanty and Ermaya (2015) suggest, the corporate performance of a firm is mainly indicated through the level of firm's profitability. The overall success of the firm and level of achievement of objectives are fundamentally

measured using the profitability of the firm in a particular accounting period. Further, the generation of net income consistently indicates the better corporate performance of the firm.

On the other hand, there are several limitations of the accounting-based measures against market-based measures. The accounting-based measurements can be simply manipulated by the management through accounting practices. But, the market-based measurements are distorted from management. Hence, the possibility of manipulation is limited.

According to Velnampy and Niresh (2012), ratios are mostly used in evaluating the corporate performance of the firm because a large quantity of data can be summarized by using ratios. Therefore, the corporate performance of the firm can be measured using several ratios such as profit margin, ROA, ROE, EPS, and Return on Investment (ROI) (Halimatusadiah et al., 2015). Research conducted by Velnampy (2013) used ROA and ROE as the measure of firm performance. Anandasaynan (2018) used ROA as a performance indicator in the study, which was carried out in the Sri Lankan context. Thus, a mix of accounting-based and market-based ratios has been

used to measure the firm's performance in this study.

### **2.3 Corporate Governance and Corporate performance**

A considerable amount of researches on the theme have been conducted by many scholars across the globe. However, several inconclusive findings have been identified, such as positive, negative, and insignificant relationships in the local and international context, as described below.

#### **2.3.1 Local context**

As per Anandasayanan (2018), an important role is played by the corporate governance mechanisms on the corporate performance of diversified holding companies in Sri Lanka. This is because a large board of directors may improve the profitability of diversified holding companies. Profitability is improved by the board composition.

Further, Anandasayanan (2018) stated that the application of good CGPs helps the organization to achieve its objectives and raise profitability. Similarly, a positive association is identified between CEO duality and firm performance by Azeez (2015). This means that the separation of two designations of CEO and chairman improves the firm's performance due to the separation of unfettered power between two individuals. The

study of CGPs relating to banks conducted by Rajendran (2012) found a positive association between board committees (audit, remuneration, and nomination) and firm's performance. Moreover, firm's performance is positively associated with variables such as board meetings, board size, and non-executive directors. But, this study suggested that a board should be comprised of 50% of non-executive directors though the code indicates two-third. Wijethilake, Ekanayake and Perera (2015) concluded, frequency of board meetings, shareholding of board members, CEO duality and board committees have a positive impact on firm performance.

According to the results of the study done by Azeez (2015) about corporate governance and firm performance in Sri Lanka, board size is negatively related to firm performance. This indicated that minor boards with a small number of members improve the performance due to the possibility of close monitoring and supervision. Rajendran (2012) highlighted the separation of leadership structure is negatively related to the firm performance of the banking sector. Further, Wijethilake et al. (2015) argued size of the corporate board has a negative impact on firm performance.

### 2.3.2 International Context

Abor and Biekpe (2007) found a significant positive association between board size and performance and a relatively large board of directors is better as it has broad expertise for better decision making. Further, this study suggested that firm profitability is positively influenced by board composition. There is a significant positive relationship between CEO duality and firm performance. The higher percentage of foreign ownership improves profitability. Bhatt and Bhatt (2017) remarked that the profitability of the firm is improved by the implementation of a better governance system. The existence of a robust corporate governance code by the government is a vital factor in enhancing CGPs. Halimatusadiah et al. (2015) reported that implementation of better CGPs improves the ROA in the Indonesian context. Further, they pointed out this may be due to the greater public confidence and continuous implementation, and development of good CGPs.

Berthelot, Francoeur, and Labelle (2012) revealed that the percentage of independent directors, usage of stock options, and frequency of board meetings are significantly and negatively related to the net income of Canadian firms.

Furthermore, Paniagua, Rivelles, and Sapena (2018) also revealed an opposite relationship between the number of board members and ROE. According to them, if there are more directors, it implies a higher payment for them and results in a lower ROE. According to Jadiyahappa, Jyothi, Sireesha, and Hickman (2017), female CEOs negatively impacted Indian firms' performance. As per the researchers, this is mainly due to the social status of females in India.

According to Arora and Sharma (2016), the association between corporate governance and firm performance was not strong as firms are not following the rule and regulations on corporate governance strictly in the Indian context.

When reviewing existing literature, it seems that a dearth of studies has been performed by examining the relationship between corporate governance and corporate performance after 2017 with the introduction of the *Revised Code of Best Practice* in Sri Lankan Context. The large corporate collapses during the last decade such as Golden Key Credit Company and ETI Finance Limited, question the existing corporate governance practice prevailing in the Sri Lankan context. Further, the macro factors have

been drastically changed in the last few years due to the current economic and political conditions in Sri Lanka. In order to pass through these conditions, there is a necessity for good CGPs in an organization. Further, the corporate governance variables such as female directors which imply gender diversity in the board, and financial acumen which is a principle in corporate governance code in Sri Lanka are not much researched in the Sri Lankan context. Therefore, this study is planned to contribute to existing literature by adding more corporate governance variables.

### 3. METHODS

Conceptual framework developed based on the existing literature depicted in figure 1.

All companies listed in the CSE were considered as the study's population, where a sample of 50 companies was drawn from 5 industries; Food, beverage and tobacco, consumer services, capital goods, materials, and real estate for the present study. These 50 companies contained 10 companies from each selected industry sector. The selection of five industries was based on the highest number of companies available in the industries and a sample of 50 companies was based on the highest turnover of the selected

industry. Accordingly, the sampling procedure used for the study was the convenience sampling method.

#### 3.1 Data Collection

Data collection was mainly based on the secondary data. Published annual reports of sample companies for the period between 2014/2015 and 2018/2019 were used.

#### 3.2 Method of Data Analysis

This study adopted the quantitative research approach. Accordingly, gathered data from the annual reports of public listed companies were analyzed using STATA statistical software. Descriptive, correlation, and panel regression analysis were employed as the data analyses techniques of this study.

The following regression models were used to assess the impact of corporate governance on firm corporate performance. As per Table 2, firm size and leverage were used as control variables. Regression equations are as follows:

$$\text{Corporate performance}_{ROE} = \beta_0 + \beta_1 FA_{it} + \beta_2 BI_{it} + \beta_3 BS_{it} + \beta_4 CEO_{it} + \beta_5 BC_{it} + \beta_6 GD_{it} + \beta_7 FSIZE_{it} + \beta_8 LEV_{it} + \varepsilon \dots \dots \dots (1)$$

$$\text{Corporate performance}_{TBO} = \beta_0 + \beta_1 FA_{it} + \beta_2 BI_{it} + \beta_3 BS_{it} + \beta_4 CEO_{it} + \beta_5 BC_{it} + \beta_6 GD_{it} + \beta_7 FSIZE_{it} + \beta_8 LEV_{it} + \varepsilon \dots \dots \dots (2)$$

$$\text{Corporate performance } ROA = \beta_0 + \beta_1 FA_{it} + \beta_2 BI_{it} + \beta_3 BS_{it} + \beta_4 CEO_{it} + \beta_5 BC_{it} + \beta_6 GD_{it} + \beta_7 FSIZE_{it} + \beta_8 LEV_{it} + \varepsilon \dots \dots \dots (3)$$

## 4. RESULTS

### 4.1 Descriptive Analysis

Availability of financial acumen has the mean of 1.00 with the standard deviation of 0 which indicates all the companies consists of a board that has financial expert in order to provide necessary consultation to the board. Board independence which is the proportion of non-executive directors on the board ranges from 25% to 100% by showing a mean of 69%. CEO duality which shows the separation of chairman and CEO has a mean of 0.86 with the variation of 34%. Audit, remuneration, and nomination committees were considered as board committees in the study. Fourty five percent of the sample has all three committees. Gender diversity indicated the proportion of female directors in the board which has quite a low mean of 11%. Board size is measured using natural logarithm of number of members in the board which has mean of 2.055 and it approximates the maximum value of the board size.

ROE, ROA, and Tobin's Q have been used to measure the firm corporate performance. ROA is

5% in an average firm with a deviation of 6.3%. ROE is 6% in an average firm ROE held by the companies with a variation of 9.7%. When considering the Tobin's Q, a large variation can be observed in the selected sample of companies due to the higher standard deviation of 0.66.

It is important to understand the descriptive nature of control variables as they cause an impact in measuring the relationships among the core variables. The variable firm size takes the highest mean value out of the two control variables while it is also subjected to the highest variation where the minimum and maximum figures vary from 20.18 to 24.25. The mean and standard deviation respectively for leverage is 0.32 and 0.23, indicating that companies have low levels of debt compared to their total assets, with a 23% deviation.

### 4.2 Correlation Analysis

A correlation coefficient is a statistical measure that measures the degree to which changes of one variable predict the changes of the other variable. Pearson correlation analysis was performed to identify the relationships between independent, dependent, and control variables.

As per Table 3, results of correlation, financial acumen has a significant weak negative relationship with Tobin's Q ( $p < 0.05$ ) while it shows no significant relationship with ROE and ROA. There is a significant weak negative relationship between Board independence and Tobin's Q and it does not have a significant relationship with ROE and ROA. Further Board size shows a significant weak positive relationship between ROE, Tobin's Q, and ROA. CEO duality and gender diversity does not depict a significant relationship between any dependent variable. Board committee's variable has significant weak positive relationship between ROA, ROE, and Tobin's Q.

Further when considering the relationship between dependent variables ROA, ROE and Tobin's Q with control variables, ROA and ROE show a significant weak positive relationship with firm size. However, Tobin's Q shows a significant weak positive relationship only with leverage.

### 4.3 Multivariate Analysis

In order to identify the impact between CGPs and corporate performance, the panel regression was carried out on the three dependent variables. Cross-sections among the

observation have been considered. Therefore, it provides an opportunity to identify whether an impact is coming to the measured the relationship between corporate governance and corporate performance from cross-section; firms' values for five years. Hausman test was performed to select the most appropriate model among Fixed and Random Effect models. Table 4 provides the findings which arrived from the Hausman test.

Since the significance value is less than 5% for Tobin's Q, it is believed that Fixed Effect Model would be the most appropriate model in performing the panel regression for Tobin's Q. Since the significance value is greater than 5% for ROE and ROA, Random Effect Model is most appropriate for panel regression analysis of ROE and ROA. Panel regression analysis (Table 4) shows the derived results from the Fixed Effect Model and Random Effect Model.

The R squared ( $R^2$ ) value measures the percentage of the variance in the dependent variable that is explainable from the independent variable. As per the observation of model 1, 9% of the ROE is explained by independent variables. Similarly, 16% of Tobin's Q (model 2) and 11% of ROA

(model 3) are explained by the independent variables used in the study. The panel regression result for ROE shows that the independent variables do not have a significant association with ROE except for board committees and board size which showed a positive relationship with ROE. The results for Tobin's Q show that board independence has a significant negative relationship and board size has a significant positive relationship. Other independent variables do not depict a significant relationship with Tobin's Q. The results of panel regression analysis for ROA show that Board size has a significant positive relationship with ROA while other independent variables do not show any significant association with ROA.

## 5. DISCUSSION

The level of CGPs in the Sri Lankan context was measured using descriptive statistics. As per the findings of the study, it was able to identify that the financial acumen represented a compliance mean of 100%, board independence showed a mean of 69%, CEO duality depicted a mean of 86%, board committees showed a mean of 45% while gender diversity represented a mean of 11%. Other than gender diversity, all other variables showed

significant compliance with the corporate practices in Sri Lanka.

The relationship between CGPs and firm corporate performance was examined using correlation analysis and panel regression analysis. Correlation analysis and the panel regression analysis indicate a significant weak positive relationship between board size, board committees, and corporate performance which was measured through ROE, Tobin's Q, and ROA. However, it should be noted that, since all analyses did not provide consistent results on the association of corporate governance characteristics with corporate performance, it was concluded that there is mixed evidence on the impact on the selected corporate governance characteristics and firm corporate performance.

The result related to the financial acumen in all three models indicated an insignificant impact. Thus, the financial acumen has no impact on corporate performance in the selected companies. Guner, Malmendier, and Tate (2006) suggested that, in the absence of conflict of interest, there is no significant impact of financial experts on firm performance. In contrast to the finding of this study, the financial expertise on the board increases the effectiveness of decision-making by inserting the

financial insights into the decision-making (Krishnan & Lee, 2009).

The results related to board independence in all three models indicated an insignificant impact. Thus, board independence has no impact on corporate performance. This is similar to some prior scholars' findings. As per Azeez (2015), the presence of non-executive directors on the board are not associated with firm performance of the listed companies in Sri Lanka. But, Jensen and Mackling (1976) emphasize the representation of non-executive directors on the board reduces the opportunistic behavior of executive directors. Fama and Jensen (1983) highlight the importance of having non-executive directors on the board in terms of expertise and connections which will ultimately enhance firm performance.

Board size has a significant impact on corporate performance as per the results of all three models. Thus, board size has a positive impact on corporate performance. As per prior findings, reasonable board size affects firm performance in effective controlling (García-Ramos & García-Olalla, 2011). Board size enhances the firm performance by adding more experience to the board (Haniffa & Hudaib, 2006). But the results

of the study contrast with the findings of both Velnampy (2013) and Azeez (2015).

CEO duality shows no significant impact on the corporate performance as per the results of all three models. These results are similar to a prior study carried out by Rajendran (2012) which indicates the separate leadership structure has no significant impact on the corporate performance. In contrast, Fama and Jensen (1983) emphasized that the separation of CEO and chairman is vital in order to solve the agency problem by safeguarding the interests of shareholders.

The results related to board committees have indicated a significant impact in model 1. Therefore, board committees have a positive impact on ROE. Laing and weir (1999) also identified that corporates with board committees have a significant positive impact on firm performance since investors consider the existence of board committees when making investment decisions. But, as per the results of the studies carried out by Velnampy (2013) and Rajendran (2012), board committees have no impact on corporate performance.

Gender diversity has no impact on corporate performance. This result was confirmed by

Jadiyappa et al. (2017) by stating gender diversity has no significant impact on firm performance. In contrast, as per Bianco et al. (2015), female participation on corporate boards improves the firm corporate performance.

## 6. CONCLUSION

The empirical findings of the current study extended the understanding of CGPs in Sri Lanka and its impact on corporate performance. As per the findings of the current study, board size has significant positive relationship with corporate performance. Board committees has a positive impact on corporate performance as per the current study.

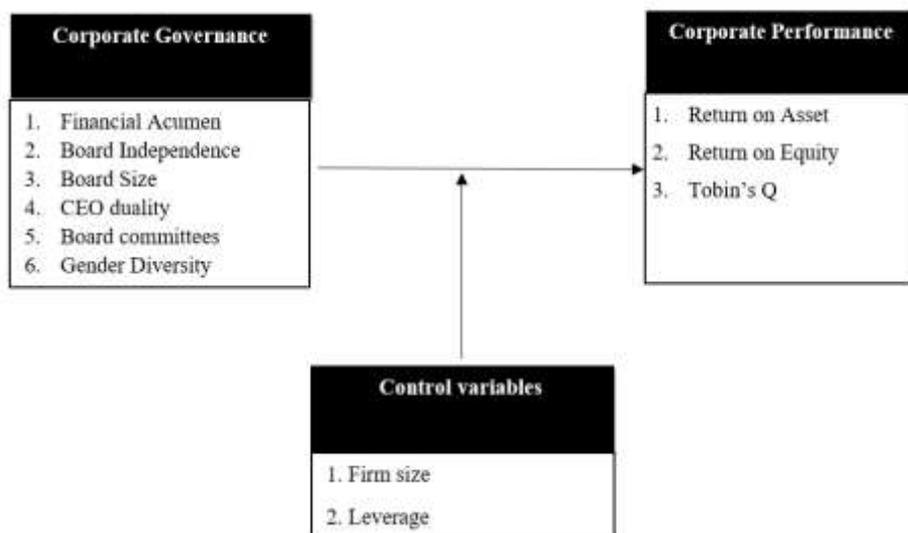
Based on the findings of the current study, since the board size has a positive impact on the corporate performance, it is recommended companies to maintain a well-balanced effective board. Such a board provides the necessary guidance and oversight to the companies in order to achieve the goals and objectives of the firm.

Board committees of a firm have an impact on corporate performance. The board committees should accountable to the shareholders of the firm in order to protect the interest of shareholders. Further,

strengthening board committees resolves the agency problem by providing necessary oversights to the board of directors. Hence, the board committee structures which were adopted by the companies with the recommendation of code of best practice should be strengthened within the CGPs in Sri Lanka. Further, it is encouraged to adopt these practices since it improves investor relations and improves the market performance of the company.

New insights of the study may benefit interested parties in Sri Lanka such as shareholders, regulators, boards of corporations. Moreover, the findings of this study will assist policymakers in promoting the progression of corporate governance mechanisms in Sri Lanka. Policymakers could take indispensable actions to promote CGPs. Using a sample of Sri Lankan listed companies over the period 2014-2019, this study has contributed to the literature by assessing the impact of corporate governance in the Sri Lankan context on corporate performance. Further, the study does not find conclusive evidence on the anticipated positive association between CGPs and performance in the Sri Lankan context. Hence, policymakers are requisite to scrutinize the reasons for such absence and strengthen the postulated rules, regulations, and laws on CGPs.

**APPENDIX**



**Figure 1: Conceptual Framework**

**Table 1: Operationalization of Variables**

Variable	Measurement	Literature
<i>Dependent Variables</i>		
<b>ROA</b>	Earning before interest and Tax / Total assets	Anandasayanan (2018), Arora and Sharma (2016)
<b>ROE</b>	Net income / Total equity	Anandasayanan (2018), Valenti, Luce and Mayfeild (2011)
<b>Tobin's Q</b>	(Market value of equity+ Book value of liabilities)/ Total assets	Farhan et al. (2017), Ehikioya (2009)
<i>Independent Variables</i>		
<b>Financial Acumen (FA)</b>	A dummy variable equals 1 if the board has financial experts and otherwise 0	McIntyre, Murphy and Mitchell (2007)
<b>Board Independence (BI)</b>	Proportion of number of non-executive directors to the total number of directors on the board	Arora and Sharma (2016), Dharmadasa, Gamage and Herath (2014), Wang and Oliver (2009)

<b>Board Size (BS)</b>	Natural logarithm of number members on the board	Anandasayanan (2018), Farhan et al. (2017), Ehikiyoa (2009)
<b>CEO Duality (CEOD)</b>	A dummy variable equals 1 if the CEO duality exists and otherwise 0	Mishra and Mohanty (2014)
<b>Board Committee (BC)</b>	Dummy variable equals 1 if all three committees are present and otherwise 0	Heenetigala (2011), Weir et al. (2002)
<b>Gender Diversity (GD)</b>	Percentage of female directors on the board	Benedicto, (2015), Dharmadas et al. (2014)
<b>Control Variables</b>		
<b>Firm Size (FS)</b>	Natural logarithm of total assets	Arora and Sharma (2016), Wang and Oliver (2009)
<b>Leverage (Lev)</b>	Total debt/ Total assets	Farhan et al. (2017), Wang and Oliver (2009)

**Table 2: Descriptive Statistics**

Variable*	Mean	SD	Minimum	Maximum	Skewness	Kurtosis
FA	1.0000	0.0000	1.0000	1.0000	-6.2582	37.4605
BI	0.6936	0.1917	0.2500	1.0000	-0.0494	-0.8769
BS	2.0550	0.2733	1.1000	2.5600	-0.7465	0.3640
CEOD	0.8600	0.3487	0.0000	1.0000	-2.0887	2.3779
BC	0.4520	0.4987	0.0000	1.0000	0.1948	-1.9788
GD	0.1131	0.1159	0.0000	0.5600	1.1836	2.3517
ROE	0.0613	0.0979	-0.1700	0.2300	-14.8398	22.5835
Tobin's Q	0.9842	0.6657	0.2500	2.8100	3.7999	21.0717
ROA	0.0569	0.0634	-0.0600	0.1800	-1.1900	10.2795
FSIZE (Ln)	22.3249	1.1968	20.1800	24.2500	0.1440	-0.7372
LEV	0.3243	0.2300	0.0200	0.7800	0.5156	-0.6061

Notes: Due to the presence of significant outliers, winsorized version of 5% for ROE, ROA, Tobin's Q, FSIZE and LEV variables have been considered for descriptive analysis and other analyses depicted in correlation analysis and panel regression.

Source: Analysis Results (2020)

**Table 3: Correlation Matrix**

<b>Variables</b>	<b>FA</b>	<b>BI</b>	<b>BS</b>	<b>CEOD</b>	<b>BC</b>	<b>GD</b>	<b>ROE</b>	<b>TBQ</b>	<b>ROA</b>	<b>FSIZE</b>	<b>LEV</b>
<b>FA</b>	1.0000										
<b>BI</b>	0.1304*	1.0000									
<b>BS</b>	-0.0569	-0.1581*	1.0000								
<b>CEOD</b>	-0.0256	0.1286*	0.0590	1.0000							
<b>BC</b>	-0.0698	0.0365	0.1991*	0.1348*	1.0000						
<b>GD</b>	0.0072	-0.2696*	0.0382	0.0986	-0.0530	1.0000					
<b>ROE</b>	-0.0510	-0.0875	0.1792*	-0.1032	0.0637	-0.0179	1.0000				
<b>Tobin's Q</b>	-0.1427*	-0.2270*	0.2604*	0.0560	0.1281*	-0.0575	0.3789*	1.0000			
<b>ROA</b>	-0.0731	-0.0653	0.2195*	-0.0376	0.1337*	0.0380	0.8891*	0.3522*	1.0000		
<b>FSIZE</b>	-0.0348	-0.1055	0.2181*	-0.3161*	0.2113*	-0.0343	0.2428*	0.1171	0.2906*	1.0000	
<b>LEV</b>	0.0757	-0.0884	0.2238*	0.0011	0.1702*	-0.2059*	-0.0168	0.2407*	0.0436	0.1587*	1.0000

Notes: N = 250, \*, \*\* significant at 0.05 and 0.01 levels (two-tailed), respectively

Source: Analysis Results (2020)

**Table 4: Panel Regression Analysis**

Variables	Dependent Variable: ROE Model I (Random)		Dependent Variable: Tobin's Q Model II (Fixed)		Dependent Variable: ROA Model III (Random)	
	Coef.	Std. Err.	Coef.	Std. Err.	Coef.	Std. Err.
<b>FA</b>	-0.0318	0.0973	-0.9507	0.6291	-0.0486	0.0619
<b>BI</b>	-0.0291	0.0342	-0.6735	0.2208	-0.0029	0.0218
<b>BS</b>	0.0531*	0.0236	0.3690*	0.1527	0.0356*	0.0151
<b>CEOD</b>	-0.0115	0.0191	0.1803	0.1224	0.0044	0.0121
<b>BC</b>	0.0021*	0.0129	0.0994	0.0840	0.0062	0.0082
<b>GD</b>	-0.0402	0.0564	-0.3834	0.3640	0.0184	0.0359
<b>FSIZE</b>	0.0166*	0.0056	0.0333	0.0368	0.0136*	0.0036
<b>LEV</b>	-0.0414	0.0283	0.5095*	0.1822	-0.0082	0.0180
<b>Constant</b>	-0.3427	0.1663	0.5587	1.0759	-0.2781	0.1059
<b>R<sup>2</sup></b>	0.0890		0.1623		0.1183	
<b>Sig. Value</b>	0.0027		0.0310		0.0001	
<b>Hausman test Chi (z<sup>2</sup>) Prob. Coef.</b>	2.22 0.9736		16.76 0.0327		2.42 0.9651	

Notes: N = 250, \*, \*\*significant at 0.05 level, 0.01 (two-tailed).

Source: Analysis Results (2020)

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## **The Relationship between Knowledge Management Processes and Workforce Agility in the Sri Lankan Banking Sector**

**K.A.D.T.D. Kuruppu<sup>1</sup> & M.H.A. Egodawele<sup>2</sup>**

<sup>1,2</sup> Department of Management Studies  
Faculty of Management  
University of Peradeniya  
Peradeniya  
SRI LANKA

kurupputd@gmail.com<sup>1</sup>, mekhala.egodawele@gmail.com<sup>2</sup>

“The critical feature of a knowledge workforce is that its workers are not labor, they are capital.” – “They’re Not Employees; they’re People,” –  
Drucker (1998)

### **Abstract**

The knowledge asset was highlighted as the key strategic weapon in the post-industrial societies to achieve the competitive edge. Sri Lanka is gradually moving towards a post-industrial society context, which will increase the domain value centered on knowledge management and knowledge worker’s agility. Nonetheless, this study serves as a prelude to investigating the relationship of knowledge management practices on worker agility in the Sri Lankan banking sector. Workforce agility has received much interest in the manufacturing industry, but it has been overlooked in the service industry. As a response, the authors develop research questions to assess the relationship between proactive agility and flexible agility in knowledge management processes (knowledge creation, acquisition, sharing, and application) in the banking industry. The banking industry was chosen specifically because it is prone to change on a daily basis, and employees were expected to adjust their agile behavior. Two hypotheses were constructed for this purpose, and both hypotheses were failed to reject based on the correlation analysis and thus the findings of the study confirmed that knowledge management has a significant positive relationship with proactive agility and flexible agility. For this quantitative, deductive study, a systematic literature review was conducted. Existing knowledge was used to create a conceptual framework that addresses in the gaps in current research. The findings of the study emphasize the significance of top management’s involvement and strategic direction in fostering a strong knowledge management culture, which has a significant important role in the long run to sustain an agile workforce.

**Keywords-:** Flexible Agility, Knowledge, Knowledge Management, Proactive Agility, Workforce Agility

## 1. INTRODUCTION

The contemporary business environment has turned out to be “volatile, uncertain, complex, and ambiguous (VUCA)” in nature with an inherent plethora of opportunities and threats while portraying a network of organizations that regularly “appears, develops, or disappears” (Munteanu, Bibu, Nastase, Cristache & Matis, 2020). The novel economic world-order has resulted in the change in consumption patterns, ceasing of boundaries among countries, technological development, globalization and deregulation (Hu & Liden, 2015; Khoo, 2011). Hence, a number of business organizations are in quest of conquering the environmental turbulence and uncertainty effectively (Almahamid, 2018) and the conventional strategies and hierarchical models are found to be obsolete and insufficient to address these changes and align with the present-day business environment (Braun, Hayes, DeMuth & Taran, 2017). The modern business organizations are challenged to continuously adapt to the increasing demands rapidly and entirely (Munteanu et al., 2020). In order to sustain in the turbulent environment, the organizations tend to instill empowerment, updated technology, work organizations, virtual organizations, cross training and communication with the aim of instilling agility within themselves (Almahamid, 2018).

(Gartside et al., 2014) assert that organizations adopt agility as an “enterprise-wide strategy” in order to sustain within the dynamic and competitive business environment. It enables organizations to cope with business environment turbulence. An accelerated level of agility has been portrayed as a gratifying capability that allows the rapid utilization of business opportunities (Hatzijordanou, Bohn & Terzidis, 2019). Organizational agility resonates the potentiality that helps an organization to sustain and perform within a dynamic and unpredictable environment (Vinodh, Aravindraj, Pushkar & Kishore, 2012). It is a strategy that enables business organizations to sustain on a “borderless battlefield” (Holbeche, 2018; Storme, Suleyman, Gotlib & Lubart, 2020). A number of aspects of agility have been investigated by many scholars, and they include agile software development (Krancher & Luther, 2021), agile manufacturing (Potdar et al., 2017) and agile workforce (Storme et al., 2020, Muduli, 2016). Agility covers a range of criteria such as innovation, customization, speed, adaptability, quality, flexibility, proactivity, profitability and knowledge (Qin & Nembhard, 2015).

Today, the achievement of agility has become challenging without

an agile workforce and in fact, workforce agility can be cited as a multifaceted and a complex concept (Muduli & Pandya, 2018). Workforce agility is paramount for the sustenance of the contemporary business organizations that are based in an unprecedented and fast paced business world. The notion; agile workforce has been subjected to investigation in order to formulate agile organizations that undergo “superior environmental responsiveness” amidst change (Muduli, 2013) and it is a powerful approach to respond to the environmental changes both proactively and reactively (Almahamid, 2015). Breu, Hemingway, Strathern and Bridger (2002) define workforce agility as a concept that relates to “environmental responsiveness” to the volatility in the market which also resonates the perception put forward by Qin and Nembhard (2015), who cited the concept as “knowledge workers”. Muduli (2016) portrayed agile workforce as workers instilled with a wide vision who can cope with volatile environments and exploit new opportunities. In fact, the father of knowledge management; Peter Drucker, who initially coined the term “knowledge workers”, had already predicted that the knowledge workers will turn out to be the most precious asset of an organization in the 21st century owing to their accelerated levels of creativity and productivity (Drucker, 1999).

As the authors assess the notion; workforce agility, two dimensions namely, proactive (Parker, Bindl & Strauss, 2010; Sherehiy, 2008) and flexible (Heckler & Powell, 2016) will be utilized for in study to investigate the impacts of knowledge management processes. Proactive agility is the prediction of issues that relate to change, formulation of solutions and the resolution of those issues (Chonko & Jones, 2005) while the dimension; flexible resonates the potential to attain contradictory objectives and receive distinct products at similar levels and this is required to be instilled in employees in order to cope with distinct activities and groups simultaneously (Sherehiy, 2008).

The concept; knowledge management received considerable attention during the last decade and the 21<sup>st</sup> century saw it becoming an “electromotive force” that drives the economic, social and educational development in any country (Igbinovia & Ikenwe, 2018). Knowledge Management is represented by the requirement to manage knowledge in a company as an asset (Ghani, 2009) and Kuczka (2001) asserts that knowledge management is the management of the processes of creating, storing and sharing knowledge coupled with other related tasks. (Omotayo, 2015) states that knowledge management is crucial for the companies that are aiming at attaining a sustainable strategic competitive edge. The knowledge

management processes can be showcased as the visible activities of the organizations that relate to knowledge management and other business processes expedited in those entities for the creation, storage, transfer and application of knowledge (Rasoulinezhad, 2011).

The attainment of a competitive edge is a considerable challenge for the contemporary knowledge intensive companies. Knowledge management can be cited as an effective approach utilized by the contemporary organizations as they make several attempts to survive amidst environmental turbulence. Agility in business organizations demands to understand “where” and “why” the changes occur and “how” the organization needs to react, and this is facilitated by knowledge management processes within these entities (Su, 2011). As such, knowledge enables the resolution of the current challenges in the digital era (Al-Khouri, 2014) and it has been recognized as a pivotal strategic resource that enables organizations to secure competitive advantage within a dynamic market environment since the early nineties (Spender, 1998) and many organizations have begun to consider the significance of knowledge reservation (Gill, 2009). Today, the knowledge management processes; knowledge creation, acquisition, sharing and application facilitate the survival of business organizations within the uncertain environmental

changes and their operations with a competitive edge (Almahamid, 2015).

Knowledge creation can be cited as an ongoing process of vigorous interplay between tacit knowledge (Nonaka & Takeuchi, 1996) and it is the potential of a company to produce new knowledge, solutions and new ideas that are creative in nature using technology with the aim of systematically handling the organizational tasks (Andreeva & Kianto, 2011). Knowledge acquisition improves the full span of external knowledge of a firm by accelerating the prospect of merging external and internal knowledge, which will result in innovative solutions for the organization (Yli-Renko et al., 2001). Knowledge sharing is the foundation for the accomplishment of the company and it acts as a roadmap that aids in their survival (Witherspoon, Bergner, Cockrell, and Stone, 2013) Boateng and Agyemang (2015) portray that knowledge application allows organizations to utilize knowledge to enhance their operations, produce novel knowledge and formulate novel products.

The companies that manage their knowledge under three pillars; people, technology and process, effectively will undergo sustainable development and growth (Igbinovia & Ikenwe, 2018).

Business organizations, particularly banks are facing

fierce competition often owing to phenomena such as high market pressures, innovation and globalization (Mousavizadeh, Harden, Ryan & Windsor, 2015). Workforce agility can be elucidated as a notion of paramount importance for the banking institutions in the contemporary world as the needs of clientele are subjected to changes at a rapid pace (Ajgaonkar, Neelam & Wiemann, 2021). These institutions face a plethora of issues as they struggle to face the effects of global economic depression and recession via the retention of a loyal and steady clientele in the financial stage Ollusolla, Ollodude, Bollanlle & Olladejjo. (2013). As these knowledge intensive organizations are equipped with knowledge workers, a number of attempts have been made by the banks to implement knowledge management systems to expedite their strategies and enhance performance (Zack, McKeen & Singh, 2009).

The banking sector in Sri Lanka is undergoing major transformations, which are accompanied by technological, behavioral, and societal changes. Having automated teller machines (ATMs) used to be a major order-winning element. However, with today's changes, having automated teller machines does not guarantee order winning characteristics. Through digitalization, today's consumers seek better ways to deal with their

work routines. As a result, all stakeholders, including bankers, accept agile behaviour.

(Aghion & Griffith, 2008) assert that a competitive market environment allows efficient resource allocation that enhances productivity and growth of national economy. Sri Lanka also undertook an extensive liberalization process that portrayed a break with the protectionist policies followed for many decades (Athukorala & Rajapatirana, 2000), to establish a competitive banking market and it was the first South Asian nation to engage in economic liberalization. This marked the introduction of a number of reforms in the financial sector to boost economic growth. The Sri Lankan banking sector consists of the Licensed Commercial Banks (LCBs) and Licensed Specialized banks (LSBs). This industry dominates the financial sector of the country while accounting for the highest portion of the overall assets in the financial system (CBSL, 2018). Hence, banking institutions undoubtedly play a pivotal role in the financial system of Sri Lanka and their effectiveness is paramount for the economic development of the country. It should be noted that in the contemporary Sri Lankan banking sector, the entities are required to attain organization agility particularly by formulating an agile workforce that allows them to cope with environmental turbulence.

### 1.1. Problem statement

Albeit, human resources have been cited as the major source of competitiveness and drivers of change and agility in organizations by many scholars (Munteanu et al., 2020), a few studies have been conducted to address the concept; workforce agility (Storme et al., 2020). Furthermore, there have been much discussion in academia in workforce agility and its enablers in the context of the manufacturing organizations across the world (Sherehiy & Karwowski, 2014; Alavi & Wahab, 2013). However, research on the impacts of the KM processes on workforce agility within the service organizations in the banking institutions in Sri Lanka is extremely rare. Hence, this study aims at exploring the relationship of the knowledge management processes namely, knowledge creation, acquisition, sharing and application on workforce agility in the banking institutions in Sri Lanka. Contributing to the discourse of knowledge management processes and their impact on workforce agility, this paper aims at assessing the effect of knowledge management processes (creation, acquisition, sharing and application) on the proactive and flexible workforce agility in the banking sector in Sri Lanka.

The study aims at addressing the above gap in relation to workforce

agility by formulating the following research problems.

1. Do knowledge management processes (Creation, Acquisition, Sharing, and Application) relate with Proactive workforce agility in the banking institutions in Sri Lanka?
2. Do knowledge management processes (Creation, Acquisition, Sharing, and Application) relate with flexible workforce agility in the banking institutions in Sri Lanka?

### 1.2. Research hypothesis

Based on the above research questions and conceptual framework (Figure 1), the authors hypothesize that knowledge management processes have an impact on workforce agility at the banking institutions in Sri Lanka. Thus, in order to summarize the arguments articulated based on the previous research, the authors have formulated the following research hypotheses as follows:

H1: There is a significant relationship between knowledge management processes (Creation, Acquisition, Sharing, and Application) and proactive workforce agility.

H2: There is a significant relationship between knowledge management processes (Creation, Acquisition, Sharing, and

Application) and flexible workforce agility.

### 1.3. Contribution

It is crucial that we extend our understanding to the banking institutions and it will aid in preventing a prospective loss in research opportunities in relation to the knowledge management driven workforce agility in these institutions that play a pivotal role in emerging economies as engines of innovation. This study measures the relationship between the independent variables that cover the four knowledge management processes namely knowledge creation, acquisition, sharing and application and the dependent variables of workforce agility (proactive and flexible) which will contribute to the literature by exploring the impacts of knowledge management processes on the workforce agility in the Sri Lankan banking institutions. Furthermore, this study can be cited as one of the important pieces of literature that assess the workforce agility within the banks specially in the context of a developing country like Sri Lanka and it will help the Sri Lankan banking institutions to be aware of the adoption and application of the knowledge management processes in future while recognizing the significance of these processes in stimulating workforce agility. This study will also feature useful findings that may provide the Sri Lankan banking sector with effective recommendations that will aid

them in the adoption of the concepts like knowledge management and workforce agility as they consider enhancing the work force related processes to accelerate performance within their entities

## 2. METHODS

As this study aims at investigating the relationship between the knowledge management processes; knowledge creation, acquisition, sharing and application and the workforce agility at the banking institutions in Sri Lanka, it follows a quantitative research paradigm and it enables the prediction of causal relationships and the statistical inference of the findings to the overall population (Sarantakos, 2005). Quantitative research methods explain a problem or an event via the collection of numerical data and analyzing them with the help of mathematical methods; specially statistics (Aliaga & Gunderson, 2002). A deductive approach is followed in the study as it aims at testing a hypothesis and hence, it is suitable to be dealt with quantitative data. Creswell and Plano Clark (2007) assert that a deductive researcher works from “top to bottom” from a theory to hypothesis in order to collect data to modify or add to the theory.

The population of this study consisted of the front line and middle line managerial level employees of the entire banking sector of Sri Lanka. It follows simple random sampling which is

a probability sampling technique. The population of the study covers the overall Sri Lankan banking sector while the sample of the study consists of all commercial and public banks based in Sri Lanka. Data collection was conducted through a structured questionnaire which consisted of 46 questions relating to demographic information such as gender, age, district, sector and position and standard information like knowledge management processes and the dimensions of workforce agility. A likert scale of 5 point was used in the questionnaire with five response levels (Strongly Disagree = 1, Disagree =2, Neutral = 3, Agree=4, Strongly Agree=5. SPSS (Statistical Package for the Social Sciences) version 23 was used, to statistically analyze the results and in addition, the correlation test was used to assess the relationship between the knowledge management processes and the dimensions of workforce agility. The study finds a positive, significant correlation between the two variables. To analyze the demographic variables such as age, gender, district, sector and position, the descriptive method was employed. Inferential statistics were employed in conjunction with a correlation study to investigate the relationship. Due to the quantitative character of the responses, SPSS 21 was used to analyses data.

### 3. RESULTS

At the initial stage 524 questionnaires were distributed and only 277 were received back. From 277 responses, 03 responses were neglected from the study since it carries missing values. Therefore, for the study purpose 274 responses were analysed.

According to the demographic analysis shown in table 01, there was a minor difference in the representation of male and female respondents. The male representation was 51.5 percent, while the female representation was 48.5 percent. The highest answer rate was obtained from Gamapaha district, at 21.5 percent, and the lowest response rate was recorded in Hambanthota, at 2.2 percent. The private sector employed the majority of the respondents, accounting for 51.8 percent of the total. In the study, 75.9% of first-line employees are represented, with the remaining 24.1 percent made up of the middle-level personnel.

Despite the study results, the normal distribution of variables was utilized (Kolmogorov–Smirnov Z test) to check the absence of study data from statistical difficulties that could adversely affect the outcomes of the study hypotheses. This indicates normality distribution for variable and table 02 shows that the study results. ( $P>0.05$ )

Cronbach's alpha ( $\alpha$ ) was utilized to assess the construct's reliability

in this study. Table 3 reveals that the Cronbach' alpha value ranges from 0.669 to 0.88, indicating that the study variables have a high level of internal consistency.

There is no statistically significant difference in agility between male and female employees, according to the independent samples test results based on gender, as shown in table 04

There is a considerable difference between workforce agility in the private and public sectors, according to the independent samples test results based on sector provided in table 05. Employees in the private sector are agile than those in the public sector, according to the findings of the post hoc study.

There is no substantial difference in workforce agility between first line and middle level employees, according to table 06, independent samples test results based on job position.

According to table 07, there is a substantial variation in worker agility between different age groups. According to the post hoc study results 25-30 yrs. and 31 to 35 yrs. age categories have a high level of agility.

There is no significant variation in workforce agility between different districts, according to table 08, the one-way ANOVA findings based district.

Table 09 shows that the highest mean (4.52) out of (5) for item (4) " Top management is well aware

of the banks needs for knowledge in different aspects of its daily activities " by high agreement degree, then for item (3) " The bank works constantly to update the different kind of knowledge it has. " by high agreement degree. The highest agreement degree was (Means 4.28) and the lowest agreement degree was (3.8) for item (5) " The bank works to support the creative ideas of its own. " by a moderate level of agreement

Table 10 on descriptive statistics of knowledge sharing shows that the highest mean (4.72) out of (07) was achieved by high agreement degree for item (4) " The bank encourages the employees to develop their knowledge." and the lowest mean (3.48) was achieved by moderate agreement degree for item (7) " The bank provides mechanisms for receiving views and suggestions among employees "

When analyzing the mean of knowledge sharing, table 11 shows that the highest means reached (4.28) out of (06) for item (6) "Promote a supportive environment for knowledge exchange of ideas among all employees. " by high agreement degree, and the lowest means was (3.28) for item (3) "We always analyze unsuccessful organizational endeavors and communicate the lessons learned widely." by moderate agreement degree

Table 12 shows that the highest mean of knowledge application

was (4.52) out of (04) for item (1) " There is an initiative to deliver the knowledge that available to all employees" by high agreement degree, and the lowest mean was (3.46) for item (4) " The bank encourages its employees to benefit from its own knowledge inventory." by lower agreement degree.

Table 13 shows that the highest mean (4.76) out of (06) for item (3) "I look for opportunities to improve at work." by high agreement degree, and the lowest means (3.48) for item (1) "I am able to solve new and complex problems at work." by moderate agreement degree when analyzing the mean of variable "proactive."

Table 14 shows that the highest means were (4) out of (07) for item (2) "I like to change old ways of doing things." by high agreement degree, and the lowest means were (2.45) for item (3) "I am able to perform the job without knowing the total picture." by poor agreement degree when analyzing the mean of variable "flexible."

According to table 15, there is a strong positive correlation between knowledge management and proactive agility (Pearson Correlation 0.878) and flexible agility (Pearson Correlation 0.662). Albeit all two study hypotheses are failed to reject based on the correlation analysis provided in table 16, as it becomes statistically significant at the 0.01 significant level.

#### 4. DISCUSSION

The effects of demographic variables on workforce agility in Sri Lanka's banking industry was first explored in this study. Gender, age, employment position, district, and sector were all assessed for significant variations between and among different demographic groupings. Age and sector differences were found to be significant between groups.

When it comes to the age element, it has a direct impact on workforce agility because generation Z is one of the most influential age groups in modern settings as well as in this study itself. According to the post hoc test results, the age groups of 25 to 30 and 31 to 35 showed greater workplace agility. Generations X (born between the mid-1960s and the early 1980s) and Y (born between the 1980s and the year 2000) make up Generation Z. Based on Bascha (2011) research, this research finding is further refined. They discovered that generation Z values transparency, self-reliance, flexibility, and personal freedom in the job, and that they are more agile. Generation Z, it should be noted, is the education generation, and as a result, they prefer more agile characteristics. In today's workplace, Gen X and Gen Y are having the most important impact and they are in charge of the entire workplace's 30 percent of the people (Gaidhani, Arora & Sharma, 2019).

Employees in the private sector are more agile for a variety of reasons, including their compensation and performance evaluation systems. Their promotions and other rewards are precisely aligned with their agile initiatives to boost the entire organization's efficiency and uplifting the standards of knowledge based culture.

Gender, job position and district, on the other hand, did not show any significant disparities. According to the researchers, previous studies on the subject have not revealed such disparities.

Following the demographic studies, the study found the most and least significant issues in workforce agility in banking industry in Sri Lanka. Moving on to variables that were listed as strongly agreed issues, most respondents emphasized the importance of "Top management is well aware of the bank's demands for information in various facets of its everyday activity" in the knowledge creation category. Employees feel top management has an unavoidable responsibility to instill a knowledge creation culture within the firm via productive strategic decisions because top management is accountable for executing the organization's strategic plan. Savva and Stylianou (2016) also emphasize senior management's role in enabling a knowledge-creating culture within the firm through strategy and leadership.

When it came to the study's findings on knowledge acquisition, the highest mean was "The bank encourages employees to enhance their expertise." When talking with employees, they regularly mentioned workshops, webinars, and programs that give them with fresh ways to learn. In most cases, banks attempt to arrange guest lectures from notable industry professionals in order to keep up the momentum with current industry trends. Further researchers identified that most banks have provided flexible loan rates and sufficient financial support for higher education options such as master's degrees and postgraduate degrees. This might be seen as a positive step in which staff were provided several opportunities to learn in a systematic manner.

The highest mean recorded for "Promote a favorable environment for knowledge exchange of ideas among all employees," according to the findings of the knowledge sharing survey. KM enablers, according to Savva & Stylianou (2016), should include organizational structure, strategy, and leadership, technology infrastructure, culture, organizational processes, and measurement to develop strong organizational settings to share knowledge. Rusil and Tasmin (2010) go on to say how important it is to improve technical infrastructure in order to facilitate good knowledge sharing in the twenty-first century, because technology is an inextricable

aspect of the discipline of knowledge sharing.

According to the knowledge application, the highest mean recorded for the item "There is an initiative to deliver knowledge that is available to all employees." In this environment, most banks have made on-the-job training a priority in order to train juniors and newcomers. As a result, most banks allow newcomers to learn from their more experienced colleagues by collaborating.

The highest ranked item of the variable "proactive" is "I search for possibilities to improve at work." The majority of employees are eager to gain new skills and do their best to improve existing systems.

"I like to change old methods of doing things," reported the highest mean for the variable 'flexible.'" Because the majority of respondents are from generation Z, they have a contradictory view about traditional procedures. They frequently seek out novel and innovative ways to do tasks (Gaidhani, 2019). The item "I am able to accomplish the task without understanding the entire picture" had the lowest mean rating for flexibility. This is an important study finding because it emphasizes the necessity of providing employees with a holistic understanding of their job roles. In most modern businesses, the matrix structure or project structure is used, in which two or more functional areas collaborate to achieve the intended goals.

Employers prefer to know the big picture because it gives them more flexibility in how they structure their job roles. If they just pursue knowledge in one area, it will have a negative impact on their flexibility and overall agility.

Two hypotheses were constructed for the study's objective, and both hypotheses failed to reject. There was a substantial favorable association between proactive agility and flexible agility and knowledge management.

## 5. CONCLUSION

Previously, workforce agility in Sri Lanka was mostly oriented on manufacturing perspectives, with the service sector being rather somewhat disregarded. There are few empirical studies to identify these concerns among contemporary knowledge management reforms followed by workforce agility in service sectors, particularly in the banking industry.

As a result, problems remain, and this study investigates how knowledge management practices relates with employee agility in the banking industry. Albeit a structured questionnaire was established based on a complete literature research and improved with expert input in order to meet the main purpose of analyzing the opinions of the relationship that exists between knowledge management and workforce agility. We were able to secure 47 usable questionnaires.

After determining the demographic representation of the sample using descriptive statistics, the impact of demographic aspects of the KM process on workforce agility was studied. In terms of age and the sector they represent, there was a statistically significant difference.

Some of the conclusions from this investigation were deemed notable. Because the majority of employees in today's companies are from generation Z, and thus age has a huge impact on workforce agility.

Following the preceding analyses, the data was subjected to a mean ranking analysis to determine which issue statements were most agreed with and which were most disagreed with.

The conclusions of this study are expected to have important policy ramifications, notably in strategic planning reforms in knowledge management practices of Sri Lankan banking industry. Because knowledge management is still a new concept in Sri Lankan corporate culture, senior management bears a significant amount of responsibility for sustaining a KM-enabling culture within the business through the implementation of proper long-term strategic policy framework. This is also emphasized by survey

respondents, who state that senior management should be aware of the bank's expertise requirements in all elements of its everyday operations. Then, in the long run, it will aid in the creation of an agile workforce.

Based on the study's findings, the following recommendations can be made to the Sri Lankan banking system.

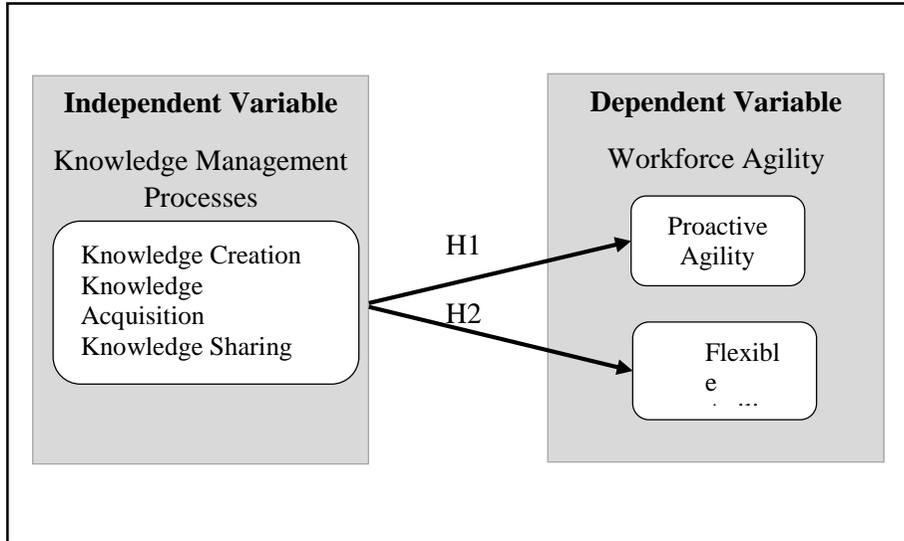
Companies should support this through brainstorming camps, lectures, and webinars so that upper-level management is equipped to employ KM procedures in their everyday performance. To instill a knowledge-driven culture within the organization, institutional assistance should be provided. Encourage all employees to share their knowledge and relevant information with their co-workers at all levels.

One limitation of this study is that it only evaluated one group of stakeholders, namely employees, and data gathering is restricted owing to the Covid 19 epidemic.

In future research, it is advised that the research scope be expanded to include additional service categories such as health care, education, and so on, as well as a larger sample size for the analysis.

**APPENDIX**

**Figure 1: Conceptual**



Source: Author's elaboration based on the literature

**Table 1: Demographic variables**

Demographic	Categories	Frequency	Cumulative Percent
Gender	Female	133	48.5
	Male	141	51.5
Age	25-30 yrs.	132	48.2
	31 to 35 yrs.	23	8.4
	36 to 40 yrs.	54	19.7
	Above 40 yrs.	65	23.7
District	Ampara	23	8.4
	Anuradhapura	19	6.9
	Badulla	24	8.8
	Colombo	30	10.9
	Galle	10	3.6
	Gampaha	59	21.5
	Hambanthota	6	2.2
	Kaluthara	14	5.1
	Kandy	16	5.8
	Kaluthara	9	3.3
	Kegalle	8	2.9
	Mathale	12	4.4
	Mathara	8	2.9

	Monaragala	8	2.9
	Nuwara Eliya	15	5.5
	Polonnaruwa	13	4.7
Sector	Private	142	51.8
	Public	132	48.2
Position	First level employees	208	75.9
	Middle level employees	66	24.1

Source: Survey data ,2021

**Table 2: Test of Normality**

Item	Kolmogorov-Smirnov	Sig	Result
Knowledge Creation	.897	0.785	Follows a normal distribution *P>.05
Knowledge Acquisition	.697	0.851	
Knowledge Sharing	1.6978	0.698	
Knowledge Application	1.879	0.097	
Proactive	1.697	0.501	
Flexible	1.968	0.987	

Source: Survey data ,2021

**Table 3: Reliability test**

Item	Cronbach's alpha
Knowledge Creation	0.88
Knowledge Acquisition	0.71
Knowledge Sharing	0.75
Knowledge Application	0.69
Proactive	0.75
Flexible	0.81

Source: Survey data ,2021

**Table 04: independent samples test result on sector**

		Levene's Test for Equality of Variances		t-test for Equality of Means			
		F	Sig.	t	df	Sig. (2-tailed)	Std. Error Difference
Agile	Equal variances assumed	372.847	.000	1.563	272	.119	.37520
	Equal variances not assumed			2.779	207.000	.006	.21109

Source: Survey data ,202

**Table 05: independent samples test result on sector**

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Agile	Equal variances assumed	957520.922	.000	-6.830	272	.000	-2.03521	.29799
	Equal variances not assumed			-6.594	135.945	.000	-2.03521	.30867

Source: Survey data ,2021

**Table 06: independent samples test result on job position**

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Agile	Equal variances assumed	372.847	.059	1.563	272	.119	.58654	.37520
	Equal variances not assumed			2.779	207.000	.006	.58654	.21109

Source: Survey data ,2021

**Table 07: One-way ANOVA results based age**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1111.757	9	123.529	39.581	.000
Within Groups	823.922	264	3.121		
Total	1935.679	273			

Source: Survey data ,2021

**Table 08: One-way ANOVA results based district**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1047.448	15	69.830	20.283	.097
Within Groups	888.231	258	3.443		
Total	1935.679	273			

Source: Survey data ,2021

**Table 09: Descriptive statistics for Knowledge Creation**

Knowledge Creation	Mean	Std. Deviation	Variance	Skewness	Kurtosis
The Bank regularly monitors the renewable knowledge that comes from the various sources.	4	0.695	0.484	1.369	-0.919
The bank regularly monitors the available knowledge that comes from the various sources.	4	0.695	0.484	1.269	-0.919
The bank works constantly to update the different kind of knowledge it has.	4.24	0.428	0.184	1.219	-0.519
Top management is well aware of the banks needs for knowledge in different aspects of its daily activities	4.52	0.501	0.251	-0.073	-2.009
The bank works to support the creative ideas of its own.	3.8	0.849	0.72	0.404	-1.495

Source: Survey data ,2021

**Table 10: Descriptive statistics for Knowledge Acquisition**

	Mean	Std. Deviation	Variance	Skewness	Kurtosis
There is support for good and creative knowledge to develop competitive advantage	4.04	0.72	0.519	-0.055	-1.062
There is sector inside the bank to provide studies and researches.	3.8	0.849	0.72	0.404	-1.495
There is transformation from tacit knowledge to explicit knowledge	3.52	1.103	1.218	-0.047	-1.322
The bank encourages the students to develop their knowledge.	4.52	0.501	0.251	-0.073	-2.009
The bank allows workers to help with the problem that faces the bank	3.96	0.72	0.519	0.055	-1.062
The bank works on development of knowledge that they ha	4.28	0.449	0.201	1	-1.007
The bank provides mechanisms for receiving views and suggestions among employees	3.48	0.501	0.251	0.073	-2.009

Source: Survey data ,2021

**Table 11: Descriptive statistics for Knowledge Sharing**

	Mean	Std. Deviation	Skewness	Kurtosis
We have specific mechanisms for sharing lessons learned in learning activities from team to team	3.55	0.897	1	-1.007
Bank repeatedly emphasizes the importance of knowledge sharing in our groups	3.8	0.849	0.404	-1.495
We always analyze unsuccessful organizational endeavors and communicate the lessons learned widely.	3.28	0.449	1.258	-1.007
There is a good deal of organization conversation that keeps alive the lessons learned from history	3.48	0.501	0.073	-2.009
There is facilitating for processes of consulting between the bank and the research centers	3.55	1.135	-0.061	-1.395
Promote a supportive environment for knowledge exchange of ideas among all employees.	4.28	0.449	1.367	-1.007

Source: Survey data ,2021

**Table 12: Descriptive statistics for Knowledge Application**

	Mean	Std. Deviation	Skewness	Kurtosis
There is an initiative to deliver the knowledge that available to all employees.	4.52	0.695	0.001	-0.919
The company held different workshops, lectures and others, which related to knowledge.	4.01	0.501	-0.073	-2.009
The bank has a policy to invite outside experts to participate on its workshops and training programs that related to knowledge.	4	0.002	0.098	0.967
The bank encourages its employees to benefit from its own knowledge inventory.	3.46	0.428	-1.219	-0.519

Source: Survey data ,2021

**Table 13: Descriptive statistics for Proactive**

	Mean	Std. Deviation	Variance	Skewness	Kurtosis
I am able to solve new and complex problems at work.	3.48	0.501	0.251	0.073	-2.009
When I see something that I do not like, I am trying to fix it.	4	0.697	0.369	.0256	.0222
I look for opportunities to make improvements at work	4.76	0.428	0.184	-1.219	-0.519
I am trying to find out more effective ways to perform my job.	4.52	0.501	0.251	-0.073	-2.009
I let time take care of things that I have to do.	4.28	0.827	0.685	-0.556	-1.317
I design new procedures or processes for my work area	4	0.695	0.484	0.003	-0.919

Source: Survey data ,2021

**Table 14: Descriptive statistics for Flexible**

	Mean	Std. Deviation	Variance	Skewness	Kurtosis
The changes at work encourage me	3.72	0.449	0.201	-1	-1.007
I like to change old ways of doing things	4	0.669	0.369	--1.238	-1.369
I am able to perform the job without knowing the total picture	2.45	1.135	1.288	0.061	-1.395
I am able to work out what to do when work instructions are unclear.	3.52	0.857	0.734	-1.219	-0.519
remain calm and composed when faced with difficult circumstances..	3.24	0.428	0.184	1.219	-0.519
When a difficult situation occurs, I react by trying to manage the problem.	3.24	0.428	0.184	1.219	-0.519
I drop everything and takes an alternate course of action to deal with an urgent problem.	3.48	0.501	0.251	0.073	-2.009

Source: Survey data ,2021

**Table 15 : Correlation analysis**

		Knowledge Management	Proactive	Flexible	Agile
Knowledge Management	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	274			
Proactive	Pearson Correlation	.878**	1		
	Sig. (2-tailed)	.000			
	N	274	274		
Flexible	Pearson Correlation	-.262**	.047	1	
	Sig. (2-tailed)	.000	.437		
	N	274	274	274	
Agile	Pearson Correlation	.311**	.625**	.809**	1
	Sig. (2-tailed)	.000	.000	.000	

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

Source: Survey data ,2021

**Table 16: Hypothesis testing**

Hypotheses	Correlation analysis		Decision
	Pearson Correlation	Sig.	
H <sub>1</sub> : There is a significant relationship between Knowledge management process ( Creation, Acquisition, Sharing, and Application) on proactive agility	.878	.000	Fail to reject
H <sub>2</sub> : There is a significant relationship between Knowledge management process ( Creation, Acquisition, Sharing, and Application) on flexible agility	.662	.000	Fail to reject

Source: Survey data ,2021

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## **Factors Affecting Salesforce Unethical Behavior: Evidence from Life Insurance Industry**

**K.S.S.N. Karunaratna<sup>1</sup> & D.G.L. Rasika<sup>2</sup>**

<sup>1</sup>Department of Accountancy and Finance  
Faculty of Management Studies  
Sabaragamuwa University of Sri Lanka  
Belihuloya  
SRI LANKA

<sup>2</sup>Department of Insurance and Valuation  
Faculty of Business Studies & Finance  
Wayamba University of Sri Lanka  
Kuliyapitiya  
SRI LANKA

kssnkarunaratna@gmail.com<sup>1</sup>, devundaragedara@gmail.com<sup>2</sup>

### **Abstract**

As a service-providing business that deals with the customers directly, the progress of the life insurance industry depends highly on the behavior of the salesforce. Unethical salesforce behavior can be attributed as one of the prominent reasons for the life insurance lower penetration rate and higher lapse rate prevail in Sri Lanka. Therefore, the main objective of this study is to identify the factors affecting salesforce unethical behavior in life insurance industry. To investigate the factors, 152 life insurance agents in Badulla district were surveyed. Quantitative research design along with snowball sampling were employed to collect the data. Using multiple regression analysis, results indicate that selling pressure and competitive intensity have a significant positive relationship with salesforce unethical behavior. Thus, practitioners and regulators are suggested to reduce sales pressure by means of reducing sales targets and discouraging anti-competitive behavior via code of conduct and provision of guidelines for fair competition.

**Keywords-:** Life Insurance, Organizational Factors, Product Factors, Salesforce, Unethical Behavior

## 1. INTRODUCTION

The link between insurer and insured is the insurance agent who is also known as the insurance advisor or the wealth planner. Insurance agents are persons registered with an insurer or an insurance broker registered under the act who in consideration of a commission solicits or procedures insurance business for such insurer or insurance broker (IRCSL, 2020). Agents play an important role as a liaison between consumers and the company. In Sri Lankan context, the insurance agents play not only the role of introducing life insurance policies but also the role of collecting the premium and accounting the premium for the relevant policy. Life insurance companies are in fact service providing companies and largely depend on the behavior of insurance salesforce since they directly transact with the clients. In the case of marketing insurance products, it is a combination of commission-based selling and imperfect information which leads to many significant opportunities for unethical or ethically questionable behavior (Diacon and Ennew, 1996). According to Diakon and Ennew (1996), ethical dilemmas exist more in distribution and promotion arenas compared to product and price arenas.

Insurance industry in Sri Lanka has a long history of over seven decades started with the operation of foreign insurance firms even

before the independence in 1948. The industry was nationalized in 1961 with the incorporation of Sri Lanka Insurance and held a monopoly until the establishment of the National Insurance Corporation in 1980. Nonetheless, gate was opened for the private entrants in the same decade. Initially, both life and non-life insurance businesses were carried compositely. However, by 2015, all the insurers were obliged to segregate their life and general arms as two different legal entities. As a consequence, Sri Lanka's insurance sector consists of 27 insurance companies including 13 independent life insurance companies by 2019. The Insurance Regulatory Commission of Sri Lanka (IRCSL) acts as the main body regulating the insurance industry in Sri Lanka. It also safeguards the policyholders via supervisory control of insurance companies. As far as the protection of the policyholders is concerned, significant malpractices are being reported in the market still. IRCSL has received 107 complaints related to unethical behavior of agents in 2019 including but not limited to inadequacy of explanations, payment of and misappropriation of premiums by sales staff, frauds, misrepresentation, lack of clarification (misunderstanding) and way of functioning branch offices (IRCSL, 2020). There were 32 referrals reported regarding the unfair termination, backlisting and related to educational qualifications of

agents too (IRCSL, 2020). As the major distribution channel in the insurance industry, around 85% of sales are generated through life insurance agents. Nevertheless, a lapse rate of 7.34% as a percentage of total insurance policies in force and new policy lapses of 11.69% as a percentage of new policies issued can be witnessed still in life insurance market (IRCSL, 2020). Companies' deceptive marketing and mis-selling of policies have resulted in this higher lapsation (Talwar and Ali, 2016). The number of active life insurance policies amounted to 15.61% of the total population by 2019 (IRCSL, 2020). The total insurance penetration of Sri Lanka stands at 1.26% of GDP while South Asian penetration of peer countries remains at 2.93% of GDP (KPMG, 2019). Sri Lankans' negative perceptions on insurance have contributed to this underpenetrated life insurance market (KPMG, 2019). Negative perception amplified by the life insurance agents' behavior and lack of integrity can be attributed as one of the dominant reasons for low penetration rates as well as higher policy lapse rate.

Given this backdrop, the integrity of the salesforce is crucial since the product mis-selling, misleading the customers and frauds cause to destroy the trust placed upon the insurance companies. A perception of insurance as a scam has sunk into society due to the recent questionable incidents reported in

the industry. Hence, it is high time to identify the causes for malpractices in order to ensure the confidence of the general public and to create favorable industry. In Sri Lankan context, there is a paucity of studies on unethical behavior of insurance salespeople. Empirical studies of developing countries plus developed countries, suggest that numerous factors affect the salesforce unethical behavior. To the best of our knowledge, in Sri Lankan context, researchers have studied only the organizational factors that affect unethical behavior of salesforce (e.g.: Chandrarathne and Herath, 2020). In light of this gap, the objective of this study is to examine factors affecting unethical behavior of salesforce in Sri Lankan life insurance industry with a wider perspective.

The paper consists of five sections. Section two provides the methods, including the data collection and sampling. Section three and four present results and discussion respectively. The final section is conclusion of the study.

### **1.1 Literature review**

Unethical behavior is referred to as someone who uses illegal or morally unacceptable conduct to sell products or someone whose behavior is contrary to the widely accepted code of ethics in society (Rest, 1986). According to Cravens et al. (1993), unethical behaviors give rise to disputes between buyer and seller and even the most committed consumers could leave the company. There is

a positive relationship between the conduct of business and ethics (Baglione and Zimmener, 2007). Previous scholars have shed some light on the unethical practices of life insurance salespeople. For instance, down selling and twisting (Howe et al., 1994), false or misleading representation, failure to identify customer needs & wants, bad recommendations (Cooper and Frank, 2002), improper competition (Cooper and Frank, 1991), intentionally delaying the settlement of claims, providing incomplete or incorrect information and lack of professionalism (Ahmad and Sungip, 2008). According to Diacon and Ennew (1996), even the most successful agents engage more frequently in down selling, lowball pricing and providing false information. Cheng, et al. (2014) have constructed five types of common unethical behaviors of life insurance salespeople namely, incorrect description or deliberately concealed information of the product or service, inability to identify customer needs to provide the appropriate products and services, lack of concept, knowledge, or skills to implement responsibility, failure to fulfill responsibilities due to conflict of interests and misconducts that affects the company's reputation.

The Takaful industry also has suffered a shock associated with ethical problems of agents (Ghani and Shaari, 2016). Hamid et al. (2012) argue that the prominent issues of the Takaful industry are

lacking the skill to attract participants and retain consumers, inability to communicate, inability to disclose about Takaful products and failure to persuade consumers. Abdullah (2018) analyses the studies on Takaful agents' behavior against consumers and pointed out that providing false information, inability to understand consumers' needs and lack of professionalism are the core unethical behaviors of insurance agents.

### **1.1.1 Organizational factors**

A plethora of studies has hypothesized various factors affecting unethical behavior in sales literature. Organizational factors are more common among them. According to Adinan et al. (2013) and Schwepker and Schults (2013), leaders' characteristics shape up the followers' sales behavior and there is a highly significant relationship between leader's characteristics and sales ethical behavior such as trust. Ethical leadership is a broad construct which comprises of altruism, compassion, honesty, fairness, justice etc. A behavior reflecting these qualities can be distinguished as ethical leadership (Yukl et al., 2013). Al Halbusi et al. (2021) stated that positive relationship exists between the ethical behavior of leaders and the ethical conduct of employees. Ethical leaders hold followers accountable for their unethical actions (Yukl et al., 2013). Therefore, ethical supervision can create ethical practices within

their team. A supervision reflects these qualities is termed as supervisory role in current study. Haron et al. (2011) show that there is a relationship between supervisory influence and unethical behavior of insurance agents. Similarly, supervisory role significantly predicts the unethical behavior of insurance agents (Chandrarathne and Herath, 2020). Thus, the below hypothesis was formulated.

H1: There is a negative relationship between supervisory role and salesforce unethical behavior in Sri Lankan life insurance industry.

A properly communicated and well-established reward and appraisal system helps to enhance employees' citizenship behavior, encourage work ethics and generate a healthy work environment (Abbasi and Rana, 2012). Life insurance business from its nature consists of higher commission rates. Sales commissions are considered to be best to motivate salespeople to enhance sales. A larger fraction of compensation based on sales commission in salesperson compensation provides an intention to behave unethically (Kalra et al., 2003). Therefore, reward system (method of compensation) is considered to be an important variable of ethical behavior (Román and Munuera, 2005). According to Tseng et al. (2016), sales workers possess an attitude towards inappropriate product recommendations once

they perceive manipulation of sales compensation by insurers. Similarly, Diacon and Ennew (1996) revealed that commission-based selling causes unethical behavior. A high commission structure (compared with a low commission structure), is more likely affected by heuristic biases and makes an ethically questionable choice (Hsu et al., 2009). Hence, the below hypothesis was posited.

H2: There is a negative relationship between rewarding system and salesforce unethical behavior in Sri Lankan life insurance industry.

Selling pressure is the degree of pressure that appeared on the salesperson as a consequence of lack of time and greater expected performance. Sales targets are constant reminders to salespersons regarding the performance that can produce selling pressure (Hair et al., 2009) plus unethical behavior (Chandrarathne and Herath, 2020) (Haron et al., 2011). Mitchell, et al. (2018) also evidence that employees who are demanded high performance elicit performance pressure and consequently lead to unethical behavior. Thus, the below hypothesis was formulated.

H3: There is a positive relationship between selling pressure and salesforce unethical behavior in Sri Lankan life insurance industry.

Ethical climate refers to the salespersons' perception of ethical standards (Mulki et al., 2006). The dimensions of ethical climate shape the ethical behavior of the salespeople (Nebo and Chinbuwa, 2017) (Weeks and Nantel, 1992). Organizational ethical climate plays a salient role in recognizing and addressing ethical issues and in turn this ethical sensitivity reduce unethical behavior (Zhang and Zhang, 2016). Yi et al. (2012) show ethical climate is inversely related to mis-selling. Therefore, the below hypothesis was formulated.

H4: There is a negative relationship between ethical climate and salesforce unethical behavior in Sri Lankan life insurance industry.

The culture of an organization is the shared set of assumptions, values, norms, beliefs and behavior patterns that are practiced in the organization to cope with the external and internal environment (Chandrarathne and Herath, 2020). This is a broader and deeper construct than organizational climate which stimulates ethical conduct (Scholz, 1987) and this creates a huge impact on ethical decision making (Shafer and Wang, 2010). In line with this, the findings of Kaptein (2008b) show that organizational culture negatively related to unethical behavior among workgroups. Thus, the below hypothesis was formulated.

H5: There is a negative relationship between organizational culture and salesforce unethical behavior in Sri Lankan life insurance industry.

### **1.1.2 Environmental factors**

In Sri Lankan context, competition among top life insurance companies is very much fierce where they hold above 75% of the market (IRCSL, 2020). Therefore, competitive intensity which is beyond the companies' control was incorporated into the model as an environmental factor. Competitive intensity is a key element in an industry which influences the ethical attitudes of salespeople (Wotrubaa, 1990). Therefore, in comparison with other external factors, competitive intensity stands predominant to explore since it can encourage unethical conducts. A situation where competition is fierce due to the presence of numerous competitors and the lack of opportunities for further growth is termed as competitive intensity (Auh and Menguc, 2005). Yi et al., (2012) categorized competitive intensity as an environmental factor that affects mis-selling. Life insurance agents tend to provide misleading information about competitors considering themselves more ethical than competitors (Diacon and Ennew, 1996). Prior works claim that unethical behavior is triggered by high market competition. For instance, Cooper and Frank (1991) identified improper competition as a salient unethical behavior of life

insurance salespeople. According to Wotrubaa (1990), competitors being situational moderators can impact outcomes in the ethical decision/ action process. Moreover, sales agents tend to act opportunistically where competition is intense. Thus below hypothesis was formulated.

H6: There is a positive relationship between competitive intensity and salesforce unethical behavior in Sri Lankan life insurance industry.

### 1.1.3 Product factors

A product that offers a large number of options or that consists of a large number of steps in use is typically complex. When products are more complex and difficult to understand, the product leads to greater uncertainty and risk (Holak and Lehman, 1990). Imperfect information, information asymmetry coupled with a low level of financial literacy leads to ethical lapses in developing nations (Diacon and Ennew, 1996) (Ferdous and Polonsky 2013). Product variety is the measured mixture of products offered by an organization to the marketplace (Randall and Ulrich, 2001). There are four dimensions of product variety namely width (number of product lines), length (number of items in the mix), depth (variants of each product) and consistency (closeness of the relationship between products) (Kotler and Keller, 2006). As product variety increases customer's examination of information becomes more

selective, information processing can bias the person's judgment and limit the evaluation of interrelated items. Thus, there is a possibility of customers being selected adversely because of the limited memory capacity of individuals (Moe, 1991).

Previous studies evidence that both product complexity and product variety can trigger unethical behavior. For example, Gibbs (1993) suggests that product complexity & product variety can give rise to mis-selling especially in financial services due to the information asymmetry. According to Yi et al. (2012) both the product complexity and product variety are positively related to mis-selling of life insurance products among telemarketers. Thus, the below hypotheses were formulated.

H7: There is a positive relationship between product complexity and salesforce unethical behavior in Sri Lankan life insurance industry.

H8: There is a positive relationship between product variety and salesforce unethical behavior in Sri Lankan life insurance industry.

## 2. METHODS

### 2.1 Data collection

The present study employed quantitative research design. As this study is concerned about the perceptions, attitudes and

behaviors of the people, primary data collection method was employed. Data was collected through a questionnaire distributed among the life insurance agents. The questionnaire was initially prepared in English and then translated into Sinhala. Afterwards, clarity and understandability of the statements were ensured in response to discussions with several practitioners. Subsequently, the pilot study was conducted using 10 percent of the sample representing an equal percentage from each company. Validity & reliability of this preliminary version of the questionnaire were checked using Cronbach's alpha coefficient. Finally, several questions were removed to ensure the same and questionnaire was employed to the total sample.

The first part of the questionnaire contains demographic information of the insurance agents and the second part contains the statements regarding each construct coded in a five-point Likert scale. Supervisory role was measured using seven items from Ethical Leadership Questionnaire (ELQ) (Yukl et al., 2013). The ELQ provides more important ethical supervision attributes such as setting an example of ethical behavior by the supervisor. Scale for rewarding system was based on four items adapted from Abbasi and Rana (2012) and Tseng et al. (2016) covering items like, company

doesn't providing extra incentives in the sales compensations to promote specific products. Selling pressure was operationalized using five-item scale adapted from Palmer and Bejou (1994) covering items like, company applies pressure to sell the insurances. Five items for ethical climate was utilized from the study by Schwepker (2001) which demonstrates the code of ethics and ethical policies of the company. Three-item scale for organizational culture was adopted from the corporate ethical virtues model (CEV) (Kaptein, 2008a). The CEV represents an ethical organizational culture embedded with ethical standards, norms and a culture which considers unethical acts seriously. Using the works of Jaworski and Kohli (1993) and Lusch and Laczniak (1987), competitive intensity was assessed. The aggressive nature of the competition like "promotion wars" was taken in to account when filtering the four items. Four-item scale for product complexity and three-item scale for product variety were extracted using the studies of Burnham et al. (2003) and Yi et al. (2012) respectively. Product complexity focuses on the complicated nature of the insurance service and product variety on the wide range of choices available. Finally, unethical sales behavior was based on the studies of Román and Munuera (2005), Ferdous and Polonsky (2013) and Cheng et al. (2014). Ten items were used covering a broad range of

unethical conducts including misleading, setting pressure on customers, lying and recommending products that do not suit for the customers.

## **2.2 Sampling procedure**

A sample of 152 sales agents was selected with a 95% response rate from selected top five performing Life insurance companies. The research site was Badulla district. Five companies were spotted as top performers in terms of market share and percentage of insurance agents (IRCSL, 2020). A considerable percentage from each company was included for the sample. Snowball sampling technique was used in finding research subjects. Snowball sampling is useful especially in studies where a high degree of trust is required to initiate the contact or hard to involve the sample (Baltar and Brunet, 2012). Respondents were confirmed that their responses would be kept highly confidential since the research instrument includes the statements about their own behavior.

## **3. RESULTS**

### **3.1 Characteristics of the sample**

The respondents constitute 15% - 30% respondents from each company. Males represent 55.3% of the sample. Large majority of respondents have education up to advanced level (52%) and the lowest percentage recorded as up to O/L (21.7%). Most of the sales agents are in age level of below 30

(35.5%) and the lowest represents the age level of between 61 and 70 (2%). The majority of the sample consists of agents having experience above 5 years (47.4%) (see table 1).

### **3.2 Descriptive statistics**

According to the descriptive statistics, the highest minimum value and highest mean are recorded for the "salesforce unethical behavior" and the lowest maximum value and lowest mean are recorded for "ethical climate". Moreover, "competitive intensity" shows the highest standard deviation. Table 2 shows the descriptive statistics of each independent variable and the dependent variable.

### **3.3 Reliability**

Cronbach's alpha values were used to measure the reliability of the constructs. Reliabilities less than 0.6 are considered to be poor, those in the 0.70 range are acceptable and those over 0.80 are good (Sekaran, 2003). According to Hair et al. (2010), Cronbach's alpha above 0.6 is also considered to be satisfactory. Therefore, reliability of all scales was verified by the Cronbach's alpha values above recommended (see table 3).

### **3.4 Validity**

Kaiser -Meyer-Olkin (KMO) test and Bartlett's Test of Sphericity (BTS) were used to check the validity. If the KMO > 0.05 (0.08-1) and BTS Sig <0.05, the data set falls within the adequacy range.

KMO values were above 0.05 and BTS values were 0.000 for all the constructs. Therefore, Validity was verified (see table 4).

### 3.5 Correlation analysis

To measure the directions and the strength of the relationship between two variables, Pearson's correlation coefficient was used. P-values below 0.05 are considered to be correlated. Correlation coefficient values range from +1 to -1 [(above 0.5= higher positive), (0.5 to 0= lower positive), (0 to -0.5= lower negative), (-0.5 to -1= higher positive)]. Accordingly, Only supervisory role (-.173), ethical climate (-.219), selling pressure (.367) and organizational culture (-.267) have a significant correlation with salesforce unethical behavior. In addition, supervisory role, ethical climate and organizational culture have significant negative low degree of correlation and selling pressure has a significant positive low degree of correlation with salesforce unethical behavior (see table 5).

### 3.6 Regression analysis

The regression coefficient, which was depicted by R-square can be defined as the amount of variance explained in dependent variable by the predictors (Sekaran, 2003). R-square was reported as 0.225 (see table 6). Therefore, it can be concluded that only 22.5% of the variance of unethical salesforce behavior can be explained by the model. This might be due to the

demographic variables and other external forces that were not explored and tested. As claimed by Frost (2017), small R-square values are not always a problem especially when outcome variable like human behavior which is very hard to predict. In such instances, a small R-square does not mean the predicted model is useless.

ANNOVA table (see table 7) shows the significance of the regression model. Output p-value than 0.05 is considered to be significant. The output p-value reported is 0.000. Hence, the model was significant.

Table 8 shows the regression coefficients of the regression analysis. The results show that, for the hypotheses that reflect relationships between unethical behavior and other independent variables, the relationships were not significant on supervisory role ( $B = -0.070$ ;  $P > 0.05$ ), rewarding system ( $B = 0.014$ ;  $P > 0.05$ ), ethical climate ( $B = -0.163$ ;  $P > 0.05$ ), organizational culture ( $B = -0.125$ ;  $P > 0.05$ ), product complexity ( $B = 0.004$ ;  $P > 0.05$ ) and product variety ( $B = -0.020$ ;  $P > 0.05$ ). Only relationships of selling pressure ( $B = 0.214$ ;  $P < 0.05$ ) and competitive intensity ( $B = 0.103$ ;  $P < 0.05$ ) with unethical behavior were significant. Therefore, Only H4 and H6 was supported

## 4. DISCUSSION

The significance of the current study lies in exploring the reasons for unethical behavior and

providing measures to mitigate the same. According to the results, only H4 and H6 were supported. Looking closely at each variable in the model, selling pressure was the only organizational factor to influence unethical behavior. Sales pressure originated from the top management by means of monthly targets generates a significant burden on salespeople which drives them towards unethical acts. For instance, holding the agents' license due to the continuous failure to reach monthly sales targets. However, previous findings of Yi et al. (2012) do not confirm the results of present study. Possible explanation is that they have selected the life insurance companies with a rewarding system consists with high basic salary and low level of commissions (Yi et al., 2012). Nevertheless, our sample consists with the companies with a rewarding systems of solely a straight commission plan which nurture the selling pressure.

All the other hypothesized relationships of organizational factors were not supported. Prior researches analyzing the relationship between unethical behavior and organizational factors have led to mixed findings. Some previous works are in line with findings of the current study. Despite the fact that, life insurance business consists of higher rates of commissions, Kurland (1996) found that rewarding system (commission earning) does not significantly regress unethical

behavior. Cooper and Frank (1991) highlight that organizational ethical culture does not encourage insurance agents to act ethically. Chandrarathne and Herath (2020) stated that organizational culture of Sri Lankan life insurance companies does not affect the unethical behavior of insurance agents. However, our findings are also not consistent with some prior studies which provides evidences for the significant causal relationship of rewarding system, organizational culture, and ethical climate with unethical behavior (Hsu et al., 2009) (Hair et al., 2009) (Baglione and Zimmener, 2007) (Shafer and Wang, 2010) (Yi et al., 2012). More importantly, in Sri Lankan setting, supervisory role and reward system significantly influenced unethical behavior (Chandrarathne and Herath, 2020). Therefore, our findings have contributed to a debate in this domain.

We witness very strict competition prevails within the top performing companies in life insurance market. When the competition is intense, misconducts are triggered against the rivalry in order to grab the market share. Confirming the same, our findings show that competitive intensity significantly affects the unethical behavior of insurance agents. Nonetheless, some previous findings are contrary to our findings (McCLaren, 2013) (Schwepker, 1999). Yi et al. (2012) argued that competitive intensity is unrelated

with mis-selling of life insurance because the financial services sales agents should establish and develop the long-term relationships. However, their findings were entirely based on the telemarketing which represents a very small percentage of sales in Sri Lankan context. But our findings are based on highly competitive distribution channel which is direct sales agents.

Present findings do not align with the results of Gibbs (1993) and Yi et al. (2012). Both product complexity and product variety are positively influenced on mis-selling of life insurance products via telemarketing (Yi et al., 2012). As per our results, both the product factors do not have a significant relationship with the unethical behavior of life insurance agents. Possible reason for this might be the face to face interaction provided by the direct sales agents enable customers to clarify wordings and understand various products. Therefore, it can be concluded that, complex nature of the life insurance policies due to the policy terms, conditions and warranties along with the wide range of products does not give rise to unethical behavior.

## 5. CONCLUSION

The current study investigates the factors affecting unethical behavior of the life insurance agents in Sri Lanka. The variables for the study were identified through a comprehensive reading of previous literature and they were categorized as

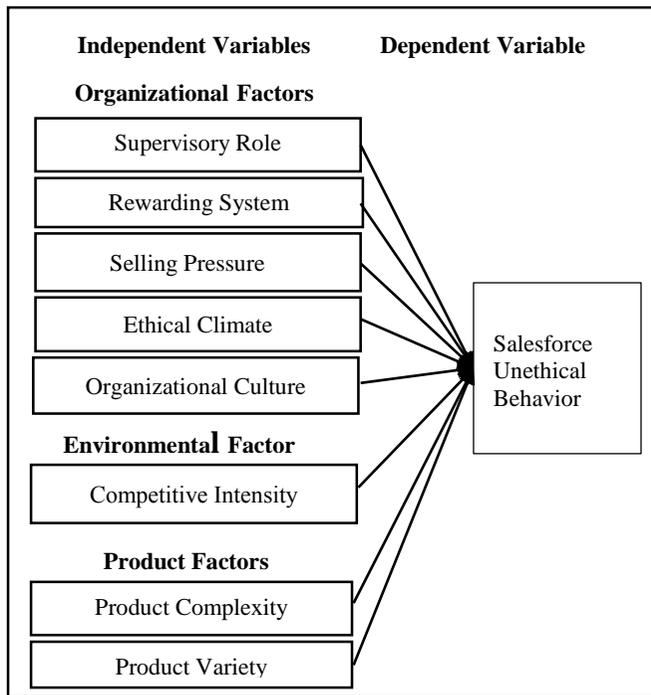
organizational factors, environmental factors and product factors. Eight hypotheses were posited based on the identified variables. Multiple regression analysis was employed to investigate the relationship between independent variables and dependent variable. According to the results, only selling pressure and competitive intensity have a significant positive relationship with salesforce unethical behavior. All the other hypotheses were rejected. Furthermore, selling pressure has a strong relationship with unethical behavior rather than competitive intensity. The value of the adjusted R-square of the final developed model was 0.225. Therefore, sales pressure and competitive intensity count for 22.5% of the variance of salesforce unethical behavior. The other 77.5% of the variance of salesforce unethical behavior was explained by other variables that are ignored in the study. These determinants include organizational scale, sales persons' age, sales persons' education, salespersons experience, professional accreditation, managerial position, gender and sales orientation (Cheng et al., 2014) (Román and Munuera, 2005) (Kurland, 1996) (Tseng et al., 2016). Sitting on the results, it can be concluded that there are numerous antecedents which impact on salesforce unethical behavior to be examined.

The findings of the study also hold significant implications for the practical context of insurance industry in Sri Lanka. Since the sales pressure is an organizational factor, insurance companies themselves have to pay more attention on reducing the selling pressure created on insurance agents. Sales target is a vital source of sales pressure (Hair et al., 2009). So that, decreasing the sales targets of the company reduces the unethical behavior of insurance agents. Inability to cover the sales targets can hinder the employability of the agents. Hence, the struggle to cover the sales targets ends up with misconducts. There is a considerable number of inactive life insurance agents remain in the market yet. Part-time basis employees also give rise to unethical activities because employees struggling with limited time to make sales. Therefore, recruiting agents solely on a full-time basis enable reducing the sales pressure. The competition is very much intense in Sri Lankan insurance market among the market leaders as they have almost equal market shares. The competition should be win-win that benefits both insured and insurer. Therefore, it is necessary to focus on creating healthy competition by refraining from exaggeration of own products over competitors and disparaging competitors which might remain a black mark for the entire industry.

Towards this end, the role of regulators should be to demotivate the anti-competitive behavior in the market by means of encouraging the observance of voluntary code of conducts incorporated by IRCSL and issuance of guidelines for fair competition. Moreover, insurance policies must be in line with the principle of fairness which is referred to as both the parties to the insurance contract understand the same thing in the same sense. This enhances the clarity of the offering and convenience of selecting best suited product.

Despite insightful implications, the current study is not without few limitations. First, only few independent variables from the existing literature were concerned to present the model. Second, quantitative research approach was used. Thus, future studies can adopt other personal factors (e.g.: age, education, experience, subjective norms), organizational factors (e.g.: organizational scale) and environmental factors (e.g.: community culture) which are to be empirically tested in Sri Lankan context yet. Consequences of unethical behavior are also another promising field. Future studies can validate our findings using qualitative approaches too. Finally, investigation of the factors using the customer perspectives is another research arena.

**APPENDIX**



**Figure 1: Conceptual framework**

**Table 1: Characteristics of the sample**

		<b>Frequency</b>	<b>Percentage</b>
Gender	Male	84	55.3%
	Female	68	44.7%
Age	Below 30	54	35.5%
	Between 31 and 40	45	29.6%
	Between 41 and 50	34	22.4%
	Between 51 and 60	16	10.5%
	Between 61 and 70	3	2.0%
Education	Up to O/L	33	21.7%
	Up to A/L	79	52.0%
	Degree or Diploma	40	26.3%
Experience	Below 3	49	32.2%
	Between 3 and 5	31	20.4%
	Above 5	72	47.4%

Source: Survey data, 2020

**Table 2: Descriptive statistics**

	Minimum	Maximum	Mean	Standard Deviation
Supervisory Role	1.00	3.14	1.6274	.4881
Reward System	1.00	3.75	1.7815	.7113
Selling Pressure	2.00	5.00	3.9301	.7278
Ethical Climate	1.00	3.00	1.5762	.5143
Organizational Culture	1.00	3.33.	1.6200	.5432
Competitive Intensity	1.00	5.00	2.5338	.9771
Product Complexity	1.00	4.00	2.2710	.7722
Product Variety	1.00	4.00	2.0932	.7826
Salesforce Unethical Behavior	2.50	5.00	4.5217	.4791

Source: Survey data, 2020

**Table 3: Reliability**

Construct	No of items	Cronbach's Alpha
Supervisory Role	7	0.800
Reward System	4	0.666
Selling Pressure	6	0.768
Ethical Climate	5	0.841
Organizational Culture	3	0.621
Competitive Intensity	5	0.889
Product Complexity	4	0.807
Product Variety	3	0.639
Salesforce Unethical Behavior	10	0.909

Source: Survey data, 2020

**Table 4: Validity**

Construct	Measurement	KMO	BTS
Supervisory Role	SR	0.761	0.000
Reward System	RS	0.609	0.000
Selling Pressure	SP	0.800	0.000
Ethical Climate	EC	0.838	0.000
Organizational Culture	OC	0.628	0.000
Competitive Intensity	CI	0.881	0.000
Product Complexity	PC	0.746	0.000
Product Variety	PV	0.545	0.000
Salesforce Unethical Behavior	UB	0.856	0.000

Source: Survey data, 2020

**Table 5: Correlation table**

Variable	N	Pearson's Correlation Coefficient	P-Value
Supervisory Role vs Salesforce Unethical Behavior	143	-.173	.038
Reward System vs Salesforce Unethical Behavior	143	-.051	.545
Selling Pressure vs Salesforce Unethical Behavior	143	.367	.000
Ethical Climate vs Salesforce Unethical Behavior	143	-.219	.009
Organizational Culture vs Salesforce Unethical Behavior	143	-.267	.001
Competitive Intensity vs Salesforce Unethical Behavior	143	.92	.276
Product Complexity vs Salesforce Unethical Behavior	143	.49	.560
Product Variety vs Salesforce Unethical Behavior	143	.025	.765

Source: Survey data, 2020

**Table 6: Model summary**

Model	R	R-Square	Adjusted R-Square	Std.Error of the Estimate
1	0.475 <sup>a</sup>	.225	.179	.43413

Source: Survey data, 2020

**Table 7: ANNOVA table**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	7.348	8	.918	4.873	.000 <sup>b</sup>
Residual	25.255	134	.188		
Total	32.603	142			

Source: Survey data, 2020

**Table 8: Coefficient table**

Model	Unstandardized B	Coefficients Std.Error	Sig.
(Constant)	3.999	0.320	0.000
Supervisory Role	-0.070	0.084	0.411
Rewarding System	0.014	0.054	0.798
Selling Pressure	0.214	0.053	0.000
Ethical Climate	-0.163	0.089	0.068
Organizational Culture	-0.125	0.079	0.117
Competitive Intensity	0.103	0.044	0.019
Product Complexity	0.004	0.049	0.092
Product Variety	-0.020	0.051	0.701

Source: Survey data, 2020

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## **Chinese Tourists' Food Souvenirs Selection Behaviours and Consumption Values: A Conceptual Discussion**

**T.M.P.A.B. Tennakoon<sup>1</sup> & D.M.C. Dassanayake<sup>2</sup>**

<sup>1,2</sup>Department of Tourism & Hospitality Management

Faculty of Management Studies

Rajarata University of Sri Lanka

ptennakoon@gmail.com<sup>1</sup>, cd66@students.waikato.ac.nz<sup>2</sup>

### **Abstract**

Tourists frequently buy souvenirs while on vacation. Souvenir sales generate much revenue for tourist destinations, and souvenir purchasing issues cannot be ignored in a successful destination management strategy. In today's context, Chinese tourists dominate international tourism, and they tend to buy food souvenirs as gifts. Moreover, the tourist's choice of souvenirs is influenced by various factors. The theory of consumption values is one of the most precise theories explaining consumer choice behaviour. This conceptual discussion investigates the theory of consumption values' efficacy in analysing Chinese tourists' food souvenir selection by examining the values behind their selection. The review's outcome explains that the functional, social, emotional, and conditional values are in effect in choosing food gifts. However, the epistemic value remains neutral in this case. These propositions align with three fundamental recommendations of the theory of consumption values. Outcomes postulate that the theory of consumption values could explore Chinese tourists' food souvenirs choice behaviour.

**Keywords-:** Consumption Values, Chinese Tourists, Chinese Culture, Food Souvenirs

## 1. INTRODUCTION

With the steady growth of China's economy, the daily consumption needs of Chinese citizens are shifting from primary living consumption to developing consumption, and tourism and leisure are becoming essential parts of people's lives (China Tourism Academy, 2018). Chinese tourists have been the major tourist markets of many countries since China's rapid economic development, and Chinese tourists tend to engage with many tourist activities on their travel or holiday.

A study with focus group interviews conducted in Hong Kong by Huang & Hsu (2005) revealed that two out of five motivation factors were shopping-related, highlighting the importance of shopping for Mainland tourists. Chinese tourists spend a considerable time shopping during the travel to bring a gift back to their parents and the elders (Cai, Li, & Knutson, 2008). Local food is very popular as gift souvenirs among Mainland China, Taiwan, Singapore, and Hong Kong (du Cros & Jingya, 2013; Kong & Chang, 2012; Lin, 2017). A survey focused on analysing the shopping preferences of the Chinese, and Japanese tourists who visited Taiwan indicated that they had spent most on food speciality products (Taiwan Tourism Bureau, 2014). Local food products and specialties constitute a significant amount of the total shopping expenditure of Chinese tourists who visit Taiwan,

the second-largest expense (Taiwan Tourism Bureau, 2017). It is crucial to investigate what factors drive the Chinese tourists in selecting their food souvenirs.

Value-based approaches of consumer behaviour accept that the values take multiple forms, and each of the value types collectively affects different degrees of influence on the selection decision (Dassanayake, 2017; Sheth, Newman, & Gross, 1991). Therefore, the value-related literature provides ample evidence for the link between values and selection behaviour. Theory of consumption values (TCV) is a widely adopted theory in consumer behaviour analysis to explore consumers' choice behaviour (Sheth, Newman, & Gross, 1991). This theory succinctly explicates how consumers choose one product among the many other alternatives using five consumption values: functional value, social value, emotional value, epistemic value, and conditional value. Although the theory has been adopted in many instances in consumer choice behaviour, there is a lack of evidence of using this theory in tourist choice behaviour, one of the compelling phenomena in the global business scenario. Moreover, despite plenty of research on Chinese tourists' choice and purchasing behaviour, the food souvenirs' choice behaviour remains to unfold. This

paper aims at exploring the efficacy of the theory of consumption values for analysing the food souvenirs choice behaviour of the Chinese tourists.

## **2. LITERATURE REVIEW**

### **2.1. Theory of consumption values**

As a valuable tool for understanding human behaviour, the value notion has grown increasingly prominent in the context of behavioural research, particularly in consumer and market research, as a result of its popularity in the field (Fleşeriu, Cosma, & Bocăneţ, 2020; Kamakura & Novak, 1992). Theory of consumption values (TCV) developed by Sheth et al. (1991) is widely adopted for predicting the consumer choice behaviour that determines to buy or not to buy (or to use or not to use) a specific product, why one product type over another, and why consumer choose one brand over another, has been applied for more than 200 consumer choice situations (Sheth et al., 1991). In particular, the disciplines such as economics, sociology, several branches of psychology, and marketing and consumer behaviour have contributed to developing the theory of consumption values (Sheth et al., 1991).

Yang and Lin (2017) adopted the TCV to determine the influencing factors on consumer choice behaviour regarding green products and examine whether there are significant differences in

consumption value and choice behaviour between consumers with different environmental concerns. Dassanayake (2017) adopted the theory of consumption values in explaining the destination choice behaviour at the various stages of the destination decision-making process. Moreover, Lee, Levy, & Yap (2015) studied how consumption values contribute to identity and environmental attitudes using a consumer survey. Gonçalves, Lourenço, & Silva (2016) examined whether consumption values can predict green buying behaviour using the fuzzy-set qualitative comparative analysis.

As depicted in Figure 1, TCV has identified five consumption values; functional value, social value, emotional value, epistemic value, and conditional value, influencing consumer choice behaviour (Sheth et al., 1991). The TCV is based on three fundamental propositions: consumer choosing behaviour is driven by a function of multiple consumption values, the consumption values have a differential contribution in any given consumer choosing situation, and all consumption values are independent (Sheth et al., 1991). Consequently, a choice decision is influenced by any consumption value or a combination of all the five consumption values.

### **2.1.1. Functional value**

Functional value is the primary driver that determines the choice. The perceived utility depends on an alternative's capacity for functional, utilitarian, or physical performance. Salient functional, utilitarian or physical attributes of choice are the primary determinants of the functional value (Sheth et al., 1991). The functional value results from the characteristics or attributes such as durability, reliability, and price (Ferber, 1973). For example, choosing a house might be based on functional benefits such as property quality, size, location, price and nature of the environment.

### **2.1.2. Social value**

Social value is connected with the perceived utility derived from an alternative's association with one or more specific social groups. The product or service receives the social value through association with positively or negatively stereotyped demographic, socioeconomic, and cultural ethnic groups (Sheth et al., 1991). Subjective norms refer to the perceived social pressure to approve and adopt a behaviour style (Ajzen, 1991). For example, a particular wristwatch brand may be chosen more for the social image evoked than its utility. Some cultural and ethnic groups choose specific food and beverages due to pressure from their society because they follow different food faith and beliefs than perceived utilitarian value and food quality.

### **2.1.3. Emotional value**

Emotional value is connected with the perceived utility derived from an alternative's ability to stimulate or provoke feelings or affective states (Sheth et al., 1991). An option receives emotional value when associated with specific feelings or when motivated by those feelings. Goods and services are generally associated with emotional responses. Emotional values are often associated with aesthetic alternatives such as religion (Sheth et al., 1991). For example, some people always choose vegetarian foods when they make choices in the supermarket since they feel that vegetarian foods protect the animals' right to live. That is their deep emotional feeling associated with emotional value.

### **2.1.4. Epistemic value**

Epistemic value is connected with the perceived utility derived from an alternative's ability to generate curiosity, offers novelty and fulfil a desire for knowledge. Knowledge is a characteristic that influences all phases in the decision-making process (Laroche, Bergeron, & Barbaro-Forleo, 2001). Consumers tend to choose an alternative when consumers are satisfied or bored with the current product or service or curious or desire to acquire new knowledge on something (Sheth et al., 1991). For example; Hip-hop music lovers shift in buying traditional classical Indian music to learn about eastern music art while changing their way of listening to music.

### **2.1.5. Conditional value**

Conditional value is connected with the perceived utility acquired by an alternative due to a specific situation or set of circumstances facing the choice maker (Sheth et al., 1991). The alternative utility will often depend on the situation, and the existence of physical and social contingencies enhances the functional and social value of an alternative (Sheth et al., 1991). Belk (1974) defines such a situation as one in which all factors relate to a particular time and place and do not rely on personal knowledge and stimulus attributes demonstrable and systematic effects on current behaviour.

### **2.1.6. Application of the theory**

The theory of consumption values has been employed in many choice situations and has manifested a significant predictive ability in each choice situation (Sheth et al., 1991). The theory has been adopted to "use versus do not use" choices about food stamps, cocaine, computer dating, and sporting events attendance: to product type choices including automobiles and to brand choices including toothpaste, aspirin, and automobile (Sheth et al., 1991). Lin and Huang (2012) adopted the TCV to determine the influence factors on consumer choice behaviour regarding green products and to examine whether there are significant differences in consumption value and choice

behaviour between consumers with different outlooks on environmental concerns. Lee et al. (2015) examined how consumption value contributes to place identity, ecological attitudes, and sustainable consumption behaviour. Using a consumer survey, Gonçalves et al. (2016) examined whether consumption values can predict green buying behaviour using the fuzzy-set qualitative comparative analysis. Consumption values theory has been used to identify the determinants of the intention to continue using the SoLoMo service (Yang & Lin, 2017). Dassanayake, Zahra, & Cave (2015) applied the TCV to differentiate the destination choice behaviours along the different stages of the destination decision-making process. The theory was adopted by Ruangkanjanases & Wutthisith (2018) to explore the factors influencing the intention to purchase stickers in a messaging application in Thailand.

### **2.2. Souvenirs**

Souvenirs have been studied from different perspectives such as economics, functional, aesthetic and philosophical (Swanson & Timothy, 2012). Based on the nature and areas of the study, the definition of souvenirs is varied. A souvenir means a gift, offering, or locally produced good related to a particular destination (Dougoud, 2000). A good souvenir symbolises local culture by expressing the ancestry, language, and cosmology of that culture

(Medina, 2003). Swanson and Timothy (2012) proposed two perspectives that help comprehend the roles of souvenirs; tourist's perspective and supplier's perspective. Tourists mean souvenirs as tangible objects or intangible experiences that are symbolic reminders of an event or experience. From the supplier's perspective, souvenirs are tourist commodities found in souvenir shops and handicraft markets. Gordon (1986) first constructs a typology for souvenirs identifying five categories; pictorial images (e.g., picture-postcard), piece of the rock (e.g., pinecones, seashell, and rocks), symbols of a destination (e.g., miniature Eiffel Tower), markers (e.g., T-shirts), and local products (e.g., foods and clothing). Swanson and Timothy (2012) proposed four categories of souvenirs; totality souvenirs (e.g., logoed objects that represents visitors' feeling about the destination), linking souvenirs (e.g., kitchenware that can maintain a link to the destination when tourist return home), pilgrimage souvenirs (e.g., a model cross from Jerusalem), and life souvenirs (e.g., food products filled with nostalgia feelings). Scholars and authors have explored that souvenirs possess different attributes. Snepenger, Murphy, O'Connell, and Gregg (2003) identify the following decisive factors which are considered as essential attributes by tourists in purchasing souvenirs, such as convenience and practicality- including

portability, ease of cleaning, practicality and price, aesthetics, such as colour, design, and display and uniqueness- special, limited and innovation meanings. Swanson and Horridge (2006) explicate three broad categories of products attributes for souvenirs: care and travel factors (ease of care or cleaning, price, usefulness, whether the item is a good gift made in the place visited), aesthetic selection factors (appealing colour, appealing design, wearability and whether the item can display in the home), unique selection factors (made by well-known local craftsman/artisan, unique, one of a kind or limited edition pieces, high-quality artistry, new, innovative, or a clever idea). Hu and Yu (2007) classified the attributes of souvenirs into two categories; craftsmanship (evaluation of artistry often involving details such as appliques, finished edges, fringes, thread choice, nicely finished wrong side and neat machine stitching), and sensuous appreciation (the intrinsic beauty of a craft's colour, design or artistry, with other symbolism unnecessary for the item to be meaningful). In recent years we can find broad views of souvenir attributes. Paraskevaidis and Andriotis (2015) explored the souvenirs' use-value, exchange value, sign value, and spiritual value based on sociological aspects.

There are many motivations for purchasing souvenirs. Kim and Littrell (2001) stated that two motives of tourists for buying

souvenirs; keep souvenirs as proof of their journey themselves and give souvenirs as a gift to others to maintain the social relationships. The motivation for purchasing gift-giving souvenirs is considered to maintain reciprocal obligations and comply with the social norms (Kim & Littrell, 2001; Park, 2000). Jansen-Verbeke (1991) divided souvenir purchasing motivations into three categories; economic reasons such as cost-saving by bargaining or taking advantage of the favourable exchange rate, psychological effects on identifying the destination, and strengthening social ties. Roles of souvenirs as gifts, aid memoirs, and evidence identified by Wilkins (2011) have been considered the motivations for purchasing souvenirs by tourists in his study.

### **2.3. Food souvenir**

Food specialities are purchased mainly by tourists as souvenirs during their travel (Lin & Mao, 2015). Food and beverages products, including sweets, alcohol, spices, and tea, are considered popular food souvenirs among cultural tourists (Buczowska, 2014). Food is an effective medium of symbolising local culture and connecting tourists to a destination's landscape and the way of life of the host community (Harrington & Ottenbacher, 2010). Food speciality is considered one kind of souvenirs, primarily refers to food purchased by tourists in a specific tourist destination. Food

speciality has a unique meaning linked with a particular culture and location.

On the other hand, a food speciality can be considered a tangible means of capturing the specific nature of a particular region (Lin & Mao, 2015). Tourists purchase food souvenirs for different purposes, sometimes enjoy the savour of the food themselves, or mentally imagine its identity (Lin & Mao, 2015). We can see some tourist destinations produce food specialities that best symbolise and represent the unique identity. For example, tourist purchases Ceylon tea leaves from Sri Lanka, Maple syrup from Canada, Salmon from Norway, Burgundy wine from France, black caviar from Russia, and chocolate from Switzerland. Tourists will have an opportunity to evoke the natural feeling of taste and smell of the place they have visited as they enjoy the food souvenirs (Lin & Mao, 2015). For example, a tourist who is back from Mexico loves to bring a bottle of premium Tequila as a souvenir. As he enjoyed the drink, the bottle of tequila could sense the fantastic flavour and feelings from his trip. In Japanese, souvenirs are called "omiyage". Most of the tourist destinations in Japan offer representative food, such as candies, wine, and tea. When Japanese tourists travel in the country or abroad, they must buy omiyage for their family members, friends, and co-workers. Japanese always maintain solid relationships and show reciprocity (Witkowski &

Yamamoto, 1991). Tourists bring home food speciality from specific destinations as food souvenirs for themselves or others (Table 1) (Lin & Mao, 2015).

#### **2.4 Chinese tourists shopping behaviour**

Researchers have revealed that Chinese culture is primarily collectivistic, characterising groups and authority, not individuals (Hofstede & Bond, 1984; Hsu, 1985; Stening, Everett, & McDonald, 1987). Interpersonal relationships and social orientation among the Chinese people stem from the Chinese cultural values derived from the teaching of Confucius, whose doctrine is still the fundamental pillars of Chinese life today (Mok & DeFranco, 2000). Dominant Chinese cultural values largely shape the consumption patterns, preferences, and expectations in international travel activities; shopping, choosing destinations, food preferences and travel types (Mok & DeFranco, 2000). The souvenir purchasing behaviour of the tourists is primarily influenced by the cultural background of the tourists (Lee, Kim, Seock, & Cho, 2009; Park, 2000). It is a norm to purchase a gift for friends and relatives by the tourists from oriental cultures when they return home after they travel abroad, which is considered an influential travel motivation for going abroad (Xu & McGehee, 2012). A focus group interview conducted in Hong Kong by Huang & Hsu (2005) revealed that two out of

five motivation factors were shopping-related, highlighting the importance of shopping for Mainland tourists. Chinese tourists spend a long time travelling for shopping to bring a gift back to their parents and the elders (Cai et al., 2008). The study (Hsu, Kang, & Lam, 2006) has manifested that the travel-related decision making of the Chinese tourists is affected mainly by relatives, friends, and other reference groups. It is an obligatory act of buying a gift by Chinese tourists for seniors, children, and friends during overseas travel, appreciating traditional collectivist values such as family duty and caring for children (Li, Lai, Harrill, Kline, & Wang, 2011). Tourists from China, Japan, and Korea engage in shopping during their holidays for themselves and their extended families and acquaintances. Researchers have discerned that the shopping behaviour of tourists from Eastern culture is varied from the western travellers, emphasising the cultural values and norms (Guo, Seongseop Kim, & Timothy, 2007; Timothy, 2005). Chinese people hold two meanings for souvenirs, which classify souvenirs, based on the values and types; one category represents objects or items that possess a commemorative value, called 'Ji-nian-pin', other category includes gift, called 'ban-shou-li' the term 'ban-shou-li' generally covers desserts, wines, and or tea (Lin, 2017)

### **2.5 Criticism on the theory and literature**

Despite existing group choices or group decision making in the real-world scenario, the TCV can only be applied to individual decision-making situations (Sheth et al., 1991). This fact is one of the criticisms which lowers the ability of predictive validity of the theory. The theory of consumption values is always based on the systematic decision-making situation (Sheth et al., 1991). However, random or impulse buying choices take place in our routine life. The theory has ignored impulsive or random consumers' buying choices, which marketers and the current business world heavily exploit. During the impulse or stochastic choice situation, the consumer never assesses the five values introduced by the theory. Consumer buying decisions are not always a rational decision-making process. In the real world, consumers are unable to disregard some choice situations. There are some mandatory or involuntarily choices. Nevertheless, the theory of consumption values has considered only voluntary decision making (Sheth et al., 1991).

Technological advancement has replaced the typology of pictorial images introduced by Gordon (1986). To remind the journey and its experiences, tourists heavily use virtual photos and social media. Other social media has opened avenues to share these experiences with a significant number of friends and relatives

associated with tourists. Linking souvenirs identified by Swanson & Timothy (2012) seemed unrealistic in the global market. Like China and Taiwan, some countries have acquired mass production of some products such as cutlery, crockery, and small electronic appliances. They produced these products, which are considered souvenirs by the tourists, and export to different tourist destinations in different places in the world. Although tourists purchase this product believing as linking souvenirs, they would disappoint as they knew the country of origin of those products. Researchers have identified a wide array of souvenirs attributes that are expected to be assessed by the tourists before souvenirs are purchased (Graburn, 1979; Hu & Yu, 2007; Paraskevaidis & Andriotis, 2015; Pysarchik, 1989; Snepenger et al., 2003; Swanson & Horridge, 2006; Swanson & Timothy, 2012). However, the attributes they identified are relatively generalised, which hardly consider the situational factors tourists encounter. For example, some tourists would purchase jewellery or precious stone products as souvenirs for a special moment of life during the travel or a holiday despite the price. Reasonable price, considered an attribute of souvenirs by most researchers, does not apply to tourist souvenir purchasing behaviours.

### **3. CASE STUDY - SOUVENIRS PURCHASING BEHAVIOUR OF THE CHINESE TOURISTS IN TAIWAN**

This case study was extracted from the study conducted by Lin (2017), in which the Chinese tourists' food souvenir purchasing behaviour is elaborated and analysed. That particular study's findings were based on data gathered from 318 Chinese tourists by distributing a questionnaire in two locations in Taiwan; National Chiang Kai-shek Memorial Hall in Taipei and Ruifeng Night Market in Kaohsiung city.

As shown in table 2, 43.2% of the tourists have purchased pastries, cookies, and confections as food souvenirs recording the highest percentage, followed by the beverage categories representing 25.7%. Reasons for buying Pastries, cookies, and confections are relatively cheap, lightweight, portable, suitable for young and old recipients, and easy to share. Wines and tea are of high value for Chinese consumers. Wine has always been a preferred food gift among Chinese people because it is believed to symbolise luxury. When they purchase wine as a gift, they prefer foreign wines.

Table 3 depicts that the primary purpose of buying food souvenirs by the Chinese tourists is for giving a gift for family, indicating a 32.6%, followed by the friend category showing 24.4%. 23.5%

of the tourists purchase food souvenirs for themselves as evidence of the journey and memories of the trip.

Three main motivations, as a gift, memory, and evidence, have been found behind buying food souvenirs by the Chinese outbound tourist. Each stimulus consists of some dimensions which imply the various reasons for buying food souvenirs. In analysing motivations for purchasing souvenirs by the Chinese tourists, data reveal that the strongest motive is acquiring gifts, followed by the motivations for evidence and memory aids. They expect to exchange these gift food souvenirs during the main festival of the Chinese culture, such as the Lunar new year, the dragon boat festival, and the mid-Autumn festival

The majority of the respondents have spent NTD 501-1000 buying souvenirs (34.9%), followed by the NTD1001-3000 recording 31.4% of the total respondents.

As can be seen, 27.5% of Chinese tourists have purchased food souvenirs from different tourist destinations in Taiwan, followed by souvenirs stores and food speciality stores. 15.3% of the tourists have purchased food souvenirs from airport and train stations. They prefer to interact with the culture, local events, history, and environmental conditions while travelling to different tourist destinations where they often purchase food souvenirs. Tourists are provided to the facility to visit local food

factories located in tourists' destinations in Taiwan.

#### **4. DISCUSSION**

This section of the paper explores the influence of each consumption value explained in the theory of consumption values in choosing food souvenirs by Chinese tourists to identify the reasons for this specific choice behaviour. The authors and researchers have proposed different souvenirs considering the key characteristics and attributes (Gordon, 1986; Swanson & Timothy, 2012). Four souvenir types, such as totality souvenirs, linking souvenirs, pilgrimage souvenirs, and life souvenirs proposed by Swanson & Timothy (2012), have been adopted in this paper to analyse the food souvenir choice behaviour of the Chinese outbound tourists. Literature and case study postulate that Chinese tourists dispose of purchasing food souvenirs, which is coming under the life souvenir category, over other souvenirs. These tourists believe that food souvenir is the best alternative over different souvenir types that fulfil the souvenirs' role.

##### **4.1. Functional value and food souvenir choice behaviour**

The functional value is derived from its characteristics or attributes such as; reliability, durability, and price (Ferber, 1973). According to the literature review, food souvenirs possess vital attributes derived from sensory, utility, and symbolism (Lin & Mao, 2015). Despite little

literature in this area, the case study adopted in this study has proved that Chinese tourists consider portable, convenient and practical, and reasonable price as the main factors in choosing food souvenirs in Taiwan during their travel, which are considered the quality attribute of food souvenirs. These attributes can be identified as the salient physical attributes Chinese tourists assess when choosing food souvenirs. During their holiday in Taiwan, they have purchased pastries, cookies, and confections for young and old recipients. Chinese tourists prefer buying foreign wines as food souvenirs for a gift (wine from France, Australia, and Italy). The wine source country emphasises the quality and value symbolised by the product. These food and beverage souvenirs have acquired higher functional values over other souvenirs due to possessing salient attributes expected by the Chinese tourist during their holiday.

##### **4.2 Social value and food souvenir choice behaviour**

Functions of souvenirs as a gift, as a memory, and as evidence of journey are considered motivations for purchasing souvenirs (Wilkins, 2011). Purchasing gifts for relatives, friends or colleagues during trips has become a habit or is an obligation for Chinese people (Li et al., 2011). In analysing the motivations of Chinese tourists to purchase food souvenirs during their journey in Taiwan, it proves that gift-giving is a more apparent

purpose than others. The strong relationship between gift-giving and food souvenirs' motivation stems from Chinese social values. Food sharing and gift-giving culture may influence food souvenirs choosing behaviour when they travel; they are inspired to select gift food as souvenirs to family and friends to express love and concern or thank colleagues for tolerating possibly increased workloads and inconveniences caused by the giver's travel abroad. On the other hand, Chinese tourists often choose festive food products as food souvenirs for relatives and friends to exchange during the main Chinese festivals; the lunar New Year, the dragon boat festival, and the mid-Autumn festival. Food souvenirs acquire a tremendous social value over other souvenirs derived from the Chinese people's solid and dominant cultural norms, values, and customs.

#### **4.3 Emotional value and food souvenir choice behaviour**

As an aid of memory and evidence, two motives are associated with the tourists' deep emotions and intense feelings who purchased souvenirs during their travel. It has been postulated that food souvenirs are effective mediums of symbolising local culture and connecting tourists to a destination's landscape and the way of life of the host community. It contends that tourists will have an opportunity to evoke the natural taste and smell of the place they visited as they enjoy the food souvenirs. The symbolic attributes

of the Chinese tourists' food souvenirs purchased from Taiwan evoke the emotional attachment to different places, events, lives and cultural history, environmental conditions, and production processes. Food souvenirs choice of the Chinese tourist visited Taiwan is related to the feeling of authenticity created by the purchasing environment or context. Compared with a food souvenir at an airport, bus station or supermarket, a food souvenir at tourist destinations is more connected to and compatible with these attractions, thus enhancing the perception of the food's authenticity. Case study and literature show that it acquires a higher emotional value in choosing food souvenirs by the Chinese outbound tourists during their holiday or travel.

#### **4.4 Conditional value and food souvenir choice behaviour**

Travelling and spending a holiday in tourist destinations provides travellers and holidaymakers with opportunities for shopping and purchasing a wide choice of unique and authentic products at reasonable prices. The case study proved that the primary motivation of the Chinese tourists who visited Taiwan is to purchase food speciality as souvenirs for family and friends. Travelling and spending a holiday in tourist destinations of Chinese tourists offer a higher conditional value in choosing gift food souvenirs over other types of souvenirs. Further, the conditional value enhances the social and functional values of the

Chinese tourists' food souvenir choice behaviour, providing an opportunity to select quality gift food souvenirs that fulfil the expectations of family members, relatives, friends, and acquaintances.

#### **4.5 Epistemic value and food souvenir choice behaviour**

Even though the epistemic value affects most consumers' choice behaviour, existing literature and the case study information have not provided enough evidence to explore the effect of epistemic value on Chinese tourists' food souvenirs' choice behaviour. As a result, it can be stated that epistemic value remains neutral in this phenomenon.

### **5. CONCLUSION**

The theory of consumption values that have been barely adopted in analysing tourist choice behaviour was used to explore Chinese tourists' food souvenir choice behaviour. Literature in this area and case-study used in the paper are underpinning to study the Chinese tourists' food souvenir choice behaviour, providing evidence of how four consumption values affect the food souvenir choice behaviour. At the same time, available literature and the case study would not support identifying the effect of epistemic value on food souvenir choice behaviour. Food souvenirs seem to acquire a more significant social value than other souvenirs among Chinese tourists. Food souvenirs have been identified as the best medium of

giving gifts of the Chinese culture than other types of souvenirs. Gift-giving has become an obligatory norm among Chinese tourists, derived from the collectivistic Chinese culture. Food souvenirs have acquired an emotional value over other souvenirs because Chinese tourists believe that food souvenirs could play a remarkable role in evoking memories on their journey to different places as they enjoy the food. The emotional value of food souvenirs is derived from purchasing food souvenirs; as a memory aid and as evidence of the journey. It could be stated that food souvenirs acquire a comparatively lower emotional value than the social value in choosing food souvenirs by Chinese tourists. Food souvenirs acquire functional values over others because they possess salient attributes of portable, convenience and practical, and reasonable price, assessed by Chinese tourists in choosing food souvenirs. Spending holidays as travellers make the opportunity to purchase food souvenirs for Chinese tourists. They have an excellent opportunity to choose the best food souvenirs over other types of souvenirs. As a result, food souvenirs acquire a conditional value in choosing them by the Chinese tourists. It could be stated that food souvenirs acquire comparatively lower functional and conditional value in choosing food souvenirs by the Chinese tourists. The above conclusions aligned with fundamental propositions of the

theory of consumption values, such as consumer choice is a function of multiple consumption values. The consumption values make differential contributions in any given choice situation, and the consumption values are independent (Dassanayake & Zahra, 2013; Sheth et al., 1991).

This paper adopted the theory of consumption values to explore the predictive validity of the theory and identify the specific reasons for the food souvenir choice of Chinese tourists. However, future empirical research and conceptual works can address the untouched areas by this paper. Further, this paper focused only on the purchasing behaviour of Chinese tourists, whose purchasing

behaviour is rather varied from the western tourists. Analysing the choice behaviour of the tourists in western culture by using the theory would help us assess the predictive validity of this theory in the tourism field. Even though the paper explains the effect of each consumption value on food souvenir choice behaviour in the paper, it is essential to quantify the effect of each consumption value to take an overarching view on this behaviour of the Chinese tourists. Finally, there is a little literature on tourists' food souvenirs and food souvenirs purchasing behaviour. Conducting ground-level research would allow us to flesh out the actual situation of these concepts.

## APPENDIX

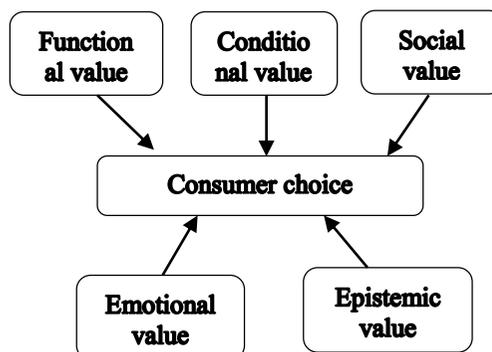


Figure 1: Model of the theory of consumption values

Source: (Sheth et al., 1991)

**Table 1: Dimensions and attributes of food speciality souvenirs**

<b>Dimension</b>	<b>Attributes</b>
<b>Sensory</b>	Flavour versatility Texture modification Procedural innovations Visual appreciation
<b>Utility</b>	Natural and organic Environmental sustainability Healthy Convenience High quality Market feasibility
<b>Symbol</b>	Authentic and indigenous Traditional Craftsmanship Storytelling and reminiscent Modern and fun

Source (Lin & Mao, 2015)

**Table 2: Types of food souvenirs bought during the holiday**

<b>Type of food souvenir</b>	<b>Percentage %</b>
Pastries, cookies, and confections	43.2
Proceed meat, canned food, and cheese	15.7
Herbs and sauces (cooking ingredients)	11.7
Beverage (tea, coffee, wine)	25.7
Other	3.6

Source (Lin, 2017)

**Table 3: Purpose of buying food souvenirs**

<b>Purpose</b>	<b>Percentage %</b>
Myself	23.5
Family	32.6
Friends	24.4
Colleagues	14.3
Supervisors and boss	5.1
Others	0.1

Source (Lin, 2017)

**Table 4: Amount spent on food souvenirs**

<b>Amount in NTD</b>	<b>Percentage %</b>
Bellow NTD 500	16
NTD 501-1000	34.9
NTD 1001-3000	34.4
NTD 3001-5000	7.9
Above NTD - 5001	9.4

\*NTD – new Taiwan Dollar

Source (Lin, 2017)

**Table 5: Locations of food souvenirs purchased**

Locations	Percentage %
Tourists destinations	27.5
Souvenir stores	14.6
Food speciality stores	19.2
Convenient stores and supermarket	11.3
Airport and train stations	15.3
Food vendor or traditional market	11.3

Source (Lin, 2017)

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## **Impact of Institutional Factors on Employee Satisfaction of Management Assistants University of Ruhuna**

K.V.R. Vidyaratne<sup>1</sup> & K.G. Priyashantha<sup>2</sup>  
Faculty of Management and Finance  
University of Ruhuna

rohini@admin.ruh.ac.lk<sup>1</sup>, prigayan@badm.ruh.ac.lk<sup>2</sup>

### **Abstract**

Employee satisfaction is a key element among other physical resources in an organization for achieving its goals and objectives in the competitive environment. Employees' satisfaction is significant since it has been reported that satisfied workers perform well. However, how the management assistants' satisfaction is decided in a university environment has not been studied in the Sri Lankan context. The main objective of this study is to examine the extent to which Management/Supervision, Organizational/Working conditions, Salary, and Training opportunities, impact management assistants' satisfaction. The research design was explanatory quantitative. The population of this study consisted of the total number of Management Assistants in the state higher education sector in Sri Lanka, of which 100 Management Assistants were drawn as the sample. The sample was selected by using a simple random sampling method. The data collection was done through a self-administered questionnaire. Correlation and Regression analysis were used to analyze the data. The study found that there was a positive impact of Training and Physical environment on employee satisfaction. Salary and Management/Supervision were less impact on employee satisfaction compared to the training and physical environment.

**Keywords-:** Employee Satisfaction, Management Assistants, Management, Supervision, Working Conditions, Salary, Training Opportunities.

## 1 INTRODUCTION

The higher education of a country plays a major role in the transformation of an individual and also in the growth and development of the society and as well economy. With this rapidly changing competitive environment, any organization has a responsibility to satisfy external and internal customers for achieving its success. (Shun-Hsing Chen, 2006). Higher educational institutes need to ensure the satisfaction of internal customers since internal customer satisfaction directly reflects the satisfaction of external customers. (Oshagbemi, 1997). Moreover, every transaction should be profitable for both the organization and the customers since a strong link between employee satisfaction and customer satisfaction has been reported (Mark graham Brown, 2006; Nebekeretal, 2001). Therefore, every organization needs to pay considerable attention to enhancing employees' performance and competencies by identifying the major strengths and weaknesses of the employees.

In any organization, human resources are considered a strategic asset. There is no exemption in the higher educational institutes. In the

Higher Education sector in Sri Lanka, there are two main types of internal customers namely academic employees and nonacademic employees. The university's academic and non-academic staff is being considered as strategic assets of the university. All levels of employees should be worked together to improve the quality and the relevance of the final output, graduates. The quality and the relevance of the output in universities will be socially and economically important since the output is graduates who will be the backbone of a country. Since the quality of output is dependent on the satisfaction of internal customers, as reported in the literature, it is necessary to clarify what factors affect the satisfaction of internal customers.

### 1.1 Research Problem

The managers have placed great importance on the construct of job satisfaction in this changing and competitive higher education market due to job involvement and performance may depend on the satisfaction and motivation of the employee. Many studies have been shown that employee satisfaction is an important factor in relating to positive and negative outcomes (Neff, 2003; Wagner, 2007) in many institutions and many areas.

In the globe as well as in Sri Lanka, the literature on non-academic non-administrative employee satisfaction, especially in Management assistants in the higher education sector, is very low & limited compare to customer satisfaction, administrative employee satisfaction, or academic employee satisfaction, especially in Sri Lanka. Therefore, employee satisfaction in the Non Academic non-administrative category especially in Management Assistants and allied grades in the Higher Education sector in Sri Lanka is still required study and survey. They are neglecting factors that affect the satisfaction/dissatisfaction of the Management Assistants as nonacademic members, in the state higher education sector in developing countries such as Sri Lanka. This study aims and tries to fill this gap in studying the factors that affect the employee satisfaction of the Management Assistant staff members of the University.

### **1.2 The Context**

The University of Ruhuna is a Government University which is a leading national university of Sri Lanka, strives to provide the best learning environment to achieve international standards. The University has

always committed to developing a fraternity of competent professionals of international standards and caliber who are innovative, analytical, and independent while reaching its goals through improving the quality and relevance of its educational and research programs. The higher education sector at the global level, as well as Sri Lanka, is changing as a result of globalization and the digital revolution. Moreover, the current COVID pandemic situation has sped up the situation. Thus, the University of Ruhuna was selected as one of the most appropriate contexts to study the factors affecting the satisfaction of management assistants of universities.

### **1.3 Literature**

Internal customer satisfaction influences organizational performance (Shun-Hsing, 2006), it relates to positive and negative outcomes (Neff, 2003; Wagner, 2007); negative relationship with negative work outcomes (Wagner, 2007; Chee & Haddab, 2007) and positive relationship with positive outcomes (Neff, 2003) and it facilitates institutional developments (Dubro-Vski, 2001). Employees are more loyal and productive when they are satisfied (Hunter and Tietjen, 1997) and it led to

lower absenteeism (Shas, 2007 and Gazioglu & Tansel, 2006). Having good relationships with colleagues, training and education opportunities, carrier developments or any other benefits may be related to the increase of employee satisfaction (Alam Sageer, Sameena Rafat, Puja Agarwal, 2012). Many of these factors have a tremendous impact on the accomplishment of the aims and objectives of the organization in providing effective services and increasing the effectiveness and efficiency of staff. It would largely depend on their morale and job satisfaction (Al-Qallaf, 2006). Organizations should have satisfied and happy staff to achieve their goals (Oshagbemi, 2000). Understanding employee satisfaction is a critical concept (Siu et al; 1997) while job dissatisfaction is led to the high turnover of employees of the organization (Ynn, 2002). It also affects the profitability of organization operations (Riley, 1993) as well as service quality. Employee turnover estimated cost of American industry is over 5 USD trillion annually (Frank, Finuergan & Taylor, 2004) due to employee dissatisfaction. More satisfied employees' actions improved organization performance (Heskett et al,

1994) and it influences employee productivity (Derek R. Allen and Merris Wilbura, 2002). "The success of any organization is directly linked to the satisfaction of the employees" (Freeman, 2005) and unhappy employees fail to participate towards the organizational goals and objectives (Likert, 1961).

There are some management theories and models that satisfy people. As per the scientific approach, planning job, establishing best practices, incentives such as financial, good working condition, and training are factors that helps to satisfy the people. There are two kinds of satisfaction factors called intrinsic and extrinsic. Intrinsic factors mean self-satisfaction, and extrinsic factors come from outside of the individual such as rewards like money, grades, threats, punishment, etc. The right equipment, people with the right knowledge, skills, abilities, and attitudes financial incentives, right kind of organizational framework, and willingness to do work are the factors that motivate the employee in an organization, and in present-day many organizations set their goals considering their external and internal customer satisfaction (Tahira Nazir, 2013). Based on such theories and models the research

model of this study was constructed.

The research objectives of this study are of two types. They are the main objective and specific objectives are as follows.

#### 1.4 Main objective

To investigate the effect of the factors on employee satisfaction' among Management Assistant employees who work at the University of Ruhuna.

##### 1.4.1 Specific objectives

- To examine the effect of University Management/Supervision (MGT) on employee satisfaction of nonacademic non-administrative staff.
- To examine the effect of Organizational/Working Conditions (OC) on employee satisfaction of nonacademic non-administrative staff.
- To examine the effect of Salary (SAL) on employee satisfaction of nonacademic non-administrative staff.
- To examine Training opportunities (TRO)

on employee satisfaction of nonacademic non-administrative staff.

#### 1.5 Conceptualization

“There are many influences on job satisfaction such as pay, supervision, rewards, benefits, nature of job and relationship with co-workers and supervisors” (chen, sparrow, & cooper, 2016). furthermore, mithcel et al (2001) have stated that job satisfaction is influenced by economic factors, such as pay, benefits, and rewards, as well as structural and procedural factors reflecting autonomy or fairness. khan et al (2012) have pointed the influence of different determinants of job satisfaction. in the literature, various scales have been developed to measure the different dimensions of employee satisfaction (kuskü, 2001); general satisfaction, management (administration) satisfaction, work group satisfaction, job satisfaction, salary satisfaction, and physical environment satisfaction.

Employee benefits influence job satisfaction (Williams, 1995). Job satisfaction is significantly influenced by job performance, absenteeism, and turnover (Speotor 1997). Hence employee satisfaction can reduce staff turnover, improve productivity and

commitment. Isfac Ahmed (2011) examined the relationship between motivation and job satisfaction of the employees in the higher educational institution and he found that there is a positive relationship between motivation and job satisfaction. This finding is supported by the study of Pool (1997). FatmaKusku (2003) emphasizes that there are differences in satisfaction dimensions between the academic and administrative employees in higher education institutions in a developing country. He has considered “colleague relations satisfaction”, “colleague competition level satisfaction” “other workgroup satisfaction” “professional satisfaction” “work environment satisfaction” and “salary satisfaction” of academic and administration employees. Further, he explains that studying the satisfaction level of the staff especially in state Universities is of vital importance for the future of a developing country. As his findings, the economic satisfaction level is rather a law in return for the work done. Employees are more productive when they are satisfied with their jobs. He has found that factors other than the economic role for productivity and efficiency of higher education institutions. FatmaKusku (2003) explores

the employee’s satisfaction in higher education: ‘*the case of academic and administrative staff in Turkey*’, the general results show that there are significant differences between the level of satisfaction of academic and administrative employees. Professional satisfaction is higher than administrative staff. But colleague relation satisfaction, work environment satisfaction are high in the group of administration staff than the academics. But employees who have academic qualifications are more satisfied employees than employees who have less academic qualifications. He illustrates that employees who have job experience, from 5-10 years have a low level of job satisfaction. According to the FauziahNoordin (2009), the academic staff of the Malaysian university has a moderate level of job satisfaction and current status, marital status, age, and salary are the factors that significantly affect their job satisfaction of them. As per him ‘job satisfaction has a significant impact on employee commitment to the organization, job performance, and motivation and high job satisfaction would lead to lower turnover and absenteeism.’ George Kafui Agbozo (2017) examined the effect of environment on job

satisfaction and the impact of physical and mental environment on job satisfaction and mental environment on employee's performance and findings of the study indicated that most of the staff are satisfied with their work environment and the environment has a significant effect on employee's satisfaction. "The findings are emphasizing the need for management to improve the work environment of employees to boost productivity. Human Bilal (2003) investigate the effect of extrinsic job factors on the satisfaction of workers and found a positive relationship between working conditions, rewards and leadership, and administrative support and job satisfaction of workers.

"Supervision is the task of achieving the desired results using intelligent utilization of human talents and utilizing resources in a manner that provides a challenge to human talent" (Terry, 2010). Many researchers (Karatepe, Avci, 2003; Tailor and Bowers, 1972) say that supervisory leadership is positively associated with job satisfaction and "close supervision contributes to a high level of job satisfaction" (Miller, 1996). The proper relationship between supervisor and subordinate helps to satisfy employees

(Dissanayake et al, 2020). "Poor performance management can occur less motivation, turnover, etc." (Dissanayake D.M.G, 2020). Job resources such as social support from colleagues and supervisors, performance, autonomy start a motivational process that leads to work engagement and higher performance (Bakker & Demerouti, 2007). Employees were least satisfied with their salary and organizational policies and administration such as communication resources and personal policies. This found has agreed with the findings of Watson (2000) that employees were least satisfied with management communication and internal policies. By considering the above prior research and findings, researchers conceptualized the constructs and the hypotheses for this study (The first hypothesis) which can be depicted as follows.

H1: University Management/Supervisor is a significant factor in employee satisfaction of nonacademic non-administrative employees of the University of Ruhuna.

Employees are highly motivated with good working

conditions such as tools and equipment, working methods, security guards and parking facility, well ventilated with good light fans and air conditioning, neat and clean office place, rest area and washrooms, as they feeling safe and comfortable in the working environment (Chiradeep Basu Mallick,2020). Physical separation (e.g. separate cubicles) would result in poor interpersonal skills and it may result in a high level of productivity due to less distracted workers (blogpsychology.wordpress.com). A better work environment can be developed to effectively motivate employees to behave consistently and remain focused on their organizational goals (Amar, 2004). It's very important to recognize the emerging needs of individuals to keep them committed and provide the work environment as necessitated (Ramlall, 2003). Most people enjoy working and strive to work in those organizations that provide a positive work environment where they feel they are making difference (Milory, 2004). In addition, supportive work environments provide conditions that enable health workers to perform effectively, making the best use of their knowledge, skills, and competencies, and available resources to provide

high-quality outcomes (Leshabari et al, 2008). Some researchers (Scott, 2000; Strong et al., 1999) have examined the effect of physical work environment on workers' job satisfaction, performance, and health. Researches on quality of work-life have also established the importance of safe and healthy working conditions in determining employees' job performance (Franco et al., 2000). A good working environment helps to get quality service and a high level of employee performance (Zhang, 2016). "Work environment has a strong positive relationship with job performance" (Munisamy, 2013). Uncomfortable working environment decrees employee performance and job performance. Alam Sagee et al: 2012). Dennis (1998) and Hullin a smith (1965) prove that employees who are around the age of 50 years were most satisfied with their jobs due to high adaption of the working conditions, organizational policies, and work relationship with peers, students, and supervisors in serving many years of service in the same organization. By considering the above prior research and findings, researchers conceptualized the constructs and the hypotheses (The second hypothesis) for this study

which can be depicted as follows.

H2: Organizational working condition is a significant factor in employee satisfaction of nonacademic non-administrative employees of the University of Ruhuna.

Compensation is output and the benefit that employees receive in the form of pay, wages, and also same rewards like the monetary exchange for the employee's performance and satisfaction (Holt, 1993). It is one of the major attracts for employee satisfaction and motivate employee to increase their performance (Ivanceikh & Glueck, 1989). Compensation means all remunerations received by workers or arise from their job (Gary 2003). Salary has a positive effect on employee performance (Niode & Umar, 2011), but Subekti & Setyadi (2016) argued that financial compensation only has an effect on job satisfaction and does not have an effect on job motivation and employee performance. Subekti & Setyadi (2016) explained that financial compensation accepted by an employee is only limited to reaching job satisfaction. Salary and incentives are two special factors that are usually the

most recognized factors to motivate employees in Sri Lanka (Upekha, Seedeve, Aruna, & Kasun, 2010). Non-profit organizations are unable to compare with for-profit organizations in providing pay and incentives (Brandel, 2001). Policies of compensation and benefits such as wages and salary and rewards and penalties are the most important variables for employee satisfaction (AlamSagee et al, 2012). Niederman and Sumner (2004) examine the relationship among key variables of tasks performed salary, job satisfaction and external influences or shocks of the MIS professionals and results show that there are significant changes in tasks, salary and job satisfaction between former and current jobs of the employee. Maria de Lourdes Machado(2011) shows in her study on '*A look to academics job satisfaction and motivation in Portuguese Higher Education Institutions*', that employee satisfaction and motivation have a very high positive impact on general satisfaction, and the correlation between them is very high. Aspasia Togia And Athanasios Koustelios (2004) investigated job satisfaction among academic librarians in Greek using six instruments "working conditions" "pay" "promotions" "job itself" "supervision" and

“organization as a whole” to assess employee satisfaction inventory (ESI). They found that academic librarians of Greek have satisfied with “job itself” “supervision” and less satisfied with “pay” and “promotion”. TahiraNazir (2013) designed eight scales in the UK to measure the university teachers' job satisfaction; administration and management, research, supervision, present pay, promotions, physical conditions and behavior of workers ( *Impact of rewards and compensation on job satisfaction: public and private universities of UK,2013'* ) and found that those factors have contributed to enhancing the teacher job satisfaction. As per his study level of job satisfaction in the UK shows that employees perform their job with full freedom and devotion. By considering the above prior research and findings, researchers conceptualized the constructs, and the hypotheses for this study which can be depicted as follows (The third hypothesis).

H3: Salary is a significant factor in employee satisfaction of nonacademic non-administrative employees of the University of Ruhuna.

Training is a highly useful tool that can bring an employee into a position where they can do their job correctly, effectively, and conscientiously. Training and development have an impact on the performance of employees in their jobs (Nasszai, 2013). Training is essential to any organization in an economical aspect. Positive impact of training to face the today worldwide technology, any organization need to focus on merging training program on updated technology to achieve high employee performance. Positive supervisory, providing a proper work environment, peer support help to archive a success training (Dissanayaka et al, 2020). Promotion and career development such as training programs, the opportunity for promotion, and the opportunity for use skills and abilities can determine the degree of satisfaction of employees. It delivers more pay responsibility, authority, independence, and status (AlamSagee et. al; 2012). Faris Ibrahim Algaribeh (2014) shows that there is a positive relationship between training and employee satisfaction and the quality of the training is the highest contributor to employee performance. Micheal Muma (2014) recommends that formulate the training policies for every employee in all

sections of the university (Jomo Kenyatta University of Agriculture and Technology) should be regular because it is indicated that training significantly affects their job. Maaly Mefleh Mohammed Ai-Mzary (2015) examine the impact of training on employee job performance and results indicated there is a relationship between effective training and employee's job performance. By considering the above prior research and findings, researchers conceptualized the constructs and the hypotheses (The fourth hypothesis) for this study which can be depicted as follows.

H4: Training opportunities are a significant factor in employee satisfaction of nonacademic non-administrative employees of the University of Ruhuna.

“Work engagement leads to the development of an organization as a growth of revenues net income and employment” (Gorgievski and Morino, 2014). The current global trend of the employee market is a low level of work engagement and it leads to investment in human resource strategies and investment in human resources to adjust to the problem. The lower level of performance led to lower

productivity and high cost for the organization (Dissanayake and Sujeewa, 2020). According to Sanyal and Hisam (2015), there was a huge problem with the performance of the educational sector employees, and the hotel industry in Pakistan is facing the same problem (Ameeq and Hanif, 2003). Commitment and satisfaction are positively related to each other (William Brown et al, 2003).

Conceptualization framework, figure 1.1 which is based for this study is divided into dependent and independent; the dependent variable is employee satisfaction and the independent variables are institutional factors; University management, Organizational/Working conditions, Salary, and Training opportunities.

## 2 METHODS

The research design adopted is descriptive, and is quantitative. This design was adopted since the literature suggests that this type of research design is ideal for testing objective theories by examining the relationship among variables (Crewel, 2013). The population of this study is Management Assistants and allied grade employees who represent the

non-academic non-administrative employees in the state higher education system in Sri Lanka. The sample size was 100 Management Assistants employees of the University of Ruhuna. The sample was drawn based on the rule of thumb introduced by Sekaran (2003), which is ten times the number of total items used to measure the concepts used in the study. Due to the time constraints, the researchers limited the sample size to 100, which is 50% of the real sample size according to Sekaran's (2003) rule of thumb. The details of the sample size, and how it was drawn according to the rule of thumb of Sekaran (2003) are depicted in the following table 1.

Both primary and secondary data were collected for the study. Primary data was collected through a self-administered questionnaire, which consisted of six parts. Part one consisted of demographic variables which were considered in this study as control variables. Five demographic variables were used in this regard. Part two, three, four, and five consisted of statements to measure the independent variables; University management, Organizational/Working conditions, Salary, and Training opportunities.

Part six consisted of statements to measure the dependent variable; Employee satisfaction. Primary data was used to analyze the results and test the conceptual framework developed for this study. The Secondary data was collected using annual reports of the university, previous other records, a literature review by referring to textbooks articles, websites, and research papers produced by various researchers over the year.

This information was used to define the problem and develop the conceptual framework. The primary data analysis was done using SPSS. The data were analyzed using descriptive statistics, reliability, correlation, and regression. The correlation was used to identify the forms of relationships among the variables and simple Lenoir Regression was used to test the statistical significance of the hypothesis and to measure the strength of the impact of independent and dependent variables.

### **3 DATA ANALYSIS AND DISCUSSION**

In this research, the response rate from the sample drawn was 100%. Out of 100 Management Assistants, the

majority of respondents belong to the age category 47-53, representing 23% of the sample while the age category of 26-32 and 33-39 represent the same percentage of 19% and age category of 18-25 represent only 9%. It indicates that most Management assistant employees are between the age group 26-39 which represents 38%.

Out of the 100 respondents, females are represented 71% while males are represented 29% of the sample. It indicates that most of the Management Assistants are female. The majority of respondents of the sample were married, who represent 81% and only 19% of them were unmarried. Out of the 100 respondents, 39% have more than fifteen years of experience in the institute, and 32% of the sample have 1-5 years of experience. The lowest percentage of 13% employees were with 11-15 years service experience. All the staff has at least GCE (O/L) qualification. Most of the employees have GCE (A/L) qualifications (36%) and only one employee has achieved professional qualifications. Employees who have a postgraduate degree or university diploma are 7% and 6% respectively.

### **3.1 Reliability of study variables**

Reliability of measures is an indication of the stability and consistency with which the instrument measures the concept, and helps assess the “goodness” of a measure (Sekaran, 2003). Sekaran (2010) used a rule of thumb to assess Cronbach’s alpha value, where if it is less than 0.60, it is considered poor reliability when it is between 0.60 and 0.70, it is considered fair reliability, and if it is in the range of 0.70 to 0.80, it is considered good reliability. Moreover, if the same value is more than 0.80, it is treated as very good reliability (Ibid). As per the results of the study, the Cronbach’s alpha values reported are depicted in the table 2, and it is evident that the reported values have very good reliability, representing the higher internal consistency of measures used to measure the research variables.

#### **3.1.1 Correlation coefficients of study variables**

The Correlation coefficients measure the strengths of the relationship between two variables (Nickolas, 2017). The Correlation coefficients indicate the direction of the relationship, while the amount

of the correlation indicates the strengths of the relationship (Rajasekar, 2013).

### 3.1.2 Correlation coefficients with a control effect

Table 3 displays the correlation between study variables with relationships of controlling variables. It is reported that there are positive relationships between independent variables (SAL,  $r=0.384$ ,  $p<0.01$ ), (TRO,  $r=0.069$ ,  $p<0.01$ ), (MGT,  $r=0.330$ ,  $p<0.01$ ), and (PE,  $r=0.503$ ,  $p<0.01$ ), and dependent variable. When it comes to demographic variables, it is evident that all the demographic (control) variables have significant relationships (age-  $r=0.320$ ,  $p<0.01$ , gender -  $r=0.133$ ,  $p<0.01$ , marital status -  $r=-0.144$ ,  $p<0.01$ , service period -  $r=-0.063$ ,  $p<0.01$  and education -  $r=-0.029$ ,  $p<0.01$ ) with employee satisfaction.

### 3.3 Regression coefficients of study variables

Regression analysis is used in a situation where one independent variable is hypothesized to affect one dependent variable (Sekaran & Bougie, 2016). Table 4 depicts the Lenoir regression coefficients of the study variables. It is reported that the  $\beta$  coefficient of study variables is significant

proving that set hypothesis can be accepted.

According to table 5, R-value is 0.591. It means that there is a high relationship between the dependent variable (employee satisfaction) and independent variables (University management, Organizational/ Working conditions, Salary, and Training opportunities.) of the study. In other words, University management, Organizational/ Working conditions, Salary, and Training opportunities are increased by one unit each simultaneously, level of employee satisfaction is increased by 35%. The F value (mathematical accuracy) has been significant ( $F=0.000$ ). R square value ( $R^2$ ) means the predictive fit capacity or accuracy of the model. It shows 0.349 R square value ( $R^2=0.349$ ). Using adjusted R square, it can be described the independent variables by the dependent variable. Table 6 implies that 32% of the dependent variable is described by independent variables. Mathematical accuracy has been significant (significance=0.000) as per table 6. Finally, it can be concluded the model is accurate.

- a. Predators: (constant), University management,

Organizational/Working conditions, Salary, and Training opportunities.

- b. Dependent variable:  
Employee Satisfaction

#### 4 DISCUSSION

This research study attempted to measure the impact of institutional factors; 1. University management, 2. Organizational/Working conditions, 3. Salary and 4. Training opportunities on employee satisfaction with special reference to the University of Ruhuna in Sri Lanka. According to the results of the data analysis, two hypotheses can be accepted while the other two hypotheses were rejected. Organizational /working conditions and Training show a very important role in employee satisfaction. There is a minor effect of Management/ Supervisory and Salary on employee satisfaction.

There is a positive relationship between organizational/working conditions and employee satisfaction as per the researcher's findings. According to the theory of Maslow's hierarchy of needs, and Herzberg's two-factor theory, it is positively accepted with the results of

this study findings. Previous researchers (FatmaKusku, 2003; Anthonia, 2011; Alam, Sameena & Puja, 2012; Benon & Epiphany, 2014) also mentioned there was a strong impact between these two variables. The results of Muhammad, Rizwan, & Yasin (2012) show that the work environment influences job satisfaction. Many studies show that employee satisfaction is increased with the job-related conditions and work environment (Becker and Billings, 1993; Riggs and Knight, 1994).

Findings confirm the prior research studies such as employees tend to satisfy with their job when they have effective training as ongoing learning for them in the workplace (Abdul, Ahmad, and Amran, 2012)". Angela (2014), Maaly Meflesh Mohammed Ai-Mzary (2015), and (Mohammad, 2014) stated that training affects the performance of the employee. Boateng (2011) stated that training is a significant impact on employee productivity.

It is argued (Srivastva, 1975) that job satisfaction has no direct correlation to the supervisor-employee relationship, which is supported by the study of Kakyom & Giri (2010). Employee satisfaction is not wholly determined by the

employee-supervisory relationship but by other factors (Srivastva, 1975).

Findings confirm that prior research studies such as “Pay” is not the main influence on job satisfaction and motivation (Evans, 1999; Saleem, 2009; Maria de Lourdes Machado, 2011)”, “Research contradicts the assumption that job satisfaction and motivation depends on pay,” si; this is not the main influence on job satisfaction (Evans, 1999; Saleem, 2009). This was proved on findings of Mari, Rui, Jose & Odilia (2011). Most studies show the negative relationship between turnover and satisfaction with pay (Bretz, Boudraur, and Judge, 1994; Werbel and Gilliland, 1999). Employee dissatisfaction happens when the desired pay is higher than the existing pay and pay satisfaction occurs when employees are adopted or correspond to existing pay or greater than desired pay (Niederman and Sumner, 2004). Pay is not the main influence on job satisfaction and motivation (Evans, 1999; Saleem, 2009; Maria de Lourdes Machado, 2011). Aspasia Togia and Athanasios Koustelios (2004) found that academic librarians of Greek have satisfied with “job itself”, “Supervision”, and less satisfied with “Pay” and “Promotion”.

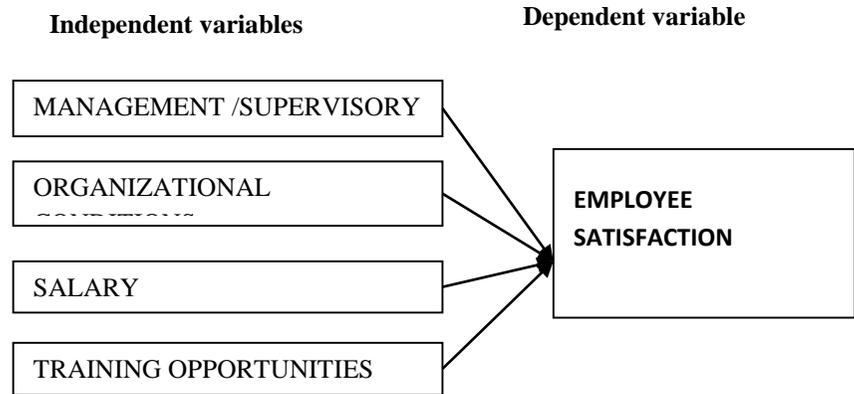
## 5 CONCLUSION

Management/Supervisory and salary are less impact on Employee Satisfaction as per the findings of this research. It can be concluded that rewarding employees in training opportunities and physical environment is a significant impact on employee satisfaction and that would, in turn, increase their performance of them, and the mental health of employees is a significant cost burden in the workplace. The results of this research help the management to reach a higher level of employee satisfaction through identification of the causes of employee satisfaction because training opportunities and physical environment have a significant impact on employee satisfaction according to the research results. Thus the management of the relevant organization can use our measures to diagnose and improve employee satisfaction with various aspects to maximize employee satisfaction and to the achievement of organizational goals and objectives.

Employees are the root cause of the quality and success of the institution, so this study has implications for the management of higher education institutes, and policymakers to identify the problems and to be designed

management strategies to increase efficiency and effectiveness in the university system. The research has utilized a quantitative approach for the study. Therefore, the present study cannot be generalized to all other higher education sectors. The responses expressed are on the Likert scale and conclusions are made through the statistical analysis, which does not support human feelings, sentiments, or aspirations. Therefore, a thorough qualitative, longitudinal study and rich interview could have impacted to draw a different conclusion. Further research can be conducted by including more universities from overall Sri Lanka and by broadening the sample size.

**APPENDIX**



**Figure 1: Conceptual framework**

Source: Author’s construct, 2020

**Table 1: Sample of the study**

Variable	Number of statements to measure variables	Multiplier	Total
Demographic	5	10	50
Salary (SAL)	3	10	30
Training opportunity (TRO)	3	10	30
Management (MGT)	3	10	30
Physical Environment (PE)	3	10	30
Employee satisfaction (ES)	3	10	30
Sample size according to Sekaran			200
Decided sample size			100

Source: Author’s construct, 2020

**Table 2: Reliability statistics of the study variables**

Variables	Cronbach's Alpha value	No. of items
Salary ( SAL)	0.895	3
Training opportunities (TRO)	0.840	3
Management/Supervisory (MGT)	0.749	3
Physical environment (PE)	0.835	3
Employee satisfaction (ES)	0.835	3

Source: Survey data (2020)

**Table 3: Correlation coefficient with control effect.**

	AvgES	AvgSAL	AvgTRO	AvgMGT	AvgPE	Age	Gender	Marital	Service period	Education
<b>AvgES</b>	1									
<b>AvgSAL</b>	** .384	1								
<b>AvgTRO</b>	* .069	** .239	1							
<b>AvgMGT</b>	** .330	** .473	.198	1						
<b>AvgPE</b>	** .503	** .553	** .375	** .591	1					
<b>Age</b>	.320	.026	.039	-.158	-.027	1				
<b>Gender</b>	.133	.162	-.026	.124	.051	-.102	1			
<b>Marital</b>	-.144	-.058	.011	.132	.006	** -.583	** .253	1		
<b>Service period</b>	-.063	-.073	-.055	** -.243	-.136	** .808	- .118	- .498	1	
<b>Education</b>	-.029	-.029	-.050	.024	-.004	-.166	.157	.218	- .203	1

Source: Survey data (2020)

**Table 4: Lenoir regression coefficients of the study variables**

<b>Model</b>	<b>B</b>	<b>Significant</b>
Constant	2.790	0.000
AvgSAL	0.134	0.105
AvgTRO	0.245	0.001
AvgMGT	0.002	0.984
AvgPE	0.396	0.000

Source: Survey data (2020)

**Table 5: Model summary for the regression analysis**

<b>R</b>	<b>R<sup>2</sup></b>	<b>Adjusted R<sup>2</sup></b>	<b>Standard error of the estimate</b>	<b>F change</b>	<b>Sig F</b>
0.591 <sup>a</sup>	0.349	0.322	0.62726	12.749	0.000 <sup>b</sup>

Source: Survey data (2020)

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