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ADMINISTRATION AND MANAGEMENT

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# The Impact of National Cultural Distance on Foreign Direct Investment in Iraq

By Ghassan Faraj Hanna & Mohamad Saleh Hammoud

*Walden University, Northcentral University, USA*

**Abstract-** Political and security risks coupled with cultural distance have profound effects on foreign investments by multi-national enterprises. A qualitative case study was conducted to investigate the impact of cultural distance on foreign direct investment in the heterogeneous and post-conflict country of Iraq. Data were collected from interviews with 15 business and government subject matter experts, and from a review of publically available documents. The findings showed majority of foreign investment was from Arab countries and Iraq's neighbors. There was limited investment by Western firms in Iraq, outside its oil and gas sector, and those taking place were mainly in the housing construction market. Kurdistan region attracted significant investment activities. Wholly-owned and joint ventures characterized mode of entry by MNEs. Substantial number of investment licenses issued did not materialize due to hurdles brought about by government agencies. Statistical data regarding the real dollar amount of foreign investment in Iraq are still lacking. The findings showed an important role played by Iraqi expatriates as facilitators of foreign investment. Implications to other post conflict and heterogeneous countries are presented and recommendations made.

**Keywords:** *foreign direct investment; iraq; post-conflict country; cultural distance; decision making; multinational enterprises; international business.*

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Ghassan Faraj Hanna <sup>α</sup> & Mohamad Saleh Hammoud <sup>σ</sup>

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## 1. INTRODUCTION

Post-conflict or in conflict countries, such as Iraq, are characterized by damaged economies and fragile states' institutions that require rebuilding as a precondition for sustainable economic development (The World Bank, 2011). Foreign direct investment has become a valuable tool to rejuvenate industries, rebuild infrastructures, and eventually aid in the process of peace building (Turner, Aginam & Popovski, 2008). However, international business transactions involve interactions by individuals with different cultural value systems. Multinational enterprises (MNEs) operating in different countries face the burden of adapting to local culture manifested by the nation's political economy, people's customs, language, education, and religion (Tihanyi, Griffith & Russell, 2005). The difference between MNEs' home culture and that of their host countries of operation, that is, cultural distance, has been addressed extensively by current literature

(Drogendijk & Slangen, 2006; Fiberg & Loven, 2007; McSweeney, 2002; Rozkwitalska, 2013; Tihanyi et al., 2005). The underlying concept of cultural distance is the effect on business relationships and management of MNEs by the behavior of people of different cultures. Cultural distance has been used as an explanatory variable in the entry mode choices made by MNEs in a foreign country (Fiberg & Loven, 2007).

According to Dunning's eclectic paradigm, a firm's ownership and internalization advantages, in addition to locational advantages, are important determinants of foreign direct investment (FDI) choice of entry mode (Dunning 2001). Existing literature on the role of location specific factors impacting FDI entry strategies (see Figure 1) included host country political and security risks, market size, human capital, technological gap, cultural distance, state and economic institutions, corruption, natural resources, openness of economy, and banking system (Alvarez & Marin 2009; Kim & Hwang, 1992; Poelhekke & van der Ploeg, 2010; Teixeira & Grande, 2012; Zvirgzde, Schiller & Diez, 2013). In utilizing FDI, MNEs attempt to exploit their competitive positions abroad by transferring their ownership advantages to host countries with natural resources, cheap labor, or sufficient size markets (Hu, Ma, & Ze, 2012).

**Author α:** ISL Business Consulting, San Diego, CA, USA.  
e-mail: ghanna@islbc.com

**Author σ:** College of Management and Technology, Walden University, Minneapolis, MN, USA.

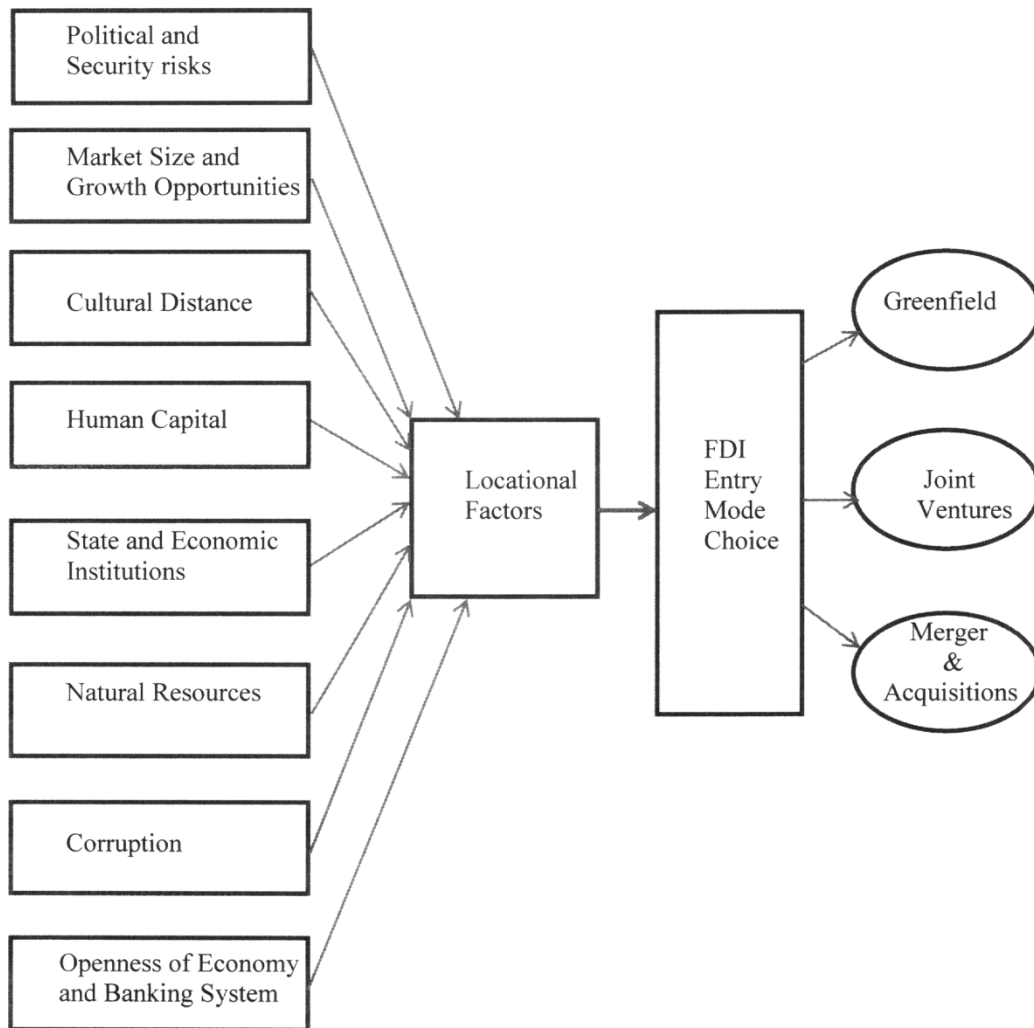


Figure 1 : FDI Locational Framework

Post conflict countries, such as Iraq, and due to their political instability tend to attract smaller amounts of FDI than those with more stable state and economic structures. In contrast to political and security risks, culture is interacted in market actions and conditions in a given country through people's beliefs, traditions, customs, practices, and value system (Keillor, Hauser & Griffin, 2009). Hofstede (1983, p. 76) defined culture as "... its essence is collective mental programming; it is that part of our conditioning that we share with other members of our nation, region, or group but not with members of other nations, regions, or groups".

Large cultural distance limits a firm's ability to exploit its ownership advantages in foreign markets. Competing against local companies would be difficult as is the case in managing local employees, customers, suppliers and relationships with government officials. Acquiring local business will allow the foreign firm to understand the host country's environment as well as establish the necessary local business networks (Hu et al., 2012). In host countries where MNEs have strong technological advantages and international presence,

greenfield and joint-venture investments are utilized. MNEs have also relied on the skills and knowledge of host country expatriates to manage operations in their countries of origin, although the number of those expatriates is small compared to home country expatriates (Joshi & Ghosal, 2009). MNEs send their own home country employees to manage their foreign operations in accordance with their home country culture (Patrick, Felicitas & Albaum, 2005). Those home nationals, while lacking good understanding of local culture, tend to have a better understanding and greater commitment to MNEs corporate goals than those hired locally (O'Donnell 2000). Due to MNEs preferring their own home country expatriates to run their operations abroad, the role of host country expatriates in narrowing the cultural distance between that of their employers and their countries of origin seems to be contingent on availability of opportunities provided to them by their employers.

Cultural distance, as used by current literature, refers to differences between cultures of national groups; each having their own characteristics of shared

single dominant language, political system, educational system, army, as well as shared mass media, market, and national symbols (Schwartz, 1999). In heterogeneous countries with distinctive cultural groups (i.e. minorities), such as Iraq, the description of national culture referred to that of the dominant majority group, and in case of Iraq, that of its Arab majority. Kurds, as the dominant ethnic group in the semi-autonomous Kurdistan region of Iraq have a distinct culture compared to that of Iraqi Arabs, who dominate other parts of the country.

As a post conflict country with ongoing low scale insurgency, Iraq suffers from violent activities of terrorists groups that target civilian population as well as economic targets. The semi-autonomous Kurdistan region has enjoyed a relative security compared to other parts of Iraq. Investment activities in Kurdistan region have been more active compared to other parts of Iraq (Hanna, Hammoud & Russo-Converso, 2014).

This study addressed a need in current literature, that of the impact of host country distinctive cultures in heterogeneous and post-conflict countries, such as Iraq, on foreign direct investment and its mode of market entry. The research questions that were addressed are:

1. What is the impact of cultural distance on foreign direct investment activities in the post-conflict country of Iraq?
2. How does cultural distance affect MNEs choice of market entry mode in Iraq?
3. What is the role of regional differences in influencing MNEs decisions to invest in Arab and Kurdish parts of Iraq?

The first research question will address impact of cultural distance in influencing MNEs decisions to invest in the post-conflict country of Iraq. The second question will address the choice of mode of market entry (e.g. greenfield investment, joint ventures or Merger and Acquisitions) foreign direct investments take in Iraq. The third question will address the role of regional differences in influencing MNEs decisions to invest in a particular region of the host country.

## II. RESEARCH METHOD

This study utilized a qualitative research method and explorative case study design to answer the research questions. Qualitative research examines a setting or a phenomenon from the perspective of deep understanding rather than micro-analysis of limited variables, as the case is with quantitative research. Instead of trying to prove or disprove a hypothesis, qualitative research seeks themes, theories, and general patterns to emerge from the data. Qualitative research is "hypothesis generating" (Merriam, 1988, p. 3) rather than hypothesis testing as is the case with quantitative research.

Despite the limitations of a single-country study, each case produces a more detailed picture and provides practical policy inferences. Single case study could be used as a comparative method when using "concepts that are applicable to other countries to make larger inferences beyond the original country used in the study" (Landman, 2008, p. 28). Case study was chosen due to the need for an in-depth understanding of cultural distance, as a locational factor, and the challenges facing FDI in a heterogeneous and post-conflict country, such as Iraq. The primary data for the case study were collected through one-on-one interviews with subject matter experts (SMEs) while secondary data were collected through conducting a review of publically available documents (e.g. reports by government agencies and private organizations). As with all data, analysis and interpretations were required to bring order and understanding.

Determining sample size in qualitative studies is based on the concept of saturation when the collection of new data does not shed any further light on the issue under investigation (Sandelowski, 1995). To ensure most or all important perceptions are covered, qualitative samples must be large enough but not too large to cause data to be repetitive, and eventually redundant (Mason, 2010). In purposeful sampling, a small sample that has been systematically selected for typicality and relative homogeneity provides far more confidence that the conclusions adequately represent the average members of the population than does a sample of the size that incorporates substantial random or accidental variation (Maxwell, 1998). Based on the research topic, a sample size of 15 SMEs was sufficient to satisfy the concept of data saturation and to meet the research purpose. The participants were Iraqi government officials, employees of MNEs investing in Iraq, and members of the academia or professionals familiar with the topic. The selection of SMEs was based on the demonstrated knowledge by the selectee of foreign direct investment and Iraq reflected either by job position or publications that confirm knowledge in the subject area. Employees of MNEs were chosen for their professional knowledge in the subject rather than as representatives of their respective employers. The interviewees were solicited to explain SMEs' views on what they consider to be the factors impacting FDI in Iraq, specifically cultural distance, and why they believe so. A semi-structured and an in-depth interviewing format were utilized for the collection of data.

Interviewing was performed in Iraq. English was the main language of interviewing, however, in interviewing Iraqi officials, Arabic language was used when appropriate. The researchers were well versed in both Arabic and English with native-level proficiency in both languages, and were well aware of cultural sensitivities and practices. Most Iraqi officials



interviewed were English-speaking individuals, having been educated in English-speaking western nations.

Data processing consisted of carrying out activities such as checking the completeness and quality of collected data, checking the relationships between data items (e.g., interviews, field notes, reports), and preservation of source confidentiality and anonymity. Data were then converted into electronic text format suitable for both preservation and dissemination. Data analysis included a description of sample population, coding of collected data, displaying of data summaries to facilitate interpretations, drawing conclusions, and finally developing strategies for confirmation of the findings.

### III. RESEARCH RESULTS

All the 15 participants (SMEs) lived and/or worked in Iraq, where the interviewing took place. Table 1 is a display of interview participants' qualifications. Pseudonyms A1 thru A15 were assigned in order to protect confidentiality of the participants; it was the responsibility of the researchers to ensure no data were linked back to anyone individual.

Table 1 : Participants' Qualifications

Participant Pseudonym	Qualifications
A1	Member of Iraqi Parliament (chairman of relevant parliamentary committee)
A2	Member of Iraqi Parliament
A3, A4	Member of Advisory Commission - Iraqi Prime Minister's Office
A5, A6, A7	Employee (A5 a manager) of Iraq National Investment Commission - Council of Ministers
A8	Manager, Iraq's Ministry of Oil
A9	Manager, Iraq's Ministry of Electricity
A10	Manager, Economic Section, Iraq's Council of Ministers
A11*, A12*, A13*	Managers (A13 was Vice President) at foreign oil companies investing in Iraq
A14	Manager, Board of Investment - Kurdistan Regional Government (KRG) - Iraq
A15*	Consultant, employee of a German firm providing advice on investment policy to Board of Investment, KRG - Iraq

*Note. \*Participant's firm will not be declared, since the individual participated as a SME rather than representative of his company.*

Table 2 is a display of the responses by SMEs on questions asked. Six (or 40%) out of the 15 participants thought there are other factors besides political stability and security that account for larger FDI activities in Kurdistan region compared to other parts of the country. There was also a perception that anti-

Westerner propaganda by Iraqi Arab nationalists over the period of 1958 -2003 has created a suspicious environment among Iraqi Arab masses distrustful of foreign investment, especially that by Western firms. In contrast, Kurds tend to be more welcoming of Westerners due to their shared experience of being protected against Baghdad's attacks (during Saddam era) by the no-fly zone imposed by Western powers.

Table 2 : Participants Responses

Factor Name	Number of participants agreeing	Number of Participants disagreeing
Political stability was the reason for larger FDI inflows in Kurdistan compared to other parts of Iraq	9	6
Kurdish political and group culture more open to FDI than Iraqi Arab Kurdistan Regional Government policies are more committed to FDI than federal government	9	6
	13	2

Nine (or 60%) out of the 15 participants agreed with the concept that Kurdish political and group culture is more open to FDI than that of Iraqi Arabs. Also, an overwhelming responses of participants 13 (or 87%) out of the 15 thought foreign firms faced less obstacles in conducting their business in Kurdistan compared to other parts of Iraq. Participants attributed that to policies and commitment of Kurdistan Regional Government (KRG) to attracting FDI to the region.



**Table 3:** Value of Investment Licenses Issued in Kurdistan Region in Millions of US Dollars\*.

Investors' Nationality	2007	2008	2009	2010	2011	2012	2013
Foreign	735	273	129	1,069	288	602	2,444
Joint Venture	457	148	13	129	278	20	2,750
National	2,773	1,605	4,022	3,686	2,637	5,240	7,225
Total value	3,966	2,026	4,164	4,883	3,204	5,863	12,419
Number of licenses issued	51	63	76	107	80	136	129

*Note. \*Data from report by Kurdistan Board of Investment (2014).*

Tables 3 and 4 show the values of investment licenses issued by Kurdistan Board of Investment (KBI) and Iraqi National Investment Commission (NIC) respectively. Data in Table 3 covered the period of 2007-2013, while that of Iraqi National Investment Commission in Table 4 was only available for the period 2011-2013. The total value of investment licenses issued by NIC in 2011 was over \$11 billion, in 2012 \$17.6 billion and in 2013 was \$27.3 billion showing a healthy increase in investment value despite a noticeable decrease in number of licenses issued; 300 to 238 to 159 licenses for years 2011, 2012 and 2013 respectively. The increase in 2013 was attributed to five licenses totaling in value \$20.9 billion issued to a combination of two United Arab Emirates (UAE) investors (totaling \$16 billion), one Jordanian (totaling \$4 billion), one Indian (totaling \$450 million) and one by Iraqi investors (totaling \$500 million). All the five licenses were on hold pending resolutions of problems with different government agencies.

**Table 4:** Value of Investment Licenses Issued in Iraq (Excluding Kurdistan Region) in Millions of US Dollars\*.

Investors' Nationality	2011	2012	2013
Foreign	3,443	10,129	22,074
Joint Venture	295	292	166
National	7,365	7,208	5,075
Total value	11,103	17,630	27,315
Number of licenses issued	300	238	159

*Note. \*Data from unpublished reports (in Arabic) by NIC; "NIC Achievements for Year 2011", "NIC Achievements for Year 2012", "NIC Achievements for Year 2013".*

For the same period of 2011-2013 the total value of investment licenses issued by KBI also showed a steady increase and amounted to \$3.2 billion in 2011, \$5.8 billion in 2012 and \$12.4 billion in year 2013. In contrast KBI more than doubled the number of licenses issued in 2013 compared to those issued in 2007. In 2011, there were 80 licenses issued totaling in value

\$3.2 billion, while those in 2013 were 129 licenses totaling \$12.4 billion. While the total value of investment more than quadrupled in 2013 compared to 2011, this increase in investment value in Kurdistan was attributed to two major investments, one by UAE investors and the other by a joint Iraq/Iran venture. The two licenses were worth a total of \$4.4 billion.

The data in Tables 3 and 4 show investments by foreign entities including those of limited number of Western and Asian firms (refer to Table 6 for a breakdown by foreign nationality). While one could argue that political instability in Iraq was the reason for the reluctance of Western firms to invest, the relative stability of Kurdistan region gives more credence to factors such as cultural distance. Further, most of the foreign investments reported in Tables 3 and 4 were in Iraq's real estate sector rather than in its industrial. Table 5 shows the value of licenses issued by NIC and KBI to foreign investors interested in wholly-owned real estate construction projects. The percentage of foreign investment in the housing sector that were issued by NIC were 82.6%, 94.2% and 96.4% of total value of licenses issued to foreign investors for the years 2011, 2012, and 2013 respectively. While those issued by KBI were 94.6%, 81%, and 99.3% for years 2011, 2012, and 2013 respectively.

**Table 5 :** Total Investment by Foreign Investors in Housing Sector 2011 – 2013 in Millions of US Dollars\*.

	2011		2012		2013	
	Amount in Housing	Total Foreign Invested	Amount in Housing	Total Foreign Invested	Amount in Housing	Total Foreign Invested
Kurdistan Region	233	246	528	651	2,824	2,843
Iraq (excluding Kurdistan)	2,910	3,520	9,386	9,963	21,285	22,074

*Note. \*Data from unpublished reports (in Arabic) by NIC; "NIC Achievements for Year 2011", "NIC Achievements for Year 2012", "NIC Achievements for Year 2013" and by Kurdistan Board of Investment (2014).*

Investment in a real estate construction projects does not qualify as FDI since it is an investment made for quick profit, and where investors' relationship with the project comes to an end as soon as construction is completed and the housing project is sold to prospective buyers. Such projects hold no long-term interests by the foreign investors as is required for projects to qualify as FDI. It should also be noted that data shown in Tables 3 and 4 excluded investment licenses issued for firms investing in Iraq's oil and gas sectors. Both the NIC and KBI charters exclude them from issuing such licenses. Currently, and until the time the Hydrocarbon law is approved by Iraqi parliament, all work with foreign oil companies is conducted by Iraq's Ministry of Oil and Kurdistan Regional Government.

Table 6 shows the nationality of foreign firms that were issued investment licenses by Iraqi NIC and KBI. The findings showed most of foreign investors in Iraq were Arabs, Turks, and Iranians indicating a closer proximity to Iraq's culture. This confirms that cultural distance as locational factor attracts investors when the cultural difference is small. The data showed limited number of investors from countries with a large cultural distance with that of Iraqis, Arabs, or Kurds. The number of licenses (greenfield projects) issued for Western and Asian firms investing in Iraq (including Kurdistan), as shown in Table 6, and for Year 2011 were a total of 13 licenses (29.5% of total foreign issued) compared to 31 for Arabs, Turks, and Iranians, while for Year 2012 there were 14 licenses (34% of total foreign issued) and 27 respectively. For Year 2013, there were 5 licenses (15.6% of total foreign issued) issued to western firms compared to 27 for Arab, Turkish, Iranian and Asian firms. It should be noted that not all licenses issued to foreign investors were actually "foreign".

While data in Table 6 shows a combined total of eight licenses issued by NIC and KBI during 2011-2013 for investors from the United States, it's the opinion of the authors that four of them were actually issued to Iraqi expatriates rather than US nationals. The other four licenses issued under USA were two for 2011 worth \$59.6 million that was not acted upon and cancelled

(see Table 7) and another worth \$300,000 (both issued by NIC). The other two for 2012, were the same \$300,000 license reported again (hence, should be discarded) and a Hilton Hotel worth \$14.8 million (issued by KBI). Same could be said about investors from Germany. The two licenses issued in 2011 and 2012 by KBI were for Iraqi expatriates (of Kurdish ethnicity). Only the license issued by NIC in 2011 and worth \$223 million could be attributed to a true German firm. It should also be noted that the total value of licenses issued by NIC for Asian firms (Korean, Chinese and Indian) for Year 2012 were worth \$9.198 billion (mainly due to Korean planned investment of \$7.75 billion) and for Year 2011 was worth \$303.3 million (Korean and Chinese). In 2013, NIC issued an investment license worth \$450 million to an Indian firm, while those issued to Slovenian, British, Dutch, and Brazilian were worth a total of \$433 million. Kurdistan Board of Investment issued in 2013 one license to an American investor (an Iraqi expatriate) worth \$2.5 million.

**Table 6 :** Nationality of Foreign Investors and Number of Licenses Issued in Iraq and Kurdistan for 2011-2012 (Excluding Oil and Gas Sectors)\*.

Iraq (excluding Kurdistan)			Kurdistan		
2011	2012	2013	2011	2012	2013
Turkey (16), USA (3), Germany (1), Lebanon (2), UAE (5), China (1), Kuwait (2), Italy (1), Denmark (1), Romania (1), Spain (1), Korea (1), Britain (1)	South Korea (1), Canada (1), China (2), Iran (2), India (1), USA (3), Lebanon (3), Turkey (3), Kuwait (2), UAE (6), Finland (1), Egypt (2), Jordan (2)	Slovenia (1), UAE (5), Lebanon (8), Kuwait (3), Turkey (1), Britain (1), Iran (1), Brazil (1), India (1), Holland (1), Jordan (1), Malaysia (1)	Turkey (5), USA (2), Germany (1), Lebanon (1)	Turkey (3), USA (2), Germany (1), Lebanon (2), UAE (1), Russia (1), Iran (1), Georgia (1)	Turkey (3), USA (1), Lebanon (1), Iran (1), UAE (1)

*Note. \*Data from unpublished reports (in Arabic) by NIC; "NIC Achievements for Year 2011", "NIC Achievements for Year 2012", "NIC Achievements for Year 2013" and by Kurdistan Board of Investment (2014).*

**Table 7 :** Electricity Investment Licenses Issued by NIC- 2011 in Millions of US Dollars\*.

Project	Investing company	Nationality of Investor	Amount of Investment	Province
Providing 150 MW of electricity	Dao al-Jameeh Company	United Arab Emirates	\$125.5	Basra
Providing 50 MW of electricity	US Industrial Services	USA	\$59.6	Basra
Building power station	Rotam Group	Turkish	\$28.2	Najaf

*Note. \*Data from unpublished report (in Arabic) by NIC- "NIC Achievements for Year 2011".*

It should be noted that issuing licenses is no guarantee of start of work and many of those issued by NIC ended up not being acted upon due to problems faced by investors. Actually, according to NIC unpublished report of "NIC Achievements in Year 2013" (in Arabic) that was provided to researchers, the total value of licenses facing problems and on hold was \$26.8 billion or 98.8% of the total issued of \$27.3 billion. For Year 2012, those on hold were worth \$6.9 billion or 39.48% of total issued of \$17.6 billion. This is a substantial number of investment licenses not acted upon due to hurdles brought about by government agencies. Table 7 shows three licenses issued by NIC in 2011 totaling over \$213 million that were investigated by researchers and shown as not acted upon by foreign investors due to hurdles created by Ministry of Electricity that was resisting at the time, any role by private investors in the electricity sector.

**Table 8 :** Privately Owned Power and Refinery Plants - Kurdistan Region\*.

Name of firm with equity owned by expatriate	Plant	Total Capacity
Mass Group Holding	Three power plants	2.0 GW
KAR Group	One oil refinery	80,000 bpd**

*Note. \*All plants are wholly-owned and operated.*

\*\* barrels per day (bpd).

Table 8 shows wholly owned firms by MNE with major equity owned by Iraqi expatriates. Mass Global, the owner of all three privately-owned power plants in Kurdistan has its capital funded by a group of Iraqi and foreign investors. Same could be said about the KAR Group the owner of an oil refinery in Erbil and a holder of a major profit sharing contract (PSC) oil contract in Kirkuk area. The two Iraqi expatriates (of Kurdish ethnicity) own four out of the six wholly-owned projects in Iraq. The findings of this study showed no investment licenses issued by NIC to local Iraqi Arabs allowing them to invest in power plants or refineries, and whether such applications were made was not clear.

While investigation of the role of expatriates was not an intended research question to answer, however, the findings of this study showed it as an important feature of FDI investment in Iraq. The findings agree with existing literature (Dobrai, Farkas, Karoliny & Poor, 2012; Wang, Tong, Chen, Kim & Hyondong, 2009). In the case of Iraq, at least, expatriate nationals were more willing to waive the political risks and uncertainties in their country of birth and invest there. Their extensive knowledge of their original country (culture, language, how the system works, etc.) have provided them with the necessary tools to make the right business contacts, work, and navigate easily within the system. Personal contacts play important role in business transactions around the world, and in a developing society like Iraq, where communal rather than individualistic culture dominates,

those contacts play a more critical role in facilitating those business transactions and resolving problems along the way.

*Table 9* : Comparison of Joint Ventures in Kurdistan Region and Rest of Iraq 2011-2012\*.

Iraq (excluding Kurdistan)			Kurdistan Region		
2011	2012	2013	2011	2012	2013
Iraqi/Greek (Iraqi expatriate)	Iraqi/Turkish	Iraqi/British Iraqi/Lebanese	Iraqi/Turkish	Iraqi/Dutch	Iraqi/German
Iraqi/Lebanese	Iraqi/Lebanese		Iraqi/Spanish	Iraqi/Pakistani	Iraqi/Turkish
Iraqi/Turkish	Iraqi/Austria (Iraqi expatriate)		Iraqi/Jordanian	Iraqi/Turkish	Iraqi/UAE Iraqi/Iranian
Iraqi/Egyptian	Iraqi/Romanian		Iraqi/Korean/Canadian		
Iraqi/Egyptian	Iraqi/Canadian (Iraqi expatriate)				

*Note.* \*Data from unpublished report (in Arabic) by NIC, "NIC Achievements for Year 2011", "Achievements for Year 2012", and Kurdistan Board of Investment (2014).

Table 9 shows the nationality of joint ventures for years 2011-2013. Three investments were made by Iraqi expatriates in joint ventures with their co-nationals. While NIC data reported the joint ventures by citizenship of the investors, it's also possible that certain reporting indicated as "foreign" might also refer to an Iraqi expatriate investing in his/her country of origin. The same could be said about reporting by Kurdistan Board of Investment.

It's noteworthy from results of Table 9 that cultural distance is small or non-existent in the case of joint venture licenses issued by NIC in 2011-2013, while those issued by KBI showed several foreign firms willing to partner with Kurdish investors. These findings confirmed earlier results of those of green field investments shown in Table 6. The data also shows the limited if almost non-existence of any joint venture projects with nationals of Western nations. This fact strongly points to the cultural estrangement that characterizes investment activities by Western firms in Middle Eastern countries, such as Iraq.

#### IV. CONCLUSIONS

This study investigated the effects of cultural distance on foreign direct investment and its mode of entry that foreign investors choose to make in the post conflict country of Iraq. While parts of Iraq are scene for active insurgency, Kurdistan region has been relatively more secure. Most of the foreign investors were from Arab countries that share same culture and language of that of dominant group in Iraq, as well as from Iraq's neighbors. The findings of this study showed foreign investors interested in Iraq included small number of Western firms' demonstrating that cultural distance play an important role in investment decisions by MNEs. Limited number of joint venture licenses was issued by both Iraqi NIC and KBI. Some of those wholly-owned and joint ventures were between Iraqi expatriates and their local partners in their country of origin.

Concerns with political instability and security continue to be the driving forces behind types of investment Iraq is attracting. The findings of this case study showed investments (excluding that in natural resources) by western MNEs in the post-conflict country of Iraq, were limited if not totally insignificant to its economic reconstruction. Despite their seeking short-term engagements, such as those in the housing sector, Asian firms showed greater propensity to accepting higher risks and willingness to invest in Iraq, unlike their western counter parts that were mainly interested in Iraq's oil and gas sector and showed no inclination to invest in other sectors of Iraq's economy. The findings of this study suggest that post-conflict countries should direct their efforts (at least until stabilization of their economic, institutional and regulatory conditions was achieved) to attracting FDI from neighboring countries or those of smaller cultural distance.

Substantial number of licenses issued by NIC ended up being cancelled or put on hold indefinitely due to hurdles caused by government agencies. Statistical data provided by NIC (pre-2012) do not account for such inactive or cancelled licenses. While total dollar amount of licenses issued by both NIC and KBI show continuous attraction of foreign investors to the Iraqi market, data about the final number of licenses that were acted upon along with the final dollar figure of actual foreign investment in Iraq is still lacking.

Most of foreign investments in Iraq did not qualify as foreign direct investment due to inclinations by investors to engage in quick turn-around projects that yield fast profits and limit their exposure to long term risks. Concerns with political instability and security are driving forces behind types of investment the post conflict country of Iraq is attracting. It also reflects the view that foreign investors lack confidence in Iraq's industrial sector and its pool of skilled labor or lack of. Iraq lost thousands of engineers and skilled labor who left the country due to the continuous internal strives. This in turn adds credence to the role the state has to

continue to play in the economic development of post conflict countries. Unless major steps are taken by Iraq to divert substantial amounts of its oil proceeds into the industrial sector, Iraq and other post conflict countries with abundance of oil (or other natural resources) will continue to depend in the foreseeable future on goods manufactured by more advanced countries. Their economies will continue to be, in large part, a consumer of industrial products from developed economies and will continue to lag behind technological development.

The phenomenon of expatriates playing the role of advocates for FDI should be encouraged by all governments of post conflict countries. The role played by Iraqi expatriates in influencing their employers' decision to invest in their country of origin highlighted a variable of the ownership advantages that has not been addressed adequately by scholars investigating the OLI paradigm. The case of Kurdistan showed that in order to harness the technical expertise and financial power of expatriates, it is important to create the necessary conditions to encourage their return. Expatriates could bring a much needed talent that could help in the economic reconstruction and development of post conflict countries. Creating a peaceful environment, clear commitment to economic development and transparent policies that address corruption, as well as providing a legal framework that could adequately resolve disputes are but few of those policies that would go long ways to meet the needs of returning expatriates.

Since this qualitative method defined and explained the constructs under exploration, a quantitative method could be utilized in the future to test the relationship between cultural distance, as a distinctive locational factor, and FDI inflows as well as its relationship with MNEs choice of mode of entry. It's recommended that this type of quantitative research be developed to further examine the effects of cultural distance on performance of FDI in Iraq.

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## Strategic Decision Making and Firms in Growth Stage

By Héctor Montiel Campos, Alejandro Magos Rubio, Francisco A. Aguilar  
Valenzuela & Gerardo Haces Atondo

*Universidad de las Américas Puebla, México*

**Abstract-** This paper shows partial results from a project research about Strategic Decision Making (SDM) of firms in different stages of the organizational life cycle. SDM has been studied in the context of the firms. However, there is not enough knowledge about how the entrepreneurs make strategic decisions when the firm is in a growth stage. The objective of this research was to examine the effects of specific factors associated with the decision maker influencing Entrepreneurial Orientation (EO) and how the EO influences the firm's performance. The results were achieved by using empirical data from 173 firms in the growth stage. The results show that SDM has an effect on EO, and that there is a significant relation between EO and firm performance. The paper concludes with a discussion about the results and suggestions for future research of this topic.

**Keywords:** *strategic decision making, entrepreneurial orientation, firm performance, growth stage.*

**GJMBR-A Classification:** *JEL Code: M13*



STRATEGIC DECISION MAKING AND FIRMS IN GROWTH STAGE

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# Strategic Decision Making and Firms in Growth Stage

Héctor Montiel Campos <sup>α</sup>, Alejandro Magos Rubio <sup>σ</sup>, Francisco A. Aguilar Valenzuela <sup>ρ</sup>  
& Gerardo Haces Atondo <sup>ω</sup>

**Abstract-** This paper shows partial results from a project research about Strategic Decision Making (SDM) of firms in different stages of the organizational life cycle. SDM has been studied in the context of the firms. However, there is not enough knowledge about how the entrepreneurs make strategic decisions when the firm is in a growth stage. The objective of this research was to examine the effects of specific factors associated with the decision maker influencing Entrepreneurial Orientation (EO) and how the EO influences the firm's performance. The results were achieved by using empirical data from 173 firms in the growth stage. The results show that SDM has an effect on EO, and that there is a significant relation between EO and firm performance. The paper concludes with a discussion about the results and suggestions for future research of this topic.

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## I. INTRODUCTION

Research about Entrepreneurial Orientation (EO) began around three decades ago with the seminal ideas of Miller (1983), although he didn't use the concept of EO in his initial study (Miller, 2011). EO has become a main topic in the field of entrepreneurship during the latest decades (Covin & Wales, 2012). The interest in EO can be found in the results of various studies that propose EO as a predictive variable of firm performance (Rauch et al., 2009).

Certainly, a wide research on EO has been produced in which analysis of EO's determinant factors abounds, as well as their consequences on performance. For example, some studies examine the founder-manager's psychology as EO's precursors (Simsek, Heavey & Veiga, 2010), and others study the context (Green, Covin & Slevin, 2008) and the relationship between the EO and the firm's resources (Dess, Lumpkin & Covin, 1997). The great majority of studies research the effects of EO on a firm's performance, whether directly within different

environments and strategies, or moderated by other conditions (Wiklund & Shepherd, 2005).

In the interest of making progress in the study of EO, this research includes a new variable, this being the Strategic Decision Making (SDM) style adopted by the entrepreneur, since, by identifying the way in which the entrepreneur conceptualizes his firm and makes decisions, more knowledge on the EO's nature could be gained and, accordingly, of the firm's performance.

Based on the former facts, the objective of this paper is to know to what extent specific factors of the SDM influence in the EO and how the EO influences the firm's performance when it is found in a growth stage. Therefore, this study makes two important contributions. First, it proposes the SDM style as a precursory variable of the EO and the firm's performance as consequence of the EO (Covin & Lumpkin, 2011). Second, it considers the organizational life cycle, specifically the growth state, as a factor that influences decision making, as well as in the EO and in the firm's performance (Bonn & Pettigrew, 2009).

In the next section of this paper a study of the literature related to this topic is presented, as well as the methodology used for this research. Later, the results of the study are presented, and finally, an argumentation and conclusions section is presented, in which suggestions for future research are included.

## II. LITERATURE REVIEW AND HYPOTHESIS

### a) *Strategic Decision Making*

SDM has been a subject of study from different academic disciplines. Schwenk (1995) mentions that some research projects have focused on its contents and have identified a decision making process. Other works have focused on organizational factors that influence in the SDM process (Rajagopalan, Rasheed & Datta, 1993).

In general, strategic decisions undertake the firm's resources to reach posed objectives. According to Noorderhaven (1995), strategic decisions share four essential characteristics which are interlinked and they are key in this research. The first of them is complexity. When a situation is simple, that is, when it consists of a limited number of variables, the strategic decision making process becomes trivial. Campbell (1988) mentions that a decision's complexity is found in the multiple trajectories that can be followed to reach a

*Author α:* School of Business and Economics, Universidad de las Américas Puebla, México. e-mail: hector.montiel@udlap.mx

*Author σ:* Graduate Department, Universidad Tecnológica Americana, México.

*Author ρ:* Centro de Investigación en Alimentación y Desarrollo, México.

*Author ω:* Faculty of Commerce and Administration Victoria, Universidad Autónoma de Tamaulipas.

result; or various results can be reached, considering that interdependence exists among the factors that lead to those results. The second characteristic mentioned by Noorderhaven (1995) is uncertainty. The decision-maker does not know the possible results due to the multiple existing alternatives. This means that the information asymmetry influences on decision making given the uncertainty generated by not having the necessary information at the right moment.

The third characteristic is rationality. The decision maker analyzes the advantages of all the possible trajectories that allow him to reach the specific objectives previously established. It is expected that this person has an extensive knowledge about the relevant elements involved in the situation as well as the resources which allow him to identify the option with the greatest value in his preference scale. The fourth and last characteristic mentioned by Noorderhaven (1995) is control. "Without control any pattern observable in a stream of decisions or actions at the level of an organization is the involuntary outcome of an interplay of causal forces rather than the intentional result of deliberate actions of individuals" (Noorderhaven, 1995, p. 22).

These four characteristics describe a general framework in which the SDM takes place and identifies cognitive factors that sustain the decision making style. The cognitive representations developed by the entrepreneur act as a trigger for the decision of acting entrepreneurially or conservatively and the outcomes of these decisions.

#### *b) Entrepreneurial Orientation*

The concept of EO has been found in literature about strategy and entrepreneurship as a construct which helps characterize the entrepreneurial behavior in an organization (Basso, Fayolle & Bouchard, 2009). Miller (1983, p. 771) mentioned that "An entrepreneurial firm is one that engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with proactive innovations, beating competitors to the punch". For Stevenson and Jarrillo (1990), a firm has an entrepreneurial behavior if its actions and processes are oriented towards the recognition and exploitation of business opportunities. From a more general focus, EO refers to the tendencies, processes, and behaviors that lead a firm to enter new or already established markets, with new or already existent products (Lumpkin & Dess, 1996).

Research on EO has found evidence that leads to presume that the firms that adopt a greater EO have a better performance (Rauch et al., 2009; George & Marino, 2011). However, Covin and Lumpkin (2011) mention that the results are not conclusive yet and, although the differences in results may be attributed to different research designs, the differences reflect the fact that sometimes EO does not contribute to improve

the firm's performance. Now, the strength of this relation depends on the internal and external characteristics to the organization, wherefore the EO-firm performance relation is more complex than a simple direct relation (Miller, 2011).

Most of the studies have adopted Miller's (1983) three sub-dimensions to become acquainted with a firm's entrepreneurial behavior –innovativeness, risk taking, and proactiveness. Innovativeness is the firm's proneness to support and encourage ideas and creative processes that lead to the development of new products and services. Risk taking reflects the firm's tendency to undertake projects in which profits are uncertain and proactiveness refers to taking the initiative of pursuing new business opportunities in emerging markets.

In contrast to firms adopting an EO, there are firms that adopt a more conservative orientation, which do not tolerate risk, are less innovative and passive in developing new markets and business opportunities (Miller & Friesen, 1982). A firm's behavior can be classified along a continuum ranging from highly conservative to highly entrepreneurial and firm's position in this continuum describes its EO (Lumpkin & Dess, 1996).

Although EO favors a better performance for the firm, it is necessary for it to be directed appropriately within the organization, which implies seizing opportunities through the firm's resources and capabilities (Covin, Green & Slevin, 2006). Hence, the managers must adopt a management style which privileges flexibility, speed, innovation, integration, as well as the constant challenges that emanate from changing conditions (Kuratko et al., 2005).

#### *c) Firms In Growth Stage*

The firm in the growth stage is prone to actively seek new investment opportunities and to enlarge the number of employees and clients (Jawahar & McLaughlin, 2001). The firm's growth makes the management more complex, harder and more crucial. Managers need to focus more on the long-term effect their decisions have on organizational process, structures and systems (Smith, Mitchell & Summer, 1985).

Firms that are in the growth stage face the challenge of seizing opportunities. Nonetheless, in most occasions, these firms lack the necessary resources and capabilities as well as market power to allow them to respond faster to the circumstances within their competitive environment (Aloulou & Fayolle, 2005). Also, firms often aggressively challenge their competitors in the hopes of improving their competitive position and, ultimately their performance (Ferrier, 2001). In this sense, the entrepreneur exerts a dominant effect on this stage of the firm and he is capable of promoting a strong entrepreneurial culture, which may be transformed into a firm's collective behavior (Meyer &

Heppard, 2000). Therefore, this study proposes that the SDM done by the founder-manager in a firm in the growth stage influences its EO and to figure out how the EO influences its performance. More formally, and given the previous review of literature on SDM and EO, this study establishes the following hypothesis:

*H1:* The SDM style adopted by the manager when the firm is in the growth stage influences its EO.

*H2:* The EO adopted by a firm when it is in the growth stage impacts its performance.

### III. METHODOLOGY

#### *a) Sample and Data Collection*

One of the challenges faced in this research was having a sample of firms in the growth stage in a particular industry. The data collection took place during 2011 and 2012 generating a sample size that would allow a robust statistical analysis. The selection criteria were the following: (1) to have achieved between 5 to 20 years operating in the market. This time frame is considered due to fact that, generally, the firm has stability and it's searching for growth opportunities (Miller & Le Breton-Miller, 2005). (2) To have between 31 and 100 employees –a standard for the medium-size firm defined by Mexico's Secretaría de Economía. (3) To be a firm in the manufacturing industry. Based on these criteria, an initial sample of 1285 firms was achieved by using the Sistema de Información Empresarial Mexicano.

As the purpose of this research was to explore relationships between variables, the survey method was used to collect information. A questionnaire was developed whose external validity was resolved with pilot tests performed with managers from firms in the growth stage. Doubts, confusion and writing issues in the questionnaire allowed it to be corrected. The definite questionnaires were sent electronically.

Questionnaires were addressed to firms' managers with a letter explaining the purpose of the study. A total of 173 questionnaires were obtained (13.4%). Response rate is low; nevertheless, this is common in this kind of studies. Given the sample's size, concern arises about the results' statistical generalization. Hence, the ANOVA test was performed to examine possible non-response bias, as suggested by Armstrong and Overton (1977). The results revealed that there was no evidence of systematic non-response bias.

#### *b) Measurements*

**Strategic decision making.** The first variable in this study was the SDM style adopted by the manager. This study followed the Noorderhaven (1995) proposal with the four cognitive factors which define the decision making style: complexity, uncertainty, rationality, and control. Eight items were generated to measure the

degree of influence the cognitive factors hold in the decision making style, so the 7-point Likert scale was used to evaluate the 4 constructs. The Cronbach's  $\alpha$  for the SDM scale was found to be above the 0.80 threshold ( $\alpha = 0.84$ ).

**Entrepreneurial orientation.** The second variable in this study was the EO. The Miller/Covin and Slevin (1989) scale was used, which constrains the constructs that measure the 7-point Likert scale, a firm's tendency towards innovativeness, risk taking and proactiveness. The average of the nine items evaluated the intensity of the EO, so that the bigger the average was, the more entrepreneurial strategic stance the firm had. Cronbach's  $\alpha$  for the EO scale was found to be above 0.80 ( $\alpha = 0.85$ ).

**Firm performance.** A frequent problem the research faces when evaluating firms' performance is the lack of financial information. In the face of the absence of this information, some researchers (Chandler & Hanks, 1993; Wiklund & Shepherd, 2005) suggest evaluating the firm's performance in comparison with its main competitors' performance. Based on this proposal, the 5-item development evaluation scale was used, in which an internal efficiency and a sales' performance is considered (Lichtenthaler, 2009; Parida et al., 2010). The 5 items were measured in a 7-point Likert scale where 4 points indicated a performance similar to its competitors. The Cronbach's  $\alpha$  for the firm's performance scale was also found to be above 0.80 ( $\alpha = 0.83$ ) here.

**Control variables.** Literature shows that the environmental conditions such as hostility and dynamism influence in the firm's performance (Lumpkin & Dess, 2001), therefore, these factors were controlled during the analysis. In order to measure the hostility, an average of the three items was used in a 7-point semantic differential scale developed by Covin and Slevin (1990). The bigger the index, the more hostile the firm's environment was. The coefficient alpha was acceptable ( $\alpha = 0.86$ ). The environmental dynamism was measured by the three items that integrate the 7-point semantic differential scale by Miller and Friesen (1982). The bigger the average of the three, the greater the firm's environmental dynamism. The coefficient alpha was acceptable ( $\alpha = 0.82$ ).

#### *c) Data analysis*

The information analysis followed two stages. During the first stage a confirmatory factorial analysis was performed to determine if the EO's dimensions, the SDM's dimensions, and the firm performance represented different constructs. Initial results suggested that it was not necessary to remove any item from the scale to improve the model fit in the sample. The model fit was assessed using  $\chi^2/df$ , Goodness-of-Fit Index (GFI) (Jöreskog & Sörbom, 1996), and the

Comparative Fit Index (CFI) (Bentler, 1992). The threshold for  $\chi^2/df$  should be less than three or less than two in a more restrictive sense (Premkumar & King, 1994). The values of GFI and CFI should be above 0.90 (Jöreskog & Sörbom, 1996).

The measurement of the model resulted in a good fit for growth firms' sample ( $\chi^2/df = 2.88$ , GFI = 0.890, CFI = 0.911). All the factor loadings are in acceptable ranges and significant at  $p=0.001$ , ranging from 0.62 to 0.82 indicating convergent validity (Anderson & Gerbin, 1988). The average variance obtained for the measurement of EO was 0.70 in growth firm's sample, which is slightly higher than the threshold suggested by Bagozzi and Yi (1988).

Regarding strategic making decision, the model resulted in a good fit also ( $\chi^2/df = 2.78$ , GFI = 0.90, CFI = 0.92). All the factor loadings were significant at  $p = 0.001$  with the range between 0.62 and 0.81. Regarding the measurement of firm's performance, the model resulted in a good fit ( $\chi^2/df = 2.77$ , GFI = 0.940, CFI = 0.921). All the factor loadings are in acceptable ranges and significant at  $p = 0.001$ , ranging from 0.69 to 0.84 indicating convergent validity (Anderson & Gerbin, 1988).

The second stage in the analysis of information was to test the hypotheses using the correlation analysis and multiple regression analysis to determine how specific factors in SDM influence the EO and how the EO influences the firm's performance. The multiple regression analysis had two models. The first one was processed with the EO as a dependent variable and the second one was processed with firm's performance as a dependent variable.

#### IV. RESULTS

In the place, Pearson's correlations among complexity, uncertainty, rationality, control, EO, firm performance and the control variables were calculated (see Table 1). The correlation matrix reveals significant correlation results. For the EO there are positive and significant correlations to complexity, uncertainty and rationality. The control dynamism is also positive and significant. For firm performance, uncertainty and rationality had a positive and significant relation to firm performance. Additionally, there is a strong link with EO and dynamism.

Table 1 : Descriptive statistics and correlation matrix

Variables	Mean	SD	1	2	3	4	5	6	7	8
1 Hostility	3,88	2,01	1							
2 Dynamism	4,45	0,98	-0,04	1						
3 Complexity	4,57	1,01	-0,05	0,01	1					
4 Uncertainty	4,02	0,77	0,07***	-0,10**	0,11**	1				
5 Rationality	3,55	1,16	0,01	-0,12**	0,05	0,02	1			
6 Control	3,11	1,76	0,03**	0,03	0,07	0,04	0,01	1		
7 Entrepreneurial orientation	4,36	0,88	0,03	0,21**	0,23***	0,27**	0,21***	0,07**	1	
8 Firm performance	4,73	0,95	0,01	0,22**	0,10**	0,23**	0,28***	0,03**	0,24**	1

\* $p < 0,10$ ; \*\* $p < 0,05$ ; \*\*\* $p < 0,01$

The next analysis was the multiple regression analysis to prove the hypothesis. The main purpose was to investigate the effects of SDM on growth firm's EO, and the effects of the EO on growth firm's performance. The results can be noted in Table 2. Within the factors intervening in decision making, rationality was the one exerting the greatest influence on the on the firm's EO ( $\beta = 0.24$ ,  $p < 0.10$  and, in second place, complexity

was found ( $\beta = 0.19$ ,  $p < 0.05$ ). On the other hand, the two control variables exert a positive influence on the EO (Hostility,  $\beta = 0.17$ ,  $p < 0.10$ ; Dynamics,  $\beta = 0.15$ ,  $p < 0.10$ ). The explained variance for the first regression (EO as dependent variable) is appropriate (about 17%). With this, the hypothesis 1 (H1) posed in this research is proved.



Table 2 : Regression analysis

	Dependent variables	
	Entrepreneurial orientation	Firm performance
Control and independent variables		
Hostility	0,169*	-0,224*
Dynamism	0,147*	-0,203*
Complexity	0,193**	
Uncertainty	-0,09*	
Rationality	0,244*	
Control	-0,02*	
Entrepreneurial orientation		0,258***
Model summary		
F-ratio	6,023	7,441
R <sup>2</sup>	0,198	0,235
R <sup>2</sup> adjusted	0,173	0,221
Standart error of the estimate	1,011	0,455
Significance	< 0,001	< 0,001

\* $p < 0,10$ ; \*\* $p < 0,05$ ; \*\*\* $p < 0,01$

Regarding the firm's performance, EO was the variable with the greatest influence on performance ( $\beta = 0.26$ ,  $p < 0.10$ ). Regarding the control variables (hostility and dynamism), they exerted a negative influence on the firm's performance (Hostility,  $\beta = 0.22$ ,  $p < 0.10$ ; Dynamism,  $\beta = 0.20$ ,  $p < 0.10$ ). The explained variance for the second regression (firm performance as dependent variable) explained about 22% of the variation in performance. Regarding hypothesis 2, EO has a better impact on firm's performance. With this, hypothesis 2 (H2) is proved.

## V. DISCUSSION AND CONCLUSIONS

The general objective of this research was to examine the influence that the SDM style may have on the firms' EO and how the EO influences the firm's performance in the growth stage. We want to discuss two subjects that emerge from the results: (1) the influence of rationality, complexity and hostility on a firm's EO, and (2) the link between EO and firm's performance.

Regarding the elements that distinguish the decision making, both, rationality and complexity affect the firm's EO positively. It is important to highlight that rationality is the element with the biggest influence on

the EO and performance. It indicates that firms become more analytical in their decision making. Managers need to think about the long-term effects of their decisions on organizational processes, structures and systems because the organization is moving towards a greater level of scrutiny. On the other hand, when the entrepreneur faces a complex decision making, that is, when the possible outcome or consequence is not as evident, then he may be more rational. The results show that this combination does not inhibit the firm's EO or its performance, but, on the contrary, it promotes them. This means that we are facing a type of firm that is actively seeking new investment opportunities and to increase its staff, clients and geographical contacts (Jawahar & McLaughlin, 2001).

Finally, the relationship between EO and firm performance highlights once more that a firm that adopts an entrepreneurial posture achieves a better performance (Rauch et al., 2009). This may indicate that firms that adopt an entrepreneurial strategy are able to differentiate themselves from other firms through risk-taking and proactive actions, and by developing innovative products leading to a competitive advantage. Thus, having an entrepreneurial posture represents a path for firm's competitiveness.



The results shown in this study generate possibilities for future research. One of them may generate a more homogeneous sample. For this study only manufacturing firms were considered, but it would be interesting to find out how these variables behave in a particular industry, among them, the high-tech industry. These characteristics may show a different behavior of the variables in decision making. Moreover, a future research could consider a control variable on the number of staff members, in such way that whether this element influences in the EO or not, may be known. The firm's agility can be distressed by the number of staff members, thus subtracting the ability to adapt to a more changing environment; in the other words, it can be a negative influence in its dynamic capabilities (Eisenhardt & Martin, 2000). It could be assumed that this behavior would remain the more advanced the firm is in its development stages, but for this, it would be worth to compare at least two stages of firm's development.

While the results of this paper help to better understand the SDM and its impact in the firm's EO and subsequent performance, it is important to consider the results under certain limitations. The first one is that it would be interesting to know the evolution in strategic thinking of the same firm, although this would demand a long-term research. On the other hand, the acquired information on the firm's development was obtained through qualitative and comparative assessments on the entrepreneur's side. Although this way of obtaining information on the firm's performance has proven to be reliable, it is important to rely on other types of information.

The results shown in this study demonstrate the importance of the entrepreneur's decision making and how it influences in the firm's fate from the development stage the firm is in. The combination of several elements leads the entrepreneur to make decisions under conditions of uncertainty and incomplete information. This makes the heuristic a useful tool for decision making, since it can be conceived as a simplification strategy or rule that helps to deal with complex decisions (Bazerman & Moore, 2009). Ultimately, decision making is different in each firm and it influences on its EO and performance, so it demands the use of resources and different capacities to deal with the challenges it faces.

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# Behavioural Aspects of Managerial Potentials of Nigerian Women

By Dr. Orok B. Arrey

*Federal University Wukari Taraba State, Nigeria*

*Abstract-* Management behaviour of women managers in Nigeria is base on agenda. It is truly believed, that management behaviour is expected of all manager be they male or female. Previous seminars on women in management major factors against more woman getting into management positions plus the problems they face on the job identified and discussed. The barriers to, reaching management position are both internal and external. These include socialization process, sex stereotyping process of jobs, education, family responsibilities, societal attitudes. Also a lot of constraints on job performance, have been identified as, lack of management training, lack of the need/will to manage, lack of the need for power, lack of the relevant experience, non-membership use of informal professional networks and lack of support by husbands. To acquire the right attitude and behavior consistent with effect with management, women ought to be aware of their constraints and struggle# to overcome them before they can be accepted by men in leadership roles.

*GJMBR-A Classification: JEL Code: J59, D73*



*Strictly as per the compliance and regulations of:*



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# Behavioural Aspects of Managerial Potentials of Nigerian Women

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**Abstract** Management behaviour of women managers in Nigeria is base on agenda. It is truly believed, that management behaviour is expected of all manager be they male or female. Previous seminars on women in management major factors against more woman getting into management positions plus the problems they face on the job identified and discussed. The barriers to, reaching management position are both internal and external. These include socialization process, sex stereotyping process of jobs, education, family responsibilities, societal attitudes. Also a lot of constraints on job performance, have been identified as, lack of management training, lack of the need/will to manage, lack of the need for power, lack of the relevant experience, non-membership use of informal professional networks and lack of support by husbands. To acquire the right attitude and behavior consistent with effect with management, women ought to be aware of their constraints and struggle# to overcome them before they can be accepted by men in leadership roles.

## 1. INTRODUCTION

### a) *Problem Defination and Purpose of Study*

Women in our Nigerian society today are being under-mind by the male counterparts; they are they are treated as "underdogs". The women are being regarded as new comers in the managerial environment. As underdogs, women are regarded as "square pegs ill round holes"; when it comes to leader ship and top management positions. For this reason and for the fact that they have arrived skills and technical competences but also the total behaviour, relevant and consistence with effective acceptance and successful managers.

Many reasons are usually advanced women as unsuitable material for leadership and top positions. that are either based on false premise or myths. Some of this include:

1. The long held societal view that biology is destiny as a fallacy. This view maintains that a woman's biological make up makes her unsuitable for managerial positions.
2. Sex - role stereotyping is a fallacy. The belief that some jobs are most suitable for females, while others are best for males is not based on tested knowledge.
3. It is not longer true that a woman's place is only in the home as a cook or a rearer of children.

4. It is erroneous to assume that for the man leadership is a birth - right even where a women is more qualified to hold such a position.

The manager is the key to organizational effectiveness. He functions in different ways and capacities to keep the organization on course. Understanding managerial roles or function will, therefore, be the first steps towards the improvement of managerial effectiveness. There are two different views about managing - the normative view which deals with what has become the acceptance universally as functions of management, and the descriptive view which describes what managers actually-do on their job.

### b) *The Normative View*

The universal functions of management are often given as planning, organizing, coordinating and controlling.

1. Planning is deciding what to achieve and how to achieve it.
2. Organizing involves the assembling of human and physical resources needed to achieve planned objectives and assigning responsibilities to various work groups/members.
3. Coordinating is communicating with, motivating and leading employees, also coordinating other activities.
4. Controlling is seeing to it that employees perform their jobs correctly.

The task of seeing that employees perform their jobs correctly is usually the supervisor's middle managers. Lack of proper planning and organization leads to wasted resources. Managers who plan and organize the activities well tend to spend less time and energy in the implementation process.

### c) *The Descriptive View*

Looking at what is supposed to be doing is different from what he actually does. Thus, another view point looks at management functions in terms of activities that managers perform. These activities may seem unrelated to the traditional functions, but. They are in fact the means by which they perform these functions. These are personnel intersectional, administrative technical.

#### i. *Personal Activities*

Some activities manager engage in serve personal needs as well as organizational functions i.e.,

*Author: Department of Business Aministration Federal Unversity Wukari Taraba State Nigeria. P. O. Box 371 Wukari Taraba State, Nigeria. e-mail: orokbonifacearrey@yahoo.com*



attending conference or performing ceremonial" duties such as wedding of one of the employees.

### ii. *International Activities*

Managers spend considerable time and energy with other people. Subordinate, superiors, customers, unions, community leaders and so forth. Intersectional activities serve interpersonal roles such as liaising with others outside his vertical chain of command, leading others and playing the figure head role. It is through personal contacts that managers can collect vital information that will lead them to making the right decisions. Without personal contact important valuable information will be lost.

### iii. *Administrative Activities*

Managers also spend some time in performing administrative duties, such as preparing budgets, processing paper work, monitoring policies and procedures and handling personal matters. There are activities that separate managers from non managers and yet less time is usually allocated to them. Other employees do not perform administrative activities. A manager has to keep abreast with government policies and legislation (e.g.) regulations, minimum wage, labour laws, industry laws on import licenses etc and comply with some.

### iv. *Technical Activities*

Managers need to be technically competent (e.g.) use of tools, technical knowledge and skills as they cannot supervise effectively without adequate knowledge on the technical activities they are to supervise. The higher you go, the lesser the time a manager spends on such activities.

## II. BACKGROUND LITERATURE

### a) *The Nature of Managerial Work*

Chung and Megginson (1981:17) state that "Management activities are characterized by brevity, fragmentation, reactivity, oral communication and political inclination. Managers are doers rather than reflective planners and have to cope with 8 constant parade of challenges and surprise." Studies such as that done on Chief Executives seem to agree with these characteristics of managerial activities and have gone further to add to the list, a hectic pace, oral communication, reactive behaviour and political inclination.

#### i. *A Hectic Pace*

Although managers do usually plan and organize activities all round the clock, the actual performance of such activities is usually carried out in a hectic and at times chaotic manner, the activities managers are expected to carry within the available time become too many to be handled in a systematic manner.

### ii. *Oral Communication*

In carrying out their day to day activities, managers prefer to use oral communication and rely heavily on it. This is because, written communication is slow and time consuming, it is less formal and brings any up-to-date or confidential information. By oral communication, the manager also maintains contact with workers.

### iii. *Reacting*

That is reacting to various work situations as they arise. Many times things do not just turn out as planned due to unforeseen situations. Also when faced with a limited time span within which various activities are to be performed, managers tend to give closer attention to the more tangible and current things.

### iv. *The Political Reality*

A manager does not only work with people within his organization. He has to maintain a network of interpersonal contacts with people outside the organization. He must give and receive information, favours, and support the need to perform their job effectively. He is usually a spokes person for his organization and therefore must perform public relations functions for the organization.

The manager must maintain contact within influential people who can "pull string" for his organization when the need arises.

View on the performance of women managers: women managers are not portrayed in a positive light. In a survey made by Harvard Business Review, majority of top bosses believed women to be unsuitable for top management positions because of their dispositions quoted in M. I. Okojie (1990). This view is in line with the cultural perception of women in many societies including Nigeria as soft, graceful, flexible, dependent and intuitive. The irony of such views is that the woman is a better manager for these qualities, lacking in the men. Flexibility, is a good managerial quality without which a manager can appear autocratic and overbearing.

According to Okojie C. E. E. in a paper titled: Nigerian women in Public sector management, describes the two management styles that have been observed among women managers those are the "battle-axe" or "martinet" approach, and conciliatory or "famine" style.

1. The Battle - Axe management style was said to be characteristic of the pioneer female managers, who finding themselves in an all male environment adopt an unduly aggressive, ferocious, dictator and hostile management style. Such managers are feared and often disliked by their staff. They display unpopular characteristics which have given rise to negative attitude towards female managers.
2. The feminine management style: at the other extreme from the battle - axe approach is the



feminine or conciliatory management style. Such women play on their feminine attributes in their approach to work. They are not aggressive or decisive in executing their duties. They lack the will to manage. Many of such women have reached management position not through any special effort, but through routine promotion exercises.

In Nigerian situation, many of such women managers have unduly glamorized management positions by their style of dressing as if that will make up for their deficiencies. Women who adopt this feminine style give poor image of women in management as frivolous and duly concerned with trivialities rather than serious issues.

Between these two extremes is the professional manager who has combined the firmness from the battle-axe approach with the conciliatory approach of the feminine style to yield effective leadership of subordinates. Neither the battle-axe nor the feminine style approach leads to high productivity.

### III. PRESENTATION

#### a) *Strategies for Improving Managerial Behaviour*

There is a role that education plays in managerial behaviour.

1. Education: According to Gray et al (1988), there are many different types of education referred to as "generalist" as opposed to "specialist" education. The "generalist" specializes in the social science subjects and humanities which definitely tend to attract and develop individuals differently from the "specialist" type. The "Specialist" type of education includes law, medicine, engineering etc. The important thing is that in whichever profession you are managing, you need to acquire specialized. Knowledge alone will not make you an effective manager. You need to know about the society, the people and their expectations, interests and values and you need knowledge about your workers, and how to motivate them, etc.
2. To be effective women managers must learn to be in control of both themselves and situation. It is easy to lose balance and behave in ways unbecoming of a leader, if the manager has not come to terms with the different kinds of demands and problems that she is expected to grapple with by virtue of her position. To be effective, a manager must be ready to cope with the time expected.
3. Women managers must display the ability to exercise power and authority over others without being dictatorial or draconian. To achieve these goals, women managers must not allow themselves to be distracted from important issues in order to survive they must ignore many things, work hard, be dedicated and exert one's power in the right way, not failing to use disciplinary measures where and

when necessary. Female managers must consciously avoid being unnecessarily aggressive and antagonistic, as this will go a long way in dispelling negative opinions people have about them.

4. To use power and authority properly, self confidence is a must. Self confidence itself is best developed when one has sound educational background and takes well informed decisions.
5. Another important step towards acquiring the right attitudes and behaviour relevant in management positions is knowing oneself. A female manager must be realistic about her capabilities and shortcomings.
6. Some women managers in Nigeria have also been accused of lacking in the will/need to manage because they came into management position by appointments or through the rise in rank and file.
7. Being a good position has become a necessary ingredient for effective management. First the manager must perform the public relations duties for her company, organization etc. she has to sell her company to the community, targeted group etc, but she cannot do this effectively if she herself does not project a positive self image both to outsiders and insiders. Secondly, within the organization, situations arise where the manager must defend take for and where necessary "lobby" others on behalf of his subordinates. A well qualified hardworking and dedicated employee can lose certain privileges, promotions, sponsorship if the boss does not act or show enough interest.
8. Women managers should not strive to act like men in a bid to be accepted as leaders. They could lose the equalities that make them women. A woman can be graceful, treat people well and get the best out of them while she remains firm.

#### b) *Leadership*

To be successful, the manager must also be a leader. Management is a process of planning, coordinating and controlling, while leadership is the process of influencing other people for the purpose of achieving organizational goals. The following qualities have been identified as common with successful leaders:

1. A strong desire for task accomplishment
2. Persistent pursuit of goals
3. Creativity and intelligence used to solve problems
4. Initiative applied to social situations
5. Self-assured personality
6. Willingness to accept behavioural consequences.
7. Low susceptibility to interpersonal stress
8. High tolerance for ambiguity
9. Ability to influence others
10. Ability to structure social interaction.

Also a leader must be innovative as well as a risk taker. A leader must be committed organizational leader

must identify with its goals, or purpose. There must be a great sacrifice to achieve your goals and also be persuasive. That is in order to make people voluntarily identify and work. As a leader persuasiveness is necessary.

c) *Barrier's to Reaching Management Position are both Internal and External*

These include:

1. Socialization process where girls are discourage from learning certain attributes (aggressiveness, decisiveness, detachment, analytical, objectivity etc) which are often identified with managerial jobs.
2. Sex - stereotyping or jobs where management is identified as a male job, and girls were discourage from aspiring for such position.
3. Education, especially lack of university education.
4. Family responsibilities, house work and child rearing that tend to weight women down.
5. Societal attitude, which stems from prejudices from make bosses who regard women as ineffective managers.

Constraints on job performance:

1. Lack of management training
2. Lack of the need will to manage
3. Lack of the need for power
4. Lack of relevant experience
5. Non membership/use of informal professional networks
6. Lack of support by husband etc.

To acquire the right altitudes and behaviours consistent with effective management, women in Nigeria out to be aware of these constraints and struggle to over come them. The path to effective managerial behaviour or women will depend to a large extent on overcoming those obstacles that constrain them on job.

#### IV. RECOMMENDATIONS

Behavioural aspect of managerial potentials of Nigerian women in the system is welcomed. For them to excelled to top management positions the Nigerian women have to put up good struggles before they can be accepted by the men in the leadership roles. For the Nigerian women to achieved this end requires proven ability, hard work, dedication and sacrifice. Once in top positions Nigerian women must learn fact and act in ways that will earn their respect, recognition and acceptability.

Once in positions of authority, women should realize that certain behaviours are necessary for holding and maintaining that office. They as managers must of necessity learn to play politics and lobby as their men counterparts.

#### V. CONCLUSION

Nigerian women managers can draw their lesson from 1991 Nigerian gubernatorial primaries as it

affects women. Also the case of Professor Alele Williams, female Vice Chancellor of University of Benin show that society is not ready for women leaders. women have to put up a good fight to compote with their males counterparts in leadership roles.

Women must learn fast and act in ways that will earn thorn respect, recognition and acceptability. Once in positions of authority-women should realize that certain behaviours are necessary for holding and maintaining that office, in order to survive, women must persevere and not let opposition and failure deter them. This is only the beginning and women have not performed poorly. Societal attitudes are hard to change, but will necessarily change when women show enough determination.

There are both historical and constitutional changes that signal some significant shift in the plate of women in the society. Such changes are most likely going to have the spillover effect on women in management.

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# Dimensions of Entrepreneurial Self-Efficacy and Firm Performance

By Herath H. M. A. & Rosli Mahmood

*Wayamba University of Sri Lanka*

**Abstract-** Creating a highly performing Small and Medium Enterprise (SME) sector is the central focus of many developing countries, but contrary to the expectations, most of SMEs in South Asia face many constraints such as policy inertia, misplaced government priorities, lack of infrastructure facilities, inappropriate technology, and lack of information and lags clearly behind their western counterparts. This situation in volatile environmental conditions has mounted much pressure on the key human agency of the entities and bottlenecked the flow of contribution to the economies. In the face of such constraints, efficacious and resilient entrepreneurs are more likely to ensure their survival amid tremendous rate of failures communal to these countries. It is therefore crucial to understand how more efficacious SME entrepreneurs perform in their operations. This paper investigates the effect of the dimensions of entrepreneurial self-efficacy on the performance of SME entrepreneurs. The study in a sample of 350 small scale hotel and restaurants in Sri Lankan SME sector proved good fit of the proposed structural equation model to the observed data confirming that more efficacious entrepreneurs are highly performing and bouncing back in constrained environments.

**Keywords:** *self-efficacy, SME entrepreneurs, performance.*

**GJMBR-A Classification:** *JEL Code: L26, H32*



*Strictly as per the compliance and regulations of:*



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Herath H. M. A.<sup>α</sup> & Rosli Mahmood<sup>σ</sup>

**Abstract-** Creating a highly performing Small and Medium Enterprise (SME) sector is the central focus of many developing countries, but contrary to the expectations, most of SMEs in South Asia face many constraints such as policy inertia, misplaced government priorities, lack of infrastructure facilities, inappropriate technology, and lack of information and lags clearly behind their western counterparts. This situation in volatile environmental conditions has mounted much pressure on the key human agency of the entities and bottlenecked the flow of contribution to the economies. In the face of such constraints, efficacious and resilient entrepreneurs are more likely to ensure their survival amid tremendous rate of failures communal to these countries. It is therefore crucial to understand how more efficacious SME entrepreneurs perform in their operations. This paper investigates the effect of the dimensions of entrepreneurial self-efficacy on the performance of SME entrepreneurs. The study in a sample of 350 small scale hotel and restaurants in Sri Lankan SME sector proved good fit of the proposed structural equation model to the observed data confirming that more efficacious entrepreneurs are highly performing and bouncing back in constrained environments.

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## I. INTRODUCTION

It is almost axiomatic that small and medium enterprises (SMEs) are central to the development of any country and their contribution for the independence of the economy is inevitable. Strong SME sector highly facilitates the upward mobility of any economy by absorbing unemployment and promoting innovations (Gray, 2006; Bovee, Thill, & Mascon, 2007; Griffin & Ebert, 2006). Their role is vital for the developing economies due to major contribution to GDP compared to large-scale firms. In most of the Asian countries, more than seventy-five percent of gross domestic products are produced by this sector. In addition, velocity of transformation from under developing stage to development stage is accelerated by a highly performing SME sector. However, this sector in many of the developing countries faces many constraints such as low level of technology, lack of management and entrepreneurial skills, unavailability of timely market information, poor product and service quality (Asian Productivity Organization, 2011). Due to

these constraints, only 20 percent of the SMEs survive within eight years (Lanka News Papers, 2013). This survival rate is relatively lower compared to western counterparts. In European countries more than 50 percent of the businesses survive after five years (European Union, 2012).

Entrepreneurs' role is decisive for the survival and growth of SMEs since they are driving force behind the entities. In the volatile environments of developing countries characterized with many constraints, their role has become more important. These entrepreneurs should have the ability to bounce back in the face of sudden shocks springing from unpredictable political, economic and legal situations. Within this background, it is essential to explore whether there are specific characteristics that make the entrepreneurs more resilient in such environments.

## II. THE SRI LANKAN CONTEXT

Sri Lankan economy is mainly based on its SME sector which covers a wide range of business areas including manufacturing, agriculture, construction, tourism, fisheries, mining and other services (Department of Census and Statistics Sri Lanka, 2010). This sector has been identified as an important strategic sector for economic and social development of the country since it covers a wide area of economic activities, and for many years, it has gained a higher level of recognition for the contribution in income and employment generation, poverty alleviation and regional development. Since 1948 successive governments had introduced various policy reforms and provided many incentives to the entrepreneurs with the purpose of increasing the contribution of the sector to the national economy. But irrespectively even today there remains number of constraints faced by the sector. Though there are few policy reforms in recent past, still the policy inertia has slowed down the development of the sector. There usage of appropriate technology to reduce the operational efficiency is one of the major managerial constraints in the sector. Lack of market information and marketing skills is another important obstacle identified while lack of infrastructure facilities has impeded the success of this sector. Electricity, water, telephone facilities, road access are not adequately supplied to the SMEs especially out of the urban areas while the cost of acquiring them remains very high. Regulatory role of the government such as lengthy and complex procedures

**Author α:** Department of Business Management, Wayamba University of Sri Lanka, Sri Lanka.

**Author σ:** College of Business, Universiti Utara Malaysia, Malaysia.  
e-mail: rosli@uum.edu.my



and documentations, outdated rules and regulations are also considered as a heavy constraint for the development of the SME sector (Task Force for SME Sector Development Programme, 2002; Dassanayake, 2011).

Sri Lanka SME sector is more labour intensive than capital intensive (Task Force for SME Sector Development Programme, 2002) and most of them are owner-managed entities or run by family individuals (Dassanayake, 2011; Priyanath, 2006) such that the role of the entrepreneurs is more crucial for the success of their organizations. Considering the importance of the sector to the country's development, Sri Lankan government has been making various policy reforms, offering incentives with the assistance of many local and foreign donor agencies. But growth, performance and expansion of the sector remain stagnant compared to large-scale enterprises and their development is constrained by number of factors reducing the potential contribution to national economy. Task Force for SME Sector Development Programme, (2002) has identified policy inertia, financial instability, and absence of technical managerial and entrepreneurial skills, in appropriate technology, unavailability of market information, lack of infrastructure facilities and regulatory role of the government as major constraints faced by the Sri Lankan SME sector. These SMEs also face problems such as unnecessary delays in processes, financial bottle-necks, and low standards of products making the role of the entrepreneurs more critical for the survival and the expansion of the entities. Without efficacious entrepreneurs who are resilient and courageous, bouncing back in problematic situations may be difficult.

In many studies, it has been emphasized that being efficacious is important for the entrepreneurs when they faced many constraints (Li, 2008; Luthans & Ibrayeva, 2006). However, the level of self-efficacy of SME entrepreneurs in the Sri Lankan context has not been explored previously and yet to be unearthed. Understanding of the existence of such concept will pave the way for opening many research avenues for future researchers to foster the entrepreneurship studies in developing countries. Therefore this study will explore the existence of entrepreneurial self efficacy among entrepreneurs of Sri Lankan SME sector.

### III. LITERATURE REVIEW

Social Cognitive Theory defines self-efficacy as individuals' judgement of their abilities to execute some courses of action that required attaining an outcome. It is the perception of one's ability to convert into expected outcome or the judgement on capabilities to organize and execute a particular course of action. The theory emphasized the concept as the most important among cognitive factors that affect human functioning. The concept self-efficacy plays a central role in human

agency. When people do not believe that their actions will not create desired results, they may have little motivation to involve in the task or preserve in difficulties. Their actions are based more on what people believe than what is exactly exists (Bandura 1986). Social cognitive theory has also strongly proven self-efficacy as a determinant of individual performance (Bandura, 1986). People with enhanced perceived self-efficacy successfully execute tasks therefore higher the degree of self-efficacy the higher the individual performance, and it also predicts future behavior better than past performance (Schunk, 1984). Bandura (1989) emphasized that people's belief of efficacy determine how much effort they will exert in a task. Phillips and Gully (1997), in an experiment conducted on under graduate students, found positive direct relationship between self-efficacy and individual performances. They also found that self-efficacy affects performance through goal setting. Results indicated that self-efficacy ability and self set goals together explain 30 percent of the variance in performance.

Stajkovic and Luthans (1998) conducted a meta-analysis to determine the magnitude of the relationship of working performance to self-efficacy. The relationship was proven positive and strong. According to the findings of the study, self-efficacy contributed to 28 percent of performance improvement. Argument against this meta-analytic study was that the study had considered only cross sectional designs and lower level of confident level (Vancouver et al., 2001). In an experiment of a sample of business school students, Seijts et al. (2004) found positive direct effect of self-efficacy on individual performance, while a study by Acharya et al. (2007) found significantly higher correlation between self-efficacy and sales performance of rural kiosk operators in India. Ozer and Bandura (1990) concluded that people with stronger self efficacy have higher control over their negative thinking, and Olusola (2011) concurred that productivity of employees in industrial settings is mainly affected by their self-efficacy. Meanwhile, Lebusa (2011) conducted a study in a small sample of students, and the results proved that there is a positive effect of self efficacy on performance.

On the contrary, Powers (1991) argued that self-belief increases the optimism in perception and in turn decrease the individual performance. He believed that people make less effort when there is a confidence of achieving the success. Bandura and Jourden (1991) concluded that no increase in individual performance was reported due to self-efficacy of the participants of the study. They found that self-efficacy did not increase the performance of participants in their study. They also explained that self-efficacy provides little incentives to increase the degree of effort needed to achieve high level of performance. Stone (1994) found in an experiment that self-efficacy judgments made in



complex tasks are biased toward overestimates of peoples' personal ability. The experiment that tested how overestimation of initial self efficacy affect decision making found that positive expectations produced overconfidence, but did not increase effort or performance. Similarly Cervone and Wood (1995) also found negative correlation between individual performance and self-efficacy.

Vancouver et al. (2001) conducted two studies in two samples of undergraduates using a within person procedure. In the first study with 56 undergraduate participants, a reverse causality was found though the relationship between self-efficacy and individual performance reported positive. The second study involving 185 undergraduates replicated the findings of first study and found that past performance has a negative influence on future performance. In contrast to the other findings, this study found that performance enhances self-efficacy rather than self efficacy enhances performance demonstrating a reverse causality of the relationship. As indicated by Vancouver et al. (2001), this study challenged the strongly established positive relationship between individual performance and self-efficacy. However, this study was conducted among undergraduates by using a computer game in a lab a setting. Vancouver et al. (2002) also conducted two experimental studies. The first study where 87 undergraduates were divided into two groups in an analytical computer game, and participants were allowed to play ten experimental trials before each trial self-efficacy was measured. Self-efficacy was manipulated in subsequent trials and tested whether the self-efficacy affects the performance. The findings also contradicted most of previous studies on self efficacy-performance relationship, and no causal relationship was found between two variables in the person level. This study also found that self-efficacy decreases individual performance. The second study was conducted with 104 undergraduates. The results reconfirmed the findings of the first study that demonstrates a negative relationship between self-efficacy and individual performance. Vancouver and Kendall (2006) confirmed again the negative relationship between two constructs in a laboratory study.

An instrument to measure the entrepreneurial self-efficacy with dimensions was developed by Chen, Greene and Cride (1998) consisting financial control skills, risk-taking, management, innovation and marketing, while DeNobel, Jung and Ehrlich (1999) developed a scale in entrepreneurial specific domain and tested its relationship with entrepreneurial intentions and actions of practicing entrepreneurs. Results suggested significant relationship between self-efficacy measured in entrepreneurial domain and entrepreneurial intentions. Zhao et al. (2005) tested the relationship between self-efficacy measured in entrepreneurial specific domain and entrepreneurial intentions and

actions. The study focused the MBA students of business faculties in five universities. The survey was done in two phases. First survey was administered on 778 incoming MBA students and second survey was conducted after two years when the students were graduating. The results also found a positive relationship. Forbes (2005) investigated the effect of self-efficacy measured in entrepreneurial domain on decision to start new firms and effective management. The effect found was positive and significant. Brice and Spencer (2007) inquired the variables that improve the likelihood for starting and effectively managing a firm. The study considered graduating business students. The focus was the start-intention and effectively managing a venture. It was found that higher the entrepreneurial self-efficacy of individuals higher the effectiveness of management. Wilson, Kickul and Marlino (2007) conducted a study among MBA students and found that self-efficacy would act as an obstacle to entrepreneurial performance. This study has mainly focused career intentions of adolescents and adult students. Hmieleski and Baron (2008a) investigated the effect of self-efficacy on venture growth and results proved a positive effect. In this study, self-efficacy was measured in entrepreneurial specific domain and firm performance was the focus. On the contrary, Hmieleski and Baron (2008b) found that self-efficacy reduces firm performance rather than increase under some moderating conditions.

Entrepreneurial self efficacy has also been studied as a predictor of entrepreneurial intention and or actions by many researchers and found positive relationships (Fitzsimmons & Douglas, 2005; Chen et al. 1998; Zhao, et al. 2005; Wood & Bandura, 1989; Markman, Balkin & Baron, 2002; Chen & He 2011; Brice & Spencer, 2007; Wilson, Kickul, & Marlino, 2007; Forbes, 2005; De Noble et al. 1999; Krueger et al. 2000; Kristiansen & Indarti, 2004; Kolvereid & Isaksen 2006). Positive relationship has also been proven between ESE and performance by some other researchers (Hmieleski, & Baron, 2008a; Baum, Locke & Smith 2001; Lebusa, 2011). Some other studies have emphasized the importance of entrepreneurial self-efficacy as a mediating variable in entrepreneurial activities (Locke, 2001; Baum, Locke & Smith, 2001; Noel & Latham, 2006; Zhao et al. 2005).

The literature review reveals that self-efficacy measured in entrepreneurial domain have been studied as the predictors of entrepreneurial intention and activities. But most of the studies were from the western context and have ignored the Asian context. No studies have been conducted on effect of self-efficacy dimensions on firm level performance in Sri Lankan context. To address this issue, the study tested research model as shown in Figure 1 below.

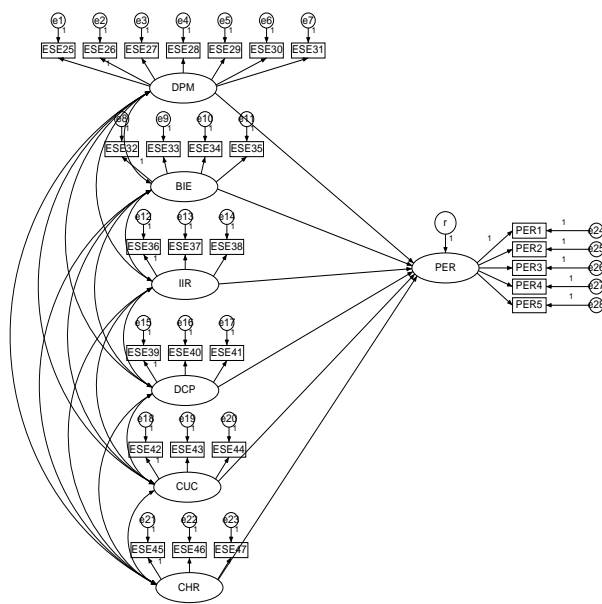


Figure 1 : Research Model

Note: DPM= Developing product and market opportunities BIE= Build an innovative environment IIR= Initiating investor relationships DCP= Define core purpose CUC= Cope with unexpected challenges CHR= developing critical human resource PER= firm performance

The structural equation model estimated six direct paths between the dimensions of entrepreneurial self-efficacy and firm performance formulating following hypotheses to answer the research question to what extent the dimensions of entrepreneurial self efficacy affect firm performance.

- H1: Ability to develop new product and market opportunities positively related to firm performance
- H2: Ability to build an innovative environment positively related to firm performance
- H3: Ability to initiate investor relationships positively related to firm performance
- H4: Ability to define core purpose positively related to firm performance
- H5: Ability to cope with unexpected challenges positively related to firm performance
- H6: Ability to develop critical human resources positively related to firm performance

#### IV. METHODOLOGY

##### a) Sample and Data Collection

A cross sectional survey was undertaken in few steps. First, the dimensions of entrepreneurial self-efficacy were identified through a rigorous literature review. Second, the main field survey was employed in a randomly selected sample of 800 entrepreneurs from Sri Lankan small-scale hotel and restaurant industry. The sample was dispersed on island wide covering five main

areas; Colombo city, east coast south coast, up country and ancient cities. Next, an exploratory factor analysis using Principal components method with Varimax rotation was conducted to examine the validity of factor structure of instrument. Finally, structural equation model was tested in AMOS to estimate the structural paths of the hypothesized research model. The questionnaire was personally delivered among entrepreneurs. In total, 436 of the completed surveys were returned making response rate 53 percent. Due to incompleteness, seven cases were removed from the analysis. A non-response bias using groups based on entrepreneurs' gender, firm age, and number of employees was also examined. In each case, the results were non-significant. Univariate and multivariate outliers were identified by estimating Mahalanobis D2 and deleted from the analysis. Testing four multivariate assumptions; normality, linearity, multicollinearity and homoscedasticity ensured the suitability of data set for the structural equation model testing.

##### b) Measures

Measurement for the firm performance was adapted from this study that used the subjective from Venkataraman's (1989) instrument, which includes five items. They measure entrepreneurs' satisfaction with return on corporate investment, net profit position relative to competition, return on investment position relative to competition, satisfaction with return on sales and financial liquidity position relative to competition. Bandura, (2005) provided a guideline for self-efficacy scales stated that self efficacy belief is not a global trait but it should be differentiated in various domains of functioning. He further emphasized that general measure will reduce the predictive ability. Self-efficacy measured in entrepreneurial specific domain is known as Entrepreneurial Self Efficacy (ESE). It is defined as the degree to which people perceive themselves as having the ability to successfully perform the different roles of entrepreneurship (Chen, Greene, & Crick, 1998; De Noble, Jung, & Ehrlich, 1999). Self-efficacy was measured in entrepreneurial specific domain by the instrument developed by De Nobel et al. (1999). The measure includes 23 items covering six theoretical dimensions of the construct. Perception of the entrepreneurs/managers' ability to develop new product and market opportunities, build an innovative environment, initiate investor relationships, define core purpose, cope with unexpected challenges, and develop critical human resources were measured with five point Likert-scale ranging from strongly disagree to strongly agree. Statements such as "I have the ability to find market opportunities for new products and services", "I have the ability to identify new areas for potential growth" were included to measure the respondents efficacy on developing product and market opportunities.

## V. RESULTS AND DISCUSSIONS

Descriptive statistics revealed that developing new product and market opportunities has the mean value of 3.9 with standard deviation < 1. Building an innovative environment, initiating investor relationship,

defining core purpose, coping with unexpected challenges and developing critical human resources also have considerably higher mean values of 4.00, 3.9, 3.9, 3.8 and 3.9 respectively indicating standard deviations < 1 for all dimensions of entrepreneurial self efficacy (see Table 1).

*Table 1 : Descriptive Statistics*

Dimensions	N	Minimum	Maximum	Mean	SD	Std Error
Developing new product and market opportunities	429	1.00	5.00	3.81	.600	.028
Building an innovative environment	429	1.00	5.00	3.91	.574	.027
Initiating investor relationship	429	1.00	5.00	3.88	.620	.029
Defining core purpose	429	1.00	5.00	3.89	.684	.033
Coping with unexpected challenges	429	1.00	5.00	3.76	.722	.034
Developing critical human resources	429	1.00	5.00	3.84	.704	.034

The results of exploratory factor analysis clearly supported the six-factor structure. All 23 items were loaded on its underlying factor at least at the .40 level.

This six-factor model accounted for 60 percent of the total variance. The loaded items are shown in Table 2 with their factor loadings.

*Table 2 : Results of Factor Analysis*

Item	I	II	III	IV	V	VI
<b>Developing new product and market opportunities</b>						
Have the ability to see new market opportunities for new products and services.	.70					
Have the ability to discover new ways to improve existing products.	.65					
Have the ability to identify new areas for potential growth.	.74					
Have the ability to design products that solve current problems.	.73					
Have the ability to create products that fulfil customers' unmet needs.	.79					
Have the ability to bring product concepts to market in a timely manner	.42					
Have the ability to determine what the business will look like	.48					
<b>Building an innovative environment</b>						
Have the ability to create a working environment that lets people be more their own boss.		.82				
Have the ability to develop a working environment that encourages people to try out something new.		.78				
Have the ability to encourage people to take initiatives and responsibilities for their ideas and decisions regardless of outcome.		.54				
Have the ability to form partner or alliance relationship with others.		.5.9				
<b>Initiating investor relationships</b>						
Have the ability to develop and maintain favourable relationships with potential investors.			.83			
Have the ability to develop relationships with key people who are connected to capital sources.			.81			
Have the ability to identify potential sources of funding for investment			.65			
<b>Defining core purpose</b>						
Have the ability to articulate vision and values of the organization				.78		
Have the ability to inspire others to embrace vision and values of the company.				.83		
Have the ability to formulate a set of actions in pursuit of opportunities.				.85		
<b>Coping with unexpected challenges</b>						
Have the ability to work productively under continuous stress, pressure and conflict.					.64	
Have the ability to tolerate unexpected changes in business conditions					.75	
Have the ability to persist in the face of adversity					.76	
<b>Developing critical human resources</b>						
Have the ability to recruit and train key employees.						.49
Have the ability to develop contingency plans to backfill key technical						.73

staff						
Have the ability to identify and build management teams.				.41		.59
Eigen values	5.6	2.3	1.8	1.4	1.3	1.2
Variance extracted	23.4	10.6	8.3	7.2	6.4	5.2

The structural model with direct effects of dimensions of entrepreneurial self-efficacy on firm performance has proven a good overall model fit reporting  $\chi^2=589.640$ , .947, CFI=.954, IFI= .954, RMR= .033, RMSEA=.043. The overall model-fit indices

indicated that the observed data for direct relationships fit well with the theory. The output for the direct effect model shows that all hypothesized direct structural paths proved expected direction with statistical significance (see Table 3).

*Table 3 : Standardized Regression Weights for Structural Paths*

			Estimate	S.E	CR	P
DPM	--->	PER	.331	.046	6.22	.000
BIE	--->	PER	.148	.036	3.52	.000
IIR	--->	PER	.340	.078	4.61	.000
DCP	--->	PER	.127	.037	2.99	.003
CUC	--->	PER	.270	.071	4.35	.000
CHR	--->	PER	.052	.034	1.31	.190

The highest effect shows between IIR and performance while the lowest lays between CHR and performance. The second highest value lies between DPM and performance. All values except the weight for CHR-performance relationship are statistically significant at .005 level. This result indicates that five direct structural paths out of six have been proved expected direction and statistical significance. Overall results of testing direct effect hypotheses indicated that five hypotheses from H1 to H5 were accepted and H6 was rejected.

## VI. CONCLUSION

The results confirmed that existence of all six dimensions of entrepreneurial self-efficacy among Sri Lankan entrepreneurs is at a considerably higher level. The entrepreneurs perceive that they are in the ability to develop new products and market opportunities to build an innovative environment, initiate investor relationship, define core purpose, and cope with unexpected challenges and developing critical human resources. In addition, result indicated that five dimensions of self-efficacy except CHR are positively related to firm performance. It implies that firms with highly efficacious entrepreneurs are well performing. Moreover existence of higher level of self efficacy among entrepreneurs will be helpful for them to improve the performance of their entities since efficacious human agency is a critical factor for the success of the entities operating in the presence of obstacles in an underdeveloped and political economy. This area needs more research in different contexts for further clarification. Also avenues for exploring situation among other categories such as non-entrepreneurs and professionals are for future researchers.

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# A Comparative Study of Motivating Potential Score of Employees of Public and Private Commercial Banks: An Assessment of Demographics Influence

By Md. Hasebur Rahman & Sheikh M. Nurullah

*Pabna University of Science and Technology, Bangladesh*

**Abstract-** The article presents a theoretical-empirical reflection about concepts, models, and practices of Job Diagnostic Survey Model for computing Motivating Potential Score (MPS) of employees of public and private commercial banks in Bangladesh with demographics influence. Empirical part of this study comprises 130 samples, have been collected through a structured questionnaire. The study reveals that demographic factors such as education, marital status, gender, experience, age, salary and designation have insignificant influence on Motivating Potential Score. The study also reveals that Motivating Potential Score of private commercial bank is slightly higher than public commercial bank but mean difference is statistically insignificant on one way ANOVA statistics at the five percent level of significance. The study concludes that MPS properties closer to a particular job irrespective to the demographics and nature of the organization.

**Keywords:** *MPS; skill variety; task identity; task significance; autonomy feedback from job; commercial bank.*

**GJMBR-A Classification:** *JEL Code: M12, L20*



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# A Comparative Study of Motivating Potential Score of Employees of Public and Private Commercial Banks: An Assessment of Demographics Influence

Md. Hasebur Rahman <sup>α</sup> & Sheikh M. Nurullah <sup>ο</sup>

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## I. INTRODUCTION

Banking job is now one of the challenging and dynamic professions in Bangladesh (Rahman, 2013a). Banking employees organize financial system and works as a core of an economy by mobilizing savings of households, public and private sectors of the economy. Thus banks can play a vital role in fostering the economic and social condition of a country (Islam & Husain, 2001). According to Scheduled Banks Statistics (Bangladesh Bank, 2013) fifty two banks currently operate in Bangladesh including four state owned commercial bank and thirty five private commercial banks including eight Islamic commercial banks. Banking sector employs a significant number of employees in Bangladesh. Both public and private commercial banks are operating in the country with a highly competitive pressure with customized service through competent and motivated employees. Commercial banks as the most important functionary of

the financial system play a dynamic role in the economic development of a nation through mobilization of savings and allocation of credit to productive sectors. Motivation agenda become a driving force for employees of commercial banks to serve internal and external customer with customer demand and satisfaction (Rahman, 2013b).

The success of any organization falls back upon its competent and motivated human resources (Mohiuddin, 2008). Human resources regarded as the most valuable assets and sometimes irreplaceable assets in the organization. It is simply impossible on the part of an organization to get these activities performed efficiently and effectively unless the people of the organization extend their sincere and voluntary cooperation. Motivated employees are sincere, dutiful, and laborious; therefore, need less supervision of expert best performance out of them (Rahman, 2013b). Motivated employees are productive they exert their efficiency and effectiveness on organizational success.

The content theories of work motivation attempt to determine what it is that motivates people at work. Process theories concerned with the cognitive antecedents that go into the motivation or efforts (Luthans, 2011). In the year 1975, Hackman and Oldham, developed a theory called job characteristics theory of motivation. Job Characteristics Model, a motivational based model describing those job characteristics thought to motivate work behaviors and performance (Hackman and Oldham, 1975). The Job Diagnostic Survey tool measures Motivational Potential Score (MPS), which provides the basis for quantifying the theoretical nexus among the three critical psychological components and the five dimensions of the central work.

However, this study is an attempt to compare Motivational Potential Score (MPS) in terms of demographics by Job Diagnostic Survey of Public and Private Commercial Bank in Bangladesh. Changing demographic character is an important reason for emergence of diversity issues in organizational interfaces (Rahman, 2013c). An individual may differ in their motivation in terms of demographics (age, sex,

*Author α: Department of Business Administration, Pabna University of Science and Technology Pabna, Bangladesh.  
e-mail: hasebur7208@yahoo.com*

*Author ο: Professor Department of Management Studies, Rajshahi University, Rajshahi, Bangladesh. e-mail: smnurullahru@gmail.com*

experience etc.), MPS be also impacted in terms of demographic. Due to this differentiation of challenges and environmental pressures of employees of public and private commercial banks, their environments for work tasks as well as motivational factors relating to the performance of these tasks may be impacted, MPS may differ.

## II. RESEARCH OBJECTIVE

The objectives of the study are -

1. To overview Job Characteristics Model in work motivation.
2. To investigate respondent's demographic.
3. To investigate the respondent's demographics influence on MPS.
4. To investigate MPS differences in public and private commercial banks in Bangladesh.

## III. THEORETICAL BACKGROUND AND CONCEPTUAL MODEL

### a) Job Characteristics Model

Job Characteristics Model (JCM) is one of the influential theories ever accepted and adopted in the

field of Organizational Behavior (OB). Hackman and Oldham (1980) developed a job characteristics approach to job enrichment. The model is based on the assumption that jobs can be designed not only to help workers get enjoyment from their jobs but also to help workers feel that they are doing meaningful and valuable work. Specifically, the model identifies five core job characteristics that help create three critical psychological states, leading, in turn, to several personal and work outcomes (Lunenborg, 2011). This model recognizes that certain job characteristics contribute to certain psychological states and that the strength of employees' need for growth has an important moderating effect (Luthans, 2011).

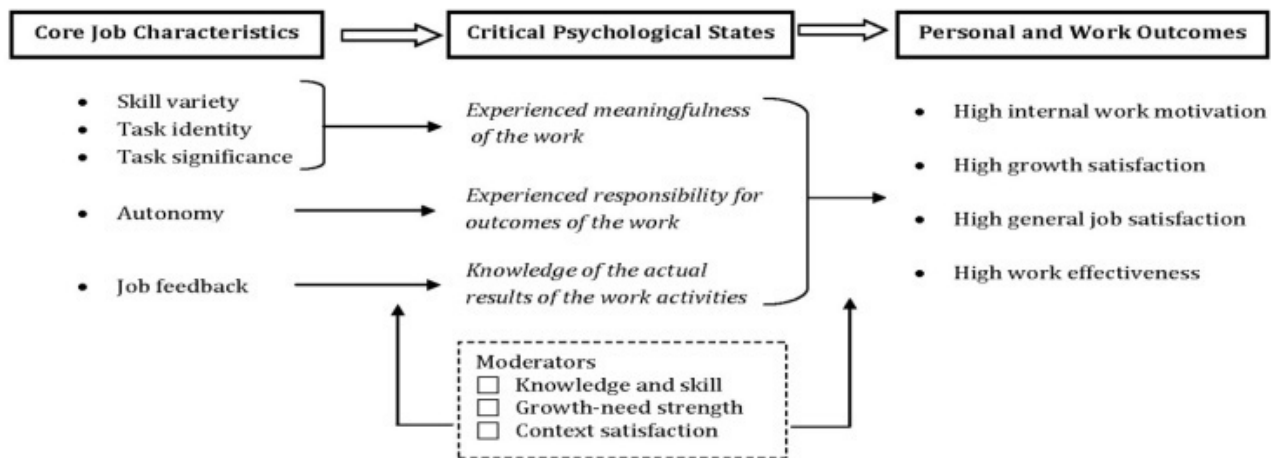


Figure 1 : The Relationships among the Core Job Dimensions, the Critical Psychological States, Personal/Work Outcomes, and Moderators as Illustrated by Hackman and Oldham (1974)

- **Skill Variety:** Skill variety refers to the extent to which job requires the employee to draw from a number of different skills and abilities as well as on a range of knowledge (Luthans, 2011). Jobs that require high skills variety gives employees a greater sense of competence and skills.
- **Task Identity:** Task Identity is defined as the extent to which an individual can complete a whole and identifiable piece of work. Employees who work on a tiny part of whole work are unable to identify their contribution to the work. However, when tasks are broadened to produce a whole product or an identifiable part of it, then task identity has been established (Lunenborg, 2013). Hackman and Oldham (1975) indicate that this characteristic

creates a sense of responsibility for completion that acts as a motivational driver.

- **Task Significance:** Task significance is the degree to which the job has a substantial impact on the lives of other people, whether those people are in the immediate organization or in the external environment (Lunenborg, 2013). High task significance intensifies employee's mindset that they are doing worthwhile in their organization or society, or both.
- **Autonomy:** Autonomy is the degree to which the job provides substantial freedom, independence, and discretion to the individual in scheduling the work and in determining the procedures to be used in

doing the work (Lunenburg, 2013). Autonomy is essential for building a sense of responsibility and a certain degree of freedom of employees.

- *Job Feedback from Job:* Feedback from the job itself is defined as the degree to which carrying out the activities inherent in the job provide clear information to the employee about the effectiveness of their performance (Hackman & Oldham, 1974). The only way employees can make adjustments in their performance is to know how they are performing now, not later. Feedback can come directly from the job itself, or it can be provided verbally by management or other employees (Lunenburg, 2013).

Figure 1 indicates core job characteristics have important effects on various critical psychological states. According to Hackman and Oldham (1974) skill variety, task identity, and task significance together contribute to a person's experienced meaningfulness of the work. Jobs that provide a great deal of autonomy are said to contribute to a person's experienced responsibility for the outcomes of the work (Lunenburg, 2013). When employees have the freedom to decide what is to be done than employees feel more responsible for the results of work. Finally, feedback from job gives employees' information regarding the actual results of work activities. When a job is designed to provide employees with information about the effects of their actions in the workplace, they are better able to develop an understanding of how well they have performed-and such knowledge improves their effectiveness. The job

characteristics model indicates that the three critical psychological states affect various personal and work outcomes-namely, people's internal work motivation, growth satisfaction, general job satisfaction, and work effectiveness. The higher the experienced meaningfulness of work; experienced responsibility for the outcomes of the work; and knowledge of the actual results of work activities, the more positive the personal and work outcomes will be. When employees perform jobs that incorporate high levels of the five core job characteristics, they should feel highly motivated, be highly satisfied with their jobs, and perform work effectively (Lunenburg, 2013).

#### b) *The Motivating Potential Score (MPS)*

Hackman and Oldham (1974, 1975) prescribe a method for computing an overall summary score based on the individual job characteristics measured by the Job Diagnostic Survey, termed the Motivating Potential Score (MPS), reflecting the motivational potential of a job. The five major model variables can be viewed as either task-related (skill variety, task identity, and task significance) or job management related (autonomy and feedback). The model posits a multiplicative relationship between the major components. In computing an overall motivation scores the task-related three core variables are averaged and then multiplied by autonomy and then by feedback scores (See Figure 1). This type of relationship means that when any of the components are low, there is a significant impact on the MPS score. Hence, maximal outcomes can only be achieved when all characteristics are maximized (Weaver, 2006).

$$MPS = \frac{\text{Skill Variety} + \text{Task Identity} + \text{Task Significance}}{3} \times \text{Autonomy} \times \text{Feed back from Job}$$

Figure 2 : The Hackman-Oldham (1974) Formula for Calculating the Motivation Potential Score.

## IV. METHODOLOGY

This methodology section defines the research design, hypothesis development, population samples, data collection procedures and the techniques of data analysis for examining the demographics influence on MPS of employees of public and private commercial bank in Bangladesh. The said factors are education, marital status, gender, experience, age, salary designation and public/ private commercial banks.

#### a) *Research Design*

This study is descriptive and hypotheses testing in natural. This study aimed to examine the factors that affect of demographics on the properties of MPS. The hypothesis tested was explaining the relationship between mean differences of MPS on the basis of core job characteristics (Skill variety, task identity, task significance, autonomy and feedback from job) in respect to demographics. Finally, data was collected

using the survey method where questionnaires were used to collect information.

#### b) *Hypotheses of the Study*

- $H_1$ : Mean values of MPS differ due to designation factor.
- $H_2$ : Mean values of MPS differ due to salary factor.
- $H_3$ : Mean values of MPS differ due to age factor.
- $H_4$ : Mean values of MPS differ due to work experience factor.
- $H_5$ : Mean values of MPS differ due to gender factor.
- $H_6$ : Mean values of MPS differ due to the marital status factor.
- $H_7$ : Mean values of MPS differ due to education factor.
- $H_8$ : Mean values of MPS differ due to bank factor.



c) *Population and Sample*

For questionnaire survey convenient method of sampling was used. There is no available source for the address of employees. Therefore, friends, relatives, and other informal reference group were used to locate the potential respondents in Bangladesh. Questionnaires were sent by email, postal mail and directed to 200 respondents. The number of initial replies received was 110. After a screening first round replies a second round personal contact conducted by a researcher and finally 130 respondents were taken for this study.

d) *Data Collection Technique*

This study mainly based on primary data originating from a survey. For this purpose a constructed questionnaire was developed. Excepting the questions regarding demographic characteristics of skill variety, task identity, task significance, autonomy and feedback from the job were constructed, measured and investigated through 7 point Scale. The scale consists of 5 statements, for each statement has seven options/ points such as strongly agree/ 7, agree/ 6, slightly agree/ 5, undecided/ 4, slightly disagree/ 3, disagree/ 2, and strongly disagree/ 1.

e) *Data Analysis Technique*

SPSS Statistics software package was used for statistical analysis. Reliability of data was measured by using the Chronbach's Alpha (Cornbach, 1951). Chronbach Alpha was .546. Alpha is higher than that is suggested by Nunnally (1978) and therefore data collected can be considered reliable. Descriptive statistical techniques such as mean and standard deviation were used to measure the mean scores and their variability. One way ANOVA is used to test mean

differences of core job characteristics by factors\* lead (\*education, \*marital status, \*gender, \*experience, \*age, \*salary designation and \*public/ private commercial banks).

## V. ANALYSIS AND FINDINGS

a) *Demographics Influence on Motivating Potential Score (MPS)*

Hackman and Oldham's JCM (1976, 1980) identified a set of job characteristics that are proposed to motivate employees intrinsically. The model further states that the five core job characteristics can be combined into a single index of motivating potential score (MPS) that reflects the overall potential of a job to influence an individual's feelings and behaviors (Fried & Ferris, 1987). Many empirical studies have been done to test the job characteristics model in a variety of work settings, including banks, insurance companies, dentist offices, corrections departments, telephone companies, manufacturing firms, government agencies, and other service organizations (Lunenburg, 2011). However this empirical study investigates motivational differences in a single work setting like employees of commercial bank in terms of employee's designation, salary or pay, age, work experience, gender, marital status, level of educational attainment of respondents and employee's public/private commercial bank in Bangladesh. According to the of human resource management; employees differ in respect of demographic variables. The assumption of this study is for every employee is unique; the properties of MPS may also differ within the single work setting due to demographics.

i. *Respondent's Demographic*

<b>Table 1; Respondent's Demographic</b>		<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Bank	Public Commercial	65	50	50
	Private Commercial	65	50	100
	Total	130	100	
Designation (Equivalent)	Junior Officer	5	3.8	3.8
	Officer	32	24.6	28.5
	Senior Officer	72	55.4	83.8
	Principal Officer	7	5.4	89.2
	Senior Principal Officer	14	10.8	100.0
	Total	130	100.0	
Salary (Gross)	Below Tk 30,000	64	49.2	49.2
	Tk 30,000-50,000	44	33.8	83.1
	Above Tk 50,000	22	16.9	100.0
	Total	130	100.0	
Age	Below 30 years	36	27.7	27.7
	30-45 year	70	53.8	81.5
	Above 45 years	24	18.5	100.0
	Total	130	100.0	
Work Experience	Below 10 years	96	73.8	73.8
	10-20 year	14	10.8	84.6
	Above 20 years	20	15.4	100.0
	Total	130	100.0	
Gender	Male	119	91.5	91.5

	Female	11	8.5	100.0
	Total	130	100.0	
Marital Status	Married	102	78.5	78.5
	Unmarried	28	21.5	100.0
	Total	130	100.0	
Education	HSC	2	1.5	1.5
	Bachelor	22	16.9	18.5
	Master	106	81.5	100.0
	Total	130	100.0	

Source: Field Survey (July-December, 2013)

Questionnaires were distributed to the employees of commercial banks; among them 50% are public and 50% are private commercial banks. Frequencies of employees as per designation comprise 3.8% junior office, 24.6% officer, 55.4% senior officer, 5.4% principal office and 10.8% are senior principal officer level. 49.02% respondent's monthly salary below Tk 30,000, 33.8% respondent's salary within Tk 30,000-50,000 and 16.9% have monthly salary Tk 50,000. 27.7%

respondent's age below 30 years, 10.8% respondent's age within 30-45 year and 18.5% respondent's age Above 45 years. 73.8% respondents have work experience below 10 years, 10.8% respondents have work experience within 10-20 year and 15.4% respondents have work experience above 20 years. Sample comprises 91.5% male and 8.5% female 78.5 married and 21.55 unmarried. 1.5% has HSC, 16.9% have bachelor and 81.5% have a master's degree.

ii. Skill Variety, Task Identity, Task Significance, Autonomy, and Feedback from Job \* Designation

Table 2 : Descriptive statistics \*Designation

Designation (Equivalent)		Skill Variety	Task Identity	Task Significance	Autonomy	Feedback from Job	MPS
Junior Officer	Mean	5.60	5.00	6.20	5.40	5.20	157.248
	Std. Deviation	.894	1.225	1.095	1.140	1.304	
Officer	Mean	5.28	4.75	5.78	5.22	4.94	135.896
	Std. Deviation	1.054	1.107	.792	.941	.878	
Senior Officer	Mean	5.06	5.04	5.72	4.90	5.21	134.622
	Std. Deviation	1.073	.941	.791	.952	.903	
Principal Officer	Mean	4.86	5.00	5.29	4.86	4.86	119.278
	Std. Deviation	.900	.577	1.604	.900	.900	
Senior Principal Officer	Mean	5.00	4.36	5.64	5.07	5.14	130.229
	Std. Deviation	.961	1.216	.842	1.141	.864	
Total	Mean	5.12	4.89	5.72	5.02	5.12	134.766
	Std. Deviation	1.039	1.021	.863	.972	.903	

Source: Field Survey (July-December, 2013)

Table 2 shows Motivating Potential Score (MPS) of junior officer 157.248, officer 135.896, senior officer 134.622, principal officer 119.278, senior principal officer 130.229 and total 134.766. It reveals that MPS of lower level officer is slightly higher than that of a higher level officer.

officer 130.229 and total 134.766. It reveals that MPS of lower level officer is slightly higher than that of a higher level officer.

Table 3 : ANOVA Table

		Sum of Squares	df	Mean Square	F	Sig.
Skill Variety * Designation	Between Groups(Combined)	2.966	4	.741	.680	.607
	Within Groups	136.304	125	1.090		
	Total	139.269	129			
Task Identity * Designation	Between Groups(Combined)	6.403	4	1.601	1.562	.189
	Within Groups	128.089	125	1.025		
	Total	134.492	129			
Task Significance * Designation	Between Groups (Combined)	2.675	4	.669	.895	.469
	Within Groups	93.356	125	.747		
	Total	96.031	129			
Autonomy * Designation	Between Groups (Combined)	3.195	4	.799	.841	.502
	Within Groups	118.774	125	.950		
	Total	121.969	129			
Feedback from Job * Designation	Between Groups (Combined)	2.148	4	.537	.651	.627
	Within Groups	103.121	125	.825		
	Total	105.269	129			
Average:					.926	.479

ANOVA table 3 indicates statistically insignificant mean difference (average  $F=.926$ ,  $p=.479$ ) of MPS of commercial bank in Bangladesh in terms of

designation. Therefore the first hypothesis (H1: Mean values of MPS differ due to designation factor) of the study is rejected at the 5% level of significance.

iii. *Skill Variety, Task Identity, Task Significance, Autonomy, and Feedback from Job \* Salary*

Table 4: Descriptive statistics \* Salary

Salary		Skill Variety	Task Identity	Task Significance	Autonomy	Feedback from Job	MPS
Below Tk 30,000	Mean	5.11	4.97	5.80	5.09	4.97	133.907
	Std. Deviation	1.129	.975	.858	.886	.992	
Tk 30,000-50,000	Mean	5.14	4.93	5.75	4.95	5.18	135.313
	Std. Deviation	.979	1.021	.719	1.077	.815	
Above Tk 50,000	Mean	5.09	4.59	5.45	4.91	5.41	133.966
	Std. Deviation	.921	1.141	1.101	1.019	.734	
Total	Mean	5.12	4.89	5.72	5.02	5.12	134.766
	Std. Deviation	1.039	1.021	.863	.972	.903	

Source: Field Survey (July-December, 2013)

Table 4 shows Motivating Potential Score (MPS) of employees whose salary below Tk 30,000 is 133.907, salary within Tk 30,000-50,000 is 135.313 and above Tk

50,000 is 133.966. It reveals that MPS is alike irrespective to range of salary.

Table 5 : ANOVA Table

		Sum of Squares	df	Mean Square	F	Sig.
Skill Variety * Salary	Between Groups (Combined)	.035	2	.017	.016	.984
	Within Groups	139.234	127	1.096		
	Total	139.269	129			
Task Identity * Salary	Between Groups (Combined)	2.441	2	1.221	1.174	.312
	Within Groups	132.051	127	1.040		
	Total	134.492	129			
Task Significance * Salary	Between Groups (Combined)	1.967	2	.983	1.328	.269
	Within Groups	94.064	127	.741		
	Total	96.031	129			
Autonomy * Salary	Between Groups (Combined)	.804	2	.402	.422	.657
	Within Groups	121.165	127	.954		
	Total	121.969	129			
Feedback from Job * Salary	Between Groups (Combined)	3.468	2	1.734	2.163	.119
	Within Groups	101.801	127	.802		
	Total	105.269	129			
Average:					1.020	.468

ANOVA table 5 indicates statistically insignificant mean difference (average  $F=1.020$ ,  $p=.468$ ) of MPS of commercial bank in Bangladesh in

terms of salary. Therefore the second hypothesis (H2: Mean values of MPS differ due to salary factor) of the study is rejected at the 5% level of significance.

iv. *Skill Variety, Task Identity, Task Significance, Autonomy, and Feedback from Job \* Age:*

Table 6 : Descriptive statistics \* Age

Age		Skill Variety	Task Identity	Task Significance	Autonomy	Feedback from Job	MPS
Below 30 years	Mean	5.03	4.92	5.89	4.94	5.14	134.067
	Std. Deviation	1.028	.967	.785	1.040	.931	
30-45 years	Mean	5.07	4.86	5.61	4.90	5.16	130.971
	Std. Deviation	1.054	.997	.952	.950	.879	
Above 45 years	Mean	5.38	4.96	5.79	5.46	4.96	145.608
	Std. Deviation	1.013	1.197	.658	.833	.955	
Total	Mean	5.12	4.89	5.72	5.02	5.12	134.766
	Std. Deviation	1.039	1.021	.863	.972	.903	

Source: Field Survey (July-December, 2013)

Table 6 shows Motivating Potential Score (MPS) of employees whose age below 30 years is 134.067, within 30-45 years is 130.971 and above 45 years is 145.608. It reveals that MPS is slightly higher of upper age respondent's.

*Table 7 : ANOVA Table*

		Sum of Squares	df	Mean Square	F	Sig.
Skill Variety * Age	Between Groups (Combined)	2.029	2	1.015	.939	.394
	Within Groups	137.240	127	1.081		
	Total	139.269	129			
Task Identity * Age	Between Groups (Combined)	.213	2	.106	.101	.904
	Within Groups	134.280	127	1.057		
	Total	134.492	129			
Task Significance * Age	Between Groups (Combined)	1.931	2	.966	1.303	.275
	Within Groups	94.100	127	.741		
	Total	96.031	129			
Autonomy * Age	Between Groups (Combined)	5.822	2	2.911	3.183	.045
	Within Groups	116.147	127	.915		
	Total	121.969	129			
Feedback from Job * Age	Between Groups (Combined)	.734	2	.367	.446	.641
	Within Groups	104.535	127	.823		
	Total	105.269	129			
Average:					1.194	.451

ANOVA table 7 indicates statistically insignificant mean difference (average  $F=1.194$ ,  $p=0.451$ ) of MPS of commercial bank in Bangladesh in terms of age. Therefore the third hypothesis (H3: Mean values of MPS differ due to age factor) of the study is rejected at the 5% level of significance.

v. Skill Variety, Task Identity, Task Significance, Autonomy, and Feedback from Job \* Experience

*Table 8 : Descriptive statistics \* Experience*

Experience		Skill Variety	Task Identity	Task Significance	Autonomy	Feedback from Job	MPS
Below 10 years	Mean	5.08	4.84	5.73	4.92	5.17	132.693
	Std. Deviation	1.002	.966	.912	.991	.914	
10-20 years	Mean	4.71	4.93	5.43	5.14	4.93	127.292
	Std. Deviation	1.267	1.269	.852	.864	1.072	
Above 20 years	Mean	5.55	5.10	5.90	5.40	5.00	148.950
	Std. Deviation	.945	1.119	.553	.883	.725	
Total	Mean	5.12	4.89	5.72	5.02	5.12	134.766
	Std. Deviation	1.039	1.021	.863	.972	.903	

Source: Field Survey (July-December, 2013)

Table 8 shows Motivating Potential Score (MPS) of employees whose experience below 10 years is 132.693, within 10-20 years is 127.292 and above 20 years is 148.950. It reveals that MPS is slightly higher of experienced respondent's.

*Table 9 : ANOVA Table*

		Sum of Squares	df	Mean Square	F	Sig.
Skill Variety * Experience	Between Groups (Combined)	6.129	2	3.064	2.923	.057
	Within Groups	133.140	127	1.048		
	Total	139.269	129			
Task Identity * Experience	Between Groups (Combined)	1.107	2	.554	.527	.592
	Within Groups	133.385	127	1.050		
	Total	134.492	129			
Task Significance * Experience	Between Groups (Combined)	1.844	2	.922	1.243	.292
	Within Groups	94.187	127	.742		
	Total	96.031	129			
Autonomy * Experience	Between Groups (Combined)	4.122	2	2.061	2.221	.113
	Within Groups	117.848	127	.928		
	Total	121.969	129			
Feedback from Job *	Between Groups (Combined)	1.007	2	.504	.614	.543

Experience	Within Groups	104.262	127	.821		
	Total	105.269	129			
Average:					1.507	.319

ANOVA table 9 indicates statistically insignificant mean difference (average  $F=1.507$ ,  $p=.319$ ) of MPS of commercial bank in Bangladesh in terms of experience. Therefore the fourth hypothesis

(H4: Mean values of MPS differ due to experience factor) of the study is rejected at the 5% level of significance.

vi. *Skill Variety, Task Identity, Task Significance, Autonomy, and Feedback from Job \* Gender*

Table 10 : Descriptive statistics \* Gender

Gender		Skill Variety	Task Identity	Task Significance	Autonomy	Feedback from Job	MPS
Male	Mean	5.11	4.89	5.71	5.00	5.10	133.535
	Std. Deviation	1.056	1.023	.894	.957	.896	
Female	Mean	5.18	4.91	5.82	5.18	5.27	144.773
	Std. Deviation	.874	1.044	.405	1.168	1.009	
Total	Mean	5.12	4.89	5.72	5.02	5.12	134.766
	Std. Deviation	1.039	1.021	.863	.972	.903	

Source: Field Survey (July-December, 2013)

Table 10 shows Motivating Potential Score (MPS) of male respondent's is 133.535 and female respondent's is 144.773. It reveals that MPS of female respondent's is slightly higher than male respondents'.

Table 11 : ANOVA Table

		Sum of Squares	df	Mean Square	F	Sig.
Skill Variety * Gender	Between Groups (Combined)	.053	1	.053	.049	.826
	Within Groups	139.216	128	1.088		
	Total	139.269	129			
Task Identity * Gender	Between Groups (Combined)	.003	1	.003	.003	.955
	Within Groups	134.489	128	1.051		
	Total	134.492	129			
Task Significance * Gender	Between Groups (Combined)	.109	1	.109	.145	.704
	Within Groups	95.922	128	.749		
	Total	96.031	129			
Autonomy * Gender	Between Groups (Combined)	.333	1	.333	.350	.555
	Within Groups	121.636	128	.950		
	Total	121.969	129			
Feedback from Job * Gender	Between Groups (Combined)	.297	1	.297	.363	.548
	Within Groups	104.972	128	.820		
	Total	105.269	129			
Average:					0.182	1.196

ANOVA table 11 indicates statistically insignificant mean difference (average  $F=0.182$ ,  $p=1.196$ ) of MPS of commercial bank in Bangladesh in terms of gender. Therefore the fifth hypothesis (H5: Mean values of MPS differ due to gender factor) of the study is rejected at the 5% level of significance.

vii. *Skill Variety, Task Identity, Task Significance, Autonomy, and Feedback from Job \* Marital Status*

Table 12 : Descriptive statistics \* Marital Status

Marital Status		Skill Variety	Task Identity	Task Significance	Autonomy	Feedback from Job	MPS
Married	Mean	5.13	4.94	5.71	5.06	5.05	134.408
	Std. Deviation	1.069	1.013	.874	.910	.905	
Unmarried	Mean	5.07	4.71	5.79	4.86	5.36	135.197
	Std. Deviation	.940	1.049	.833	1.177	.870	
Total	Mean	5.12	4.89	5.72	5.02	5.12	134.766
	Std. Deviation	1.039	1.021	.863	.972	.903	

Source: Field Survey (July-December, 2013)

Table 12 show Motivating Potential Score (MPS) of married respondent's is 134.408 and unmarried is 135.197.



Table 13 : ANOVA Table

		Sum of Squares	df	Mean Square	F	Sig.
Skill Variety * Marital Status	Between Groups (Combined)	.069	1	.069	.063	.802
	Within Groups	139.200	128	1.088		
	Total	139.269	129			
Task Identity * Marital Status	Between Groups (Combined)	1.131	1	1.131	1.085	.299
	Within Groups	133.361	128	1.042		
	Total	134.492	129			
Task Significance * Marital Status	Between Groups (Combined)	.140	1	.140	.187	.666
	Within Groups	95.891	128	.749		
	Total	96.031	129			
Autonomy * Marital Status	Between Groups (Combined)	.894	1	.894	.945	.333
	Within Groups	121.076	128	.946		
	Total	121.969	129			
Feedback from Job * Marital Status	Between Groups (Combined)	2.086	1	2.086	2.587	.110
	Within Groups	103.183	128	.806		
	Total	105.269	129			
Average:					.973	.442

ANOVA table 13 indicates statistically insignificant mean difference (average  $F = .973$ ,  $p = .442$ ) of MPS of commercial bank in Bangladesh in terms of marital status. Therefore the sixth hypothesis (H6: Mean values of MPS differ due to the marital status factor) of the study is rejected at the 5% level of significance.

viii. *Skill Variety, Task Identity, Task Significance, Autonomy, and Feedback from Job \* Education*

Table 14 : Descriptive statistics \*Education

Education		Skill Variety	Task Identity	Task Significance	Autonomy	Feedback from Job	MPS
HSC	Mean	6.50	6.00	6.00	4.50	5.00	138.750
	Std. Deviation	.707	.000	.000	.707	.000	
Bachelor	Mean	5.27	5.27	5.73	5.32	5.23	150.896
	Std. Deviation	.935	.985	.935	.995	.813	
Master	Mean	5.06	4.79	5.72	4.96	5.09	131.028
	Std. Deviation	1.050	1.012	.859	.965	.931	
Total	Mean	5.12	4.89	5.72	5.02	5.12	134.766
	Std. Deviation	1.039	1.021	.863	.972	.903	

Source: Field Survey (July-December, 2013)

Table 14 shows Motivating Potential Score (MPS) of respondents who have HSC is 138.750, bachelor is 150.896 and master degree is 131.028. It reveals that MPS of bachelor holder higher than that of lower and upper educational attainment.

Table 15 : ANOVA Table

		Sum of Squares	df	Mean Square	F	Sig.
Skill Variety * Education	Between Groups (Combined)	4.745	2	2.373	2.240	.111
	Within Groups	134.524	127	1.059		
	Total	139.269	129			
Task Identity * Education	Between Groups (Combined)	6.695	2	3.347	3.326	.039
	Within Groups	127.798	127	1.006		
	Total	134.492	129			
Task Significance * Education	Between Groups (Combined)	.158	2	.079	.104	.901
	Within Groups	95.873	127	.755		
	Total	96.031	129			
Autonomy * Education	Between Groups (Combined)	2.847	2	1.424	1.518	.223
	Within Groups	119.122	127	.938		
	Total	121.969	129			
Feedback from Job * Education	Between Groups (Combined)	.349	2	.174	.211	.810
	Within Groups	104.920	127	.826		
	Total	105.269	129			
Average:					1.479	.416

ANOVA table 15 indicates statistically insignificant mean difference (average  $F=1.479$ ,  $p=.416$ ) of MPS of commercial bank in Bangladesh in terms of educational attainment. Therefore the seventh

hypothesis (H7: Mean values of MPS differ due to education factor) of the study is rejected at the 5% level of significance.

ix. *Skill Variety, Task Identity, Task Significance, Autonomy, and Feedback from Job \* Bank*

Table 16 : Descriptive statistics \*Bank

Bank		Skill Variety	Task Identity	Task Significance	Autonomy	Feedback from Job	MPS
Public Commercial Bank	Mean	5.02	4.91	5.75	5.15	4.88	131.356
	Std. Deviation	1.125	1.057	.848	.833	1.008	
Private Commercial Bank	Mean	5.22	4.88	5.69	4.88	5.35	137.515
	Std. Deviation	.944	.992	.883	1.083	.717	
Total	Mean	5.12	4.89	5.72	5.02	5.12	134.766
	Std. Deviation	1.039	1.021	.863	.972	.903	

Source: Field Survey (July-December, 2013)

Table 16 shows Motivating Potential Score (MPS) of employees of public commercial bank is 131.356, private commercial bank is 137.515. It reveals

that MPS of lower level officer is slightly higher for employees of private commercial bank in Bangladesh.

Table 17 : ANOVA Table

		Sum of Squares	df	Mean Square	F	Sig.
Skill Variety * Bank	Between Groups (Combined)	1.300	1	1.300	1.206	.274
	Within Groups	137.969	128	1.078		
	Total	139.269	129			
Task Identity * Bank	Between Groups (Combined)	.031	1	.031	.029	.864
	Within Groups	134.462	128	1.050		
	Total	134.492	129			
Task Significance * Bank	Between Groups (Combined)	.123	1	.123	.164	.686
	Within Groups	95.908	128	.749		
	Total	96.031	129			
Autonomy * Bank	Between Groups (Combined)	2.492	1	2.492	2.670	.105
	Within Groups	119.477	128	.933		
	Total	121.969	129			
Feedback from Job * Bank	Between Groups (Combined)	7.392	1	7.392	9.667	.002
	Within Groups	97.877	128	.765		
	Total	105.269	129			
Average:					2.747	.386

ANOVA table 17 indicates statistically insignificant mean difference (average  $F=2.747$ ,  $p=.386$ ) of MPS of commercial bank in Bangladesh in terms of bank (public/private). Therefore the eighth hypothesis (H8: Mean values of MPS differ due to bank factor) of the study is rejected at the 5% level of significance.

## VI. RESULT AND DISCUSSION

Table 18 : The Summary of Hypotheses Results

Hypotheses	Results
H <sub>1</sub> : Mean values of MPS differ due to designation factor.	Rejected
H <sub>2</sub> : Mean values of MPS differ due to salary factor.	Rejected
H <sub>3</sub> : Mean values of MPS differ due to age factor.	Rejected

H <sub>4</sub> : Mean values of MPS differ due to work experience factor.	Rejected
H <sub>5</sub> : Mean values of MPS differ due to gender factor.	Rejected
H <sub>6</sub> : Mean values of MPS differ due to the marital status factor.	Rejected
H <sub>7</sub> : Mean values of MPS differ due to education factor.	Rejected
H <sub>8</sub> : Mean values of MPS differ due to bank factor.	Rejected

Many empirical studies have conducted in a variety of work settings, found significant differences in Motivational Potential Score due to cross industry analysis. This empirical study investigates motivational differences in a single work setting of commercial bank in terms of employee's designation, salary or pay, age, work experience, gender, marital status, level of

educational attainment of respondents and the employee's public/private commercial bank in Bangladesh. The study reveals that demographic factors such as education, marital status, gender, experience, age, salary and designation have insignificant influence on Motivating Potential Score. The study also reveals that Motivating Potential Score of private commercial bank is slightly higher than public commercial bank but mean difference is statistically insignificant on one way ANOVA statistics at the five percent level of significance. The study concludes that MPS properties closer to a particular job irrespective to the demographics and nature of the organization.

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## Teacher's Remuneration and their Attitude to Work in Cross River State

By Dr. Orok B. Arrey

*Federal University Wukari Taraba State, Nigeria*

**Abstract-** This study examined the possible influence of teacher's remuneration and their attitude to work in Cross River State. Two main hypotheses were formulated for the study and the main instrument were the "Teachers Remuneration and Attitude Questionnaire" (TRAQ). It was given both full and content validity by experts in measurement and evaluation before administration. The TRAQ were administered on ISO teachers using the random sampling technique. The responses obtained from the questionnaire were coded and the Chi-square statistical analyses were used to test the hypotheses. The significance at 0.05 level were also determined. The result showed that regularity in the payment of teachers salaries influenced their attitude to work while payment of remunerations to teachers had an insignificant influence on teachers attitude to work. Based on these findings, recommendations were made for improvement (International Journal of Social Science and Public Policy 2002:5(1) pp 108-113).

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TEACHERSREMUNERATIONANDTHEIRATTITUDETOWORKINCROSSRIVERSTATE

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**Abstract-** This study examined the possible influence of teacher's remuneration and their attitude to work in Cross River State. Two main hypotheses were formulated for the study and the main instrument were the "Teachers Remuneration and Attitude Questionnaire" (TRAQ). It was given both full and content validity by experts in measurement and evaluation before administration. The TRAQ were administered on ISO teachers using the random sampling technique. The responses obtained from the questionnaire were coded and the Chi-square statistical analyses were used to test the hypotheses. The significance at 0.05 level were also determined. The result showed that regularity in the payment of teachers salaries influenced their attitude to work while payment of remunerations to teachers had an insignificant influence on teachers attitude to work. Based on these findings, recommendations were made for improvement (International Journal of Social Science and Public Policy 2002:5(1) pp 108-113).

## I. INTRODUCTION

The teaching profession is one of the least respected professions in Nigeria today as it is the case in most developing countries of the world. Teachers from all ramifications are the builder of a nation hence they educate the youth that will later sustain the growth of the nation. This important role which the teachers play is not adequately compensated. If not for recently when the federal government had introduced some fringe benefits or remunerations such as the new salary structure called "elongated salary", housing and transport, utility, rent and leave allowances for all workers in the country, teachers would have remained very poor. These remunerations are added incentives to motivate and encourage teachers to put in their best for a better attitude to work, which will lead to high productivity and efficiency.

Unfortunately, these remunerations are not so regularly paid to teachers as their counterparts in other employments. This usually leads to incessant strikes in the school system.

According to Mbipom (2000:115), both staff and students have lost much time due to strikes for better conditions of service. Accordingly, as long as the hydra-headed examination malpractice is around nobody seems to mind. The resultant effects are found in the half-baked and ill-equipped products turned out from the school system annually.

*Author: Department of Business Administration Federal University Wukari Taraba State Nigeria. P.O.Box 371 Wukari Taraba State, Nigeria. e-mail: Orokbonifacearrey@yahoo.com*

But the questions are, who is to blame? The teacher who does not want to teach or perform his job as at when due? The students who are ready to study but are deprived? The parents who despite poor finances manage to put in their best by paying in their children school fees? Or, the government, who has introduced the remunerations but is yet to implement it regularly to the teachers?

Apparently, there are more to these questions than in the asking hence the essence of this paper is to represent in its logical perspective, the effect of remunerations on the attitude of teachers vis-a-vis the lingering crises in our educational system.

## II. BACKGROUND OF STUDY

The current trend in our educational system is the poor attitude to work of teachers, as it is evident in the strikes and increasing rates of failures, in public examinations such as the Senior Secondary School Certificate Examinations (SSCE), the Polytechnics, Colleges of Education Entrance Examinations, and the University Matriculation Examinations (UME).

This undesirable trend of events has given educationists, policy makers, parents, guardians and even school administrators greater cause for concern. In an attempt to investigate the effect of this remuneration on teachers' attitude to work in schools most researchers have attributed the negative attitude of teachers to the poor implementation of basic incentives and lack of government commitment to educational matters.

Of great importance as the above factors may seem to be, it is worthy to note that the most predominant factor affecting teachers productivity and their attitude to work today in our school is the inability of government to evolve an enduring remuneration and motivational strategy that will create a conducive atmosphere which will encourage teachers to be committed to work.

## III. OBJECTIVES OF THE STUDY

The objectives of the study is to:

1. Ascertain whether irregularity in the payment of teachers salaries affect their attitude to work.
2. Determine the extent to which payment of remunerations affects teachers attitude to work.

#### IV. THEORETICAL FRAME WORK

The economic view of man insists that persons are motivated by economic factors. They only put in their best either when they have received monetary gratification or when there is much at stake. School heads that hold this view probably see money as prime in soliciting the contribution of their subordinate. That is why the federal government of Nigeria has implemented some enhanced salary structure and other remunerations for workers.

Commenting on remuneration, Musaaizi (1987:202) held that teachers take annual leave during the school holiday and the entitlement varies depending on the salary scale of the teacher. Leave rosters are usually prepared by the principal or school heads but unfortunately most grants are not paid by the state governments before the end of an articular year. Often, teachers threaten strikes or work to rule action before these remunerations and bonuses are paid.

According to Musaaizi (1987), these allowances should be considerate to the status of the teachers' salary scale. On salaries, Adesina (1980: 138) conducted studies in Lagos and Bendel States, on the demand and supply of teachers to identify some of their grievances. He came out with the following finding:

1. Teachers were underpaid compared with other sectors;
2. Teachers were paid late;
3. Teachers had poor conditions of service and that the society looks down on them and the teaching profession,

Riich (1958), Mbipom (2000) both affirms Bernard-Simon theory of motivation which recognizes the relationship between the satisfaction by organizations of the needs of workers and their attitude to work. Therefore every attempt has to be made in finding out how best to encourage him or her to stay on the job.

Teachers ability to perform on the job depends on his willingness to do the job if he is adequately motivated through better remuneration.

#### V. RESEARCH HYPOTHESES

The following hypotheses were posited for the study.

1. There is no significant relationship between payment of teachers salaries and their attitude to work.
2. There is no significant relationship between remuneration of teachers and their attitude to work.

#### VI. METHODOLOGY AND DESIGN

The Expo-facto design and Random Sampling techniques were used for the study. The study samples consisted of one hundred and fifty (150) teachers randomly selected across the four educational zones in

Cross River State. The teachers remuneration and attitude questionnaire (TRAQ) with twenty items were administered. They were validated by experts and field tested, It was found reliable across both time and content at 0.78 significance.

The responses from the questionnaire were collected, coded and analyzed to find the significance and relationship between the variables in the study. By applying the Chi-Square Statistic, the result were statistically significant at 0.05 level.

#### VII. RESULTS

Hypothesis one stated that, there is no significant relationship between payments of salaries and teachers attitude to work. The objective was to establish a relationship between regularity of payment of teachers salaries as it affects their attitude to work.

These variables were compared, using the Chi-Square (X<sup>2</sup>) test. The result is represented in table one below:

*Table 1: Teachers Salaries and their Attitude to Work*

Teachers Attitude to Work	Payment of Salaries		Total	Cal X <sup>2</sup>	X <sup>2</sup>
	Regular	Irregular			
Positive	114(113.49)	19(19.15)	133	3.8	0.13
Negative	14(14.51)	3(2A9)	17		
Total	128	22	150		

df= 1, significant at 0.05.

Based on the above results, the null hypothesis was rejected as illustrated in the above table. The calculated Chi-Square (X<sup>2</sup>) is 3.8 and is greater than the calculated table value (0.13) at one degree of freedom. This showed that there is a marked difference among teachers in the irregularity of salaries payment and their attitude to work.

It appeared from these results that teachers tend to show positive attitude to work when they are paid regularly. Hence this confirms Mbipom (2000:113) assertion that the school should consider the conditions under which the teachers are working and make available salaries, equipments and facilities to enhance productivity.

Hypothesis two stated that, there is no significant relationship between remuneration of teachers and their attitude to work.

*Table II* : Teachers Remuneration and their Attitude to Work

Remuneration					
Teachers Attitude to Work	Annual Leave	Rent Allowance	Total	Cal X <sup>2</sup>	X <sup>2</sup>
Positive	90(86.65)	44(47.35)	134		
				3.44	3.84
Negative	7(1035)	9(5.65)	16		
Total	97	53	150		

df=1, level of significance is at 0.05

Table two showed that there is an insignificant difference in the calculated Chi-Square (3.44) and the table value (384) at 0.05 level of significance. Therefore the null hypothesis is retained.

## VIII. DISCUSSION OF RESULTS

Hypothesis one shows a significant difference between regularity of teachers' salaries and their attitude to work. It had been found out from the data analysis that irregular payment of salary affects teachers performance and most of them are longing for transfer to other sectors with regular payment of salary.

The above revelation confirms Okeke (1987) assertion that, paying salaries on time is one thing and their being enough to meet workers needs is quite another. The touchy variable which if neglected will undoubtedly detract the teacher very much from devotion to duty. The study also revealed that majority of teachers would have worked harder if their salaries were paid regularly.

This is a clear indication that teachers are not happy with their present salary level. The findings again is supported by Okeke's (1987) view that, if duty is the main source of livelihood, the teacher expects his salary to be commensurated with me time and effort put into the job.

Most teachers now regard teaching as a secondary calling, private jobs arc religiously regarded as their major bread career.

Hypothesis two shows mar there is an insignificant difference in the effect remunerations has on teachers attitude. Regarding allowance, the study reveals that majority of the teachers do put in their best in the job even though leave grants and rent allowances arc not paid regularly. That is why Okeke (1987) among other scholars was assertive on his position that if regular payment of leave grants arc variable in the satisfaction of workers (teachers) needs, it means that it adds significantly to their devotion to work:

## IX. IMPLICATIONS OF THE STUDY

The results of this study has far reaching implications to the sustenance of the educational system in Cross River State.

To me teacher, the reward for labour is his salaries and allowances which as basic motivational tools if well handled, will reinvigorate hard work among teachers.

The result will also help government to initiate policies that will enhance teachers welfare. It can take the form of granting them opportunities for further studies with little or no conditionalities.

The-teacher wants to see and know that the principal recognises his little contribution toward" the growth of the school with little or no reward of any kind. If his recognition and reward does not come, the teacher may become recalcitrant and may tend to sabotage the school's effort by forming destructive cliques.

The principal as a seasoned administrator ought to appreciate this problem and should be ready to give honour to whom honour is due.

The implication is that if the situation is not checked now there will be a mass exodus of teachers from the teaching service. Also if teachers do not do their work effectively and committedly, the product from these schools will be half-baked.

## X. CONCLUSION

The study revealed that the remunerations such as salaries and allowances are irregularly implemented. It also showed that teachers attitude to work transcend sex differentiation. The NPE (1998), having recognized education as an instrument per excellence for nation building. It behooves stakeholders in this sector to encourage teachers through regular and prompt payment of salaries and allowances. A worker should cam his wages as at when due. It is only when this is done that sanity and stability will be restored to our educational system.

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# Do I Matter? How Organizations can Motivate and Retain Employees

By Aida Smailagic & Patricia Wiggin

*International Technological University, United States*

**Abstract-** This paper argues that organizations should adopt Mattering Theory constructs into mental models, as a basis for employee motivation and individual development plans. Mattering as a mental model motivates employees through direct attention and conveyed importance. Mattering constructs become tangible in the use of an individual development plan (IDP). With employee input, the IDP fosters employee internal commitment, followed by manager feedback and follow through, which fosters external commitment. Both stem from intentional discourse, mental models and behavior that is rooted in mattering. If successfully implemented, the end result is a simple, practical approach, which brings value and motivation to the individual, and supports the principles and goals of the organization.

**Keywords:** *Mattering Theory: to behave toward another person as if they were an object of importance.*

**GJMBR-A Classification:** *FOR Code: M51*



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# Do I Matter? How Organizations can Motivate and Retain Employees

## Motivation & Mattering - A New Approach to Organizational Effectiveness

Aida Smailagic <sup>α</sup> & Patricia Wiggin <sup>σ</sup>

**Abstract-** This paper argues that organizations should adopt Mattering Theory constructs into mental models, as a basis for employee motivation and individual development plans. Mattering as a mental model motivates employees through direct attention and conveyed importance. Mattering constructs become tangible in the use of an individual development plan (IDP). With employee input, the IDP fosters employee internal commitment, followed by manager feedback and follow through, which fosters external commitment. Both stem from intentional discourse, mental models and behavior that is rooted in mattering. If successfully implemented, the end result is a simple, practical approach, which brings value and motivation to the individual, and supports the principles and goals of the organization.

**Keywords:** *Mattering Theory: to behave toward another person as if they were an object of importance.*

**Mental Models:** *shared thoughts, beliefs and expectations about behavior at work.* **individual Development Plan:** *a concrete plan to achieve individual employee goals, support their strengths and foster performance development for improvement.*

### 1. INTRODUCTION

Organizations pay tremendous amounts of money to screen, hire and train talent. However many business practices are missing the key factors for successfully retaining employees. Do companies really understand intrinsic versus extrinsic rewards and their importance to long-term retention? Even with an emphasis on money and benefits, the long-term retention factors go much deeper. This paper describes a shared mental model of employee mattering and the spoken and unspoken mix of organizational beliefs, attitudes and behavior that underlie the state of employee motivation and development. The complicated domain where managers and employees accomplish company objectives and support employee growth is shaded by missed organizational expectations, and unmet personal achievement. So what is necessary to motivate and retain quality workers? When managers intentionally establish mental models that stress employee mattering, organizations

can produce honest and believable motivational development plans that benefit both the individual and the organization.

One view of human reasoning is that it depends on mental models. In this view, mental models are constructed from perception, imagination, or the comprehension of discourse (Johnson-Laird, 1983). And because organizations are nothing but people behaving in a structured framework to achieve certain goals, an organization must adopt a mental model, articulated with mattering constructs. This reflects a caring behavior towards motivating its employees (Figure 1). However, caring organizations must have the skills and tools to study its employees as individuals, groups and teams. What matters to one individual might not necessarily matter to another; organizations must consider the fundamental fact that people's perceptions and reactions to incentives or correction are different. Using these constructs in combination with an individual development plan, managers learn what motivates each individual employee; this is the concrete step where the three concepts converge.

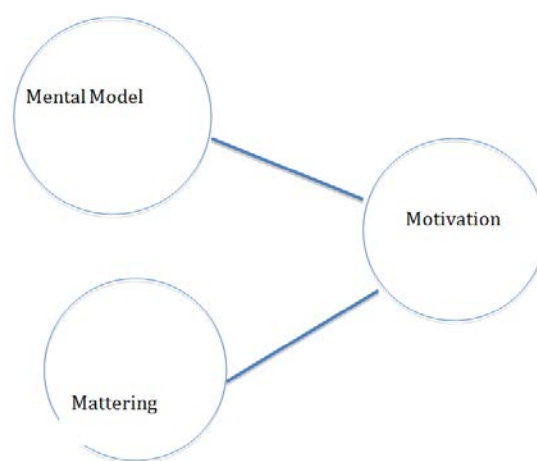


Figure 1

a) *Mental Models:* shared understanding

Whether people openly acknowledge it or not, every work environment has a set of mental models. Influencing change starts with awareness of mental models -- mental visions of created and shared understanding. "Mental models are deeply held internal images of how the world works, images that limit us to

Author <sup>α</sup> <sup>σ</sup>: International Technological University United States.  
e-mail: pwiggin@itu.edu

familiar ways of thinking and acting. Very often, we are not consciously aware of our mental models or the effects they have on our behavior" (Senge, 1990). It's believed that organizational settings naturally progress through a series of mental models; achieving one simple goal model isn't typical.

Mental models constitute perceptions of what is important (Figure 2). The models that employees and management share constitute underlying structures and group belief systems on which formal appraisals and company policy and procedures are based (Hill, 1995 & 2014). These mental models are accompanied by emotional components, coupled with language, resulting in eventual efficiencies, where employees are deemed to be on the same informational page.

Unfortunately, organizations don't routinely offer development training to managers for mental models skills, either in change management or employee development. As organizations are challenged by large-scale growth and complexity, a managers' competence in recognizing and using mental models for advanced change and learning skills management is crucial. "Opportunities to reflect, to experiment, to challenge and revise mental models...may be more important for learning in organizations than in [other arenas]..." (Senge & Sterman, 1990, p 1020). Managers and leaders must understand the simple but powerful effects from behaving as if employee's matter, establishing mental models rooted in conveyed significance. If these models are followed by clear development criteria, they support optimal individual and organizational results.

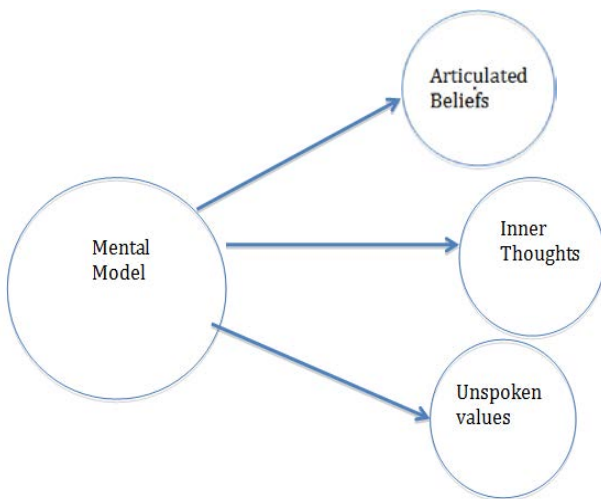


Figure 2

b) *Mattering: Am I important?*

And ultimately, how do managers communicate that employees have value? Performance development is based on the concept of supporting employee belonging, learning and validation. In the 1980s, Rosenberg and McCullough introduced the theory of mattering. This research described how parental

attention and attribution of importance contributed to adolescents' perceptions of mattering. These practices have application on the outcome of employee motivation, resulting in increased retention. Organizations must build shared mental models that emphasize employee mattering. Mattering Theory directly relates to performance management and motivation. In fact, mattering theory is an important element in any managerial function.

Mattering is considered a reciprocal to significance. A person can feel significant due to things that they undertake and achieve; however "to matter" results from a person's perception that they have worth in the eyes of someone else. Perceptions of mattering followed when the research subject believed he or she was an object of someone's attention, an object of importance, or even of needing correction (Figure 3). Perceptions of mattering correlated to successful life behaviors. Accordingly, "To believe that the other person cares about what we want, think and do, or is concerned about our fate, is to matter." (p. 164). Since the original study, mattering has been studied within institutions of higher learning, or with individuals at the latter phase of life. Schlossberg (1997) determined that the extent to which one feels they matter to their organization and direct managers may contribute to employee productivity and work satisfaction. Connolly and Myers' research (2003) evaluated job satisfaction variance and the relationship to feelings of wellness and mattering. The research on mattering, managing and motivating employees, however, is scant.

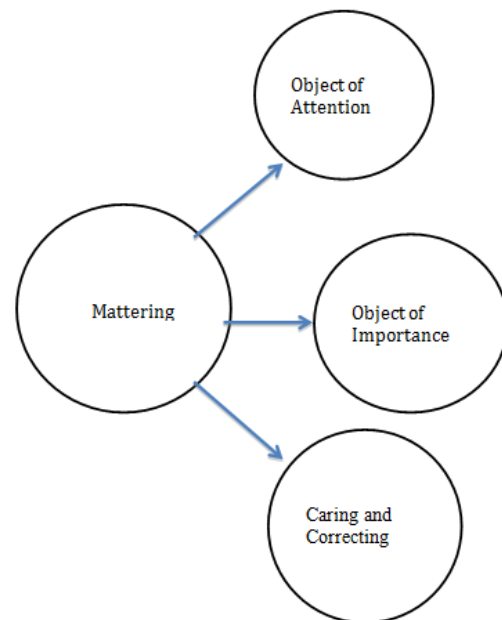


Figure 3

### c) *Motivation Through Individual Development Plans*

In practice, employee motivation, mattering and mental models need to culminate in the act of a development plan. The manager and employee must meet face to face, discover goals and find the best way to achieve them. It is crucial that the manager allows the employee to verbalize their own goals; this is the best way to ensure they are completed. If individual goals match organizational goals, this is motivation and organizational performance at its peak. Lipman (2013) states that development planning does not have to be elaborate or costly. At its core it is mostly a matter of good managers taking person-to-person time to understand their employees, to recognize their skills and needs. He further suggests that employees will respond if the organization takes a genuine interest in their future; the interest has to be sincere. Organizations often create values and mission statements in which employees play an important role, yet fail to act on the values stated. Managers create and briefly use pro-forma personal development plans that end up in file cabinets after being used for a month. If the written goals and plan are ignored, these actions are even less productive. Once employees realize that the care is not genuine, that in fact they really do not matter, it diminishes motivation and trust. When all the components come together and result in action, the values and vision are shared—the motivation is shared.

### d) *Motivation and Empowerment*

One of the top internal motivators considered by top-level managers, human resource professionals and organizational behavior theorists is employee empowerment. As Argyris (1998) points out, managers espouse empowerment in theory, but what they do is the command-and-control model. Even employees are ambivalent about empowerment – it is great as long as they are not held personally accountable. Organizations may preach the importance of employee empowerment, but in reality they just dictate what to do. This results in employee resentment and demotivation. Argyris' research points to a strong connection between empowerment and employee commitment. But commitment is either: external (performance goals, desired behaviors and required tasks defined by others) or internal (performance goals, desired behaviors and required tasks defined by the employee). According to Argyris, internal commitment equates to empowerment. The more that top management wants internal commitment from its employees, the more it must try to involve employees in defining work objectives, specifying how to achieve them, as well as creating a path for career growth. Aligning internal commitment with external commitment is an example of managerial and employee shared mental models.

### e) *Mental Models + Mattering = Motivated Employee*

Employee performance reviews, and specifically individual development plans, are effective tools for a

manager and employee to work together to create employee empowerment. It is important to connect employee performance reviews with individual development plans, alongside continuous feedback and coaching.

Even very simple individual development plans can be very effective. The basic but instrumental elements of this plan are: employees' professional goals and motivations; identified talents and strengths; and development opportunities. Through the creation of a development plan, internal and external commitment converges. This is the point where mattering as a mental model culminates explicitly for the employee and manager (Figure 4).

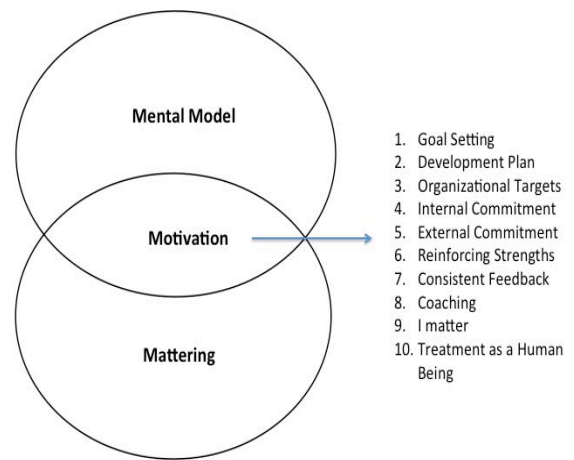


Figure 4

Figure 4

## II. CONCLUSION

The individual development plan is efficient and effective. It starts with written goal setting, should include recognizing the employee's unique talents and strengths, followed by a plan for areas needing development. The manager ensures the written goals align with organizational initiatives. They then mutually develop the action steps and timeframe for completion. By focusing direct and specific attention, the manager articulates that the employee is significant and important to the organization. Via the individual development plan, internal and external commitment comes together.

In conclusion, each employee must be empowered and shown that they matter through individual attention and feedback. Underlying the employee development plan is the meta-message of: *you matter*. The manager, who focuses direct and specific attention, articulating that the employee is important, has the highest potential impact not only on employee performance, but also on the ability of the organization to meet its goals. As a consequence the manager, the employee and ultimately the organization share the same mental model: that employees matter and are instrumental to achieving success.

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## Internal Revenue Leakages Prevention and Control in the Local Government System

By Prof. N. Elekwa & Eme Okechukwu

*University of Nigeria*

**Abstract-** The essence of fund control, cash flow management and fraud detection is to avoid wrong payment, improper and use of funds in the management of local government money. Funds Control Techniques are the products of statute (Acts, Decrees, Edict and Bye-Laws) and Regulations. They may be financial or administrative. The State funds are largely governed by the Public. Administration Law and Financial Instructions issued from time to time through circulars. This paper argues that Local Government Fund Control is largely governed by the provisions of Financial Memoranda. All issues of inadequate fund in the local government revolve around this particular internal revenue leakage and pose very serious threat to the entire existence of local government. This calls for urgent attention to eradicate this unfortunate phenomenon in our body polity. We have strong conviction if all the suggestions we offered in this paper are strictly adhered to the issue of internal revenue leakage will disappear to a vanishing point. It is only then that we can bark of having the real impact local government.

**Keywords:** *financial memoranda, fund control, internal revenue leakage, corruption, local government, funds control techniques, financial malpractices, fraud, accountability, and virement.*

**GJMBR-A Classification:** *JEL Code: H83*



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# Internal Revenue Leakages Prevention and Control in the Local Government System

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## 1. INTRODUCTION

The Government(s) at the various levels in the public sector have to generate resources (money) and provide certain goods and services which are mainly collective services, quasi-collective services and utilities for the well-being of the citizenry. The resources are limited and therefore they are aggregated as “funds” monies or cash and when the funds are voted or allocated for operations, programmes or projects, the resources (funds) have to be used for that purpose wholly and timely. This is the essence of control through statutes, and regulations. The management of the resources is also delegated to others on behalf of the government hence there is need for probity and accountability. The strategies and control techniques put in place must allow for enforceability, uniformity of practices and compliance. The citizens have to be informed about the results of operations through published financial statements of Government(s) for review and remedial action.

Financial malpractices such as deliberate and intentional embezzlement of local government

revenue, inflation of contracts; non availability to produce payment voucher for monies paid out. Non-retirement of impress advances collected by some local governments on behalf of other agencies; institutionalization of various forms of corrupt and fraudulent practices characterize the financial situation in most local governments in Nigeria. This has reduced drastically, the impact of local government in community development. It is gradually defeating the justification for the existence of local government. Hence, the phenomenon cannot be allowed to continue indefinitely if we want local governments to serve as a viable instrument for rural transformation and for the delivery of social services to the people. There is, therefore, the need to caution, control and application of appropriate sanctions so as to reduce this ugly phenomenon to a minimum.

The central focus of this paper is, therefore, to examine “Internal Revenue Leakages in the governments” with a view to:

1. Providing the need/justification for such control;
2. Ascertaining the main causes of such fraudulent acts;
3. Suggesting possible ways of prevention and detection of financial fraud in the local government system and offering solutions towards eradication of unfortunate practice.

### a) Definition of Fund

“Fund” connotes different meanings to different peoples. It may be used to describe an asset set aside for a particular purpose. It may denote cash or securities entrusted with trustees. In the private sector it may be used to describe net current assets in fund flow statement i.e. Current Assets less Current Liabilities = Working Capital.

The general public uses the word “funds” to mean cash. In business, however, the word “funds” frequently has a broader meaning which involves economic resources that can be used to acquire assets, pay dividends, reduce debt, and finance similar transactions. Because working capital can be used for these kinds of transactions, the concept of “fund” is often used to mean working capital. However, some financing and investing transactions do not require the use of working capital. For example, the purchase of land and buildings might be financed entirely through the issuance of long-term debt or stock. Thus, although

*Author α σ: Department of Public Administration and Local Government, University of Nigeria, Nsukka.  
e-mail: okechukwunnncnt@gmail.com*

the word “funds” is sometimes used to mean cash, and is often used to mean working capital, a comprehensive list of the sources from which investing transactions are financed would suggest that the concept of “funds” include all financial resources.

#### b) *Definition of Control*

Fayol (1916) defined control as ‘verifying whether everything occurs in conformity with the plan adopted, the instructions issued, and principles established.’ It has for its object the pointing out of errors and weaknesses in order to rectify them and prevent their recurrence. It operates on every thing—things, people and actions.

In small-scale organization control springs from supervision itself, i.e., it is carried by the head of the organization and his principal lieutenants along the scalar chain in the course of the supervision exercised by them. But in large-scale organization where the volume and complexity of control operations is considerable, separate control units or officer becomes necessary. They are known by various designations control bureaus, inspectorates, controllers, inspectors and so forth.

Control is essentially an administrative function, but to be comprehensive and effective, it must flow through several channels and take several forms. Fayol mentioned five such channels. Firstly, from the commercial point of view (in case of business administration), control must ensure the checking of incoming and outgoing material as to quantity, quality and price, and see that stores records are kept properly and promises duly honoured. Secondly, from the technical standpoint, control watches the progress, of operations, their results and shortcomings and ensures the proper maintenance of personnel and equipment. Thirdly, there is financial control the object of which is to secure compliance with the financial policy of the organization as expressed through the budget and to see that adequate funds are provided and economically used. Fourthly, there is control of security. It consists of procedures adopted for protecting property, funds, and personnel from damage and harm. Lastly, there is control of accounting to ensure that the essential documents and figures are quickly available, give a clear picture of the state of affairs, and that account books and statistics are adequately and properly maintained for purposes of audit.

A control system is a system built to maintain a desired state. For control to take place, a target or given condition or situation must exist. It may be in form of instruction.

Control techniques are the mechanisms by which control objectives are achieved. These include specific policies, procedures, plans of work or work flow, physical arrangements. Control techniques are to provide the coverage expected and to operate when

intended. The success of the control techniques depend on their compliance with a number of specific standard.

#### c) *Fund Control*

This is meant to ensure that approved funds are used for the purposes for which they were approved both in terms of expenditure ceiling and projects. According to Oshisanmi (1992), fund control involves appropriation monitoring and financial statements. This involves the issuance of warrants and subsequently assessing whether actual expenses have been justified in line with the proposed programmes and activities. Financial statement on the other hand provide the financial state of affairs monthly, quarterly and annually as published in the government official gazette.

## II. OBJECTIVES OF FUNDS CONTROL

*Ashiru:* (1998:2) asserted that funds control system in local government is built to ensure economy, efficiency and effectiveness in the use of local government funds. The basic goals of such funds control at local government level are ensure:

1. that the desired programmes and activities are undertaken;
2. that resources are allocated only to the desired purposes;
3. that accurate and up to date accounts are kept for the receipts and disbursement of funds;
4. that results are assessed and reviewed;
5. that there is probity and accountability;
6. that there is uniformity and conformity of application, rules, regulations more so that public section is diverse and complex;
7. that there are effective means of communication

The above measures are aimed at ensuring that appropriations are not exceeded and what is released is used for the purpose for which it is voted and to ensure that money given or realized is used for the purpose of running the local government.

## III. MAIN CAUSES OF FINANCIAL FRAUD AT LOCAL GOVERNMENT LEVEL

- a) It is no exaggeration or overstatement if we say, based on our experience and records available, that the actions and inaction of personnel of revenue departments have denied the local governments opportunity to raise reasonable amount of revenue from their different internal sources. This is because it is the revenue collectors that are directly responsible for most of the internal leakages in the local government because they collude with the members of the public (rate payers) to deprive the local governments of the revenue that should accrue to them. Although corruption in the local governments is not limited to personnel unit or revenue collectors; unfortunately, their own is more

noticeable because they are directly or indirectly, involved in local government funds.

Available records and experience shown that most revenue collectors in the various local governments often violate the approved rules and regulations to connive with some rate payers in order to deprive the local governments of the actual revenue that should occur to them for share personnel gains. The revenue collectors, for example, sometimes exempt their wives, children, relations, friends and church members from paying revenue to the local government, if they are, for instance occupying market stalls or hawking goods. They do this because of other personal gains they hope to enjoy from them in future. This behaviour of most revenue collector is a practical manifestation of corruption, which is of different dimension in the local governments, with its concomitant effect, which is revenue leakage.

Some revenue collectors, apart from colluding with some property owners so that their tenants are under-assessed or they completely escape valuation and rating, also collect revenue without issuing receipts, while others issue fake receipts to the payers and the revenue to collected is not paid into the councils' confers.

- b) *Lack of Adequate and well-qualified Financial Officers:* Most of the revenue officials like market managers, valuation officers and host of others lack professional training. The Finance Department of most local governments are not adequately staffed with well qualified and experienced financial managers, accountants, auditors and property valuation officers.
- c) *Lack of Adherence to financial Memorandum:* the most crucial figure in the financial management of the local governments is the local government Chief financial officer, generally known as the treasurer. He is responsible for formulating plans and devising strategies for effective revenue generation and accounting. As the Chief Financial Officer of the local government, he is expected to ensure that all the financial transactions of the local government are made in accordance with laws and the Financial Memorandum (FM). A Financial Memorandum as the name implies is a body of financial rules and regulations which governs all financial transactions of the local government. A serious investigations reveals that these financial rules and regulations are violated with impunity. Lack of strict adherence to FM is a contributory factor to internal revenue leakage.
- d) *Irregular/Improper Auditing:* Auditing of local government accounts is a crucial aspect of the financial management as well as an effective financial control mechanism. The final accounts which are given in annual statements of accounts of the local government are subject to audit. In Nigeria,

in the past, this was carried out by the state government Auditor General and his staff but accounts of local government Auditor General and his staff but accounts of local government Auditing general of a state and his staff.

The auditors have duties and power of semi-judicial nature. They conduct audit of local government accounts, annually our investigations revealed that the process of careful examination of the local government accounts to ensure that all expenditures are made according to Law are no longer being carried out satisfactorily. As a result of that, it has not been possible to detect embezzlement, irregular payments, loss of local government funds, fraud and general misappropriation of local government funds. The auditing of local government funds is powerful financial control mechanism which ensures that scares financial resources are prudently and judiciously managed to effectiveness fulfil the functions allocated by the local governments.

- e) *Appropriate Supervision:* Most revenue collectors are not closely supervised and controlled. They are allowed to be with the council's money longer than the law permits. There is temptation in money and such collectors will not know when he/she has crossed from personal to local government money. It is this failure to supervise, monitor closely and control effectively personnel of revenue department that has let to internal revenue leakage.
- f) *Obsolete Laws dealing with Perpetrators of Financial Fund:* Law dealing with perpetrators of financial frauds are not harsh or not instill enough fear into the minds of such offenders. This has failed to prevent perpetration of atrocious financial frauds.
- g) *Attitude of Nigerians towards Wealth:* In Nigeria, the tendency is for every one to get rich quickly. The reason is that wealth is highly regarded and worship in the country. Infact, wealth in Nigeria is not only the basis for recognition and respect for an individual, but also an index for measuring his hardwork and success. The attitude of Nigerians towards wealth is one of the reasons why most revenue collectors are not content with their job.

#### IV. PROVISION FOR PREVENTING REVENUE LEAKAGES IN THE LOCAL GOVERNMENTS

The Revised model of Financial Memorandum for local governments made adequate provision for financial transactions at the local government level, including revenue collection, disbursement and control of expenditure. These are as follows:

- a) All revenue and other monies due to a local government shall be received either by the cashier in the treasury or by a Revenue Collector.
- b) A local government shall appoint, in writing, such employees as it thinks fit to be revenue collectors for

the local government to discharge the duties and responsibilities set out in financial Memorandum 1.20. where appropriate local government may appoint a person other than an employee as a revenue collector and such person shall receive an appropriate proportion of the tax or fees he collects, as commission.

- c) At intervals prescribed by this Executive Committee, or immediately when the maximum sum prescribed by the executive committee is held by him, a revenue collector shall pay all local government monies he/she collected into the treasury, or if so authorized in writing by the treasurer, into the nearest branch of the local government's bankers.

Where such authority is given, it shall:

- i. Specify the name and branch of bank at which payment is to be made;
- ii. Direct the revenue collector;
  - a. to record separately on the bank paying in slips details of every cheque received by him as revenue;
  - b. to enter against each cheque to shown on paying in slips, the number of the receipt issued by him when the cheque was received.
- d) Payment to the bank revenue collector and the handling of the recipient bank paying slips to the treasurer or cashier for which a receipt must be obtained, will be paid by him personally, or by his accredited representative by the revenue collector himself or an accredited literate representative, so that the receipt issued by the cashier may be signed by the payer.
- e) The revenue collector shall record all collect made by him in a revenue collector's cash book (from LGT 15A). The revenue collector's cash book shall:
  - i. be kept in a bound volume;
  - ii. have a separate page for each type of payment of revenue;
  - iii. show the date of receipt, receipt number, from whom received, amount and daily total.
- f) Before payment to the treasury at the revenue collector shall total the receipt under each type of revenue as shown in revenue collectors cash book and inert such totals in a revenue collector summary cash book (from LGT 16) recording the under-mentioned information:
  - i. Date
  - ii. Type of revenue
  - iii. Number of receipts issued last payment (first and last receipts to be quoted for each type of revenue);
  - iv. Total amount for each type of revenue;
  - v. Grand total of all revenue collected.
- g) When making payments to the treasury or presenting to the treasury a paying in slips in respect of cash paid direct to a bank, the revenue collector shall produce all direct to banks, his revenue collectors cash book and revenue

collector's summary book. The treasury cashier shall then.

- i. Check the cash or paying in slips handed over by the revenue collector against the records so produced;
- ii. When the cash or paying in slips has been reconciled with the records, date, stamp and sign the duplicate or counterfoil or at the last receipt issued in each receipt book;
- iii. Prepare treasury summary revenue on form LGT 18, the original of which will be posted on the appropriate page of the revenue collector's summary book.
- h) The revenue collector shall record all collections made by him in a revenue collectors cash book on (form LGT 15A) or where more than one type of revenue is collected in a column revenue collector's cash book on form LGT 15B. The revenue collector's cash book shall:
  - i. be kept in original and duplicate
  - ii. be entered in indelible ink/pencil, using double sided carbon to make the duplicate. When paying in cash to the treasury, or presenting to the treasury a paying in slips in respect of cash paid direct to a bank, a revenue collector shall hand his revenue collector's cash boo ruled and cash after the last entry to the cashier. In this case of a revenue collector who is paying in more than one type of revenue, he shall also hand to the cashier, a completed revenue classification slip on form LGT 19.
  - i) The Cashier in the treasury receiving a remittance from a revenue collector shall:
    - i. In the case of a direct payment, count amount shown to be paid in accordance with the revenue collector's cash book; or
    - ii. Where a bank teller's slip is presented, check that the amount shown on it agreed with the amount shown to be paid in accordance with the revenue collector's cash book, and that the number of the receipts issued have entered as required by financial memorandum 6.3 (b) (ii)
    - iii. Immediately issued a treasury receipt (from LGT 17) for the among paid in and hand the original to the revenue collector;
    - iv. Where relevant, check the revenue classification slip (form LGT 19)
    - v. Detach and retain the original pages of the revenue collectors cash book'
    - vi. Where relevant, paste a copy of the revenue classification slip to his own copy of the receipt.
  - j) The following additional procedures shall be followed;
    - i. The original pages from the revenue collector cash book, detached in the treasury, shall be filled for audit and record purposes. A separate file shall be opened in respect of each revenue collector.



- ii. The revenue collector shall paste the original copy of the treasury receipt issued by the cashier in his revenue collectors' cash book.
- k) The Form of receipts to be issued by a local government shall be as follows:

Rpr MP \_\_\_\_\_ Description

Where Appropriate

LGT 17 Treasury Receipt

LGT 19A Departmental Receipt

LGT 18 Treasury Summary Receipt

LGT 20 M Fixed Fee Receipt, Tax Receipt etc.

- l) The Form shown in Financial Memorandum 6.1 shall be used as follows:
  - i. The treasury receipt on form LGT 17 must be prepared in triplicate, the original being handed to the payer, the duplicate detached as the Treasury receipt book;
  - ii. The Departmental receipt in form LGT 19A will be issued by Revenue Collectors of the public, except when specific or fixed fee receipts (See 5 below) are available for the particular type of revenue, form LGT 19A must be prepared in duplicate, the original being handed to the payer and the duplicate retained in the receipt book;
  - iii. Where appropriate, a treasury summary prepared in triplicate on form LGT 18 shall be issued for payments made by a Revenue Collector, to the Treasury, the original being handed to the Revenue Collector, the duplicate detached as the treasury receipts voucher and the third copy retained in the receipts book.

However, the Treasury will not issued form LGT 18 where the Revenue Collector himself has already issued a Departmental summary receipts to another revenue collector, in such cases the revenue collector will be issued with a treasury receipt on from LGT 17 and he duplicate copy of the Departmental Summary Receipt issued by him will be attached to the treasury receipt voucher (this duplicate copy of the treasury receipt);

- iv. Where appropriate, when payments are made by one revenue collector, for example, market or slaughter slab fees collected by a village Head and paid to District Head, the receiving revenue collector shall issue a Departmental Summary Receipt in triplicates. The top co shall be handed to the revenue collector making the payment, the duplicate to the local government cashier when the receiving revenue collector is paying the money to the treasury and the third copy retained in the receipt book;
- v. Fixed Fee Printed receipts shall be used for market or motor park fee or other revenues of fixed amount accruing to the local government. A fixed Fee receipt shall be dated when issued and the revenue

collector must properly account for the number of all fixed fee receipts which he issues;

- vi. Tax receipts of various types shall be issued solely for tax and rate revenue on the basis of the procedures set out in Financial Memoranda chapter 10, 11 and 12;
- vii. Where authorized to do so by the executive committee, a local government may issue machine printed receipts for specified types of revenue.
- m) The under-mentioned procedure shall be followed when issuing receipts and licenses:
  - i. Receipt and Licenses must be completed in indelible pencil or ball point pen and double sided carbon paper used to make copies.
  - ii. Receipts must be issued in strict numerical order and a separate receipt issued for each individual payment.
  - iii. All receipts, other than machine printed receipts and certain fixed fee receipt shall be signed by the receiving official and, where possible, by the payer. Where, however, the payer is illiterate the receipts should be signed by a witness other than the receiving officers.
  - iv. In no circumstances shall alteration be made to the amount of money shown on a receipt, whether to the words or figures, if the amount is incorrectly entered, the original and all copies of the receipts shall be marked "Cancelled" in red ink, left in the receipt book and a new receipt or license issued.
  - n) If money tendered by a payer is of the stated amount or includes obsolete or counterfeit currency, the revenue collector must take up the matter at once with the payer and, also, if possible a witness;
  - o) The action to be taken when counterfeit money or suspected counterfeit money is tendered to a revenue collector is prescribed in financial memoranda 2.9
  - p) If shortages are found in the amounts actually received by the treasury cashier, the following procedure will be followed.
    - i. The treasury receipt or treasury summary receipt must be made out for the full amount stated to be remitted.
    - ii. The full amount shown on this treasury receipts or treasury summary receipt will be debited in the cash book and credited to the appropriated revenue sub-head.
    - iii. A payment voucher will be made out for the amount of the deficiency, debiting a personal advance account in the name of revenue collector or other person and crediting the cash book;
    - iv. The treasury must formally notify the amount of the deficiency to the revenue collector or other concerned and to the Executive Committee. The procedure regarding loses of funds as set out in financial memoranda chapter 8 will then apply.



- q) Payment on account should not be accepted for amounts of less than N10,00 due to the local government. Poor Larger debts, if a payment on account is accepted, the receipts should be made for the amount paid and clearly marked "on account only, balance due N....."
- r) Fixed fee receipts or licenses must not be issued until the full amount is paid.
- s) Cheque drawn on banks in Nigeria other than cheque drawn by individual may be accepted in payment of amount due to the local government provided that the revenue collector has no reason to suspect the standing of the drawer or that the cheque might not be met.
- t) Cheque must be carefully examined to ensure that before acceptance:
  - i. the cheque is made out to "The...Local government" and crossed;
  - ii. the cheque is signed by the drawer and the name and the address of this drawer is written in flock capitals on the back of the cheque (unless his name is printed on the front of the cheque)
  - iii. the cheque is not post-dated. The acceptance of post-dated cheque is forbidden;
  - iv. the cheque is not dated earlier than two months before the date on which it is presented;
  - v. the amount in words and figures agree;
  - vi. any alternative on the cheque is signed in full by the drawer;
  - vii. the cheque is marked "Commission to Drawer's account" and signed in full if the cheque is drawn on a bank other than the local government's bank or a branch of the local government's bank other than one where the amount or the local government is kept.
- u) Before they are paid into the Bank, cheque must be suitably endorsed by an official of the local government so authorized by the local government;
- v) Revenue or other monies overpaid or incorrectly received, must be refunded to the payer as soon as possible. Refunds of revenue should not be treated as expenditure but deducted from this relevant revenue head and sub-head. The deduction should be made in this year in which the refund was collected. Where, however, a refund if made in respect of a revenue item no longer collected, the refund should be changed to Head 1008 sub-head 2 recovery of losses and overpayment.
- w) Excess discovered in the heads of revenue collectors during an examination of their records should not be refunded to the revenue collector, but placed on deposit until the revenue collectors book have been scrutinized and the source of the excess identified.
- x) Where revenue becomes due to the local government as recurrency fixed intervals, for eg, rent or plot fees, a register of recurring revenue

must be kept by the appropriate department. The register shall be kept on form LGT 21 for revenue receivable on an annual basis. The "remarks" columns in the two register will be agreed to record.

- i. Date when demand notes or reminders are dispatched to the debtors.
- ii. Where appropriate the dates when special reports concerning outstanding amounts are submitted to this Executive Committee.
- y) Where payment is not made at the time services are rendered or good supplied by a local government, an invoice must be issued immediately to the debtor on form LGT 23. A register of invoices issued must be kept of form LGT 23A.
- z) The following procedures shall be followed when amounts shown in the register of invoices issued are not paid promptly;
  - i. At the end of each month a return should be submitted to the treasurer listing all items of recurrency revenue on any invoices which have been outstanding for more than three months.
  - ii. Accounts which have been outstanding for more than twelve months, and which after all possible actions has been taken to obtain payment with financial memoranda 8.9-8.12 considered to be uncoverable, may subject to the agreement of the Auditor General be written of agreement of approval of the Auditority indicated in financial memoranda 8-13.
- aa) Where any amount has become irrecoverable through the neglect of the responsible officials, he may be held liable for the less incurred.
- bb) Where an officer controlling a vote is responsible for revenue arising therefrom, he must ensure that the Departmental Revenue Collector has full details of the revenue to be collected in that department. The recurrent controlling the vote will maintain, as necessary, a register of recurrent revenue.

From the discussions, it is quite clear that financial memorandum made necessary arrangement towards ensuring Fraud-Free in the Financial Transactions in the local government. The document made adequate provisions for checks and balances in the collection and remittance of revenue that accrue to the local government by the revenue collectors and other officers concerned with finance at local government. Inspite of all these provisions, internal revenue leakage still persists. This raises the question what should be done in the light of what is being done.

## V. WAYS AND MEANS TO ERADICATE INTERNAL REVENUE LEAKAGE

- a) The revenue collectors and other revenue staff of the local government should be bonded with guarantors. If this is done, the guarantors would be held responsible for any misappropriation such

cashier may commit. With this method, he will be determined from engaging in fraudulent act since he is aware that he is under bond.

- b) The revenue collector and cashiers not be long at a particular revenue section. They should be reassigned at regular intervals so as to prevent them from developing perfect strategy for embezzling local government revenue.
- c) Dishonest staff or those with suspicious character should not be recruited as 'revenue collector or cashier' rather only those with transparent honesty and proven integrity should be post there.
- d) There should be regular inspection and auditing of the revenue records of the local government. This will help to prevent diversion of local government funds to private pockets by revenue collectors and cashiers.
- e) Efforts should be made to avoid posting people with chronic financial problem there. By this we mean, a person known to be always applying for loan, overdrafts or salary advance should not be allowed to be a revenue collector because he will constitute a serious threat to local government revenue.
- f) The revenue collectors and cashiers should be adequately paid and rewarded to avoid the temptation of tempering with the revenue collected or colluding with the members of the public to defraud the local government of its revenue as Nwankwo (1997:18) noted, the urge to convinced with members of the public to defraud the local government of its revenue is usually high where the revenue collectors are impoverished and generally exploited by the authority concerned.
- g) Use of financial transaction recording and classification. One of the major fund control technique is through the mechanics of recording and classifying financial transactions from the books and records of accounts. This entails recording and classifying and makes it possible for bank reconciliation statement to be prepared either monthly or quarterly.

## VI. CONCLUSION

It has been established that internal revenue leakage has contributed to huge financial loss at local government councils in Nigeria. This has crippled local government's efforts towards providing essential services to rural and urban communities. All issues of inadequate fund in the local government revolves around this particular internal revenue leakage and pose an serious threat to the entire existence of local government. This calls for urgent attention to eradicate this unfortunate phenomenon in our body politic. We have strong conviction if all the suggestions we offered in this paper are strictly adhered to the issue of internal revenue leakage will disappear to a vanishing point. It is

only then that we can bark of having the real impact local government.

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# Rumour Management in the Educational System: Theoretical Perspective

By Dr. Orok B. Arrey

*Federal University Wukari Taraba State, Nigeria*

**Abstract-** Rumour management in the educational system among the employees can be very debilitating for the employer as employees spend work time talking and speculating about the latest rumour. Rumour is unverified information of uncertainty in which is usually by word of mouth. Gossip in our educational system cannot be overemphasized. Grievances are generated when employees in the educational sectors prematurely react to a rumour. It cannot be completely eliminated but officials of our educational system should take prompt action by supplying the employees the fact supported by empathy rather than projection on the part of the employee. Rumour are not mere chance development. They arise from distinct causes. If those causes can be controlled, rumours will much less probably develop in our educational system. Rumour cannot be avoided among the employees as the employees are curious to know what happening in the environment they work. This paper is focused on rumour management in the educational system: theoretical perspective.

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# Rumour Management in the Educational System: Theoretical Perspective

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**Abstract-** Rumour management in the educational system among the employees can be very debilitating for the employer as employees spend work time talking and speculating about the latest rumour. Rumour is unverified information of uncertainty in which is usually by word of mouth. Gossip in our educational system cannot be overemphasized. Grievances are generated when employees in the educational sectors prematurely react to a rumour. It cannot be completely eliminated but officials of our educational system should take prompt action by supplying the employees the fact supported by empathy rather than projection on the part of the employee. Rumour are not mere chance development. They arise from distinct causes. If those causes can be controlled, rumours will much less probably develop in our educational system. Rumour cannot be avoided among the employees as the employees are curious to know what happening in the environment they work. This paper is focused on rumour management in the educational system: theoretical perspective.

## I. INTRODUCTION

Rumour is unverified information of uncertainty in which is usually by word of mouth. Gossip in our educational establishment among employees can be very debilitating for the employer as employees spend work time talking and speculating about the latest rumour. Grievances are generated when employees in the educational sectors prematurely react on a rumour.

Even when Directors of educational establishment keep employees well informed, rumours will not be completely eliminated. When rumours are detected; Directors/Supervisors should take prompt action by giving the employees the facts supported by empathy rather than projection on the part of Directors/Supervisors.

Entrepreneurship as against Entrepreneurship parse and integration of work coordination through means-ends-chains desired synergy among the "actors" at the work site will dispel most rumours. Taking the initiative in dealing with runmours reduces grievances.

## II. RUMOUR MANAGEMENT IN EDUCATIONAL ESTABLISHMENTS

Wild rumours can sweep through an educational establishment like the spread and destructiveness of s summer storm. Nearly every

*Author: Department of Business Aministration Federal University Wukari Taraba State Nigeria. P. O. Box 371 Wukari Taraba State, Nigeria. e-mail: orokbonifacearrey@yahoo.com*

educational establishment organizational establishment occasionally experiences such an onslaught of the varieties of information that pass through grapevines. Rumours are of special interest.

Rumours are unverified beliefs that are transmitted from one individual to another. Because rumours harm both individuals, the organization it self and the system. Directors/Supervisors, must consider how to control and eliminate rumour mills. For example, like the rumour about Zik's "death" was wild and sweeping. In an editorial" death that never was, National Concord (1989) Stated the rumour that Dr. Nnamdi Azikiwe had joined his ancestors was probably started by a magazine published abroad. But it began to filter into the nation houses on Monday October so". It gathered momentum both in and in speed as the week dragged on. By Friday, a national newspaper had become sufficiently certain to speculate on the matter of its front page. By the afternoon of that day virtually the whole country had been gripped by the report. As always the case with rumour the source of the rumour was not investigated. The question was how was it originated. Oba Adesoji was also rumoured to have died up to seven times before he finally gave up the ghost on July 2<sup>nd</sup> 1980.

History repeated when another of such rumours arose in a1988 40 years latter. A Lagos tabloid. The republic 1989 went to town with a screaming headline: Akinloye is dead". The rumour sounded authoritative. But Adisa Akinloye was alive. In 1989, the National Concord outscored other papers on the supposed death of Chief Ezeoke, who unknown to a paper was merely convulsing after receiving gunshot wound from assailants etc.

Rumour is a natural results of human interaction. Directors/Supervisors in an educational establishment need not be alarmed every time a breeze rustles the grapevine since most rumours turn out to be harmless speculations that die off by themselves. Only rarely are rumours serious enough to require action, but when rumours do seem to threaten the school or an organization something has to be done.

There are essentially three ways to manage rumour in an organization or Educational system (Davis 1978, Vecchio 1988, Dubrin 1984). The first is to try to wait them out. Some rumour dissipate overtime and do little actual harm.



Secondly, if waiting fails, the rumour should be publicly refuted. When rumour refuted and as well made to look unreasonable and absurd in public, it negates its "news value" (Vecchio 1988). This technique will make people to disregard those still interested later to pass the rumour along. Thirdly, truth or authentic information should be released as quick as possible in restraining a rumour. (Davis 1978, Vecchio 1988, Dubrin 1984).

The last point portrays the essence of grapevines. Grapevines can be used by head to transmit information rapidly to test the reaction to various decisions prior to their final consumption, as a valuable source of feedback, when the head of institution are grapevine member.

Like wise the grapevine can carry damaging rumour that reduce the effectiveness of formal communication. In this wise, Director/ Supervisor in Educational establishment should utilize formal channels by ensuring that they regularly carry the relevant and accurate information that employees seek. (Robbins 1988).

### III. BACKGROUND LITERATURE

The Directors/Supervisor has to recognize that rumours are not mere chance development. Rumours arise from distinct cause. If those causes can be controlled, rumours will much less probably develop.

#### a) *Lack of Information*

Perhaps a key cause of rumour is want of news about things important to employee. This leads to state of need and curiosity to know what is happening in their world. Consequently, the employees in educational establishment are likely to speculate about the situation and then what next- is the birth of the rumour.

#### b) *Insecurity*

Another major cause of rumour is insecurity or unsafety and the anxiety that accompanies it. Employees that are insecure, anxious and stressful are more likely than others to perceive events negatively and at the same time are better motivated to tell others about their worries. The remedy is to provide employees with genuine emotional, psychological and economical security by providing stable employment, enriching work condition, fair wage, job training and prospects for advancement in their everyday activities. Head of educational establishments or managers should endeavor to "build trust and keep communication open". (Davis 1962 and Dubrin 1988). To this end, as employees feel safer and their welfare secure, wild rumors are less likely to be born.

#### c) *Emotional Conflict*

Rumours can also emanate emotional conflict. Rumours thrive in emotional-laden situation such as disagreement between an action-centered union and an uncompromising Director/Supervisor, or cutthroat

competition between two Departments. Personality conflict can also activate rumours. Sometimes, malicious lies have one-person edge on the other. Perceptions could be distorted by strong emotion.

Management by objectives (MBO), goal setting and job enrichment and cooperative team work among various special interest groups in institution or organization are the palpable remedy for rumour, activated from personality conflict. All members of Educational establishment should work as a football team towards achieving the set goal.

Member of same team are much less likely to make erroneous or vindictive assumption of feelings against each other. (Davis 1978, Dubrin 1984 and Schermerborn et al 1985).

### IV. HOW THE RUMOUR MILL OPERATES

According to Davis' (1978) model, whether a rumour starts because of job insecurity, emotional conflicts or an information gap, each person receive and transmit it in terms of his/her own biases. Rumour's detail is often not maintained but its main theme is usually intact, just as any oral communication is subject to "filtering" a process of reducing the story to a few basic details that is conveniently remembered and passed onto others.

Generally, each person choses the detail in rumour that reflects his particular perception of reality and passes this on. (Davis, 1952; Schermerthorn et al 1985; and Dubrin 1988). New details that frequently make it worse are added to a rumour as a way of reflecting their own strong feelings and reasoning. Davis (1978) called this "elaboration": If for example, a rumour about an employee of college of Education Akampa injury arises, someone who does not like his Director/Supervisor will interpret the cause of the accident as his Directors failure to provide machine maintenance. Consequently, by the time a rumour has undergone both process of filtering and elaboration, it often bears only a faint resemblance to the original story.

Rumours that flow from the work environment do not cause damaging harm. And they soon fade away. It will be a waste of effort to try to stop them, because some rumors may even provide certain benefit- such as a pass-time or avenue to release pent-up emotions. They may help to maintain one-to-one intact and add glamour to work.

### V. SERIOUS RUMOURS

A few rumour however, may be challenging enough to need apt attention. A Director/Supervisor of education would like to immediately stimulate these rumours. The second techniques of dealing with rumour (Vecchio 1988, Schermerborn et al 1985). Davis (1952) advocates that if productivity is affected, community

relations suffer, or interdepartmental cooperation is hampered a Director/Supervisor must do something.

The most efficacious antidote is to vanquish the rumour with the truth. As the true story is released, the information gap is filled and the rumour ceases to leave. A negatively- implied truth is less distractive and helpful than rumours that feed on fear of the unknown. It is more likely to be acceptable to workers than any story a Director or a Supervisor of the institution concocted.

## VI. HOW TO REFUTE A RUMOUR

While refuting a rumour, never repeat the rumour or refer to it directly. This is because of erasing the accidental reinforcement of the mind of the people who might hear or read only the rumour. In subduing a rumour, a Supervisor or a Director of education should release the truth as quickly as possible, the more people tend to believe it, if rumour is not quashed or eliminated quickly, people will interpret later events in light of rumour.

## VII. THE HORSE'S MOUTH

There is more effectiveness and helpfulness if communication of truth behind a rumour comes from a source considered reliable by the receivers, if the rumour concerns layoff stratagem for example, the Director of personnel officer or the appropriate person in higher management should be the one to respond. If it concerns an accident the medical department might respond. If it concerns a technical problem, someone with respected technical knowledge should respond.

Face-to-face instant release of the truth is an essentially effective to manage rumour- the third method of dealing with rumour. The method has the advantage of speed and accuracy especially when it is necessary to clear up specific misunderstanding on the part of each member of the Educational establishment.

It encourages personal contact with individuals of varied personality and outlook. There is a particular need to follow up by a written statement a sort of fact reinforced for face-to-face stratagem to work (woodford 1986). On some occasions unions are brought to the front by management to help combating rumour.

## VIII. LISTENING TO FEELINGS

A genuine and personal concern and a deep interest in the employee as a whole person in his/her own right is also a prerequisite for effective communication as it is for good supervision and management. When a Supervisor hears a rumour the ability to listen and respond to the feeling as well as the content of the rumour, in spite of the probably blatantly untrue ness of the rumour are helpful. Rumour do provide important information about employees feelings and understanding.

## IX. RECOMMENDATIONS

1. It is out of sheer ignorance that many people luxuriate in the peddling and circulation of rumours as a pass time. But the truth is that the outcome of such display of ignorance cannot be viewed lightly.
2. Propaganda which is sometimes fuelled by rumours is clearly a mischief-maker, since its aim is mainly to harm a victim.
3. An understanding of the immense loss caused by the peddler of rumours and condemn its practice. There is nothing good that comes out of rumour. All we can reap from rumour is maiming and destruction.
4. Rumour has sown the seed of discord in families and in broken relationships: personal, political, professional and religious.
5. Rumour has destroyed life and property. It has brought about mistrust, fear, suspicion and enmity in educational establishments. Rumour mongering in whatever form, shape or context is anti-social, unpatriotic, immoral and ungodly. It should be completely rejected.
6. Rumour has created more problems for the educational establishments than it has solved. We should try to reduce the incidence of harmful rumours by learning to give them a second thought before we transit them to another person.
7. Also members of the educational establishments should try to be cautious in their reaction to any story emanating from the rumour network even at the drop-of-a-hat.

## X. CONCLUSION

Directors and Supervisors of our educational system can sometimes appreciate rumours better if they search for the message behind them. Some rumours are symbolic expressions, feelings that are not really offered by their communication as fact of truth.

Rumours will continue to thrive as long as people continue to live and work, especially because certain issues cannot be communicated officially. Issues such as scandals and private affairs can only be communicated freely through rumours and gossip. The inquisitive nature of man will continue to offer fertile ground for the peddling and circulation of rumours. Rumour is a natural phenomenon that can hardly be eradicated from the educational system or society.

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<i>References</i>	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring





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