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Management in Monetary Authority (Case of Jordan)

By Dr. Mohammad Abdulmajeed Alrgaibat

Abstract- This research aims at demonstrating how to manage the relationship between central banks and Islamic banks, a sample has been taken and the Central Bank of Jordan and Islamic banks operating in Jordan, through addressing the tools of the Central Bank of Jordan control of Islamic banks operating in Jordan and the use of a comparative approach between Islamic banks and conventional banks and the fundamental differences between them to clarify more some things in general and the legislation governing the work Islamic banks in Jordan, and finally the most important problems facing Islamic banks with central banks. In this research, we have concluded that Islamic banks are supervised and controlled in the framework of the unified approach, despite this, it is achieving remarkable success and it will continue to progress and consolidate its steps despite the difficulties and internal and external obstacles, the research was concluded with a number of recommendations for Islamic banks to invest their money in more investments and expand in other Shariah formulas and qualify employees and develop their skills, and recommendations of the Central Bank of Jordan may contribute to the Central Bank of Jordan to amend some of the control tools and the introduction of new elements in favor of Islamic banks and the creation of new investments in line with them, which may lead to the investment of Islamic banks excess liquidity, which is reflected in increasing profitability and increase the proportion of returns distributed on the accounts of its customers and work to separate the data and information in the reports and bulletins related to Islamic banks.

Keywords: management, monetary, authority, Jordan.

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Management in Monetary Authority
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I. Introduction

The banking system is considered one of the most important organs in the economy because it provides financing for the various investment and consumer needs resulting from its role as a financial intermediary that transfers the surplus achieved by the savers category to investors and individuals who suffer from the shortage of financial resources.

The banking sector in any economic system consists of two main parties, the Central Bank as the highest in the monetary system of the State, which is responsible for the supervision and control of the total commercial banks, which intermediates financially between the public savers and investors, at the beginning of the seventies of the last century, the banking sector in a number of Arab and Islamic countries faced appearance of a new type of commercial banks called the participating banks, and in a period not exceeding thirty years, Islamic banking has achieved many economic and social achievements as a result of the great development in Islamic banking by the increasing number of Islamic financial institutions.

The banking sector has become an independent entity and a distinct personality, which qualified it to occupy an advanced position in the world economy, that has achieved a continuous growth in the volume of business despite its modernity and even prestigious Western banks began to apply Islamic banking, which shows the ability of Islamic banking systems to work efficiently in all developed societies, Which seeks progress regardless of religious difference.

This unique financing system works very effectively alongside traditional banks in many developed countries and progressive countries in both the market economy and other economies.

II. Research Problem

There is a central Bank in each country, also called the State Bank at the top of the banking system and some are called the Bank of Banks, which authorizes him to use the means of control over all banks operating in the traditional and Islamic state such as mandatory cash reserve, legal liquidity, credit ceilings, re-discount and other monetary policies which negatively affect the rest of Islamic banks. Islamic banks agree with traditional banks in mobilizing their financial resources and then re-investing them more effectively in the general economic life, but they differ with them as dealing with interest in taking and giving that aiming to achieve a public benefit for the Islamic society based on ethical and humanitarian foundations, so it is a non-profit organization as much as it aims to achieve educational and social values, hence, the problem with the procedures, laws and regulations of financial supervision on Islamic banks by the Central Bank.

a) Research Importance

This paper discusses the relationship between the Central Bank of Jordan and the Islamic banks in Jordan and the role it plays in the Islamic economy, that the central banks regulate the banking sector in terms of the control means over the operation of commercial banks and Islamic banks in addition to other means such as inspection, field supervision, guidance and consultations, which are called literary means, hence, we address the problem of supervision of the Central bank on Islamic banks.
b) Research Goals

The purpose of this study is to clarify the relationship between Islamic banks and the Central Bank of Jordan, so it can be summarized in:

1. The concept of supervision and its main tools applied by the Central Bank of Jordan to Islamic banks in Jordan.
2. The extent of difference activities carried out by conventional banks and Islamic banks and compare them in order to clarify some of the things in general.
3. Recommendations on the application of control instruments from the Central bank suited to Islamic banks work in Jordan because they differ from commercial banks.

b) Research Goals

1. Does the Central Bank impose on the conventional banks and Islamic banks in Jordan the same policy and control tools on them?
2. Are the laws and instruments of banking supervision set by the Central Bank in line with Islamic banks?

III. Research Methodology

Based on the study of laws, regulations and policies issued by the Central Bank, which regulates the work of Islamic banks and conventional banks, and through interviews and reports on the Central Bank's website and supervision of Islamic banks through the supervision department of the banking system in the Central Bank, and follow the descriptive approach to reach logical results supporting the theoretical hypotheses presented in this study. In practice, the Islamic banks in Jordan were applied to analyze the relationship between the Central Bank and Islamic banks, where the tools and laws of control and the use of a comparative approach between conventional banks and Islamic banks in order to clarify some things in general.

a) Information Gathering

The information was collected from books, periodicals and published researches, as well as from laws, legislations and reports on the website of the Central Bank of Jordan via Internet.

b) Previous studies

The study (Dr. Hussein Kamel Fahmy 2006) entitled: monetary policy tools used by central banks in the Islamic economy In this paper the researcher tried to evaluate the monetary policy tools currently applied in Islamic countries, whether in the traditional form now recognized by most monetary departments in the world as a whole or in forms of the new Islamic proposed by many researchers interested in issues of Islamic economics and Islamic banks, in the light of all the provisions and rules governing Islamic banking as well as the economical foundations and rules of monetary theory. One of the most important conclusions after the analysis is that due to the different nature of the rules and rules that govern the foundations of Islamic banking than the traditional banking rules are not suitable in their current form to apply to the Islamic, and that the proposed Islamic monetary instruments by some researchers interested in issues of the Islamic economy is also not suitable for application in light of the current Islamic banking and monetary structure. Study (Dr. Mahmoud Hussein Al-Wadi) entitled: Regulatory and economic effects that the Central Bank's control over deposits and credit in banks is one of the most important roles of the Central Bank to control the money supply and maintain the rights of depositors and the stability of the national currency. However, the practice of this control by the Central Bank has created problems between central banks and Islamic banks. Study (Dr. Mahmoud Hussein Al-Wadi) entitled: Regulatory and economic effects that the Central Bank's control over deposits and credit in banks is one of the most important roles of the Central Bank to control the money supply and maintain the rights of depositors and stabilize the national currency, and islamic banks are subject to such supervision. However, the practice of this control by the Central Bank has created problems between central banks and Islamic banks due to the negative impact of this control on Islamic banks because of the nature of their deposits and financing methods and privacy. The understanding of central banks of investment deposits and financing instruments in Islamic banks will enable them to apply more effective controls, and to achieve the interest and develop the economy, because it will help in pushing and stimulating Islamic banks to return to the most important goal that was established for it is the activation of financing tools based on participation and speculation, this leads to controlling money supply and finding a balance between money supply and commodity supply. And increase results and real national income. A study (Faleh Bader Al-Subaie for the year 2008) entitled Legal supervision of Islamic banks that the control exercised by central banks on conventional and Islamic banks are of the utmost importance, as a result, most countries in the world give central banks wide powers to control the business of commercial banks, as the primary responsibility for the implementation of monetary policy objectives. Islamic banks are currently supervised and controlled within the framework of the Standardized Approach based on the 1988 Basel Convention on capital adequacy and the attached Supervisory framework contained in the Basic Principles, we found in this study that Islamic banks have made a successful start, and it is hoped that they will continue to progress and consolidate their steps in the future despite the difficulties and obstacles faced by internal and external.
IV. Central Banks

The history of central banks shows that the purpose of the establishment of the central bank was different according to different countries and their circumstances. But the role of these banks in the past was focused on issuing cash and securing the state’s financial reserves and liquidity to banks.

a) Central Bank Functions

The most important functions of central banks are to control the amount of cash offered and also to prevent the collapse of banks, as they have other functions, they play the role of adviser for governments particularly with regard to international finance the main reason for the establishment of central banks is the intervention of governments in all economic activities and their desire to maintain monetary stability and manage issuance operations ensuring the convertibility of national currencies and advancing the process of economic growth in accordance with the general economic policy of these Governments. The most important functions of central banks are to control the amount of cash offered and also to prevent the collapse of banks, as they have other functions, they play the role of adviser for governments the main reason for the establishment of central banks is the intervention of governments in all economic activities and their desire to maintain monetary stability and manage issuance operations. Ensuring the convertibility of national currencies and advancing the process of economic growth in accordance with the general economic policy of these Governments. The functions of central banks are generally summarized as follows:

1. Regulating the size of money in proportion to the needs of business and individuals in general, and then granting the right of issuance on its own.
2. Performing governmental and agency banking operations.
3. Maintaining the cash needs of commercial banks.
4. Manage the country’s foreign currency reserves.
5. Granting banks credit facilities in many forms whether through lending, re-discounting of their assets from commercial papers, or re-lending, that central bank performing its role as a bank of banks or as a last lender.
6. Settlement of payments between banks through clearing.
7. Control of credit to be in general conformity with the economic needs in a quantity and quality, and in the meantime, implement of monetary policy adopted by the government (2).

b) Characteristics of Central Banks

Central banks have a number of characteristics that distinguish them from other banks. The Central Bank does not deal with the public, does not accept deposits thereof, nor shall it grant credit facilities. deals only with commercial and specialized banks, the state and public institutions only (3). It solely responsible for the power to issue legal currency and maintain the stability of the currency. It acts as a financial agent of the State without any other banks. Supervises and directs the banking system in the interest of the national economy. The Central Bank is sole committee in the monetary and banking system and shall not be challenged by any other institution or body for the performance of its functions or roles. Central banks are mostly state-owned and may be in some countries as a joint stock company in which the state owns the bulk of its shares, to ensure control, the US Federal Reserve is owned by the 12 banks that make up the Federal Reserve System, and the Swiss National Bank is owned by 62% of sectors, While the central banks of Australia, Belgium, Chile, Mexico, Turkey and Japan are in the form of joint stock companies, in which the state owns at least 50% of the shares (1).

c) The establishment of the Central Bank of Jordan

The Central Bank of Jordan (CBJ) started its operations in 1964 in accordance with its 1959 law and its amendments to replace the monetary council, which was established in 1950, where the latter's functions were limited in keeping the dinar's cover from sterling pounds while the monetary council did not exercise any tasks related to directing monetary policy and controlling banks. Recognizing the importance of the need for a central bank to perform the traditional functions of central banks, the Hashemite leadership issued the Central Bank Law No. 23 of 1971, and Article 3 of the law granted the bank independence to enable it to perform its functions efficiently.

d) Objectives of the Central Bank

The objectives of the Bank are set forth in Article 4 of the Central Bank Law to maintain monetary stability, to ensure the convertibility of the dinar and thus promote sustainable economic growth in accordance with the general economic policy of the government and be as follows (1).

1. Maintaining the country’s monetary stability, for example, in cases of inflation, it reduces the money supply by practicing monetary policy and vice versa in case of deflation.
2. Regulating the issuance of cash and coins (monopolizing the process of issuing cash).
3. Maintain reserves (commercial legal banks) to stabilize the value of the currency in Jordan and the dinar prices abroad.
4. Act as a bank for the government and also for licensed banks and designated lending institutions.
5. Monitor licensed banks to ensure the soundness of their financial position and guarantee the rights of depositors and shareholders.
6. Encouraging economic growth in accordance with the general economic policy of the State (2).
V. The Islamic

a) First: Definition of Islamic Banks

Many writers found it very difficult to come up with a specific definition of the bank. In many writings there are many definitions, if not very different in intent, but they came to known for business. There are those who knew it as:

(A social development investment banking financial institution based on adherence to the principles of Islam, its provisions and the realization of its goals; the Islamic Bank attracts and effectively mobilizes cash resources from the community to ensure its growth within the framework of Islamic Shari'a, and in the service of the nation's people and the development of its economy. Also defined by the Agreement Establishing the International Union of Islamic Banks as (those banks or institutions established by the law which is expressly committed not to deal with interest (usury) in giving and taking, according to the principles of Shari'a. The definition of the Islamic Bank in the "economics of money, banking and international trade" as (a banking institution whose purpose is to collect money and savings from all who do not want to deal with usury "interest" and then work to employ them in various areas of economic activity as well as providing various banking services to customers consistent with Islamic law and achieves support for the goals of economic and social development in society. (2)

b) Significant differences between Islamic and conventional banks

The main task of commercial banks is to pool the available financial resources and provide the means to invest them, ie to act as a financial intermediary, the difference is in the means, but the goals are not different. Below we will discuss the most important differences between Islamic and conventional banks:

c) Goals

The variation in goals comes at the forefront of the differences, while the conventional bank's goal is to maximize the wealth of owners, the Islamic Bank, in addition to its efforts to regulate the wealth of owners, also aims to maximize the wealth of depositors, as well as the goal of economic and social development of Muslim communities, by giving priority to investing depositors' money in projects that contribute to the desired development. The Islamic Bank also seeks to achieve several social goals, such as achieving justice in the distribution of wealth, and providing aid to the poor with donations and good loans in addition to fighting monopoly and speculation.

d) The relationship between the bank and its customers:

The classification of deposits is almost identical between Islamic and conventional banks, but the difference is in the obligation to return the deposit (1). The current deposit is a trust that the bank is obliged to refund on demand without paying interest. As for the investment deposit, the Islamic bank is not obligated to return it or to guarantee a certain return to the depositor, even the depositors alone bear the losses resulting from the investment of their funds without the participation of the bank in them. Except in cases where the loss is caused by mismanagement because the relationship between the applicant and the bank is not a creditor-debtor relationship, and branching from that relationship the depositor's knowledge of the amount of income generated by the deposit with the conventional bank; but the applicant in the Islamic Bank cannot know what ends up. The applicant in the Islamic Bank cannot know what ends up, as for the relationship with the users of the funds, the Islamic Bank has a relationship with the users of its funds speculative relationship, they have and they have غریم where the exception is speculative operations, in which the bank is determined a certain profit margin on the funds invested regardless of whether the user made a profit from the commodity or not (2). The traditional bank's relationship with the users of funds is limited in lending against pre-determined interest, but the activity of unauthorized sale or purchase of trade is to protect the depositors' funds.

e) Diversification of Investment Activities

While the main activity of commercial banks is investment banking in lending, Islamic banking activities are characterized by diversity, such as contributing to the establishment of companies operating in activities that do not contradict with Islamic law, and directing part of its resources to invest directly in fixed and movable assets. While the conventional bank is not on the same footing as banking legislation obliges the conventional bank to direct the bulk of its financial resources to invest in loans and securities, in particular bonds need to maintain an adequate level of liquidity to meet customer withdrawals (2).

f) Relationship with the Central Bank

Conventional banks can resort to the Central Bank to request a loan when they need liquidity and are unable to provide them from other sources, while Islamic banks can not resort to it for the same purpose as they refuse to deal on the basis of interest, as the Central Bank refuses to provide loans without interest, even if it accepts to offer good loans to Islamic banks on the basis of the principle of participation, the nature of loans provided by the central bank short-term may extend for a few days, which makes it difficult in practice to apply that principle.

g) Control of the Bank's Activity

The activity of conventional banks is subject to the control of the owners representing the general assembly of shareholders. The Islamic Bank is not
limited to the control of its activities on the owners and the government, but there is also the supervision of Shari'a and depositors control, which did not adopted by any of the Islamic banks. Shari'a Supervision is represented by Shari'a Board formed by the General Assembly or the Board of Directors, and is designed to ensure that the Bank's operations are in line with the requirements of Islamic Shari'a.

h) Central Bank Control Instruments on Licensed Banks in Jordan

1. Regulating the quantity, quality and cost of credit to respond to the requirements of economic growth and monetary stability.
2. Act as a bank for licensed banks.
3. Monitor banks to ensure the soundness of their financial position and guarantee the rights of depositors and shareholders.

The Central Bank uses these Instruments through the following tools:

First: Mandatory Cash Reserve: Article (42) of the Central Bank of Jordan Law No. 23 of 1971 and its amendments shall regulate the methods of how the Central Bank of Jordan dealing with the mandatory cash reserve which imposed on licensed banks. Paragraph (A) of this Article states that "The Central Bank of Jordan has to require licensed banks to deposit cash reserves "The Central Bank of Jordan shall require the licensed banks to deposit a mandatory cash reserve with a percentage or percentages of their various deposits, this percentage shall not be less than 5% and not more than 35% of it, the Central Bank may deposit the obligatory cash reserve in a current account or in the form of a notice or term deposit withdrawal from this account shall not be allowed to exceed the prescribed percentage with the approval of the Central Bank of Jordan. The Central Bank has to asked the licensed banks to maintain the mandatory cash reserve by 60% in the form of a deposit subject to two days notice and 40% in the form of a current account, also the Central Bank also set the rate applicable to banks at 8% as of 1/1/2002. In light of the Central Bank's implementation of the immediate gross adjustments system, the Central Bank of Jordan decided to integrate the requirements of the mandatory cash reserve in the current account so that the bank's balance will appear including the minimum amount not to be disposed of (80%) and not to allow the bank's actual balance to fall below, this limit shall be calculated by the Central Bank of Jordan as a monetary fine not exceeding 1% of the shortfall value for each day the shortage continues (2).

Second: Legal Liquidity: The application of this ratio to Islamic banks may achieve the desired purpose in part, but this could lead to the disruption of another part of the funds deposited in Islamic banks as a speculation (for the purpose of investment), because the Islamic Bank had to maintain the required liquidity ratio even if most of its deposits are investment.

The objective of this ratio is to ensure that the Bank is able to meet its obligations in sudden withdrawals and that the Central Bank does not take into account the nature of investment deposits, especially restricted investment deposits, which are added to the ratio, although they are usually invested for a relatively long period. In general, it can be said about the use of the cash reserve ratio and the general liquidity ratio, that this difference between the nature of investment accounts in Islamic banks and investment accounts in conventional banks is represented in the deposit of the first on the depositors themselves, as for, the second is an obligation on the conventional bank, which requires maintaining a certain degree of liquidity to meet this obligation, unlike Islamic banks (1). The Central Bank of Jordan has set the minimum legal liquidity ratio that banks must adhere to by 30%.

Third: Credit/Deposit Ratio: The Central Bank aims by impose this ratio to determine the percentage of credit granted by licensed banks to the size of their deposits so that the credit does not exceed a certain percentage has ranged between 70% - 90% during the period from 1974 to 1995 depending on the prevailing economic conditions, and the Central Bank abolished this ratio in 1995 as part of its drive to adopt an indirect approach to the management of monetary policy (2).

Fourth: Upper limits and Credit Concentrations The policy or instrument of credit Upper limits took a prominent place among the monetary weapons adopted by the Central Bank in 1992, when the Central Bank had to adjust the size of credit facilities within the limits and lines decided by the economic correction program, and he has limited the amount of credit facilities granted in dinars and foreign currencies by licensed banks to no more than ten times its capital and reserves.

The facilities here are loans, advances, current accounts receivable in various forms, discounted bills and any other direct facilities.

Lack of capital and reserves have facilities here means loans and advances and current accounts receivable in various forms and discounted bills of exchange and any other direct facilities

Banks’ investments in bonds and equities, while capital and reserves refer to paid - up capital, compulsory and voluntary reserves and retained earnings. The facilities here are loans, advances, current accounts receivable in various forms, discounted bills and any other direct facilities, and the facilities here are loans, advances, current accounts receivable in various forms, discounted bills and any other direct facilities, while banks’ investments in bonds and equities, while capital and reserves refer to paid-up capital, compulsory and voluntary reserves and retained earnings (1).
Fifth: Interest Rate: The interest rate represents the amounts charged by banks for providing loans and facilities to their customers, so if the monetary policy aims to reduce the size of credit, the central bank raises the interest rate to become high borrowing costs and thus reduce customers’ demand for loans and thus shrink credit operations and vice versa if the central bank wants to increase the volume of credit and works to reduce the interest rate becomes low cost. Relatively encouraging customers to apply for loans, that banks are working to expand the granting of credit facilities. The Central Bank of Jordan does not intervene in determining the interest rate paid by licensed banks on customer deposits or those charged on credit facilities, but has left banks free to set interest rates as of 1990 (2).

Sixth: Rediscount price: The central bank can influence the size of the credit by changing the discount rate, that raising the discount rate means instructing banks to restrict credit and reducing the discount rate, means instructing banks to expand credit. The discount rate is the interest rate at which commercial banks deal with the central bank, so if a commercial bank wants to increase its cash balances, it will resort to the Central Bank for re-discounting some commercial papers and bonds in its possession in accordance with the conditions specified for the discount operations by the Central Bank of Jordan and the Central Bank shall deduct them on the basis of the interest rate set by it, and we call this discount price. If the central bank raises the discount rate, the commercial banks transfer this burden on their customers by raising the interest rate on loans, which reduces the desire of individuals to obtain credit and thus shrink the volume of credit and vice versa if the central bank cut the discount rate, and also the discount rate at the Central Bank of Jordan in September 2002 was 5% (1).

i) The legislation governing the work of Islamic banks in Jordan

The new law of the Banking Law No. 28 of 2000 sets out the objectives of the Islamic Bank, that provide banking services and non-interest-based financing and investment, as well as to provide services aimed at reviving forms of social solidarity organized on the basis of mutual benefit. The law has dealt with matters that should be taken into account in the practice of Islamic banking, taking into account that such activities are in accordance with the approved jurisprudential opinions and that these activities are not based on interest.

j) The problems faced by Islamic banks with central banks

The most prominent problems faced by most Islamic banks with central banks are the following:

1. The problem of mandatory reserve Central banks impose mandatory reserve on banks and pay interest on all or some of this reserve sometimes and since the Islamic Bank does not receive interest, what is due to the banks of interest on such reserve or part of it is lost by the Islamic Bank and the Central Bank of Jordan imposed Jordanian banks have a cash reserve of 35% of the deposits, and conventional banks were paid interest from this reserve, and Islamic banks lost the opportunity to invest this percentage and consequently the profits of depositors and shareholders were affected.

2. Legal Liquidity that the Central Bank of Jordan imposes a liquid percentage of assets on each bank, which reaches from 20% to 30%, and by studying the components of this ratio we find that the numerator includes cash in the fund and balances with the Central Bank and others, as well as treasury bills and governmental bonds, all based on interest (1) and suggest that stocks be considered as components of the ratio rather than governmental bonds because it does not depend on educational dealings, also it fulfills the demand for security and financial ease in managing of funds in Islamic banks (2).

3. Credit and investment ratios that central banks set a ceiling for the total credit granted by the bank, and when applying such ceilings to Islamic banks, it is necessary to apply only to all debts to customers as a result of various financing operations, also central banks impose ceilings on Islamic banks in investments, like sharing, owning real estate and owning shares, it is sometimes necessary for the Islamic Bank to own a whole company to carry out its various investments, therefore, imposing ratios on these investments injustice to Islamic banks.

4. The problem of the administrative apparatus that the cadres of Islamic banks have been brought from conventional banks, and it was not easy for them to move to financial, commercial and investment operations of the kind required by the Islamic Deep Bank, with the implications of such operations Branches and details, And what it requires of the specialized agencies, authorities, and compliance with the instructions of the supervisory authorities.

In the light of this tendency to the application of Shariah forms of dealing more closely to the applications of traditional banks such as current accounts and savings and for notice and for the time in the area of attracting funds, and similar forms of financing that do not require effort, follow-up and supervision, such as the sale of Murabaha, which does not differ in the procedures followed in lending with riba-based banks (1).

5. The problem of Shari'a Supervision, that the Islamic Bank is concerned with adhering in all its applications to Shari'a controls, and investigating halal in all transactions, and activities and keeping completely away from all what is haraam according
to Shari'a or what it involves or suspicion of any legitimacy. In addition to avoiding dealing with banking interest in Alakhdoualatah, it avoids dealing with goods and services forbidden by law, as well as avoid falling into any prohibited legitimate Kalgbulan and arrogance and ignorance and others, so it is natural that Islamic banks are keen to apply them to adhere to the provisions of the Islamic Shari'a, and Therefore, they have appointed Shari'a supervisory bodies, which are new things for the Islamic banks, which are exercised by a body that is part of the components of the governance structures and work, on the other hand, it is the authority in charge of supervision and control of these banks (2).

6. Islamic banks do not benefit from the rebate, as this tool is contrary to the nature of the work of Islamic banks, because it is usury is forbidden by Shari'a, so some scholars in the Islamic economy, has been suggested to cancel the discount rate as it is intended to control the money supply, so the variable through which the implementation monetary policy in an Islamic economy is the monetary bloc (3).

VI. Conclusions and Recommendations

a) Results

1. The Central Bank of Jordan has obliged Islamic banks in Jordan to maintain a mandatory cash reserve of 8% of their client accounts, which is the same as for conventional banks with the Central Bank of Jordan.

2. Islamic banks in Jordan maintain a minimum liquid assets of 30%, which is the same as that required by conventional banks.

3. The Central Bank does not specify the credit/ deposit ratio as well as the returns received by Islamic banks on loans granted by them, as in the case of conventional banks operating in Jordan.

4. Islamic banks in Jordan do not deal with the rebate of the Central Bank of Jordan. His possession, The discount rate is the interest rate at which commercial banks deal with the central bank, so if a commercial bank wants to increase its liquid balances, it will resort to the central bank to demand a rebate of some commercial papers and bonds in its possession.

5. The supervision and inspection procedures of Islamic banks carried out by the Central Bank of Jordan are the same as those of conventional banks operating in Jordan.

6. Statistical bulletins and annual report issued by the Central Bank does not have a separate item budgets of Islamic banks, but be integrated with the budgets of conventional banks, despite the nature of the work.

7. Most of the employees in Islamic banks were working in conventional banks.

8. Islamic banks sometimes have excess liquidity and there are no other tools provided by the Central Bank of Islamic banks for investment.

VII. Recommendations

1. Reducing the required reserve ratio on deposits of joint investment accounts with Islamic banks because it is an account dedicated to face investment risks, and this is imposed on current deposits to hedge liquidity risk.

2. Continuing to maintain the ratio of liquid assets as a minimum to face the surprise withdrawals from depositors because they do not benefit from the Central Bank of Jordan as a last savior.

3. Providing the required liquidity if the Islamic banks need it, and such financing should not be on an interest-based loan basis.

4. To expand Islamic banks in the application of other forms of legitimacy, such as speculation and salam and participation and I'tisana.

5. Design forms or models for the supervision of Islamic banks consistent with their work to avoid obstacles that face them.

6. Working by the Central Bank of Jordan to separate the data and information in the statistical bulletins and annual reports of budgets related to Islamic banks.

7. Qualifying workers and developing their skills in the field of Islamic banking and other disciplines.

8. Issuing Islamic borrowing bonds by the Central Bank of Jordan to finance development projects in profit and loss and do not carry interest rates instead of government bonds.

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Identification of Wells Fargo Bank’s Organizational Culture and Ethics Issues

By Daisy Gulcin Erbas

Abstract- Organizational culture, ethics, and values are important aspects. Each organization has a different culture, even if in the same industry. It is important for organizations to hire employees who have the same beliefs, ethics, and values with the organization. Wells Fargo Bank is one of the biggest and well-known banks in the US. It was established in 1852 and continued to grow over the years. Recently, the bank started to have some issues and bank started to get a bad reputation. These issues were high employee turn-over rates, sales pressure, unethical practices, and lack of communication between managers and employees. Wells Fargo’s training based on product knowledge, sales strategies, and regulations. Wells Fargo is missing the importance of diversity training. The company needs to train its employees to create a better work environment. Training of managers, effective two-way communication, providing job security for employees, setting up attainable sales goals can help Wells Fargo Bank to keep trained employees, get a better reputation and increase the number of customers and sales.

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Identification of Wells Fargo Bank’s Organizational Culture and Ethics Issues

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Abstract - Organizational culture, ethics, and values are important aspects. Each organization has a different culture, even if in the same industry. It is important for organizations to hire employees who have the same beliefs, ethics, and values with the organization. Wells Fargo Bank is one of the biggest and well-known banks in the US. It was established in 1852 and continued to grow over the years. Recently, the bank started to have some issues and bank started to get a bad reputation. These issues were high employee turn-over rates, sales pressure, unethical practices, and lack of communication between managers and employees. Wells Fargo’s training based on product knowledge, sales strategies, and regulations. Wells Fargo is missing the importance of diversity training. The company needs to train its employees to create a better work environment. Training of managers, effective two-way communication, providing job security for employees, setting up attainable sales goals can help Wells Fargo Bank to keep trained employees, get a better reputation and increase the number of customers and sales.

I. Introduction

Wells Fargo was established in 1852, and it has been continued to grow. Wells Fargo Bank is one of the biggest and well-known banks in the US. Recently, the bank started to have some issues, and bank started to get a bad reputation. These issues were high employee turn-over rates, sales pressure, unattainable sales goals, unethical practices, and lack of communication between managers and employees.

a) Diversity

Each problem that Wells Fargo Bank is experiencing, closely related to diversity. One of the main reason for the lack of communication was different backgrounds and ethnicity of employees. Because of different ethical backgrounds, some employees created the small groups in the workplace, supported each other all the time, and isolated themselves from the rest of the organization. On the other hand, there were employees who resist to change and did not appreciate diversity in the workplace. These employees consist of native Americans and do not want to support or help employees from different countries. Based on the author’s experiences, these employees’ point of view was, “This is our country and people cannot just come from a different country to work in my country and take the position that could have been taken by citizens”. These types of behaviors also caused to the separation of some employees because of the unhappy work environment. All these reasons add up and increase the numbers for employee turnover. Wells Fargo (2016) mentioned that “One of our important values is diversity. We value and promote diversity at every level of our organization”.

Organizations started to understand the importance of diversity in the workplace. Diversity can be described as differences between people. Not everybody thinks the same or behaves the same. These differences sometimes can cause issues in workplaces if they cannot be managed well. Especially, if employees are from different cultures and backgrounds that might cause serious organization issues. The most common diversity factors that encountered in organizations are; race, gender, background, ethnicity, education level, sex, religion, disability, etc. Especially discrimination against women, disable, and different cultured people are more common than the other factors. On the other hand, diversity is closely related to the organization’s area of business, size, and type of organization and how long it has been in business.

The world has become global, and organizations are expanding internationally. These factors also remind us the importance of diversity. Managers in multinational organizations can be relocated to a different country, and if managers are not well trained or knowledgeable, this relocation can lead to failure for the manager. According to Cox & Blake (1991), cultural diversity can effect six components of organizational effectiveness, and these contain the ability to attract technology problems, decision making, productivity, positive effects of diversity labor in the organization, expenses, and organizational tolerances.

b) Organizational Culture

Every business wants to be successful, make more profits, expand, and have a good reputation. To be successful companies have to have organizational culture and need to behave within acceptable organizational ethics. Every organization has its own culture, values, beliefs, goals, and ethics. Wells Fargo was established in 1852, and it has been continued to grow. Like any other institution, Wells Fargo has its own organizational culture, and ethics. Wells Fargo (2016) stated that “Culture is one of the most important aspects for us. We believed that culture is making employees come to work every day with a positive attitude. Our
culture consists of doing right things for customers and doing things right”.

Based on Wells Fargo’s values culture and ethics are important. But in real life, it is hard to apply all of the business values to work. Depending on personal experiences, researches, and lawsuits against to company, Wells Fargo has been struggling to stick with its own ethical practices rules. Wells Fargo (2016) stated that “We have the responsibility to always act with honesty and integrity. When we do so, we earn the trust of our customers. We have to earn that trust every day by behaving ethically, rewarding open, honest communication, and holding ourselves accountable for our decisions and actions”.

c) Sales Goals

According to Kieler (2015), Wells Fargo’s high sales goals made employees act unethically, and one customer sued Wells Fargo because of unethical practices in Los Angeles. Cross-selling has been Wells Fargo’s focus on increasing sales numbers. The company’s sales goals set for each employee is the same regardless of the location of the branch. Each banker has to open a certain amount of checking accounts, credit cards, send referrals to mortgage, and investments, sign up online, mobile banking and bill pay. Each teller has to refer a certain amount of customers to a banker to open any type of product. If an employee cannot hit the sales numbers in the first following quarter, managers give a verbal warning. If an employee cannot hit sales goals in the second-quarter again, managers give written warnings. And next quarter it happens again, an employee will be getting fired. These goals set by upper management, and most of the time, it is an almost impossible to hit all of the goals. And also, if an employee works in a busy branch, it is a higher possibility to hit sales goals number, and if an employee works in a slow branch, it is a lower possibility to hit sales goals. But management does not consider these factors and sets up the same goals for both location employees.

Based on the author’s experiences and observations at Wells Fargo bank, sales goals always were a big issue. The author worked at the slow branch, and it was hard to hit numbers every single day. As a banker, the author was required to find customers and sell products to them every day. When it was a slow day, the author was sent by branch manager to businesses to sell products or do cold sales calls. The author has seen employees were opening products to customers without their knowledge or when they open the product, not to explain fee portions to customers. In other words, mis-presentation which is not acceptable in banking. As long as bankers got numbers and helped the branch to hit numbers, most the managers ignored the unethical practices.

After the economic crisis, employees did not want to lose their jobs. The job market is so competitive, and unemployment rates are still high. On a regular day at Wells Fargo branches, every hour manager comes to bankers and asks how many products they sold and reports to district manager. These behaviors put lots of pressure on employees and against Wells Fargo’s own culture and values. Some of the employees felt to hit numbers, keep jobs and support family, etc.; they need to open fake accounts and products. Kasperkevic (2015) mentioned that “Wells Fargo employees protest the organization for unreasonable sales goals.” The unethical practices which pushed by management to do, against Wells Fargo’s honesty, earn trust first and do right things approach and culture. These practices damaged the company’s reputation; most of the customers closed their accounts and moved their relationships to different financial organizations. These unreasonable goals caused loss of customers and profits for Wells Fargo.

d) Job Security

Most of the companies are looking to a way to reduce costs. One of the highest cost, for companies is employee salaries and benefits. Because of lower labor costs lots of multinational company moved their operations to China or India. Some of these companies saved on labor cost but maybe not on transportation costs. It is a critical decision to make offshoring or outsourcing based on the business area. Managers should not only focus on the cost side of it, and also they need to think about offshoring or outsourcing effects on employees. When a company decides to move some of its operations to a different countries, these cause fear and uncertainty for job security.

Job security is important for workers. When an employee performs a duty, he/she should not have fear of losing her/his job. If an employee starts to feel like his/her job is not secure anymore, this will lead reduce in performance, motivation, willingness to work, and a reduction on a commitment to the organization. Low morale and motivated employees might cause a reduction in work quality, customer dissatisfaction, and complaints, bad reputation, and loss of sales and profits. If a company wants to have a good public image, it has to make its employees happy and satisfied.

The employees whose jobs are outsourcing will have a fear of loss of a job especially if that employee is not trained or knowledgeable about any other department’s duties. The employees whose jobs are not outsourced will also have fear for the loss of a job. They will start to think that my position can be next. All these fears and uncertainty affects all organization and can be harmful to companies.
Since Wells Fargo is a financial institution, it does not have the option to move branches oversees, but it had options to move back-office operations, and call center operations to different countries. Calvey (2012) stated that “Wells Fargo is looking to way to reduce employee cost and move its back office processing, retirement services and technology areas to India and Philippines. Wells Fargo spokesperson did not mention how this will impact job losses”.

Even though Wells Fargo, only outsourcing its back office, investment, and retirement divisions to oversees, it puts stress and fear for employees who work at that department, and employees who work in a different departments. Back office, investment, and retirement department employees have fear of losing their jobs; other department employees might think if a company starts to cut costs, this will come to my department and affect me. This uncertainty also has a negative effect on the organization. Wells Fargo already has employee turnover or communication issues, outsourcing and offshoring can make it worse.

II. Identification of Issues and Action Plan

Based on the author’s personal experiences, observations, and researches, Wells Fargo’s high employee turnover rates, lack of communication are closely related to diversity, organizational culture, ethic, and outsourcing. A combination of all three factors plays an important role in employee turnover. Wells Fargo’s training based on product knowledge, sales strategies, and regulations. Wells Fargo is missing the importance of diversity training. The company needs to train its employees to create a better work environment. Employees should not have a bias to each other and should not change their behaviors based on other employee’s ethical background, disability, gender, color, education level, etc. If multiple employees are behaving like this, this shows that Wells Fargo does not educate and train its employees.

Wells Fargo’s diversity management program should be the best interest of both employees and employers. And also, it needs to be an ongoing, measurable, and integrated system. The company can create a diversity statement like mission and vision statement to have employees adapt the diversity approach from the beginning of employment. The company needs to teach its employees to be respectful of each other’s culture. When employees start to respect and listen to each other’s, this will help to fix the communication problem.

Wells Fargo has issues on organizational culture and ethics. The company was sued because of unethical practices last year. Wells Fargo needs to analyze its data to figure out what can be the reasonable sales goal for employees. And also, it needs to set up different goals for busy and slow branches. It is not fair for slow branch employees to put way too many efforts to make numbers. Management should not be ignoring the unethical behaviors. This shows that the human resources department is not performing well. Either employees are scared to report to the human resources or the human resources department is not performing its duties. The human resources department needs to be trained, and employees need to have an assurance not to get fired if they report unethical behaviors. It is the human resources department’s responsibility to give this assurance to employees. They can do training and email reminders periodically. Most of the time, employees do not see the human resources team after the hiring process, and they think human resources will not help them efficiently and will focus on new hires.

The company needs to train its managers first. If a branch is not able to make numbers, the branch manager should not have fear of losing his/her job or relocation to a smaller branch. Upper management should assure that as stated at their values, doing the right things for customers and increasing customer satisfaction have to be the primary goal, not sales numbers. If branch managers do not get pushed by upper management for numbers, they will not push employees. This will increase employee satisfaction and will bring positive energy the work environment.

When Wells Fargo decided to do outsourcing, it needed to communicate with its employees efficiently to explain reasons for outsourcing or offshoring and how it will effect business and employees jobs. Employees had fear and uncertainty because of a lack of knowledge. Since they did not know what will happen to their jobs, they started to worry about it. Effective communication or meeting by upper management for employees might help to reduce fear and uncertainty.

III. Conclusions

Wells Fargo’s identified issues were high employee turnover rates and a lack of communication within the organization. According to researchers and the author’s experiences, these issues are closely related to the company’s diversity, ethical, and offshoring approach. Lack of diversity management and training, workers, are not knowledgeable about the advantages of diversity. Well prepared diversity management, which should be ongoing, measurable, integrated, can help to solve diversity issues. Solving diversity issues can help to fix the communication problems. When employees free of bias, do not change their behaviors based on other employees’ gender, ethnicity, background, etc., this will bring better communication and will prevent small groups which were created against different culture employees.

Unfortunately, unethical employee behaviors of Wells Fargo were on the news last year. This also
affected Wells Fargo’s business. Some customers closed their accounts, and moved their assets to different financial institutions. Wells Fargo lost customers, customer’s trust, employees and profit. The company needs to restructure its sales goals and train the human resources department, managers, and employees. Employees and managers should feel comfortable report unethical practices. Along with that, both employees and managers should not have fear or certainty of job security. Job security was the main reason for unethical practices. Doing right thing and gaining customer trust are Wells Fargo’s top values. The company needs to work on to meet its values. In branches, business practices way too far from values.

Effective communication can help Wells Fargo to overcome the outsourcing problem. Outsourcing can cause fear and uncertainty for employees. This will give a reduction of job security to employees. Management needs to communicate closely with employees to assure their position. Explaining reasons for outsourcing or offshoring, explaining the company’s plans for the following months or years, can help to reduce the fear and uncertainty of outsourcing.

As a result, Wells Fargo has been in business since 1852. The business has been changed; the world has become global and more diversified, technology has developed. Wells Fargo has been adapting new technology, globalization requirement. But on the other hand, it needs to update the diversity management and human resources department. The company also needs to train managers and employees about diversity and ethics and needs to increase the level of communication between managers and employees. If Wells Fargo can make all these required changes, this will bring a desirable, happy job environment for employees, quality, and good service for customers, and an increase in profits for the company.

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Managers’ Intention on Diversification Strategies for Firm Performance in the Health Care Industry of Sri Lanka

By Jayathilake H.M.T.M.

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Abstract- This study focused because of the diversification is an interesting area of the company’s growth strategies. Today every companies or industry are driving for diversification strategies to grow their businesses. Many companies’ success in diversification and some companies are failed. The implementing of diversification strategies are involves with managerial skills like managers knowledge, experience, and their productivity. Today markets expected to face more challenges and increasing high competition in the healthcare industry in Sri Lanka. Also the markets have become more competitive, to keep the cost structure in the low level is crucial for the firms in the long-run for their survival. The formal opinion is that diversification strategies are linked with both costs factors and the benefits to the firm. Today implementing diversification strategies in many industries are highly imputable to the power to cross-sell their products, get cost savings, enter the new markets, produce hybrid products and increase brand image. This study is mainly focused on the managerial skills of the managers’ who intention in diversification strategies.

Keywords: diversification strategies, firm performance, managerial skills.

GJMBR-A Classification: JEL Code: L00

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Keywords: diversification strategies, firm performance, managerial skills.

I. Introduction

a) Background of the Study

Many studies are associated with the basic question of why firms diversify. The reason for diversification is mainly for firm performance. It also provides theoretical support for empirical studies at the same time. Therefore, this study bases itself can examine on a different and broader conceptual framework and efforts to identify the factors that contribute to the diversification decision and the give values to results (Tonidandael et al, 2012). There are limited studies on the managers’ intention for the diversification strategies for firm performance. The research interested in diversification strategies in the healthcare industry of Sri Lanka. But there are many types of research have done with diversification strategies and the firm performance (Rumelt et al., 1996). When study about managers’ Tonidandael examine that individual tasked with developing, selecting, or placing them should take all four skill dimensions of technical, administrative, human and citizenship behavior into account. Also special attention should give to administration skills, and this emphasis increases managers higher up in the firm power structure (Tonidandael et al, 2012). As Gentry explains in a firm, managerial skills are important at different levels and across different functions of an organization in today’s work environment. How changes in the workplace may have coincided with shifts in the importance of managerial skills over the past 15 years and to identify the managerial skills needed at different levels and functions in today’s work context. The results have implications for training and development, selection and succession planning (Gentry, et al 2008).

Therefore the managers’ intention for diversification is based on their skills for a successful performance. The research is selected to do in the healthcare industry of Sri Lanka, because of a highly diversifying industry. Mainly with the pharmaceutical and the medical devices firms which are always with innovations of product lines. Health care industry drivers to create a strong demand for private healthcare services in Sri Lanka. Accordingly, the projection of private health expenditure is 11% average annual growth. Therefore, Private Service providers to benefit with strong financial performance within the next few years. But there are industry challenges of imposing minimum price regulation, new tax increases and VAT charge of 15% will back the growth prospects of the healthcare industry in the short run. But the healthcare industry is a defensive industry. The private healthcare sector will see a top side in the long run. The per capita healthcarespending is significantly below the average per capita for other high and middle-income countries (It is above the South Asian), highlighting the growth potential in the mid to long term. The number of private-sector beds has been increasing at a higher rate, because of the increasing demand for private healthcare services. There is a positive sign on an industry that demand will not be affected because of the price increases. Also the levels of health insurance have been positively affecting by making private health services more affordable to the public. Other factors of this industry attention of growth are increasing of the aging
population. Also there are increasing of non-communicable diseases, demand for inpatient and outpatient care services and also the laboratory and other support services with technologies. According to the statistics, there is a strong relationship between levels of income and the health outlays of the country. This demand for health rising due to high income and improve their quality of lifestyles. Sri Lanka is expected income is reaching the gross domestic product (GDP) per capita of US $ 4000. Projection of 'per capita health spending' to be increased at an average annual growth of 11% in next years. This will provide a strong impetus to the Sri Lankan healthcare industry. The pharmaceutical industry offers a very valuable opportunity for Sri Lanka to diversify its manufacturing and export base and thereby reach the goal of the upper-middle-income country by 2020 and a rich country by 2035 (Research and Markets, 2015).

b) Research Problem
This research is important because of the current industry growth of Sri Lanka. Country economy growth and industrial diversification is one direction for the business growths of many industries. This area is worth to investigate because the outcome of the research will benefit the current and future organizations to drive their directions. Firms will gain new penetrations into the high nature of relationships between product diversification and firm performance. Also firms can move to search the roles the home country environment and time can play in this relationship (Osorio, et al, 2012). Also diversification can use frequently as a risk management strategy. Therefore, has the added advantage of price risk options (Clark, 2004). In a firm always corporate boards are the important decision-makers in firm strategies such as joint ventures, diversification, and acquisitions (Finkelstein and Hambrick, 1996). Therefore, investigating about diversification is more useful for the firm’s future.

This study outcome will be a real direction for a product diversification of a healthcare industry firm in Sri Lanka. Also, this study outcome can be applied to the other industries of Sri Lanka when a firm wants to drive for product diversification. Corporate level of many industries can use this study results when they are going for mergers and acquisitions or choice of this strategy (Kwangmin & Jang, 2012). The effects of managerial skills for the success of product diversification will be presenting as the other outcome of the study by Li and Lo, in 2017. Therefore, for the future of product diversification strategies of a firm can have a clear direction of the manager’s skills to succeed and implement it. Those skills are in managerial experience, their educational background, capable financial skills, and productivity. Managers need to pay more attention to the effects of the diversity of managerial resources on diversification strategies (Li & Lo, 2017). Sahin found that many boards of organizations can have an outcome of this study because there are moderating effect on diversification and financial performance by them (Sahin, et al 2015). As per the Musteen investigated, when companies are entering into new investments as a corporate strategy director should have a clear direction for them. This study may direct outside directors to choose strengthen managers, who are affecting diversification in the restructuring of the corporate or strategic investments and selecting of entries (Musteen et al, 2009).

II. Literature Review

Diversifications strategies will give successes in the performance of a firm when there are capable managers in the various divisions of the company. As porter said “competition occurs at the business unit level. Diversified companies do not compete; only their businesses do” (Porter, 1987). This statement is a valid one for every diversification strategies success. As per the Kenny illustrates in 2012 every business managers need to be performed with their capable skills and diversification success will remain there. If not diversification will have to face many difficult tasks and corporate level needs to take responsibility for it. Therefore the managers should be capable enough to implement diversification strategies to avoid all problems (Kenny, 2012). Chang and Wang found that there is a positive influence on related product diversification for firm performance. But unrelated product diversification negatively moderates firm performance. Therefore it is important in making out different mixed product diversification strategies on firm performance (Chang & Wang, 2007).

a) Managerial Skills
The skillful managers are the main powerful employees who have to bring successful diversification to the company. As Kenny explains, selecting these managers as good managers to the firm diversification should have a good system to select. If not, they will identify as bad managers. So measuring these good manager’s performance is a key decision of the company and it should have a proper system. Then the perform managers will work more actively and will drive for the performance by developing as well as diversifies (Kenny, 2012). When examining managers’ skills, it is more important to identify seven major factors of management tasks. These are can identify as managing individual performance, instructing to their subordinates, planning and allocating the resources, coordinating of
mutually beneficial groups, managing of their group performance, continually monitor the business environment and represent in one’s staff. Also, this is important to examine the findings has given clear-cut differences in the importance of the role of the manager (Kraut et al. 1989). Finally as per Madhoun and Analoui, this research is more important to carry out because a cluster of managerial skills needs to be analyzed as a system of interrelated skills (Madhoun, and Analoui, 2002).

b) Managers’ intention on diversification strategies for firm performance

Managerial experience investigates the role of in small and medium enterprise growth using the Managerial Capacity Index (MCI). As Asah and Fatoki explain the MCI is a good measure of managerial experience and their activity. Asah and Fatoki found that a high score in the MCI has a positive relationship to both strategic planning and firm performance and growth (Asah & Fatoki, et al 2015). Martin and Staines (2008) investigated that lacking managerial experience, managerial skills and personal qualities of them are the main effects to failed new firms. Also, other reasons to fail new firms are such as contrary economic situations, weekly implement business plans and resource starving. The differentiating feature of high and low-growth small firms are the levels of education of senior managers and training and experience of senior managers. Other empirical studies such as Shariff and Peou (2008) and Parida et al, (2010), investigated that managerial competencies can measure by managerial education, managerial experience, managerial experience and knowledge of the industry. This factors positively impact the performance of small firms and medium firms. The lacking of managerial education and training has reduced management capacity in firms. This is one of the reasons for the low level of entrepreneurial creation and the high failure rate of new ventures (Herrington & Wood, 2006). However, finds that the managerial skills of entrepreneurs are not the unique determinants of performance. Bosma and the team did not find a significant relationship between the managerial skills of managers and firm performance (Bosma et al. 2004). Some studies did not find a significant relationship between the managerial skills of managers and firm performance (DuBrin, 2012). But many kinds of literature have found an insignificant relationship between managerial skills and firm performance. The argument of this study is that firms with owners-managers that are educated and have industry or managerial experience should outperform firms (Appuhami, 2007) & (Chan, 2009). Some studies have found that top management teams have a negative impact on international diversification. But managers’ experience maintains a positive impact on international diversification. Also the educational background of managers’ diversification and international experience will have reduced the negative effects of firms’ performance in international diversification (Li & Lo, 2017). Also the manager’s educational background knowledge and their experience drives to reduce the negative effect of diversification (Li and Lo, 2017).

c) Managerial experience, Productivity, Knowledge and the Educational background for diversification strategies

There are both positive and negative impacts on diversification strategies with top management and their experience capacity. This management negative impact can minimize by the educational background and experience of them for diversification strategies (Li & Lo, 2017). Kor explains that when there is experience in mix ways managers are well-argued and applying effective growth strategies. Also, this mixed managerial experience will work to grow the firm through diversification strategies. This is the best time to practice with top management teams who are with well-mixed experience and capable skills to drive diversification strategies in this environment (Kor, 2003).

Finkelstein & Hambrick examined that the top management teams with well-diversified education knowledge are a heterogeneous resource to the organization. This educational background of the top management team will execute good thinking and innovative ideas to implement diversification strategies. This managerial knowledge will contribute to well-diversified experience and skills to think innovatively. Also top management is linked to high range of networks, strategically thinking and wide range of skills with their diversity background (Finkelstein & Hambrick, 1996). In many studies explain that diversity of educational experience for the top management teams are well contributing positively to implement diversification strategies. These skills have taken firms to position in many markets and also to capture the new markets geographically. This has driven with top-level managerial new ideas and innovative strategies contribution (Carpenter & Fredrickson, 2001). Also, the top management educational background will contribute to professional and very value-creating a situation in the access of diversification (Hambrick and Mason, 1984). More ever managerial thinking pattern and the managerial knowledge can improve by giving training in education (Wiersema & Bantel, 1992). Always managers should be an open mind when going for diversification strategies to alert the issues. The managerial level and the corporate level should be in a good alert to prevent from different facts that can unsuccessful the diversification. Therefore always they need to come up with new ideas and good opportunities to grow the business by diversification (Kenny, 2012).

When a firm diversified with corporate diversification, decisions of financing and management
managers are still fearful of diversification
is so good. There are many boards of the companies
diversifying business. But still firms fail even their focus
When implementing a level of diversification
increase costs, it can affect the firm. These effects
can drive for benefiting the firm by adding firm value or
dropping up the firm value (Palich et al., 2000). When
firms diversifying, budgets are more important and
itselfs to slow down the activities. Corporate
diversification is an important factor and strategy of the
business unit is another factor. The administration
systems that diversify firms go through can affect the
budgets such as controlling budgets and also the
current incentive systems. Budgets that are allocated to
business units have a positive effect on corporate
diversification. Effective control of budgets and the
powerful incentive systems will pick up the business
(Van der Stede, 2000). As Pitts and Hopkins explain
when the firms diversify budgets slack is a big issue and
firms stimulate in distinct business. This is a time that
firms are active in clear-cut businesses (Pitts and
Hopkins, 1982). Corporate managers in the diversified
firm are not close to different activities that are run by the
business units (Campbell et al., 1995). Most of the time
corporate managers are attending with the controlled
budgets, financial result measures and administrative
operations. But they are not much involved actively in
business operations (Ghoshal & Moran, 1996).
Firms can gain high market power by
implementing the strategy of diversification. It also
creates luxury benefits with the surplus of productivity
factors. Also, diversification strategies can create an
efficient internal capital market by allocating resources
efficiently (Chakrabarti et al., 2007). Diversification is
depending on the productivity of the organization to be
successful as a business strategy itself. Giroud &
Mueller have investigated these productivities of the firm
to success diversification are the efficiency of the
management structures and also recourses of the firm.
Therefore, firms functioning in productivity has defined
as a moderator variable in the diversification and the
organization's performance. This moderating variable of
firm productivity has impacts on the performance and
diversification strategies of the firm. There are factors
that the firm should able to utilize their resources
productively to give benefits to the firm. So this business
strategy of diversification will give return benefits to the
firm by productivity (Giroud & Mueller, 2015). A process
that can add value to the core activities of a firm
business is by producing the products from the given
inputs or resources (Tangen, 2002). There should be a
viable environment when a firm wants to innovate to
grow their business. When the firm financial systems are
not in the maturity stage productivity is lesser (Gatti and
Love, 2008). But still managers follow up on greater
diversification strategies for the gain in power and
prestige of their firms (Jensen, 1986). Firm trust to
implement greater diversification strategies in a large
size because the firm’s size is linking positively to
manager’s compensation. Therefore, managerial
behavior on diversification level is effecting for the
delivery of firm performance (Jensen & Murphy, 1990).
As Kenny illustrates diversification is a good focus for a
company and sometimes it can be bad due to the
diversifying business. But still firms fail even their focus
is so good. There are many boards of the companies
and the managers are still fearful of diversification
because of how to make it a success. Companies’ best
opportunities are that they can go to a potential
business which will benefit them and overcome the
barriers. Writing the failure of diversification is very easy.
One reason for the bad reputation of diversification is
this sloppy analysis of diversifying businesses (Kenny,
2012). Managers need to clarify the objectives that they
are going to implement with the firm recourses.
Managers should careful when they use firm recourses
processing with business structure and the product diversification. (Lee, 2017).

d) Firm Performance with diversification strategies

There are potential effects of diversification strategies related to the performance of the organization. Widely diversification strategies deliver better results. Osorio found that successful firms have achieved their value with product diversification and depending on country environment and time period. So in the institutional base widely diversification strategies effects with the above two factors of the time period and the environment of the operating country. (Osorio et al., 2012). Diversification strategies result in both positive and negative impacts on firm performance. Also diversification benefits for firms’ to cross-sell their products, for cost savings, enter into new markets and market hybrid products to increase brand image (Jayathilake, 2018). There are many studies on the relationship between diversification and company performance. But they are not shown a clear relationship between these two factors of the performance and diversification (Palich et al., 2000). But many studies have gone through to find out which are the factors that affect the relationships between performance and the diversification strategies. As Chakrabarti and team say there is no clear relationship between these two factors. But there should be some dependable reasons for it (Chakrabarti et al., 2007). Ajay & Madhumathi investigated that firms with product diversifications and international diversification are not powered to act as a strong player, as the firms with focused strategy in the capital structure. But the firms implementing product and market diversification are having a positive earning on the asset base (Ajay & Madhumathi, 2015). Diversification strategies directing firms to reach strategic assets, new technology, natural resources and skills (Lewellen, 1971). In this growth with diversification strategies firms are ready with markets and products to compete for worldwide standards (Teece, 1982.). As Williamson examines there will be fewer chances of bankruptcy because diversification is improving the debt capacity. So diversification will improve the firm’s profitability and the assets by reaching to new markets and new products (Williamson, 1988). Firms’ diversification is a strategy that connected with its performance and also effects the earning management in the firm practices. So the managers are facing challenges with financial support for their decisions. Those are to maximize the values and minimize the cost of the firm (Mehdi and Seboui, 2011). Diversification strategies are creating conditions for earnings. It can be in favorable or unfavorable conditions. Chung and the team found that to perform firm earnings with the corporate strategies, need to create with the performance of the operational level (Chung et al., 2005). Also, diversification strategies direct into related or unrelated diversifications. There are many modes of diversification strategies. Those are by firm internal expansion, mergers, and acquisitions or choice of this strategy (Kwangmin & Jang, 2012). Diversification strategies and performance links do not exist in many economies. It runs in well-developed economies and emerging economies (Berger & Ofek, 1995). Divarication strategies carried forward in rising economies to make values to firms. (Guillen, 2000). Firms with implementing higher diversification strategies result for high performance in emerging economies (Chang & Hong, 2002). Sometimes in the emerging economies diversification strategies will perform negative result within the firms (Tevfik, 2008). But in other ways diversification strategies deliver value to firms in the emerging economies (Olu, 2009). Firms’ performance exists when there is a relationship to keep positive. Yaghoubi explains that diversification delivers mix results with the condition of the economy, and types of a diversification strategy. That is related and unrelated diversification and also when the time periods are different diversification strategies drive for a mixed performance (Yaghoubi et al, 2011).

Diversification strategies drive for high firm performance in developed economic settings. Khanna and Palepu explain that this is as a result of high costs adopting the financial markets and weak entries from the financial markets. Also resulting inefficient capital markets increases the firm performance in developing economies (Khanna & Palepu, 1997). Donaldson findings present that greater diversification strategies activate in complication in managing, structural and organizational factors of firms (Donaldson, 2000). Firms are creating segments with new business and also different product categories to bring under control and put to use as diversification strategies. Tevfik found that expansion of a firm with their control is a basic description for the diversification (Tevfik, 2008). When firms over diversified there are many ways of failing the ongoing businesses. As Kenny investigated there are points that a successful company who implement diversification strategies should not have and also points that a focused company for diversification should not have. Those are keeping in effective managers at many levels, regulatory and cultural differences when expanding to other countries. Also the acquisitions are happening with many requirements to integrate. Some make big payments to acquisition even when the expenses are high. Also there are more points companies should not do when implementing diversification strategies. If failing to understand all the liabilities and the where the market is correctly focused on, this is not the time to diversify. In this case diversifying firm should practice the good discipline of the total management and also total staff increase to the current operations. As per the Kenny investigated,
when a firm implements diversification strategies the highest performance will give with the moderate unrelated diversification. Rather than going for a high related diversification or high unrelated diversification moderate diversification will give good performance to the firm. Always firm’s businesses focused to achieve corporate performance and when there is a moderately diversified business, it gives the best performance (Kenny, 2012). When considering insurance firms, there is a negative relationship between product diversification strategies. Lee examined that these results are logical according to the theory of diversification discount. Diversification strategies resulted there is an impact of the firm’s business lines on the performance of the firm. The size of the firm and the product diversification involves that there are increasing results of product diversification in large size firms. There are high-value points that the diversification effects and business structure for the firm performances in countries that are under developing (Lee, 2017). In many countries a product diversification strategy is used to increase the financial performance of firms. As Elango describes they highly implement this strategy and leads to expanding the market shares while the liberalization of financial markets globally (Elango et al., 2008).

**III. Conceptualization and Hypothesis**

The researcher has proposed a complete model for measuring influencing factors for diversification strategies by the managers’ intention for diversification strategies. The researcher has found and collected related research to create this framework. This was based on past research, hypotheses to support the concept.

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Mediating Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial Experience</td>
<td>Diversification Strategies</td>
<td>Firm performance</td>
</tr>
<tr>
<td>Knowledge and Educational background of the management</td>
<td>Diversification Strategies</td>
<td>Firm performance</td>
</tr>
<tr>
<td>Managers’ productivity</td>
<td>Diversification Strategies</td>
<td>Firm performance</td>
</tr>
</tbody>
</table>

The hypotheses formulated with the combination of the research question. Also, previous research findings and research limitations supported in formulating the hypotheses. Diversification of firms is reaching too high performance with their high attention to the activities. Firms will get increased performance by reinvesting in related business by engaging new business (Chiao et al, 2008). Therefore in the healthcare industry of Sri Lanka, there can be a relationship between diversification and the firm performance.

*H1:* There is no relationship between diversification and the firm performance of the healthcare industry in Sri Lanka.

Prior experience of managers will drive to innovation with financial expectations. Also this fast experience will act against negative effects on the business. Managers’ experience will give the ability to increase innovation actions and improve new businesses to compete for the market (BarNir, 2014). So there can be a relationship between managerial experience and the diversification strategies of the healthcare industry.

*H2:* “There is no relationship between managerial experience and the diversification in firms of the healthcare industry in Sri Lanka.

Managers’ knowledge and the educational background drives through to a diversification strategy. When managers knowledge of their environment, firms directions will change to the correct path. This knowledge will change the context in growing the
businesses and readjust the job roles and responsibilities (Woldesenbet, et al 2007)

H3: There is no relationship between the educational background of the management and the diversification in firms of the healthcare industry in Sri Lanka.

A productive manager always will be a performing worker with happiness and wellbeing. When a manager is a productive worker their performance and job satisfaction drive high. So the productivity of a manager brings success to a firm in growing the business and increase the performance (Hosie & Sevastos, 2009).

H4: There is no relationship between managerial productivity and the diversification in firms of the healthcare industry in Sri Lanka.

The research has considered above four hypotheses to investigate the research problem by analyzing data with SPSS. The hypothesis built on considering correlation with the dependent, independent and other variables of the research. The researcher has investigated the skills of managers who are having more intention on diversification strategies for firm performance.

IV. Methodology

In the study healthcare managers of both pharmaceutical and surgical used as the population. These managers are the people who have the intention to grow their current business through diversification strategies. The researcher has considered the most potential managers of the healthcare industry who drives leading businesses in the Sri Lankan market. For the data collection self-administered questionnaires were used (Wanninayake and Chovancova, 2012). As the samples 31 numbers of Pharmaceutical managers were used to distribute the data. This category was done with 2 junior managers, 21 middle managers, and 8 senior managers. IBM SPSS was used to analyze the data. Data were analyzed with descriptive statistics. Also, reliability test is done through SPSS for variables and described the Cronbach’s Alpha value. Relationships of variables analyzed with parsons correlation to find out the relationships among dependent and independent variables.

The study has followed the deductive approach which works from more general to the more specific. Also, the deductive approach informally called a "top-down" approach (Worster, 2013). The study has used questioner to collect the data and manually delivered to each respondent to answer. Therefore this study is a quantitative one. The sampling method used in the study was the snowball sampling method. This method works like a chain of business referrals for the study. In the initial stage of the snowball sampling method smallest of the groups are studied. In the next stage looking for their help study another group with a similar type of qualities. This is a kind of Non-probability sampling and also the size of the sample can increase by forwarding with research process (Karunanayake & Wanninayake, 2015). When using Non-probability sampling clear rationale is needed for the inclusion of some cases or individuals rather than others (Yin, 2003).

V. Findings and Discussions

The IBM SPSS was used to analyze the data of the study. The outcome of the data analysis is given in the below tables. Fist the reliability test was done to measure internal consistencies of the total scores for each scale. That is by measuring the Cronbach’s Alpha Coefficients. The calculation of reliability measurements is presented below with the Cronbach’s Alpha value. The findings of reliabilities for two scales were found to be adequate since Cronbach’s Alpha values are higher than 0.7 (George & Mallery, 2003). That is in the measurements of managerial experience and managers’ productivity. But managers’ knowledge measurement was below 0.7 which was found in the reliability test. In this Cronbach’s Alpha value was .659 which is near to 0.7.

<table>
<thead>
<tr>
<th>Table 1: Reliability analysis for the scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability Statistics- Managers experience</td>
</tr>
<tr>
<td>Cronbach's Alpha</td>
</tr>
<tr>
<td>.800</td>
</tr>
<tr>
<td>Reliability Statistics- Managers knowledge</td>
</tr>
<tr>
<td>Cronbach's Alpha</td>
</tr>
<tr>
<td>.651</td>
</tr>
<tr>
<td>Reliability Statistics- Managers productivity</td>
</tr>
<tr>
<td>Cronbach's Alpha</td>
</tr>
<tr>
<td>.761</td>
</tr>
</tbody>
</table>
The below item statistics table -2 gives the means and the standard deviations for each question items. These scores should be in a similar range to match the same concept. The questionnaire can make more reliable by removing the very high or very low scores items from it. In the below table the few items are not in the similar range. But overall below results of means and standard deviations are in a similar range. For more reliability few items of which gives a different range of results can remove from the questionnaire.

<table>
<thead>
<tr>
<th>Item Statistics – Managers Experience</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your total experience</td>
<td>3.19</td>
<td>.402</td>
<td>31</td>
</tr>
<tr>
<td>Managerial experience</td>
<td>3.19</td>
<td>.402</td>
<td>31</td>
</tr>
<tr>
<td>You experience in the relevant industry</td>
<td>3.10</td>
<td>.301</td>
<td>31</td>
</tr>
<tr>
<td>Your experience in the current job role</td>
<td>3.06</td>
<td>.250</td>
<td>31</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item Statistics – Managers Knowledge</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your Education background level</td>
<td>4.10</td>
<td>.539</td>
<td>31</td>
</tr>
<tr>
<td>Current knowledge of the Industry</td>
<td>4.55</td>
<td>.568</td>
<td>31</td>
</tr>
<tr>
<td>Your Current marketing knowledge</td>
<td>4.42</td>
<td>.620</td>
<td>31</td>
</tr>
<tr>
<td>Current knowledge of the job role</td>
<td>4.61</td>
<td>.558</td>
<td>31</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item Statistics – Managers Productivity</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your overall productivity</td>
<td>4.29</td>
<td>.783</td>
<td>31</td>
</tr>
<tr>
<td>Your finance management</td>
<td>4.29</td>
<td>.693</td>
<td>31</td>
</tr>
<tr>
<td>Your resource management</td>
<td>4.16</td>
<td>.583</td>
<td>31</td>
</tr>
<tr>
<td>Your people management</td>
<td>4.13</td>
<td>.499</td>
<td>31</td>
</tr>
</tbody>
</table>

Below Table – 3 presents a correlation matrix of managers experience, knowledge and productivity. This displays how each item correlates to all other items. The analysis given every two questions is being compared. From top left to bottom right, there is a list of 1.000 across the diagonal, which represents instances that the items are correlated with itself. Here the scores are identical because of the correlation is perfect (r = 1). If items in the questionnaire are measured the same concept, items should correlate well together. To keep the reliability any items can remove from the questionnaire, which has consistently low correlations across the board. But in the below table 3, there are only a few results that give low scores. Also by removing those few items questionnaire can make more reliable.

<table>
<thead>
<tr>
<th>Inter-Item Correlation Matrix - Experience</th>
<th>Your total experience</th>
<th>Managerial experience</th>
<th>You experience in the relevant industry</th>
<th>Your experience in the current job role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your total experience</td>
<td>1.000</td>
<td>1.000</td>
<td>.392</td>
<td>.536</td>
</tr>
<tr>
<td>Managerial experience</td>
<td>1.000</td>
<td>1.000</td>
<td>.392</td>
<td>.536</td>
</tr>
<tr>
<td>You experience in the relevant industry</td>
<td>.392</td>
<td>.392</td>
<td>1.000</td>
<td>-.086</td>
</tr>
<tr>
<td>Your experience in the current job role</td>
<td>.536</td>
<td>.536</td>
<td>-.086</td>
<td>1.000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inter-Item Correlation Matrix - Knowledge</th>
<th>Your Education background level</th>
<th>Current knowledge of the Industry</th>
<th>Your Current marketing knowledge</th>
<th>Current knowledge of the job role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your Education background level</td>
<td>1.000</td>
<td>.256</td>
<td>.273</td>
<td>.572</td>
</tr>
<tr>
<td>Current knowledge of the Industry</td>
<td>.256</td>
<td>1.000</td>
<td>.366</td>
<td>.271</td>
</tr>
</tbody>
</table>
Current knowledge of the job role  

<table>
<thead>
<tr>
<th></th>
<th>Your overall productivity</th>
<th>Your finance management</th>
<th>Your resource management</th>
<th>Your people management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your overall productivity</td>
<td>1.000</td>
<td>.639</td>
<td>.478</td>
<td>.327</td>
</tr>
<tr>
<td>Your finance management</td>
<td>.639</td>
<td>1.000</td>
<td>.458</td>
<td>.466</td>
</tr>
<tr>
<td>Your resource management</td>
<td>.478</td>
<td>.458</td>
<td>1.000</td>
<td>.270</td>
</tr>
<tr>
<td>Your people management</td>
<td>.327</td>
<td>.466</td>
<td>.270</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Correlations figure out the strength of the linear relationship between two variables. Correlation coefficients range from -1.0 to positive 1.0 which counts a perfectly negative correlation and a perfect positive correlation. The correlation coefficients within -1.0 to 1.0 will figure out the weaker to stronger correlation. When the correlation coefficient gets closer to zero, the result shows a week correlation is between the two variables (Ratner, 2009). Below table - 4 gives the Correlation coefficients of managers intention for diversification and three independent variables. The Correlation coefficient of managers’ intention for diversification and managers experience is 0.380 which indicates a moderate positive relationship between two variables. Also with managers’ knowledge, it is -.173 which indicates a week negative relationship between two variables. The Correlation coefficient of managers’ intention for diversification and managers productivity is 0.371 indicates a moderate positive relationship.

Table 4: Correlations between Managers intention and three independent variables

<table>
<thead>
<tr>
<th>Correlations</th>
<th>What is your intention to grow the business diversification strategies</th>
<th>EXPERIENCE</th>
<th>KNOWLEDGE</th>
<th>PRODUCT</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is your intention to grow the business</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.380*</td>
<td>-.173</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.035</td>
<td>.352</td>
<td>.040</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>31</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>EXPERIENCE</td>
<td>Pearson Correlation</td>
<td>.380*</td>
<td>1</td>
<td>-.258</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.035</td>
<td>.161</td>
<td>.352</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>31</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>KNOWLEDGE</td>
<td>Pearson Correlation</td>
<td>-.173</td>
<td>-.258</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.352</td>
<td>.161</td>
<td>.624</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>31</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>PRODUCT</td>
<td>Pearson Correlation</td>
<td>.371*</td>
<td>.173</td>
<td>.092</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.040</td>
<td>.352</td>
<td>.624</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>31</td>
<td>31</td>
<td>31</td>
</tr>
</tbody>
</table>

*. Correlation is significant at the 0.05 level (2-tailed).

As per the below null hypothesis, H2 - There is no relationship between managerial experience and the diversification in firms of the healthcare industry in Sri Lanka. In the hypothesis test, P-value is 0.035. Therefore P < 0.05, statistically significant and reject the null hypothesis. There is a relationship between managerial experience and the managers’ intention on diversification strategies.

In the next hypothesis H3 - There is no relationship between the educational background of the management and the diversification in firms of the healthcare industry in Sri Lanka. In this hypothesis test, P-value is 0.352 which is greater than 0.05.0. Result is 0.352 > 0.05 statistically not significant. Here accept the null hypothesis and explains that there is no relationship.
between knowledge and educational background of the management and their intention for diversification.

Next hypothesis is H4 -There is no relationship between managerial productivity and the diversification in firms of the healthcare industry in Sri Lanka. In the hypothesis test, P-value is 0.040. Therefore P < 0.05, statistically significant and reject the null hypothesis. There is a relationship between managerial productivity and the managers’ intention of diversification strategies.

Table 5: Correlations between diversification and the firm performance

<table>
<thead>
<tr>
<th>What is your intention to grow the business by diversification strategies</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is your intention to grow the business by diversification strategies</td>
<td>1</td>
<td>.041</td>
</tr>
<tr>
<td>N</td>
<td>31</td>
<td>31</td>
</tr>
</tbody>
</table>

As the first null hypothesis H1 – There is no relationship between diversification and the firm performance of the healthcare industry in Sri Lanka. But according to Table 5, the P-value is 0.041 which is P > 0.041. Therefore 0.041 is less than 0.05. It is significant. Can reject the null hypothesis. Therefore alternative hypothesis is there is a relationship between diversification and the firm performance of the healthcare industry in Sri Lanka. This study proves that there is a relationship between diversification and the firm performance of the healthcare industry in Sri Lanka. The correlation coefficient of managers’ intention in diversification and the firm performance is 0.370, which indicates a strong negative relationship between two variables.

As per the above table three type of category managers are taken as the samples for the research. The sample has represented more middle category managers which can find more good results. Senior and junior managers are less number as the research data analyzed.

VI. CONCLUSION AND RECOMMENDATION

This study has investigated which skillful managers are having an intention for diversification strategies to drive for firm performance. The study evaluated the experience of managers and their educational background, knowledge and the productivity of them. According to the findings experience of managers and the productivity of them drives for the intention of diversification strategies. According to the data there is a relationship between managers’ intention for diversification, with the managers who have more experience and high productivity. But there is no relationship between the managers’ intention for diversification, with their knowledge and the educational background. Also Study found out that, there is a relationship between the managers’ intention for diversification and firm performance. When the managers are having high experience and the productivity they are intention is more for diversification strategies to grow their business. This strategy has gained the organizations to achieve
their performance by-products or turnover. In the Sri Lankan healthcare industry, managers’ intention for diversification strategies will direct them to firm performance. Firms can select managers with high experience and productivity to implement diversification strategies to grow their businesses. Educational background or the knowledge of managers will not be the main factor to implement diversification strategies. The productivity of managers and using the experience as a manager will direct to success in implementing diversification for firm performance for this healthcare industry. Also, the same concept can use in other industries as well as increase the firm performance of the organization.

This study outcome is more important to the firms who drives to the diversification strategies in the future. The Sri Lankan healthcare industry both in government and private will be more benefited of this study outcomes to grow their business. Especially pharmaceutical and the medical devices firms will take more attention to use this study results in diversification strategies. According to the findings managerial experience and the managerial productivity direct impact on the diversification strategies for firm performance. This study is important for the managers who are planning to implement diversification strategies in the future to use the correct managers with more experience and high productivity. For the future investigations can examine the specific factors of managers’ intention for diversification strategies and the firm performance.

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Managers’ Intention on Diversification Strategies for Firm Performance in the Health Care Industry of Sri Lanka

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The Benefits and Challenges of Digital Transformation in Industry 4.0

By Heron Jadertrierveiler, Denilson Sell & Neri Dos Santo
Federal University of Santa Catarina

Abstract- The development of digital technologies has been promoting a real transformation in the lives of people and businesses in recent years. This movement has been called Digital Transformation. It intensified in the mid-2000s when many companies began a move to adapt their business infrastructure to the new digital age, benefited from the average price reduction of technology components, increased computing performance and global connectivity. In the manufacturing industry, a similar move, albeit a little late, has been carried out by the development of Industry 4.0 or, as some prefer to call it, smart factories. This article presents a vision of the digital transformation in industry, emphasizing the benefits and key challenges, from the analysis of 9 relevant publications published between 2005 and 2014. Its content will be especially important for those who are beginning their research on this topic, but whose practical implications can already be felt in our daily lives. Throughout the text, we discuss the breadth and importance of the Internet of Things and cloud computing for Industry 4.0, the applications and the importance of identification and tracking technologies, wired and wireless sensors, big data, communication protocols and distributed intelligence, the new role of IT strategy in manufacturing organizations, the impacts of new modes of production on organizational structures and the foundations of work, and the possibilities for generating, extracting and analyzing large volumes of data from connected machines in a collaborative community.

Keywords: smart factories; manufacture; technological development; digitization; digital strategy.

GJMBR-A Classification: JEL Code: L00

Strictly as per the compliance and regulations of:

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The Benefits and Challenges of Digital Transformation in Industry 4.0
An Analysis from the Most Referenced Works about Digital Transformation and Industry 4.0
Heron Jadertrieveleir a, Denilson Sell b & Neri Dos Santo c

Abstract: The development of digital technologies has been promoting a real transformation in the lives of people and businesses in recent years. This movement has been called Digital Transformation. It intensified in the mid-2000s when many companies began a move to adapt their business infrastructure to the new digital age, benefited from the average price reduction of technology components, increased computing performance and global connectivity. In the manufacturing industry, a similar move, albeit a little late, has been carried out by the development of Industry 4.0 or, as some prefer to call it, smart factories. This article presents a vision of the digital transformation in industry, emphasizing the benefits and key challenges, from the analysis of 9 relevant publications published between 2005 and 2014. Its content will be especially important for those who are beginning their research on this topic, but whose practical implications can already be felt in our daily lives. Throughout the text, we discuss the breadth and importance of the Internet of Things and cloud computing for Industry 4.0, the applications and the importance of identification and tracking technologies, wired and wireless sensors, big data, communication protocols and distributed intelligence, the new role of IT strategy in manufacturing organizations, the impacts of new modes of production on organizational structures and the foundations of work, and the possibilities for generating, extracting and analyzing large volumes of data from connected machines in a collaborative community.

Keywords: smart factories; manufacture; technological development; digitization; digital strategy.

I. Introduction

Digital technologies have become popular in recent years and have significantly transformed the daily lives of most people. It has become common to call this movement Digital Transformation.

In the business environment, this transformation is also happening. In fact, it is a two-way street. The transformation of the business environment affects people's daily lives to the same extent as the reverse occurs.

In this research, we could have analyzed many environments and contexts, but we decided to focus on the manufacturing industry. To this end, we rely on the assumption that the so-called Industry 4.0 is the leading driver of digital transformation in the manufacturing industry. But, before describing in detail the procedures adopted for this, we should recall some basic principles of the literature review process.

The literature review, in the scientific methodology, underlies the questions and methods that will be adopted by the researchers. Objectively, it comprises a critical qualitative analysis on one or more themes that have already been published (RUSSEL, 2005; KLOPPER; LUBBE; RUDBEER, 2007). It is up to researchers, at this moment, to search, collect, prioritize, read with purpose, look for key issues and themes, and then describe and criticize them (KLOPPER; LUBBE; RUDBEER, 2007).

As for methodological rigor, in the literature review, researchers should adopt standards equal to those of research conducted on primary data sources. This could not be different, since the literature review is nothing more than a research on the published research (WHITTEMORE; KNAFL, 2005). The analysis of the structures, processes and relationships between the themes is also essential for a good review, and it is up to the researcher to connect the previous research to the work he is doing in his research area (KLOPPER; LUBBE; RUDBEER, 2007).

The present work describes the results of a systematic search in Web of Science citation database, relating Digital Transformation and Industry 4.0. After identifying the main publications that explored the relationship and even at the intersection between the two themes, we aim at answering the following questions:

- What do the authors mean by Digital Transformation? What is the relationship established between it and Industry 4.0?

1 To mitigate the risk of ignoring relevant articles that addressed the topic of interest without explicitly mention Digital Transformation or Industry 4.0, we added a few secondary keywords to the search: e-economy; digital economy; digital maturity; digital strategy; digitization; digitalization.
by the authors between Industry 4.0 and Digital Transformation?

- Is the research restricted to which economic sector (i.e. primary, secondary or tertiary) and which business area (e.g. manufacturing, technology, software)?
- What is the research locus? National, regional, company, employee or consumer?
- What technologies (e.g. blockchain, internet of things, sensors) are identified as relevant in digital transformation initiatives?

From these search criteria, we organized the selected articles into three categories: most cited, most recent published in the most relevant journals, and most referenced by the publications of the two previous categories (i.e. most cited and most recent).

This article, it should be said, is part of a broader research. Therefore, it covers the analysis of only the most referenced works by the most cited and most recent publications selected from the systematic search. These are nine articles, as detailed in the following table:

<table>
<thead>
<tr>
<th>#</th>
<th>Authors</th>
<th>Title</th>
<th>Year</th>
<th>Publication</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ATZORI, Luigi; IERA, Antonio; MORABITO, Giacomo</td>
<td>The Internet of Things: A survey</td>
<td>2010</td>
<td>Computer Networks</td>
</tr>
<tr>
<td>2</td>
<td>BHARADWAJ, Anandhi; VENKATRAMAN, N</td>
<td>Digital Business Strategy: Toward a Next Generation of Insights</td>
<td>2013</td>
<td>MIS Quarterly</td>
</tr>
<tr>
<td>3</td>
<td>BREITTEL, Malte; FRIEDERICHSEN, Niklas; KELLER, Michael; ROSENBERG, Marius</td>
<td>How Virtualization, Decentralization and Network Building Change the Manufacturing Landscape: An Industry 4.0 Perspective</td>
<td>2014</td>
<td>International Journal of Information and Communication Engineering</td>
</tr>
<tr>
<td>4</td>
<td>KAGERMANN, Henning; WAHLSTER, Wolfgang; HELBIG, Johannes</td>
<td>Recommendations for implementing the strategic initiative INDUSTRIE 4.0</td>
<td>2013</td>
<td>National Academy of Science and Engineering</td>
</tr>
<tr>
<td>5</td>
<td>LASI, Heiner; FEITKE, Peter; KEMPER, Hans-Georg; FELD, Thomas; HOFFMANN, Michael</td>
<td>Industry 4.0</td>
<td>2014</td>
<td>Business &amp; Information Systems Engineering</td>
</tr>
<tr>
<td>6</td>
<td>LEE, Jay; KAO, Hung-An; YANG, Shanhu</td>
<td>Service Innovation and Smart Analytics for Industry 4.0 and Big Data Environment</td>
<td>2014</td>
<td>Procedia CIRP</td>
</tr>
<tr>
<td>7</td>
<td>PORTER, Michael E; HEPPENMANN, James E</td>
<td>How Smart, Connected Products Are Transforming Companies</td>
<td>2015</td>
<td>Harvard Business Review</td>
</tr>
<tr>
<td>8</td>
<td>PORTER, Michael E; HEPPENMANN, James E</td>
<td>How Smart, Connected Products Are Transforming Competition</td>
<td>2014</td>
<td>Harvard Business Review</td>
</tr>
<tr>
<td>9</td>
<td>XU, Xun</td>
<td>From cloud computing to cloud manufacturing</td>
<td>2012</td>
<td>Robotics and Computer-Integrated Manufacturing</td>
</tr>
</tbody>
</table>

Table 1: Most referenced works by the most cited and most recent publications

For the development of this article, we were concerned also about the concepts adopted and the contexts worked by the authors in their publications. We analyzed the benefits and challenges identified by them arising from digital transformation in the manufacturing industry in different aspects, but mainly technological, organizational and marketing.

In the following sections, we detail what we have identified as most important for the purposes of our research in Digital Transformation and Industry 4.0.

II. THE DIGITAL TRANSFORMATION

Since the 2000s, immediately after the Internet bubble, many companies, both startups and corporations, have begun to adapt their business infrastructure to the new digital age. They sought primarily to benefit from the average price reduction of technology components, increased computing performance and global connectivity.

The boundaries that delimit the perimeter of industries have also shifted by the emergence of nonlinear dynamic environments and, it is no exaggeration to say, rather turbulent. New dynamic capabilities, especially those related to business interactions with their consumers, are gaining value. It is even becoming increasingly difficult to decouple products and services from their own IT infrastructures.

The development or adoption of digital platforms allows companies to operate in new spaces and niches. Take, for example, how Apple has redefined the mobile entertainment ecosystem or how Amazon...
has redefined book selling (BHARADWAJ & VENKATRAMAN, 2013).

The good news is that prices are decreasing, and computing, storage and data transfer capabilities are increasing. Consumers can look forward to a new generation of digital products offered in new ways, primarily through cloud computing (BHARADWAJ & VENKATRAMAN, 2013).

a) The expandable capacity of smart, connected products

In addition to new supply channels, expansiveness has emerged as an important attribute of the new generation of products revolutionized by the evolution of information technology. Formerly composed primarily of mechanical and electrical parts, they are becoming complex systems that combine hardware, sensors, data storage, microprocessors, software, and a myriad of new forms of connectivity.

Increased processing capacity, miniaturization of devices, and the benefits of ubiquitous wireless connectivity have made these new products possible and are fostering a new era of competitiveness. Some may think that the Internet is largely responsible for the emergence of smart, connected products – and they are not fundamentally wrong. But it is the transformative nature of “things,” that is, the expandable capacity of smart, connected products that is actually driving the transformation.

IT, for this reason, is becoming an integral part of the products themselves. Sensors, processors, software, and connectivity between them, as well as cloud data storage and processing, have led to substantial improvements in product functions and performance (PORTER & HEPPELMANN, 2014).

In order to understand well what we are referring to when talking about smart, connected products, it is important to keep in mind that they are made up of three main elements:

- Physical components: mechanical and electrical parts of the products.
- Smart components: sensors, microprocessors, data storage, controls, software, and typically an embedded operating system and end user interface.
- Connectivity components: ports, antennas, and protocols that enable wired or wireless connections to the product.

Smart components extend the capabilities and value of physical components, while connectivity extends the capabilities and value of intelligent components and allows some of them to exist outside the physical product itself. The result is a virtuous cycle of value addition (PORTER & HEPPELMANN, 2014).

This transformative impetus of products even changes the value chains, impacting the relationship that companies have with their products and consumers, as they will tend to establish continuous, open and long-term relationships, forcing them to rethink and change virtually all their internal processes.

Even competitiveness will be affected by product developments. They will demand from companies new strategic choices related to the way value is created and captured, the use and management of the huge amount of data generated, the redefinition of relationships with traditional business partners, and the role that companies would have to play to the extent that the boundaries of industries expand (PORTER & HEPPELMANN, 2015).

b) What to do with this huge volume of data

One element that deserves much attention from those who wish to deepen about the evolution of smart and connected products is the use and management of data. Until recently, business data was primarily generated by internal operations and through supply chain transactions – order processing, supplier interactions, sales, customer visits and so on (PORTER & HEPPELMANN, 2015).

Responsibility for maintaining and analyzing data used to be decentralized within functions, sectors and departments. Even if data were shared, this was done in a limited, sporadic way (PORTER & HEPPELMANN, 2015).

Now, finally, traditional data sources are being supplanted by another – the product itself. Smart, connected products can generate data in variety and volume like never before. Porter and Heppelmann (2015) even claim that data now equals people, technology and capital as a core asset of the corporation. In many businesses, they have even become a decisive asset.

Data generated by products is valuable, but it is a fact that its value increases greatly when it is integrated with other data, such as service histories, inventory locations, commodity prices, and traffic patterns. Here is the importance of companies with pretensions to remain competitive in the future to create and implement data generation, capture, storage, analysis and security policies and processes (PORTER & HEPPELMANN, 2015).

c) IT strategy repositioning – from operational to strategic level

Until very recently – and it is no exaggeration to say that even today in many companies – IT strategy has been confined to the functional level that, in turn, should be aligned with business strategy.

In recent years, this approach has been gradually changing as a result of impacting developments in information, communication and connectivity technologies.

Perhaps this is the time to rethink even the role of IT strategy. Rather than functionally aligned but
subordinated itself to business strategy, a promising path is the fusion of IT and business strategies, which Bharadwaj and Venkatraman (2013) call digital business strategy.

Digital business strategy should be understood as the organizational strategy formulated and executed to leverage digital resources in order to create differentiated values (Bharadwaj & Venkatraman, 2013).

This definition praises:

i. Overcome the traditional view that understands IT strategy as a business function and recognize the pervasiveness of digital resources in other functional areas such as operations, procurement, supply and marketing;

ii. Go beyond systems and technologies, which may constrain traditional IT strategy views on digital resource recognition, being thus aligned with the resource-based strategy view (e.g. Barney 1991; Conner and Prahalad 1996; Wernerfelt 1984, 1995);

iii. Create differentiated business values, thereby elevating the implications of IT strategy for efficiency and productivity to those that drive competitive advantage and differentiation strategies.

While the IT strategy can be positioned as a functional strategy, the digital business strategy should be positioned below the business strategy, but itself treated as a business strategy for the digital age.

Gradually, as companies and industries become more digital and base their products on information, communication and connectivity, the digital business strategy will be the business strategy (Bharadwaj & Venkatraman, 2013).

III. INDUSTRY 4.0 – THE DIGITAL TRANSFORMATION IN INDUSTRY

In this increasingly intelligent and connected world, the presence of the Internet of Things and Services will be felt in every area. In some, such as energy supply, mobility and health, smart grids are already formed. In manufacturing, vertical networks, end-to-end engineering, horizontal value chain integration, and increasingly intelligent products and systems are creating the fourth stage of industrialization — Industry 4.0 (Kagermann; Wahlster; Helbig, 2013).

The recommendation issued by the German government with the term Industry 4.0 in its title was a decisive factor for its rapid expansion. Adopted by the Ministry of Education and Research, the term has become an eponym for a project establishing the high-tech strategy for 2020 (LASI ET AL., 2014).

The US, as well as the Germans, are also taking steps to combat deindustrialization through advanced manufacturing promotion programs. This term even emerged as an alternative for Americans to Industry 4.0.

The working group responsible for publishing the German report to which we refer stated that, for Industry 4.0 to be effective, action will be needed in eight key areas (Kagermann; Wahlster; Helbig, 2013):

1) Standardization and reference architecture;
2) Administration of complex systems;
3) Broadband Structure for industry;
4) Safety and protection;
5) Organization and work design;
6) Training and continuing professional development;
7) Regulatory framework;
8) Resource efficiency.

Essentially, Industry 4.0 will involve the technical integration of cyberphysical systems (CPS) in manufacturing and logistics, and the use of the Internet of Things and Services in industrial processes. This will have implications for value creation, business models, production lines and work organization.

Industry 4.0 will be able to promote transformations in various areas of manufacturing and especially throughout the value chain and the way companies relate to their customers. Next, from the publication of Kagermann, Wahlster and Helbig (2013), we detail the main ones:

- Individual consumer requirements

  Individual and customer-specific criteria may be included in the design, configuration, ordering, planning, manufacturing and operation phases. Last-minute changes may also be incorporated.

- Flexibility

  Ad hoc networks based on cyberphysical systems will allow the dynamic configuration of different aspects of business processes, such as quality, time, risk, robustness, price and sustainability.

- Optimized decision making

  Real-time end-to-end transparency will enable engineering decisions to be anticipated and more flexible responses to disruption and global optimization across all companies in the manufacturing sphere.

- Productivity and resource efficiency

  Cyberphysical systems enable manufacturing processes to be optimized on a case-by-case basis throughout the value chain. In addition, rather than disrupting production, systems can be continually upgraded during production, particularly in terms of resource and energy consumption.

- Creation of value opportunities through new services

  Novas formas de criação de valor e de emprego serão viabilizadas por meio, por exemplo, da agregação de serviços.
New ways for value creation and employment will be possible through, for example, aggregation of services.

- Responses to demographic changes in the workplace
  Given the shortage of skilled labor and its increasing diversity in age, gender and cultural background, Industry 4.0 will create the conditions for careers to be more diverse and flexible, allowing people to work and stay productive for longer time.

- Work-life balance
  The more flexible organizational models of companies adopting cyberphysical systems will enable them to meet employees’ growing need for a better balance between work and their personal lives, as well as continuous personal and professional development.

In the future, it will be possible for businesses to establish global networks that will incorporate their machinery, storage systems and production facilities in the form of cyber-physical systems. In manufacturing, these systems will comprise intelligent machines, storage systems and production facilities capable of autonomously share information, initiate actions and control each other. Individual consumer requirements may also be met. This means that even single units with unique and non-scalable features could be profitably manufactured. In Industry 4.0, dynamic business and engineering processes will enable last-minute changes in production and enable companies to respond flexibly to vendor disruptions and failures, for example (KAGERMANN; WAHLSTER; HELBIG, 2013).

The smart factories that are already operating employ completely new production methods. Smart products have unique identifiers, can be located at any time, and know their own stories, current condition, and alternative ways to reach the desired state (KAGERMANN; WAHLSTER; HELBIG, 2013).

a) Key aspects of Industry 4.0
  In future production systems, manufacturing will be modular and efficient and products will be able to control their own manufacturing processes. This new reality, although it may seem fictional to some, is possible by the combination of Internet technologies and future technologies in the field of intelligent objects (LASI ET AL., 2014).

Some aspects deserve mention to characterize what will be Industry 4.0:

1) It will be characterized by a new level of socio-technical interactions between all actors – human or not – and resources involved in manufacturing (KAGERMANN; WAHLSTER; HELBIG, 2013).

2) It will allow workers to control, regulate and configure situation-based manufacturing steps supported by context-sensitive sensors. This way, they will no longer have to do so many routine tasks and can focus on more valuable creative activities. At the same time, as we have said, flexible working conditions will enable greater compatibility between their work and personal needs (KAGERMANN; WAHLSTER; HELBIG, 2013).

3) Products and production processes will be intelligent. During the supply chain they will be able to orient themselves independently. Therefore, factories will have to learn how to deal with rapid product development, flexible production and more complex business environments (BRETTEL ET AL., 2014).

4) Communication between humans, machines and products will be fluid. Cyberphysical systems will capture and process data to self-control certain tasks and interact with humans through interfaces (BRETTEL ET AL., 2014).

Good jobs, technological innovation and worker codetermination are not mutually exclusive elements in the context of Industry 4.0. They are part of a forward-looking approach that aims to develop solutions that are both technologically efficient and socially sustainable (KAGERMANN; WAHLSTER; HELBIG, 2013).

b) The Interdisciplinary Character of Industry 4.0
  Industry 4.0 should be treated as a systemic approach consisting of actions needed in several key areas. It should be implemented in an interdisciplinary manner and in close cooperation with other areas (KAGERMANN; WAHLSTER; HELBIG, 2013). Its approaches and ideas lie at the interface of the disciplines of electrical engineering, business administration, computer science, business engineering, information systems, and mechanical engineering (LASI ET AL., 2014).

Some fields of research related to Industry 4.0 demonstrate its interdisciplinary nature (BRETTEL ET AL., 2014):

- Individualized Production
  - Mass customization
  - Modularization
  - Flexible manufacturing systems (FMS)
  - Reconfigurable manufacturing systems (RMS)
  - Distributed control
  - Self-optimization
  - Fast manufacturing
  - Cloud computing

- Horizontal integration in collaborative networks
  - Collaborative networks
  - Distributed manufacturing
  - Supply chain flexibility
  - Supply chain visibility
  - Internet of things and services

- End-to-end digital integration
  - Virtualization of the procurement process
  - Individualized tracked data
A new technology infrastructure will also emerge from the spread of Industry 4.0. The new technology framework will consist of multiple layers, including new product hardware, embedded software, connectivity, a cloud of products running on remote servers, a suite of security tools, a portal to external information sources, and integration with corporate systems (Porter & Heppelmann, 2015).

Cloud computing is perhaps one of the smart technologies that will most influence the direction of the manufacturing industry. Its main virtue is the provision of on-demand computing services with high reliability, scalability and availability in a distributed environment that provides a strategic dynamic capability for companies to scale up or down their infrastructures (Bharadwaj & Venkatraman, 2013; Xu, 2012).

Cloud computing, still widespread in some manufacturing clusters, could expand significantly in the coming years. Its adoption usually occurs in two ways:

i. Direct adoption of some cloud computing technologies; or

ii. Cloud manufacturing.

The benefits of adopting cloud computing by manufacturing are varied, but are almost always related to enabling new business models (e.g. pay-as-you-go, elasticity of production, customization of solutions), support for smart business (e.g. better integrations and more efficient processes) and improved operational efficiency (e.g. moving an operating process to the cloud) (Xu, 2012).

Cloud manufacturing, in turn, dictates that manufacturing processes are no longer product-oriented but service-oriented. It finds inspiration in cloud computing and is seen by many as an attractive and natural solution.

In this new approach, distributed resources are encapsulated within cloud services and centrally administered. Consumers can use them according to their requirements through varied requests related to design, manufacturing process, testing, management or all other stages of the product life cycle (Xu, 2012). Companies are expected to slowly modulate their business processes and have plug-and-play capabilities to connect these digital assets. This is already common in many new startups that developed connectors through APIs and web services (Bharadwaj & Venkatraman, 2013).

Cloud manufacturing is based on a variety of computing trends applied across a wide range of areas, such as pay-as-you-go computing, elasticity, virtualization, grid computing, distributed computing, content outsourcing, and web 2.0. However, to be viable, it must incorporate very characteristic technologies into the manufacturing context, such as network manufacturing, grid manufacturing (MGrid),

- Real time operating systems
- Simulation and modeling of products and processes
- Product planning and simultaneous production processes
- Value added services

The concepts to which Industry 4.0 refers also deserve distinction, as they are varied and not always very clear. Below we list the main extracts from the publication by Lasi and his collaborators (2014):

- Smart factory
  The manufacturing will be equipped with sensors, actors and autonomous systems. Through the use of intelligent technologies and the application of ubiquitous computing, so-called intelligent factories will evolve to the point of becoming autonomously controlled.
- Cyberphysical systems
  The physical and the digital merge, and it is often no longer possible to differentiate them reasonably.
- New approaches to product and service development
  Open innovation and smart production are very important as product and service development will be individualized.
- Adaptation to human needs
  New manufacturing systems should be designed to address human needs rather than create them.
- Corporate social responsibility
  Sustainability and resource efficiency will be central to the design of manufacturing processes. Product success can be measured by companies' attention to these factors.

c) The transformations delivered and demanded by Industry 4.0 - cloud manufacturing, manufacturing servitization, and more

Not only will manufacturing and logistics processes be significantly affected by Industry 4.0, but also the organizational structures and the very nature of the work. The core roles of product development, IT, manufacturing, logistics, marketing, sales, and after sales will be redefined, and the need for coordination between them will certainly be greater.

Many new functions may emerge, especially those that will be responsible for managing huge amounts of data created, captured and managed by organizations. The classic organizational structure of manufacturing is compromised! Porter and Heppelmann (2015) even state that this will be the most substantial change in manufacturing business since the Second Industrial Revolution over a century ago.
virtual manufacturing, agile manufacturing, and the Internet of Things (XU, 2012).

To this new approach, Lee, Kao and Yang (2014) call it product service-system (PSS). They see it as a strategic innovation of organizational capabilities and processes toward selling not just more products, but integrated products and services. Continuous monetization in this approach is provided by offering a complete service solution, often delivered after sale, meeting unmet customer needs (LEE; KAO; YANG, 2014).

d) The ‘speed problem’ - from launch to product upgrade

Product launches in this new era of digital strategies will be accelerated. Speed will necessarily have to be recalibrated based on releases by pure play companies – which manufacture a single or a product line and are therefore much more dynamic. A multi-year, sequential product development plan will be essential for companies looking to remain competitive on a par with startups and other competitors.

In traditional molds, the launching speed is controlled alone and autonomously by the offering company. In recent years, however, due to increasing digitization, releases require network coordination with complementary products and services. And more: the competitive advantage will tend not to lie solely in launching new products but in ensuring their availability on a global scale.

The orchestration of the global supply chain itself is bringing competitive advantages to the companies that do it well. This is not about outsourcing low value activities. It is much more than this! We refer to collaborative work ranging from conceptual design to the recycling of today’s products, but also tomorrow’s, which demand the need for constant and dynamic realignment between partners and suppliers (BHARADWAJ & VENKATRAMAN, 2013).

IV. The Benefits of digital Transformation in Industry 4.0

It is important to consider technological innovations in their sociocultural context, as cultural and social changes often, or almost always, drive them. The development of Industry 4.0 will strengthen the competitive position of many countries, especially the most developed ones such as the US and Germany, but will also make it possible to create solutions to many global challenges such as energy efficiency and resource use (KAGERMANN; WAHLSTER; HELBIG)., 2013).

It will enable new business models to emerge and impact the organizational structures of many industries. In addition, it has the potential to promote economic growth coupled with new forms of consumption and important progress in the environmental area.

a) New business models

Industry 4.0-based technology development will provide companies with new capabilities, enabling them to meet more sophisticated consumer requirements. This change will likely require the development of new business models and partnerships that address these requirements.

Kagermann, Wahlster and Helbig (2013) predict that the level of development of new business models for manufacturing on the Internet of Things and Services will approach the level of development and dynamism of the Internet itself. Even the perceived quality of products by consumers can increase, as remote maintenance and the development of new services and updates from data extraction and analysis will be feasible (BRETTEL ET AL., 2014).

b) The new manufacturingorganization

Over time, many units within companies may merge. IT and R&D, for example, will begin this process through closer collaboration and integration, which in many cases will culminate in a complete merger between them.

A new standalone unit should also emerge. It will be responsible for supporting corporate strategy for smart and connected products and will be composed of talented professionals who will mobilize the technology and assets needed to bring new offerings to market by working with all affected business units (PORTER & HEPPELMANN , 2015).

In some more sensitive areas, such as aircraft manufacturing, medical devices and agricultural equipment, smart and connected products will coexist with traditional ones for some time. This means that the organizational transformation described here will be evolutionary, not revolutionary, and old and new structures will need to coexist, operating in parallel (PORTER & HEPPELMANN, 2015).

c) Consumption reduction and progress on environmental issues

After decades of focusing on increased production, cheaper products, and increasing availability, businesses and consumers may need fewer and fewer things. This trend is already clearly seen in the so-called collaborative economy. Smart, connected products of the future will give us the autonomy to buy just what we need, share what we don't use so much, and enjoy more what we already have. Rather than discarding old products that often do not have the proper destination and may even compromise the quality of life of future generations, we will opt for products that are continually improved, updated and modernized (PORTER & HEPPELMANN, 2015).
In this new paradigm, we will be able to make much progress on environmental issues. We will substantially increase the efficiency of land, water and raw material use as well as energy efficiency and food production. These relevant advances will contribute to the improvement of the human condition, especially in health, safety, mobility and education. But they imply, we must say, the challenge of changing the consumption trajectory of society as a whole (PORTER & HEPPELMANN, 2015).

d) Economic growth, better working conditions and solving human needs

The opportunities for innovation provided by smart, connected products and the expansion of data they create could drive strong economic growth. If this really happens, new industries, new services and new roles will emerge that will enable people to fulfill their aspirations. Porter and Heppelmann (2015) even predict relevant and positive impacts on employment. For them, smart, connected products will enable people to be more productive and work less routinely and repetitively. By equipping a technician with an augmented reality application and a smartphone, for example, he or she can make a complex repair even with limited training. Less skilled workers can be trained and guided much more easily by specialists.

The past decade, in the business context, has been characterized by the pursuit of domestic cost savings, cautious investments, increased profitability, growing merger and acquisition agreements, and quiet innovations among leading economic players. As a result, there has been reduced growth in the average population’s jobs, wages and living standards, leading to a lower sense of economic opportunity, doubts about capitalism and reduced public support for business (PORTER & HEPPELMANN, 2014).

In this era of smart, connected products, businesses and governments will need to work together to define the rules and regulations necessary for setting standards, enabling innovation, data protection, and overcoming progress-driven efforts (PORTER & HEPPELMANN, 2014).

V. The Challenges of Digital Transformation in Industry 4.0

Technical, business and legal factors will certainly determine the future of the manufacturing sector during the implementation of Industry 4.0. But also the new social structures in the workplace will be able to promote greater worker involvement and thus contribute to their consolidation.

Industry 4.0 is likely to significantly transform work and workers’ skills and abilities as a result of two trends:

i. The clear division of labor characteristic of traditional manufacturing processes will be supplemented in the new organizational and operational structure by decision-making, coordination, control and support functions.

ii. The need for organization and coordination of interactions between virtual and physical machines, plant control systems and production management (KAGERMANN; WAHLSTER; HELBIG, 2013).

For this transformation to take place in line with the demographic changes that are taking place around the world, but more intensely in Europe, it will be important to increase the proportion of older people and employed women. It is already recognized from the latest research that individual productivity is not directly related to the age of people, but to the time in which they occupy a particular position and the way in which their activities are organized in the workplace. In order for workers’ productivity to be preserved or even to increase over longer careers, various aspects of the work environment will need to be transformed, particularly health management and work organization, career models and lifelong learning, team structures and knowledge management (KAGERMANN; WAHLSTER; HELBIG, 2013).

Some important questions immediately arise when we look at the topic:

- What will be the impact of Industry 4.0 on the work environment?
- What will be the responsibilities of business and society in a decentralized high-tech economy where cyberphysical systems will be common?
- In a future characterized by automation and real-time control systems, how can we ensure that people's jobs are good, safe and fair?

Enterprises will only be able to increase levels of innovation and productivity by widespread deployment of autonomously controlled, knowledge-based, sensor-equipped manufacturing systems when they adequately answer these questions.

A new mission of innovation also presents itself on the horizon of manufacturing companies wishing to conform to Industry 4.0 principles. Work organization will need to be smarter and workers’ skills expanded as they will be an essential part of the development and assimilation of technological innovations. As a result, a radical transformation of the content, processes and the work environment itself is expected, affecting flexibility, time control, health care, demographic change and even people’s private lives (KAGERMANN; WAHLSTER; HELBIG, 2013).

Work organization will need to be rethought and models that combine a high degree of individual responsibility and autonomy with decentralized leadership will be important. Offering employees more freedom to make their own decisions, engage more and define their workloads while enabling more flexible work
arrangements can also be tested (KAGERMANN; WAHLSTER; HELBIG, 2013).

While companies will demand from their workers the ability to manage complexity, abstract situations and solve problems, as well as greater flexibility and the accomplishment of more tasks, there is a risk that they will experience loss of control and alienation from work. This stems from the progressive dematerialization and virtualization of business and work processes. In addition, there can be a significant impact on companies' headcount as IT's presence in manufacturing increases. Some people may have their work threatened, especially the less qualified, due to the decrease of low complexity manual activities that will be performed (KAGERMANN; WAHLSTER; HELBIG, 2013).

a) Strengthening learning in organizations

Businesses will become highly complex, dynamic and flexible systems. Therefore, they will need to empower workers by empowering them to be controllers and decision makers. This will require broad-spectrum training and work organization models that promote continuous professional learning and development (KAGERMANN; WAHLSTER; HELBIG, 2013).

An important way to make the training feasible will be by establishing partnerships between companies and educational institutions. It will be interesting that short-term training programs are complemented with work placement and more advanced courses. Some transferable skills, such as business and project management, will also be highly valued. However, some authors, such as Kagermann, Wahlster and Helbig (2013), also emphasize the importance of training that focuses on the importance of workers' health, physical activities and lifestyle, which will help to ensure a long professional career.

The aforementioned working group organized by the German government that coined the term Industry 4.0 listed some recommendations concerning qualifications, training and lifelong learning in the context of Industry 4.0 (KAGERMANN; WAHLSTER; HELBIG, 2013):

1. Promotion of project models
2. Establishment and promotion of "best practice networks"
3. Investigation of new approaches to workplace knowledge and skills acquisition and the development of digital learning techniques
4. Promotion of cross-cutting approaches to work organization
5. Promotion of specific content for Industry 4.0 and interdisciplinary cooperation
6. Modeling IT-based technology systems

b) Product and production architecture changes due to mass customization

In Industry 4.0, mass customization will consist of a production strategy that will focus on large-scale production of custom products. This will require process flexibility, modular product design, and strengthened integration among supply chain actors along the value chain (BRETTEL ET AL., 2014).

Reconfigurable Manufacturing Systems (RMS) emerge as an important alternative to the need to produce custom products. Intelligent factories that choose them can add, remove, or rearrange machine components depending on their modular mechanical interfaces. A recent survey by the Institute for Industrial Management in Aachen, Germany, however, found that the lack of robustness and possibilities for integrating IT systems, employees' adequate knowledge of production processes and insufficient efforts for change within companies make it difficult to implement RMS (BRETTEL ET AL., 2014).

Brettel and others (2014) also suggest some guidelines for exploring the flexibility of collaborations:

- Supply chain redesign to enable route and schedule adaptation;
- Reduction in inventory levels and lead times to achieve high agility;
- Strengthening the synchronization of organizations with information sharing to ensure the satisfaction of consumer needs.

The exchange of information, emphasized on this last point, will depend on the industry-wide establishment of uniform data transfer and use patterns (BRETTEL ET AL., 2014).

Lasi and others (2014) noted that developments towards Industry 4.0 will not only have technological, but also organizational, implications, shifting the business orientation from products to services. The main developments, according to them, can be summarized in five points:

- Reduced development time
  Development and innovation times will need to be reduced. High capacity for innovation will be a key success factor for many companies (time to market).
- Individualized demand
  Instead of the seller, the market will be focused on the buyer, who can define the conditions of the deal. This trend will promote increasing product individualization and, in extreme cases, individual products. This can also be called batch size one.
- Flexibility
  Due to the new requirements, greater flexibility will be required in product development, especially in its production.
Descen tralization
Faster decision making processes will be required to deal with the specified conditions. This will only be feasible if the organizational hierarchies are reduced.

Resource efficiency
The growing scarcity and the consequent increase in resource prices and social changes in the context of ecological aspects demand greater concern with sustainability.

Repositioning functional limits and new functions in business
The new configurations and increased capacity of smart, connected products and the availability of large data will radically restructure traditional business functions. It tends to start with the product development area, but spread rapidly through the value chain. Functional limits will change and new functions will be created (PORTER & HEPPELMANN, 2015).

Product development
For products to become smart and connected it is necessary to rethink all their design elements. They will be complex systems that will contain software and may even have them stored in the cloud. As a result, product development teams that until then consisted mainly of mechanical engineers will mostly have software engineers. Some companies, such as GE, Airbus and Danaher, because of this transformation, have even opened offices in software engineering centers such as Boston and Silicon Valley (PORTER & HEPPELMANN, 2015).

Manufacturing
From smart and connected products will come new requirements and production opportunities. Manufacturing will overcome the barriers of physical object production because a functionally intelligent, connected product will require a cloud-based system to operate throughout its life cycle (PORTER & HEPPELMANN, 2015).

Logistics
Smart, connected products will amplify the ability and importance of tracking. It can be done continuously, regardless of where products are, without the need for a reader, providing rich information not only about your current location, but also about your location history, conditions (e.g. temperature) and the surrounding environment. Smart and connected products have the potential to significantly transform logistics processes as well (PORTER & HEPPELMANN, 2015).

Marketing and sales
The ability to stay connected to the product and track how it is being used redirects the focus of the company's customer relationship – from selling, a single transaction, to maximizing value over time. This creates important requirements and opportunities for marketing and sales (PORTER & HEPPELMANN, 2015).

a) New ways to segment and customize
Data extracted from smart, connected products provides a true portrayal of their use, demonstrating, for example, which features are preferred and which consumers have difficulty using. By comparing usage patterns, companies will be able to more finely segment their consumers – by industry, geographic location, organizational unit, and other attributes.

b) New relationships with the customers
To the extent that companies acquire the condition of continually deliver value to the consumer, the product itself will be a means for delivering value rather than the end itself. Direct and continuous dialogues with consumers will be possible through the connection manufacturers will offer through the product.

c) New business models
Transparency about consumer use of products will encourage companies to develop entirely new business models. Many industrial companies already offer their products as services, and this transformation tends to intensify rapidly. Consumers and the business will need to feel embedded in a win-win scenario where the goal of salespeople becomes consumer success rather than simply making the sale.

d) Focus on systems, not products
Interoperability with related products will be critical to the success of smart and connected products. They themselves will become components of larger systems, which will make the value proposition perceived by the consumer change. They will no longer value only the quality and functionality of the product even though they remain essential.

After sales services
In the era of smart, connected products, after-sales services will no longer be reactive, but preventive, proactive and remote. This transformation will only be possible by improving services and generating efficiency (PORTER & HEPPELMANN, 2015).

Security
Historically, it is the responsibility of IT departments of industrial companies to safeguard their data servers, business systems, computers and networks. With the advent of smart and connected devices, this reality will change radically. Responsibility for IT security will cut across all functions. Smart, connected products may even have more points of vulnerability than traditional IT systems, and the impacts from intrusions will be even more severe. Consumers will surely demand from companies security about their products and their data. Therefore, companies' ability to offer security will be a key source of value and a potential differential (PORTER & HEPPELMANN, 2015).
• Human resources
The requirements imposed on smart, connected product manufacturers will require new skills across the value chain, transforming the way they work and even some cultural norms (PORTER & HEPPELMANN, 2015).

a) New skills
The skills to design, sell and support smart, connected products have high demand but low supply. Manufacturers already developing smart, connected products are urgently required to find talented professionals as the skills required have shifted from mechanical engineering to software engineering, from selling products to selling services, and from maintenance to management of uptime products. Companies that are still undergoing restructuring processes, or have not yet begun the transformation, will face even greater difficulties. Over the next decade, manufacturers will have to streamline processes and even create new recruitment models (PORTER & HEPPELMANN, 2015).

b) New cultures
The need for greater coordination between roles and disciplines in smart, connected product factories will force HR professionals to rethink many aspects of organizational structure, policies and standards (PORTER & HEPPELMANN, 2015).

c) New compensation models
Talented professionals, already scarce today and potentially even more in the future, can be attracted and motivated by incentives such as work flexibility, concierge services, sabbaticals and free time to work on side projects of personal interest. Such policies are already common in high-tech companies that employ the kind of professionals that manufacturing companies will increasingly demand (PORTER & HEPPELMANN, 2015).

d) Will every industrial enterprise become a software company?
Jeff Immelt, while serving as CEO of General Electric, once prophesied that every industrial company will in the future become a software company. It is a widely accepted fact that changing the nature of work along the value chain will imply a historical transformation of the manufacturing enterprise (PORTER & HEPPELMANN, 2015).

Porter and Heppelmann (2015), in this sense, elaborated an overview of the organizational lessons that other industries can take from the software industry.

• Shorter development cycles
The software industry has shifted from periodic major product releases to smaller and incremental releases of updates and enhancements. As a result, companies can bring new products to market and respond to consumer needs faster. Best practices in software development are: agile development processes, daily collaboration between developers and marketers, weekly deliveries, ongoing course corrections, and ongoing customer satisfaction testing.

• Product-as-a-service business models
In the software market, service-based business models are already relatively consolidated. Consumers buy software as a subscription and pay only for what they need when they need it rather than buying systems that tend to become idle. This implies the classification of the product as an operating expense rather than an investment, greatly simplifying financial and accounting postings.

• Focus on customer success
Software-as-a-service models have led to the creation of customer success teams within software companies.

• Products as part of broader systems
Most software is released as part of a business tool suite whose value is leveraged by its integrations. The most successful software companies often offer APIs and other tools for easy integration of their products with other software.

• Data analysis as a competitive advantage
Many software companies, especially in e-commerce, have long understood the power of data analysis to create value for consumers.

e) Changes in competitive market forces
In any industry, regardless of field, five forces drive competitiveness: buyers' bargaining power, the nature and intensity of rivalry between competitors, the barrier to new entrants, the barrier to substitute products and services, and the power of bargaining from suppliers.

The composition and relationships between these forces determine how competition in industry takes place and the average profitability of competitors. New technologies, consumer wants and needs and other factors have the ability to change the structure of the industry and hence the five competitive forces. The emergence of smart and connected products will certainly affect the structure of many industries. Something similar occurred in the 2000s during the spread of the Internet. Porter and Heppelmann (2014) state that the effects could be even greater in the manufacturing sector. Ahead, let's look at the statement of these authors:

i. Bargaining power of buyers
Smart, connected products offer new opportunities for differentiation, exempting companies from competing on price. As they understand how consumers use products, increases their ability to segment consumers, customize solutions, set appropriate prices for the best value capture, and add value through service delivery. This reduces the
bargaining power of buyers. However, product-as-a-service and product-sharing business models reduce barriers to consumer migration to a new manufacturer, in some cases increasing their bargaining power.

ii. Rivalry between competitors

Smart, connected products can transform competition by opening new opportunities for differentiation and value addition through service delivery. It will be possible to offer products to more specific market segments and customize products for individual consumers.

iii. Barrier for entry of new competitors

When we talk about a smart and connected world, high fixed costs appear as the biggest obstacle for new competitors to enter. They come from the increased complexity of products, embedded technologies, and the multiple layers of new IT infrastructures. The collection of data by companies already in the market, which are better able to use them to improve their products and services and to redefine after-sales services, is also a major obstacle for new entrants. However, some processes characteristic of the intelligent and connected world have the ability to lower these barriers. When established companies hesitate to adapt to this new paradigm while protecting their still heavily hardware-based businesses, legacy parts and cost-effective services, the doors for new competitors open.

iv. Threat of substitutes

Superior performance, customization, and the inherent value of smart, connected products alleviate replacement threats and expand the industry's possibilities for growth and profitability. Smart, connected products can even pose a threat to traditional ones because they have the potential to extend their capabilities by incorporating the key attributes of equivalent conventional products.

v. Bargaining power of suppliers

The smart and connectivity components of new products deliver more value than physical components, making them commoditized or even replaced with software. This reduces the bargaining power of many traditional suppliers. But new vendors, it should be said, will emerge to develop sensors, software, connections, embedded operating systems, data storage and analysis, and other elements of the vast technological framework. These suppliers can gain high bargaining power by capturing a larger share of the value of the product, which will reduce the margins of manufacturers.

The effect of smart, connected products on the industry structure will vary, as it will depend on the specific characteristics of each sector, but some trends seem clear. First, increasing barriers to entry, combined with the advantages of pioneering the accumulation and analysis of product use data, suggest that many industries can consolidate.

New entrants are also likely to emerge, as companies not committed to legacy products and entrenched ways of competing and without a historic set of profits to preserve will seize opportunities to leverage the full potential of smart, connected products to create value. Some of these strategies will be less productive – that is, the system that connects products will be the main advantage, not the products themselves (PORTER & HEPPELMANN, 2014).

Smart and connected products will also affect the internal structure of companies, particularly in the areas of product development, services, marketing, human resources and security, and may even influence their strategic choices. Ahead, we detail some elements of this transformation from the perspective of Porter and Heppelmann (2014).

vi. Product development

Smart, connected products must meet a number of attributes for them to be understood as such. The main ones are hardware standardization through software-based customization, the ability to customize, the ability to receive updates during use, and enabling predictive, extended, or remote services. Manufacturing processes, of course, will need to accept later and even aftermarket changes quickly and efficiently. Companies will need to synchronize different hardware and software development dynamics, especially in terms of development time. In short, they will need to be more agile.

vii. After sale services

Smart, connected products enable significant improvements in predictive maintenance and value delivery through service delivery. New organizational structures that support service delivery and delivery processes will be needed for manufacturers to benefit from product data that can reveal existing and future problems and enable real-time repairs, sometimes even remotely.

viii. Marketing

Smart, connected products demand new marketing practices, as it will be common for companies to establish different forms of customer relationships. New insights are gained as companies accumulate and analyze data on product usage, allowing offerings to be better positioned and communicating product value to consumers more effectively. Market segmentation can also become more sophisticated through the use of data-based analytical tools, allowing you to design products and service packages that deliver the most value for each segment and pricing to match the values delivered and captured.

ix. Human resources

Smart, connected products require recruiting people with a new skill set, many of whom are in high
demand. Engineering departments, traditionally made up of mechanical engineers, should add specialized professionals, for example in software development, systems engineering, product clouds, and big data analytics.

x. Security

Smart, connected products require robust security management processes to protect data that travels between systems and products against unauthorized use, and to ensure the safe integration of products with enterprise systems.

VI. Conclusion

This article is the result of part of a broader research on Digital Transformation and Industry 4.0. The evidence presented here was gathered from the literature review on these two themes, where we restricted the scope of the analysis to the works most referenced by the most cited and most recent publications published in relevant journals.

Although the number of articles analyzed is limited, relevant issues were based in our discussion. The breadth and importance of IoT and cloud computing for Industry 4.0 was enhanced by the work of Atzori, Iera and Morabito (2010) and Xu (2012). We detail some applications and the importance of identification and tracking technologies, wired and wireless sensors, actuator networks, communication protocols, and distributed intelligence for intelligent objects.

We also evaluated the new role of IT strategy in manufacturing organizations. To this end, we rely on the work of Bharadwaj and Venkatraman (2013), who suggest that IT strategy is no longer addressed at the functional level, aligned but essentially subordinate to business strategy. Instead, a fusion of IT and business strategies would lead to digital business strategy.

At a broader level, we also explore transformations in industries and markets, pointing to the potentials and developments already perceived towards Industry 4.0. For this, the publications of Kagermann, Wahlster and Helbig (2013), Brettel, Friederichsen, Keller and Rosenberg (2014), Lasi, Fettke Kemper, Feld and Hoffmann (2014) and Porter and Heppelmann (2014, 2015) were valuable. From the first, we know the efforts made by Germany, the precursor country of this movement, and understand how initiatives such as this can be delivered by various actors in similar directions with positive consequences for the market and society as a whole. Porter and Heppelmann (2014, 2015), in turn, made us look deeper into organizations, especially when they described the impacts of new modes of production on organizational structures and the foundations of work. From their point of view, we can praise the challenge that organizations will face to preserve and even improve the quality of life of their employees in both the workplace and their personal lives.

We talked about how big data generation, extraction and analysis will be made possible by big data technologies and connected machines in a collaborative community. Most importantly, we report from the work of Lee, Kao and Yang (2014) how transforming the manufacturing service into a big data environment with intelligent predictive computing tools can promote transparency and increased productivity.

Finally, it is up to us to say that all the themes discussed here deserve further study, both theoretically and practically. Therefore, the major contribution of this article may be the gathering in a single document of several topics about Digital Transformation and Industry 4.0 that may pave the way for several other more specific researches on the various topics addressed.

References


Governance and Business Ethics (Arab Countries)

By Dr. Mohammad Abdulmajeed Alrgaibat

Abstract- Corporate governance is an important issue in the regional and international organizations, and interest in this issue has emerged as a series of different financial crises that rocked many companies and triggered by financial corruption, lack of control, experience, skill, lack of transparency, in addition to mismanagement, the loss of money has led many investors to turn to companies that implement the concept of corporate governance. As a result, the concept of corporate governance has become one of the main pillars of economic units, and due to the growing interest in the concept of governance, many organizations have been keen to study this concept and analysis, the most important of these institutions are the International Monetary Fund and the Organization of Economic Cooperation and Development.

Keywords: governance, business, arab countries.

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Keywords: governance, business, arab countries.

I. Introduction

The emergence of financial and administrative corruption, especially in developing countries, led to widespread poverty, ignorance, insecurity and morality, and increased bribery, calculated and mediated, financial and administrative corruption is one of the most serious problems facing institutions and companies, and to achieve transparency and justice, and achieve protection for shareholders, the rules and controls are applied. These rules emphasize the importance of adherence to the provisions of the law, and adherence to the mechanisms and rules by companies to reduce financial corruption and corruption. Dare and increase the efficiency of its performance and thus increasing local and foreign corporate investor confidence. Corporate governance is an important issue in the regional and international organizations, and interest in this issue has emerged as a series of different financial crises that rocked many companies and triggered by financial corruption, lack of control, experience, skill, lack of transparency, in addition to mismanagement, the loss of money has led many investors to turn to companies that implement the concept of corporate governance (Karama, 2012). As a result, the concept of corporate governance has become one of the main pillars of economic units, and due to the growing interest in the concept of governance, many organizations have been keen to study this concept and analysis, the most important of these institutions are the International Monetary Fund and the Organization of Economic Cooperation and Development (Moses, 2010).

II. Research Problem

The problem of research is represented in the existence of financial and administrative corruption in some organizations and this negatively affects the society as a whole, so the research problem that the research is trying to address focusing on governance mechanisms that would reduce the problem of financial and administrative corruption that companies suffered,

a) Research questions

This research came to answer the following questions:
1. Does governance help reduce financial corruption?
2. Does governance help reduce administrative corruption?
3. What are the principles of corporate governance?
4. What are the mechanisms of governance and their role in reducing financial and administrative corruption?
b) Objectives of the study
The research aims to shed light on the concept of governance, its emergence and development, what it is, its importance, as well as to review the most important mechanisms, it also aims to draw attention to all responsible parties to the risk of financial and administrative corruption, and the role of governance mechanisms to reduce administrative and financial corruption.

c) Reasons for choosing a topic
The costs of financial and administrative corruption are increased which represented as the cost of the transaction, and hence the price paid by the consumer for the goods or beneficiaries of the service paid by the company providing the bribes, accordingly, priority is given to private projects and neglect of important national projects for no reason just to enable government decision-makers to obtain large and fast bribes and financial benefits and other privileges at the expense of society.

III. Research Methodology
The researcher adopts the descriptive analytical method of the research topic, and this methodology is applied in many researches and studies where the researcher has seen a number of studies and research published in specialized scientific fields, and published on the Internet.

IV. Terminology
a) Corporate Governance
A set of procedures and rules through which the management and control of the company, by regulating the relations between the executive management and the board of directors and other stakeholders, and shareholders, as well as the environmental and social responsibility of the company.

b) Corruption
It is the behavior of the public or private service owner who is doing harm to the state economy by increasing the burden on the public budget or increasing the burden.

c) Administrative and Financial Corruption
It is a negative phenomenon that has spread in recent years, where office holders exploit their positions by accepting bribery and nepotism.

d) Governance (concept, importance, objectives)
After several discussions in the Arabic Language Academy to arabization the term (Corporate Governance), it was concluded that the proper term for this term is (Governance). The term has been adopted among a range of other synonyms such as "corporate governance" and "governance" (Said, 2003). Governance is defined as a ‘practical state and direction' representing an immune system that protects the integrity of all behaviors within companies. Governance is a management process exercised by the supervisory management authority both inside and outside companies (Michael, 2005). It is also defined as a set of contractual relations between the management of companies and their shareholders and stakeholders, through the creation of policies and procedures used by the company to manage its affairs, and direct its business to ensure enhanced performance, disclosure, accountability and transparency of the company, and develop long-term benefits for shareholders, taking into account the interests of the parties. (Demirag, 2000). It is also known as a method that explores how to ensure or stimulate good governance and forecasting in public shareholding companies through mechanisms such as contracts, legislation, or organizational structure designs, often limited to improving financial performance, such as achieving the best return on investment. (Saleh, 2002). The concept of Corporate Governance is concerned with creating and organizing the proper practices and practices of the Company's management, in order to preserve the rights of its shareholders (shareholders, bondholders), employees of the company, stakeholders and others, by investigating the implementation of contractual relations between them and using financial and accounting instruments in accordance with the disclosure standards. And due transparency (Kabbah, 2008). It is the (laws, rules and standards that determine the relationship between the management of the company on the one hand and shareholders and stakeholders or parties associated with the company (bondholders, workers, suppliers, creditors, consumers) on the other hand (Haidar, 2009). The Organization for Economic Co-operation and Development (OECD) defines it as “a set of relationships among the management of the company, the shareholders, the board of directors and other shareholders” (Freeland, 2007).

Another sees it as "the sum of the game rules used to manage the company from within, and for the board to oversee it to protect the financial interests and rights of shareholders". There is no one term for this concept, some see it economically as the mechanism that helps the organization to obtain financing, including inflating the value of the company's shares and continuing in the long term, others know it legally as referring to the nature of the contractual relationship in terms of being full or incomplete, which determines The rights and duties of shareholders and stakeholders on the one hand, and, managers on the other, and a third party that looks at it socially and ethically, directing the organization's social responsibility, in protecting the rights of minority or small investors, achieving fair economic development and protecting the environment (Nisman, 2009). Based on the foregoing, the researcher believes that the concept of governance is a system
centered around a set of mechanisms and methods of control to work on the Reduction of the problems faced by institutions, which contributes to raise their efficiency and protect the rights of workers, and achieving equity and justice among shareholders.

e) Importance of Governance

Corporate governance is one of the key elements in improving economic efficiency and economic growth, therefore, the integrity, robustness and strength of the corporate sector positively affects macroeconomic growth, as well as enhancing investor confidence, that corporate governance includes a range of relationships between the management of the company, its board of directors, shareholders and other stakeholders. The degree to which a company complies with key corporate governance measures is the most important and increasingly important factor for investment decisions, and the impact of governance on these decisions is through the conviction of investors to the level of contribution or financing in them, especially as the investment process and in all cases is a degree of risk has been a financial crisis has cost investors huge losses, which led them to scrutiny and evaluation to ensure the implementation of rules and laws and standards of governance before speeding up on investing in companies (Ibrahim, 2008).

f) Governance Objectives

The main objectives of corporate governance can be summarized in the following points (Al-Bashari, 2008).

1. Transparency, disclosure and anti-resistance institutions for reform.
2. Apply accounting standards to prevent corruption and mismanagement.
3. Prevent the abuse of power and achieve accountability.
4. Inflow investment and encourage flow, develop savings and maximize profitability.
5. Existence of laws, legislation, and procedures with clear and precise procedures stipulating how and when to conduct privatization of companies.
6. Strong internal control system.
7. Justice and neutrality in administrative practice.
8. Protecting shareholders and campaign documents, taking into account the interests of labor and workers.
9. Increase confidence in the national economy and deepen the role of the market and increase its ability to mobilize savings and investment rates.
10. Maintain minority rights or small investors.
11. Encourage private sector funding, support and competitiveness and help it to obtain financing and generate profits and create new jobs.

V. Corruption (Concept, Causes, Manifestations, Effects)

a) Corruption Language

Means damage and damage and away from integrity and righteousness (Nasser, 2008).

b) Corruption by convention

In terms of behavior, corruption can be considered an inherent tendency of the person to practice wrong behaviors, because the human nature is uncontrolled nature and in the absence of legal accountability and controls and the lack of preventive and remedial measures that tend to lack discipline and chaos (David, 2008). Underdeveloped societies are a result of poverty, ignorance and underdevelopment, while in developed societies it is a natural consequence of the absence of moral and religious motivation (Tishore, 2005). Transparency International’s point of view is “abuse of public service for private benefit and gain” (Al-Shawawra, 2009). Corruption is a situational phenomenon that may be

c) Causes of Corruption

Weakness of cultural and religious motivation and the spread of poverty and ignorance in society are among the most important reasons that help to spread the phenomenon, and among the reasons that led to the spread of this phenomenon is the lack of adherence to the principle of balanced separation of powers and weak administrative governance, and the weakness of the professionalism of public and private regulatory agencies in the state and society corruption. The political, social and economic transformations taking place in countries suddenly and unintentionally, the inability of public and private sector workers to meet the requirements of living and decent life due to low salaries, the absence of moral and religious motivation and inadequate application of laws and regulations. Of force.

d) Manifestations of corruption

Expression of the spread of corruption phenomenon is a very serious phenomenon in society, this phenomenon works to neglect the application of the standards of job performance and the decline of interest in the public interest, working on the degradation of moral values and principles and the spread of vice and crime among members of society, and works on the deficit and failure to attract foreign investment and high Domestic capital Escape and emigration, a sense of injustice, frustration, a sense of lack of belonging, widespread hatred, poverty, unemployment, social tension, inequality and the emergence of social conflicts and the spread of political and social hypocrisy. The absence of democratic life (Mazen, 2006). Financial and administrative corruption is an undesirable act of treatment. It represents the actions and laws of policies
that take effect in the public interest, for the purpose of achieving personal interests at the expense of society, through bribes, privileges, and abuse of power and authority in official institutions. Some of the most important manifestations of financial and administrative corruption are (Al-Qaryouti, 2001).

1. Bribery: Is the giving or receiving of any gift.
2. Patronage: Any passing what the organizations want through their money without their entitlement to it at all
3. Favoritism: Any preference of one side over the other unfairly.
5. Extortion and forgery: for the purpose of obtaining money from persons using his position.
6. The looting of public money, black market and smuggling: Using the powers granted to the person or fraud or exploitation of the job site to dispose of money in secret.

E) Reasons for the emergence of financial and administrative corruption

Every society has negative and positive phenomena, and every positive or negative phenomenon has reasons to emerge. The World Bank has identified a set of reasons for the emergence of financial and administrative corrupt Most notably (Suleiman, 2006).

i. Political reasons

Weak political administration is one of the causes of financial and administrative corruption, where this administration can coexist with corruption, and has no initiatives to combat it, even if they have the sincere and serious desire for reform, the weak political administration cannot face corruption in any way possible, and the role of reformers remains confined to chants, chants and wishes that are useless, and that the absence of a political state leads to the absence of a state of constitutional, political and legal institutions, and here there is a feeling of self-will to fight corruption, under the threat of life by kidnapping, murder, exclusion and marginalization, also the state's oversight mechanisms have been prolonged, as the government cannot hold the administration accountable for its work in corruption, and the judiciary's hand does not extend to state officials no matter what is known or said.

ii. Economic reasons

These include low wages, salaries, unemployment, high income disparities and low living standards in general, as well as the large number of suspicious commercial transactions resulting from brokerage operations in which financial corruption is widespread and the lack of economic efficiency in the country.

iii. Social reasons

It is evident when everything becomes a price that is measured in money, when an employee performs a certain job duty and takes a price. Corruption is at the heart of the culture of society is impossible to cure, corruption produces only more corruption, and corrupt does not see corruption as a defect, and here corruption is a collar that needs to be broken by a supernatural force (Sullivan, 2008).

iv. Corporate Governance Rules

Corporate governance is mainly related to the behavior of different categories related to companies, so there is a set of characteristics that must exist in these behaviors in order to achieve the purpose behind the application of this concept, these characteristics constitute the main pillars of corporate governance, the most important of which are as follows (Rihawi, 2008):

v. Transparency

That is to provide a clear and true picture of everything that happens, to ensure confidence, integrity and objectivity in the policies of the management of the organization, as well as ensure the timely and proper disclosure of important topics, and this feature provides for the sharing of accounting information and financial and non-financial disclosure, and that the information is correct, clear and complete to all stakeholders.

vi. The responsibility

It is intended to provide a clear organizational structure that identifies points of authority and responsibility, and to hold officials and decision-makers accountable for their responsibility to the company and shareholders.

vii. Accountability

It is a rule that the decision-makers in the company or those who carry out the business should be held accountable for the results of their decisions and actions towards the company and the shareholders, and find a mechanism to achieve them (Abdel Azim, 2008).

viii. Clarity

The financial statements and reports are intended to be clear, transparent and fair in their preparation, to achieve this, management by the Audit Committee must seek a general understanding of the financial statements.

ix. Independence

It is a mechanism that reduces or eliminates conflicts of interest, this mechanism starts by the formation of boards and the appointment of committees to appoint an independent, competent and qualified external auditor, who performs his work in accordance with professional care and assets, to provide confirmation or endorsement that the financial statements genuinely represent the reality of the financial position and performance of the company.
x. **Justice**: This means ensuring equal treatment for all shareholders.

f) **Manifestations of financial and administrative corruption**

   The phenomenon of administrative and financial corruption is manifested by the actions of those holding public office and employees who are weak in spite of the interference and similarities among them, but it can be summarized as follows (Ruqaya, 2012):

   - **Favoritism**: It is the implementation of actions for the benefit of an individual belonging to the person such as the family or party or region without being entitled to it.
   - **Bribery**: obtaining funds or other benefits in order to refrain from its implementation of work.
   - **Mediation**: Intervention for the benefit of an individual or group without adherence to the necessary competence and work assets such as the appointment of a person in a particular position for reasons of kinship.

h) **Effects of financial corruption**

   Financial corruption has a cost, especially in public companies, where financial gains and other privileges are obtained at the expense of society. In general, some of the economic effects of corruption can be perceived as found by researchers’ studies as follows:

1. Corruption contributes to the low efficiency of public investment and the poor quality of public infrastructure, due to bribes that limit the resources allocated to investment and misdirect or increase the cost.
2. Corruption has a direct impact on the size and quality of foreign investment resources because of their potential transfer of skills and technology, studies have shown that corruption weakens these investment flows and may disrupt them, and thus contribute to the low volume of taxes and thus the decline of human development indicators, especially in relation to indicators Education and Health.
3. Corruption is linked to the deterioration of the distribution of income and wealth, through the exploitation of influential people to their privileged positions in society and the political system, allowing them to capture the bulk of the economic benefits provided by the system in addition to their ability to accumulate assets continuously, leading to widening the gap between these Elite and the rest of the community.
4. Low market prices of companies' shares on financial exchanges and heavy financial losses that have harmed the interests of shareholders and other stakeholders.

- **Poverty**: the phenomenon of social and economic inequality and the low standard of living of many classes in society as a result of the concentration of wealth and the hands of the minority group, which has the money and power at the expense of the majority group, the general population.
- **Loss of state funds** that can be used to establish projects that serve citizens because of theft or squandering on personal interests, and the negative effects on the marginalized groups. As the effects of corruption appear clearly on the marginalized, because of this widespread corruption occurs the loss of confidence in the social political system, and thus the loss of a sense of citizenship and belonging based on a contractual relationship between the individual and the state, as well as the migration of minds and competencies, which lose hope of obtaining a position suited to its capabilities. This has an impact on the economy and development of society in general.

   As for the effects of administrative corruption, there are many opinions of the writers of management science and its theorists on the effects of this, some of them shows that administrative corruption only negative effects such as (Carino), the other section shows that administrative corruption has negative and positive effects such as (Osterfeld) As for the researcher is a supporter of opinion the first is that corruption has costly consequences on various aspects of political, economic, and social life. The most important of these results can be summarized as follows:

1. **The impact of corruption on social aspects**: Corruption leads to the disruption of moral values and to frustration and the spread of indifference and negativity among members of society, and the emergence of intolerance and extremism in opinion and the spread of crime as a reaction to the collapse of values and inequality of opportunities. Corruption also leads to lack of professionalism and loss of work value and psychological acceptance of the idea Abandonment of the standards of performance of the duty and control and the decline of interest in the public right. The feeling of injustice among the majority leads to social congestion, the spread of hatred among the segments of society, the spread of poverty and the increase in the size of marginalized and affected groups, especially women, children, and youth.
2. **The impact of corruption on economic development**: Corruption leads to many negative
consequences on economic development, including:
- Failure to attract foreign investment and the outflow of domestic capital.
- Waste of resources because of the overlap of personal interests in public development projects, and the significant material cost of corruption on the public treasury as a result of waste of public revenues.
- Failure to obtain foreign aid, as a result of the notoriety of the political regime, migration of economic competencies due to lack of appreciation and the emergence of favoritism in the occupation of positions.
- The impact of corruption on the political regime: Corruption has a negative impact on the entire political regime in terms of legitimacy, stability or reputation, as follows:
  - Affects the extent to which the regime enjoys democracy and its ability to respect the basic rights of citizens, especially the right to equality and equal opportunities, and limits the transparency and openness of the regime.
  - Leads to a situation where decisions are made even fateful ones according to personal interests and without taking into account the public interests.
  - Leads to major conflicts if interests conflict between different groups.
  - It creates an atmosphere of political hypocrisy as a result of buying political allegiances.
  - Leads to weak public and civil society institutions and enhances the role of traditional institutions.
  - It damages the reputation of the political regime and its external relations, especially with the countries that can provide material support to it, and in such a way that these countries set conditions that may affect the sovereignty of the state to grant aid.
  - Weak political participation due to lack of confidence in public institutions and oversight and accountability agencies.

VI. Previous Studies

A study (Abdul Ghani, 2012) entitled “The effectiveness of governance and its role in reducing financial and administrative corruption” The study aimed to identify the role and effectiveness of corporate governance in reducing financial and administrative corruption, that corporate governance is an important issue for all local and international companies in our time, given that the financial crises caused by the global economy put the concept of corporate governance among the priorities, and that the regime and governance laws Focuses on reducing the use of administrative authority in non-shareholders’ interests, strengthening internal control and following up on the implementation of strategies. Interests as well as confirmation of transparency and disclosure, the concept of corporate governance reform approach and a new mechanism of action that will consolidate the financial transactions integrity serve the development of the determinants of rights and interests of shareholders. A study (Karama, 2012) entitled “Mechanisms of corporate governance and its role in reducing financial and administrative corruption” The study aimed to identifying corporate governance, as following the principles of corporate governance leads to create of the necessary precautions against mismanagement and corruption, while encouraging transparency in economic life. Achieving sustainable management through achieving both social and environmental profitability with equal and balanced participation between the state, its government and its institutions, and civil society, under the supervision of integrity and transparency. Multiple visions take into account the ethical, social and environmental values to reach a sustainable institution. A study (Shawawara, 2009) entitled “Governance rules and evaluation of their role in combating and preventing corruption in Jordanian public shareholding companies” The study aimed to identify the concept of corporate governance, principles, rules, objectives and means, and evaluate its role in reducing the size of the conflict in the authorities and reducing the level of conflict of objectives between the various categories related to public shareholding companies, which would lead to the fight against corruption and prevention and maximize mutual interests between Arithmetic averages, standard deviations, confusion coefficient and variance analysis have been used to conclude that adherence to the application of corporate governance rules is an economic and social necessity and not an intellectual or administrative luxury. A commitment to the Jordanian public shareholding companies to combat corruption and cronyism. Drossy study (2012) entitled “The effectiveness and performance of internal audit under corporate governance as a mechanism to reduce financial and administrative corruption”. The study aimed to identify the effectiveness and performance of internal audit under corporate governance as a mechanism to reduce financial and administrative corruption. Its involvement in the collapse of Enron and the other factors that have all contributed to the emergence of a new concept of corporate governance, which is the appropriate case to address the causes of the collapse, and the crisis of confidence that affected most of the transactions in global markets, which was one of the most important causes The key is the shading and the weakness of the internal audit level, which led to the loss of confidence in the departments and corporate boards and regulatory and accounting systems used in those companies. Manaseer study (2013) entitled “The impact of the application of corporate governance rules on the performance of Jordanian public shareholding services companies” The study aimed to know the impact of
applying corporate governance rules on the performance of Jordanian public shareholding companies, as well as to determine the extent of applying corporate governance rules by comparing the disclosures of service companies in the annual reports with the disclosure requirements issued by the Jordan Securities Commission. Adopting a questionnaire to disclose the extent of the application of corporate governance guidelines issued by the JSC as an indicator to measure the application of corporate governance rules, which contains four sets of rules, the study concluded that the set of governance rules related to disclosure and transparency ranked first in terms of application among the groups of governance rules of Jordanian service companies, followed by a set of governance rules related to shareholders' rights, then a set of governance rules related to the board of directors ranked third, while the set of rules relating to the meetings of the General Assembly ranked last. The study indicated that 85% of the Jordanian public shareholding companies apply the rules of corporate governance as a whole to any of the performance indicators of the Jordanian public shareholding services companies such as Return on Assets (ROA), Return on Equity (ROE), and Earnings per Share (EPS). However, the ratio of market value to book (M / B) and market value to earnings (P / E) however the set of governance rules related to shareholders' equity contributes and is related to the Return on Assets (ROM) and Earnings Per Share (EPS) variables. A study (Shawwa, 2007) entitled: the institution governance and performance of companies in Jordan The study aimed to examine the relationship between the application of the principles of corporate governance and performance indicators in the Jordanian shareholding companies, the study concluded that the combination of positions of the board of directors chairman and the first position in the executive management has been positively correlated with the performance indicators of the Jordanian shareholding companies, based on the previous result, the study recommended that Some of the standards of applicable governance principles are adjusted accordingly to the considerations of cultural, legal and institutional standards that may characterize a society for others. A study (Joshua, 2009) entitled: Provide a proposed framework for corporate governance reform. The study aimed to provide a proposed framework for reforming corporate governance, this study is considered one of the field studies, and it relied on the questionnaire to gather information. The results of this study confirmed many points, the most important of which are as follows: The inherent conflict of interest between the clients is a major problem under the governance Companies, the proposal of reforming corporate governance is to insure the work against misinformation, enabling the investor to obtain the amount of insurance, as a result of making wrong decisions because of misinformation, companies in different industries insured on their lists, through an insurance contract with an insurance company, in return for payment to the insurance company (premium), and ensures that the investor who makes the wrong investment decisions, based on misleading things to the amount of compensation, the protection and bonus limits must be announced to the investor, the insurance company examines the bonus and indicates that the quality of that company is low. The lower the premium paid to the insurance company, the higher the quality.

VII. Results

The search results showed the following:
1. The interest of phenomenon of financial and administrative corruption in the present era is increasing due to the increasing phenomenon in most countries.
2. The prevalence of corruption represented in the deterioration of the political, institutional, legal and administrative side was a limiting factor in the political and financial reform.
3. Corruption leads to an increase in the deficit of the state budget, that corruption costs countries billions of dollars annually.
4. Corruption destroys society economically, leading to widespread poverty and ignorance.

VIII. Recommendations

1. The need to focus on studies that have talked about corruption and to be the most likely opportunity for research centers to address such issues.
2. Implement corporate governance in government companies to reduce financial and administrative corruption.
3. The need to hold accountable all those who practice manifestations of corruption, whatever their position in society.

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Impact of Motivational Factors on Employee Turnover Intention in Taj Samudra, Colombo

By Goonetileke M.D.N.A. & Samarasinghe H.M.U.S.R

Abstract- Employee turnover has been an everlasting problematic function in any business organization or for an industry. Taj Samudra is a leading luxury hotel in the Colombo city which is continuously going through a similar problem from past few months. The Turnover and the turnover intention of the organization has the management left with no option but to find solutions to overcome this situation immediately.

In this research the author would like to identify the impact of performance management on the turnover intention of the Taj employees, the sample size would be taken as 60 out of 600 employees. The objectives of this research would to identify the different variables impacting the turnover intention such as performance management, working culture, monetary benefits and rewards and recognition. Also finding prevailing issues in the performance management system and find suitable recommendations to overcome any deviations of the current Performance management system.

Keywords: motivational factors/working culture/monetary benefits/leadership style/rewards & recognition/turnover intention.

GJMBR-A Classification: JEL Code: M19

Strictly as per the compliance and regulations of:

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Abstract- Employee turnover has been an everlasting problematic function in any business organization or for an industry. Taj Samudra is a leading luxury hotel in the Colombo city which is continuously going through a similar problem from past few months. The Turnover and the turnover intention of the organization has the management left with no option but to find solutions to overcome this situation immediately.

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Methodology and the conceptualization was built around the variables such as rewards & recognition, turnover intention, working culture, monetary benefits and leadership style. Statistical package for social sciences (SPSS/ Minitab) software was used to analyze the data and presentation of data, where as other method such as mean, standard deviation and Minitab was used to support the data analysis.

It was evident from the data analysis that there is a positive impact of variables such as performance management, rewards and recognition, working culture etc. Recommendations were briefed in the final chapter for the management and other stakeholders to take appropriate decisions to overcome the prevailing issue of employee turnover intention.

Keywords: motivational factors/working culture/monetary benefits/leadership style/rewards & recognition/turnover intention.

1. Introduction to the Topic

Turnover has been one of the core areas of concerns for the Human Resources advocates over the past few years. Turnover has been vividly described as voluntary and non-voluntary turnover, where the employee can be terminated from the employment due to unacceptable behavior such as continuous absenteeism and major misconducts as per the decision taken by the management, but in this publication the author would mainly connects with the voluntary turnover intentions.

Turnover intention can be identified as to many reasons, which can be due to work environment, work life balance, higher pay, challenging work, performance managements and rewarding systems etc. In this research the author would mainly look in to the variable of Performance management system which has a direct correlation with the employee turnover intention. Importance of the study would be mainly for the management to decide whether the prevailing performance management systems delivers the desired results or what steps or changes to be done to increase the effectiveness of the system to achieve more results. Also for the employees, this study gives a detailed version on to identify whether the current performance management system in the organization is suitable for the identification and improvement of the career growth of the employee, or it is increasing the possibility of enhancing the chances of the employee to leave the organization.

Managing and identifying employee performance has become a key area of concern for any organization, nevertheless a one aspect of measuring performance management has been the performance management systems.

Performance management system is a process which is designed to manage, evaluate and finally improve the performance of the employees. It should allow employer as well as the employee to discuss in open doors about the expectation of the management as well the achievements of the employee during the past year and what steps to be taken to improve the current status of the employee. It becomes a part of a more strategic approach to link the Human Resource activities as well as business policies and procedures.

However, Fletcher (1997) had mentioned that lot of companies are not satisfied with their performance management systems. As Ferris and Kacmar(1992) suggested perceptions of an individual's about the unfairness in the system in the work place has made a negative influence on their continuation of the jobs. Hence this study makes an attempt to understand the effects of a sound a performance management system to the employer as well as the employees.

Performance management systems can be done in many ways such as one to one evaluation based on Key result areas, 360 degree evaluation where the employee is evaluated by the superior, subordinates etc. A proper performance management system should be done in an unbiased way to achieve desired results, for instances where the halo effect, leniency theory becomes a decides a major part in deciding the performance of an employee, one could not satisfy the...
employee or reward the employee in a way that motivates or keeps the employees in check. The author would emphasis more on these facts in the research itself.

Past research findings has shown that there are evidence that internal biasness has significant relation to turnover intention (Kacmar, Bozeman, Carlson & Anthony, 1999). When employees feel they are treated unfairly, they are more likely to react by initially changing the attitudes, showing signs of resigning in the long run. As June (2004) found in an empirical study, when employee’s feel that their performance measurement scores have been manipulated because of rater biasness or influence from the management, they tend to express their dissatisfaction through intending to leave the work place. The research also suggested that manipulation of performance measurement scores will lead to lower job satisfaction as well as increasing the turnover of the organization. However an accurate Performance management system in the right frame of mind to motivate the employees will showcase better results.

Taj Samudra has been one of the best organizations in the hotel industry through many years with claiming “Great Place to work” award 5 times in a row which is the first hotel to do so, the organization from past has become a pioneer in the industry serving to the economic growth of the country in a large scale, in this study author would like to categorically review on what aspects which would enhance the performance of employees and profitability of the organization by identifying factors which would impact the high turnover amongst the employees.

a) Statement of the Problem

TATA group in India is one of the largest multinational organizations in the world with 90 companies carrying out operations throughout the world in seven industries such as Hotel industry, manufacturing, materials etc.

Currently Taj Samudra, Colombo is amongst the top 3 Luxury hotels in Colombo area. Which is one the most profitable hotels in the suburb which directly occupies 600 employees and 150 outsourced employees. With the Direction and leadership of Mr. Rakesh Sarna the Managing Director of Taj group has identified the performance management system as a key area of concern for the betterment and growth of the employees. Hence a structured mechanism which runs similarly through the Taj group hotels all over the world was established in 2013 with the help of the management of the local hotels.

In this research the author would be measuring the effectiveness of the current performance management system at Taj which the author has identified, has created a direct influence on the employee turnover intention of the employees. Also the author would like to address the measurements which can be taken in order to increase the effectiveness of the performance management system and deliver suitable recommendations to improve the system.

Table 1.1: Source- HR Department -Employee Turnover in numbers

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Cadre Total</th>
<th>Emp. Exits</th>
</tr>
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<tbody>
<tr>
<td>2017</td>
<td>Feb</td>
<td>603</td>
<td>5</td>
</tr>
<tr>
<td>2017</td>
<td>Mar</td>
<td>601</td>
<td>4</td>
</tr>
<tr>
<td>2017</td>
<td>Apr</td>
<td>597</td>
<td>6</td>
</tr>
<tr>
<td>2017</td>
<td>May</td>
<td>594</td>
<td>7</td>
</tr>
<tr>
<td>2017</td>
<td>June</td>
<td>591</td>
<td>9</td>
</tr>
<tr>
<td>2017</td>
<td>July</td>
<td>590</td>
<td>12</td>
</tr>
<tr>
<td>2017</td>
<td>Aug</td>
<td>588</td>
<td>11</td>
</tr>
<tr>
<td>2017</td>
<td>Sep</td>
<td>597</td>
<td>14</td>
</tr>
<tr>
<td>2017</td>
<td>Oct</td>
<td>601</td>
<td>15</td>
</tr>
<tr>
<td>2017</td>
<td>Nov</td>
<td>598</td>
<td>14</td>
</tr>
<tr>
<td>2017</td>
<td>Dec</td>
<td>601</td>
<td>16</td>
</tr>
<tr>
<td>2018</td>
<td>Jan</td>
<td>603</td>
<td>17</td>
</tr>
<tr>
<td>2018</td>
<td>Feb</td>
<td>604</td>
<td>17</td>
</tr>
<tr>
<td>2018</td>
<td>March</td>
<td>601</td>
<td>18</td>
</tr>
</tbody>
</table>
As per the above findings it is evident that employee turnover has increased in 2018 as compared to 2017; this can be due to many reasons which will be analyzed in next chapters of the research.

![Employee turnover graph]

It is observed that within the next 05 years the Tourism industry will take a major lift with the Government regulations such as making Sri Lanka a visa free zone for some of the countries as well as with the global leaders in the hospitality industry such as Marriott, Ritz-Carlton, Hyatt etc. are beginning their operations in Colombo and other coastal areas.

Apart from these upcoming hotel properties, the newly build hotels such as Shangri-La, Movenpick, Marino Beach as well as established hotels such as Cinnamon hotels, Galle Face Hotel, Kingsbury etc. has given the employees and the labor market an equal opportunity to find their desired job opportunity. Hence the bargaining power of the employer is diminishing, on top of that the opportunities for hotel staff in overseas is also something which we cannot rule out, when considering the turnover; many of the hotel School graduates tend to migrate to foreign countries for better work condition, monetary benefits and quality of work life which makes the life difficult of the Human Resources team and the recruiters.

Even though there are many new opportunities and temptations to move out from one place to another it cannot be ruled out how some of the employees work for the same hotel for over 20-30 years. During a recently concluded ‘Long service awards’ ceremony at Taj Samudra, there were 3 employees who had continuously served for the organization for more than 30 continuous years, which shows there are loyal employees who dedicate their services to one place even in today’s world. In a counter argument this can be a negative impact for the efficiency and productivity for the organization as well; if an employee is comfortable in his work place and has no tendency to innovate and afraid of change then the new ideas and innovations will not come out and this will demotivate the young generation since they will not have an innovative culture to express their ideas.

On a guest point of view with the growth of hotels industry the locals and foreigners have a high bargaining power and high choice to make when selecting a suitable restaurant, hotel room or a banquet hall. Hence the profit margins, market share will go down drastically. 

ex: when Shangri-La started their operations in November 2017 most of the local and foreign guests visited the place and the service charge and revenue had a major decline till December.

The importance of this study will not only be to find solutions to the prevailing issues in the labor market but also this would help Hotel Management to strategize for the future manpower requirements.

As per the records of the HR Department and related journals it is observed that many employees over past one year has resigned or intended on leaving due to many reasons such as working culture, monetary benefits are less compared to other city hotels, leadership or the management styles have being some of the reasons which was identified in the HR records, especially in the exit interviews it was revealed that many
employees tend to leave due to above mentioned reasons.

b) Objectives of the Study

- To identify the factors affecting turnover intention of employees.
- To assess the turnover intention of employees and the impact of motivational mechanism.

II. Literature Review

a) Review of Present Literature of the Topic

i. Employee Turnover

Employee turnover is a continuous issue in any industry or any organization, the inability to retain competent staff is becoming even more difficult with the ever increasing competition, this creates many loopholes in business entities. Employee turnover is described by Price 2001; page 600 in his study as a “movement of an individual across the boundaries of any business entity”. Words such as quitting, exit, mobility and migrating can also be used to describe the employee turnover. Below equation gives a measurement to calculate the turnover and attrition rate.

\[
\frac{\text{Number of resignations in year} \times 100}{\text{Average number of employees during year}}
\]

Though this measure helps analyze the turnover ratio it is not used by many organizations due to certain limitations. Employee turnover can be mentioned such as voluntary resignation and non-voluntary resignation (Morrell 2001). Employees who are terminated, retired or transferred to a different group hotel may not be included in the turnover ratio but physically they are also considered as employees who have left the organization. This is also mentioned as voluntary and non-voluntary resignation.

The success or failure of an organization mainly depends on the Human resource and its effectiveness. If the right candidate is not selected to the right job at the right time the organizational performance will have a negative impact, hence it is of utmost importance to retain the right fit for the organization.

Author believes that turnover can be momentarily as well; for an example if a person is getting married and going to a different location, with family concerns he or she may have to quit, though he/she do not wish to leave the organization. Hence author suggests turnover will not always be due to internal variables but also due to certain limitations of external factors.

ii. Employee turnover intention

Though it looks similar, turnover and turnover intention are two different meanings. Turnover means the number of employees leaving the organization whereas intention to leave refers to those who are trying to leave/waiting for an outside opportunity or demotivated on the current work place but who have still not resigned.

Similarly turnover intention of an employee is also a main concern for any organization as a demotivated employee can spread the negativity amongst other staff members. In its study Mohamed J Almalki (2002) emphasized on a link between intention to leave and demographical factors such as age, gender, marital status and literacy level etc. The study was conducted with primary health care nurses and it was revealed that there is a low satisfaction with the quality of work life and turnover intention of these nurses was very high. This showed a significant relationship between quality of work life and intention to quit. Similarly in the hospitality industry many females are reluctant to join and out of those who join the industry they tend to resign due to inability to balance the work-life.

Ahmad & Bashir (2012), found out that job satisfaction is a key variable which has a correlation with turnover intention; lesser the job satisfaction higher the chances of leaving.

Ahmad, Bashir et al.,(2012) in their study concluded that job satisfaction is one variable which is correlated with turnover intention, also the job stress of employees also contribute to that statement as well, since the more the job stress the more there is an intention to quit.

Khadija Al Arkoubi (2011) revealed few factors effecting turnover intention by a model (hypothetical) between relationship of fair play/rewarding and job satisfaction. Not just these two factors have a relationship with turnover but there are many factors such as salary, support from peers, challenging work environment, leadership etc.

Many studies over the past has stated its opinions on turnover and its relativity to motivation and as per the authors view turnover is a human element where it can be temporarily or permanent, for an example during the disaster situations many employees have an intention to leave the industry, this may not be because of motivation or any other internal variables. Once the situations get back to normal the employees will have less intention of leaving.

iii. Impacts of employee turnover

Much attention is given to employee retention and reducing turnover since it has a significant effect on the organizational performance. It is believed that high turnover has a negative impact on the bottom line objectives of the organization if not Managed properly (Hogan, 1992) Employee turnover is considered as a negative situation as well as it is a cost to the company. For example a cost of hiring new employee will include
money spent on advertising, interviewing, paying for external recruitment sources, time cost and a new employee will take at least 3 to 6 months to adopt to the culture and ‘how things are done’ in the new place (John 2000).

There can be many hidden costs related turnover as well; some of the hidden costs are effect with regard to customer service and guest satisfaction as well, Kemal (2002), training and hiring new employees (orientation, buddy services etc). Research estimates believes that training & development of a new recruit will cost up to 50% of a workers yearly wage (Johnson 2000). Hidden cost will not only limit to that, but also whenever an employee resigns the productivity will go down for a period of time, also the costs will be doubled if the resigned employee joins a competitor with knowing all the company secrets and strategies, Meaghan (2002).

Though it is considered as such, sometimes employee turnover can be a blessing in disguise; it can be a positive impact as well. The author believes that employee turnover may not always be a negative impact; for an example an employee who has worked for more years will continue the same routine and the set up where ‘idea generation’ and initiatives are held back. New blood and fresh ideas might give the organization some value additions which will help the Management to reduce costs or find new methods to increase efficiency. In the study by Kemal (2002) suggests that organizations profitability has a direct impact on turnover of employee, but the author believes ‘turnover intention’ has far more negativity attached to an organizational performance in the long run.

iv. Motivational factors

As per Abraham Maslow’s hierarchy of needs it is believed that motivation is a concept which will differ from person to person and from time to time. One man’s motivation factor will not be the same of another person. In any organization there are many layers/grades of employees. The motivation for each grade can be different. For ex: a manager would be motivated with a higher job status and responsibility where as a clerical level employee would be motivated by extra few rupees. As an organization it is of utmost importance and a challenge to identify the motivation levels of each and every employee.

Motivation can be of different variables; in this study the author has only taken four variables such as reward and recognition, monetary benefits, Leadership style & working culture.

v. Rewards & recognition

Rewards and recognition is a variable which is identified by the author to have a relationship between turnover intentions of employees. Rewarding can be given in different ways such as monetary rewarding or non-monetary rewards. Each organization needs to have a strategic reward system for staff members which address below key areas:

- Compensation
- Benefits
- Recognition
- Appreciation

Issues pertaining to rewarding mechanisms in many organizations are that they are missing either one of the above elements, Musgrove (1973). In Herzberg’s Two factor theory; it shows that there are hygiene factors as well as motivators. Monetary benefits will not always be a motivator for a person who is well off and has money, but a higher pay increase, comparatively higher package will motivate some others.

Author believes that motivation is not something which can be read out in a theory or in books; motivation is a factor which is a personalized inner drive which triggers a positive or negative emotion of a person. For example today money can be a motivator but in 10 years when he/she has more than enough money it may not be a main importance to the life. Hence author believes rewarding is a direct motivational factor which has a clear relationship with employee turnover.

Performance appraisals is a method used by many organizations to evaluate employees and reward them accordingly; this appraisal system would be conducted once a year and determine the best, average & poor performers of the period. This could be the only time for employee to identify their positive contributions to the organizations performance. This process is one crucial aspect which motivates the employees in achieving individual and organizational objectives, Musgrove (1973).

Many journals by Eisenhardt, Bartol and Srivastava, Delaney and Huselidhas emphasized the positive relationship between rewarding and employee turnover intention. They have also mentioned that rewarding can be of monetary and non-monetary depending on the perception of the employee. Even though many journals discuss about the positive relationship, not much articles are shared on strategies which can be taken for the employees who are not motivated by any of the above mentioned rewarding systems. Some people tend to work as a hobby or just to spend time. It is difficult to find out ways to motivate them and get the best out of them which is a clear negativity for any organization.

vi. Working Culture

According to a study done with nurses by Melanie Lovie (2011), to identify the quality of work life; it was revealed that there are least differences amongst generation X and Y when it comes to work culture and intention to leave. Findings also revealed that elderly nurses had higher job satisfaction compared to younger nurses. The young generation has more intentions on
leaving an organization compared to previous generations; this may not be always due to external factors but also it is the nature of the current generation where they need to be empowered and given the freedom to work independently.

Global organizations such as Google, apple and local organizations such as Millennium IT, hotels such as John keels group has organization cultures which gives the opportunity to innovate and work with freedom. Work from home, flexi hours, team work is few differentiations which the above mentioned organizations use to keep a healthy organizational culture and increase the motivation levels of employees. In fact Taj Samudra has their own mechanisms of building a positive work culture with innovative methods such as “STARS” scheme where employees with new ideas and innovations are given marks and rewarded for implementing the same.

Maura (2011) mentions that giving responsibility and freedom to innovate within the job role will reduce the turnover and the intention to leave. It also showed that innovation could be an intrinsic motivation which will create a healthy employee and employer relationship.

Perez (2008) in his study on turnover Intention found a correlation between age and turnover intention, employees who have completed more than five years in a workplace has less chance of leaving an organization, but the issue attached to this is they have less motivation to innovation, less efficiency, negativity to change etc. Also employees are serving for more years have more chances of committing misconducts as well. For example a cashier who is working for long years has more chances of committing misconducts.

Gurpreet (2007) in his study mentioned that turnover intention and demographical factors such as gender, race, age has a negative correlation to intention to leave. Employees aged 40- 55 has fewer tendencies to move to different organizations compared to employees in the age of 20-40. Also the study shows with the increase of age and work years, the intention to leave will also reduce significantly.

vii. Monetary benefits

Lawler (1998), in his study mentions that “pay satisfaction or dissatisfaction is a discrepancy of how one feels on how much pay he/she should receive and how much actually receives”. When compared with other city hotels; Taj Samudra has a low salary scale for staff level employees, which is one reason the author believes is a main reason for the high turnover of staff. New hotels such as Shangri-la, movenpick has a higher salary scale as well as high service charge which is close to as much as twice the amount which Taj pays for their employees. Hence it is reasonable from employee’s side to move to higher paid hotels.

Baldoni (2005) in his study reveals that appreciation from superior or the Manager will give the employees a higher motivation than that of monetary rewards.

Frisina (1998), elaborates on the importance of pay satisfaction as a mere measure of job satisfaction, it is only a single component which increases or decrease employee satisfaction.

Lum (1998) mentions that dissatisfaction in salaries would lead to consequences such as turnover, absenteeism, low productivity etc. Not all employees are motivated by monetary benefits, in theory X and Y by Hertzberg it reveals that money is only a factor which prevents from employee being dissatisfied, for example an annual increment of average percentage will help employee to continue the work he/ she had done for the past year, but this will not be a greater motivator to do something extra in the next year.

viii. Leadership Style

Positive or negative leadership style would be a key factor which determines the progress or satisfaction of an employee to work with the employer. Positive leadership will influence employees to contribute positively to the objectives of the organization where as a negative leadership will result in high turnover intention and lack of productivity.

Stodgill (1975) in his journal mentioned that supervisory attention is something which is done to make the subordinate work freely by creating a positive work environment. Employees who have higher belief about the supervisor are considered to be more loyal and committed to the employer (Johnston 1990).

As per Schriesheim (1975), supervisory consideration refers to the leaders behavior concerned with promoting comfortable work place and taking care of the wellbeing of subordinates. De Cotiis and summers (1977), Morris and Sherman (1981) and Zaccaro and Dobbins (1989) are all in support of this view. Leadership consideration is mainly the extent to which the superiors are supportive, friendly and recognize the contribution of an employee’s hard work.

There can be many leadership styles which a supervisor can use to get the maximum out of the employees, there is no rule saying this is the best style of leadership to have; but democratic leadership styles has shown over the past years that it can work positively towards the efficiency of the organization.

b) The Relevance & Importance of Literature Review for the Study

In this study the author has mainly look at past journals and reports on Hospitality industry to acquire literature with regard to key result areas. Variables such as rewarding, monetary benefits etc. are used as key independent variables in this study, but journals also mention few other variables such as demographic
factors, competition which is also main reasons as to why employees have an intention to leave.

Though there are numerous journals on hospitality industry, the lack of journals specifically done for Sri Lanka is an area of concern for the author, when conducting this research. Lack of previous researches on this topic was also a limitation when conducting this study.

Review of literature involves a systematic identification and analyzing documents which are related to the research topic or the problem. This data can be in terms of abstracts, reviews, articles, personal views etc. The review of literature is of utmost importance to the research as it is the base to identify the importance of key topics. Past literature also gives the author the opportunity not to duplicate what has being already done; this will give author the opportunity to come up with novel research data which has not being used in the past. In simple terms literature reviews gives the freedom to the author to find out what has being already done in the past, identify the areas which needs to be researched and what needs to be done in the study.

When comparing on qualitative and quantitative research methods; quantitative research spends more time in identifying related literature whereas qualitative researchers go deeply in to literature reviews only after the topic is finalized. A review by Gay, Mills and Airasian (1979) suggests that qualitative researchers argues on the role of literature review; reviewing literature at the start of the research takes away the novelty and thinking power of the author and frames in to a particular area. They also suggest that literature is only important due to following:

- The literature review gives an insight on the underlying assumptions of the research questions that is important to the research proposal.
- Literature provides a way to give knowledge to the author when convincing the importance to the research topic to the reviewers.
- Reviewing literature helps the researcher to prepare the research questionnaire and guide hypotheses that provides possible direction to the researcher to follow.

This review by Gay, Mills and Airasian (1979), gives many inputs to the importance of literature but the author believes that importance of literature cannot be differentiated even though what research method is used for the research.

III. METHODOLOGY

a) Conceptualization of the Study

Main importance of this chapter refers on a detailed version of research design, sample method and data collection methods. As per the conceptual frame work the author has taken four variables such as Rewards & Recognition, working culture, monetary benefits and Leadership style. These factors would determine the amount of impacts on the dependent variable which is employee turnover intention.
b) Hypothesis Tested

H1: There is a positive relationship with the Rewards & Recognition and the employee turnover intention.

H0: There is a negative relationship with the Rewards & Recognition System and the employee turnover intention.

H1: There is a positive relationship with the working culture and the employee turnover intention.

H0: There is a negative relationship with the working culture and the employee turnover intention.

H1: There is a positive relationship between the monetary benefits and the employee turnover intention.

H0: There is a negative relationship between the monetary benefits and the employee turnover intention.

H1: There is a positive relationship between the Leadership Style and turnover intention.

H0: There is a negative relationship between the Leadership style and the employee turnover intention.

<table>
<thead>
<tr>
<th>Scales</th>
<th>No. of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>18 – 30</td>
<td>29</td>
</tr>
<tr>
<td>31 – 45</td>
<td>12</td>
</tr>
<tr>
<td>Above 45</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
</tr>
</tbody>
</table>


c) Population Sampling and Sampling

At Taj Samudra Colombo there are 600 employees working currently. 60 sample unit was taken from simple random sampling method where employees were randomly selected to fill the questionnaires.

i. Sample Size: It is the number of employees that should be surveyed. In this study sample size is 60 employees out of 600 employees.

ii. Sample procedure: It’s about how respondents should be chosen. Here the sample technique which was used is simple random sampling.

iii. Likert scale: A Lickert scale will be used to convert the views of employees which will be collected from a questionnaire.

- The Lickert Scale is an ordered, one-dimensional scale from which respondents choose one option that best aligns with their view.
- The Lickert means the standard deviation value which will be used to determine each variable in order to identify the variability.

Data collection was done primarily by a questionnaire which was distributed amongst 60 sample employees as well as one to one discussions with the employees. Secondary data such as company journals and records of HR department was use when gathering information.

IV. Data Analysis & Presentation

a) Personal Data Analysis

i. Analysis of age

According to the gathered data through the questionnaire it is visible that close to 50% of the sample is in the age group between 18 – 30. Taj Samudra is considered as a learning institute amongst the industry since there are many learning opportunities given to school leavers and teenagers. Approximately there are 130 trainees working in the hotel who are given on the job training and after the completion of the training period, they are absorbed to the carder. Hence 48% of employees are in the age category of 18-30. Once they tend to get a good experience in the field some employees tend to move for foreign exposure or different hotels due to higher benefits; hence age group 30 – 45 has least amount of percentage of 20. Once the employees gets settled and completes more than 10 years in the service there are many additional benefits such as Long service awards, wage settlement, higher pay scale etc. hence staff members are reluctant to leave and gets comfortable with the job role. This can be a negative aspect as well, when the employees tend to get comfortable with the job tasks it reduces the ability to innovate and reluctant to change. The statistics shows that more than 30% are in the range of above 45 years.
ii. **Gender Analysis**

As per the results of the questionnaire, it is evident that male employees are more than double the amount of female staff. This can mainly be due to the negative perception society have on the hospitality industry; many parents, husbands are reluctant to send their daughter, wife to the industry. This is proved in the questionnaire as only 28% is the female population. Also the fact of having evening shifts and transport issues have also contributed to the gender differentiation.
iii. *Employee status analysis*

**Table 4.3: Analysis of Marital Status (Source questionnaire)**

<table>
<thead>
<tr>
<th>Scales</th>
<th>No. of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Married</td>
<td>41</td>
</tr>
<tr>
<td>Unmarried</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
</tr>
</tbody>
</table>

As per the results received from the questionnaire, it can be said that a high amount of employees are those who are married. This can be due to the culture of the country where society believes he/she should marry before the age of 30. Also, lot of unmarried employees has the freedom to go for new opportunities or different countries and take those risks which a married employee would not able to take; hence a percentage of close to 70% is shown as married staff. Other than that there are fringe benefits such as a day care center at the hotel premises, insurance schemes for married employees, family benefits etc. which gives an added luxury for them to consider on getting married during the working period at Taj Samudra.

**Figure 4.3: Marital status**

b) *Analysis of Variables*

According to the pearson correlation, It helps interpreting the Correlation between variables is a measure of how well the variables are related. The most common measure of correlation in statistics is the Pearson Correlation.

**Table 4.4: Interpretation in Correlation Coefficient**

<table>
<thead>
<tr>
<th>r</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>r = +1</td>
<td>Perfect positive correlation</td>
</tr>
<tr>
<td>+0.5 &lt;= r &lt; +1</td>
<td>High positive correlation</td>
</tr>
<tr>
<td>r = + 0.5</td>
<td>Moderate positive correlation</td>
</tr>
<tr>
<td>0 &lt;= r &lt; +0.5</td>
<td>Weak positive correlation</td>
</tr>
<tr>
<td>0 = r</td>
<td>No correlation</td>
</tr>
<tr>
<td>0 &lt; r &lt;= -0.5</td>
<td>Weak negative correlation</td>
</tr>
<tr>
<td>r = -0.5</td>
<td>Moderate negative correlation</td>
</tr>
<tr>
<td>-.5 &lt; r &lt;= -1</td>
<td>High negative correlation</td>
</tr>
</tbody>
</table>
i. *Relationship between turnover intention and rewarding system using coefficient of correlation.*

\[ H_1 \rightarrow \text{There is a weak negative relationship between turnover intention and rewards & recognition.} \]

*Table 4.5: Correlation between turnover intention & rewards system*

<table>
<thead>
<tr>
<th>Correlation coefficient (r)</th>
<th>Coefficient of determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>( R = -0.425 )</td>
<td>( R^2 = 18% )</td>
</tr>
</tbody>
</table>

According to the above it is found out that the relationship between turnover intention and rewards and recognition has a weak negative relationship which is shown by value \(-0.425\), and also \(18\%\) of rewarding system is identified by the turnover intention of the employees.

![Figure 4.4: Turnover intention and rewarding system](image)

ii. *Relationship between employee turnover intention and working culture using coefficient correlation.*

\[ H_2 \rightarrow \text{There is a weak positive relationship between working environment factors and employees turnover intention} \]

*Table 4.6: Correlation between working culture & turnover intention*

<table>
<thead>
<tr>
<th>Correlation coefficient (r)</th>
<th>Coefficient of determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>+0.484</td>
<td>( R^2 = 23% )</td>
</tr>
</tbody>
</table>

According to the table shown above the correlation amongst working culture and turnover intention is \(+0.484\) which shows a positive relationship, also the coefficient of determination of \(23\%\) shows that turnover intention has explained by the working culture.

![Figure 4.5: Turnover intention and working cultur](image)
iii. Relationship between turnover intention and monetary benefits using coefficient of correlation.

\( H_3 \rightarrow \) There is a Strong positive relationship between turnover intention and monetary benefits

\[ \text{Table 4.7: Correlation between monetary benefits & turnover intention} \]

<table>
<thead>
<tr>
<th>Correlation coefficient ((r))</th>
<th>Coefficient of determination ((r^2))</th>
</tr>
</thead>
<tbody>
<tr>
<td>+0.621</td>
<td>(R^2 = 38%)</td>
</tr>
</tbody>
</table>

As per the table the relationship between the monetary benefits and turnover has a high positive relationship which is shown by R value of + 0.621 which shows a strong positive relationship, many employees feels that the salary structure and basic salaries are very low compared to other city hotels in Colombo, also 38% of coefficient of determination shows the monetary benefits contribution to turnover intention of the employees.

![Figure 4.6: Turnover intention and monetary benefit](image)

iv. Relationship between turnover intention and Leadership style using coefficient of correlation.

\( H_4 \rightarrow \) There is a Strong positive relationship between turnover intention and leadership style

\[ \text{Table 4.8: Correlation of turnover and leadership style} \]

<table>
<thead>
<tr>
<th>Correlation coefficient ((r))</th>
<th>Coefficient of determination ((r^2))</th>
</tr>
</thead>
<tbody>
<tr>
<td>+0.766</td>
<td>(R^2 = 59%)</td>
</tr>
</tbody>
</table>

According to the above figures it is visible that leadership style and turnover intention has coefficient value of + 0.766 which shows a high positive relationship between the two variables, also 59% of the turnover intention can be explained through the leadership style of the supervisors.
V. CONCLUSION AND RECOMMENDATIONS

a) Conclusion
Hypothesis 1
H1: There is a weak negative relationship with the Rewards & Recognition and the employee turnover intention

According to the findings it is identified that there is a weak negative relationship between rewarding and turnover intention of the employees at Taj Samudra. When there are high reward and recognition processes in place the turnover intention of employees is less. Main reasons as to why Taj Samudra has a well-documented reward and recognition system in place can be due to many initiatives such as Employee of the month, Long service awards, STAR awards and recognition system etc.

Hypothesis 2
H1: There is a strong positive relationship with the working culture and the employee turnover intention.

Taj Samudra has always been a cultural and a historical place with over 30 years of heritage as well as multi-dimensional ethnicity to enhance its reputation. As per the results of the analysis it proves that employees are excited and enthusiastic to be a part of this entity. Findings shows that it has a strong positive relationship with the turnover intention of the employees; employees are comfortable and feels a sense of belongingness to work at this place. Cultural activities such as Christmas carols, new year celebrations, Wesak lantern festival, Deepavali are celebrated with the participation of the guests and Management to respect all the religions.

Hypothesis 3
H1: There is a strong positive relationship between the monetary benefits and the employee turnover intention.

Monetary benefits and turnover intention also has a strong positive relationship which proves that when the Management decides on increasing monetary benefits to the employees, the intention of leaving will be less.

A successful hotel is mostly defined by staff members upon the monthly service charge since most of the bottom level & middle level employees consider the service charge as the main source of income, hence more monthly service charge means less turnover intention; which is also proved through the data analysis.

Over the past few months the service charge has been a low figure compared to other city hotels which can be one reason as to why employees leave the organization and join different competitive hotels in the city.

Hypothesis 4
H1: There is a strong positive relationship between the Leadership Style and turnover intention.

As per the findings it is evident that there is a strong positive relationship with Leadership style and turnover intention as well. Studies shows that one of the main reasons as to why an employee leave an organization is due to the supervisor or the Leader; at Taj Samudra the leadership styles are more towards a rigid style where all the decisions are made by the Indian Corporate office which has less idea on the
Government regulations in Sri Lanka. Many of the expats (Indians) are in top positions which the author believes is a key reason as to why employees tend to leave the organization. Author believes a democratic, father figure leadership will help overcome the negative perceptions of the employees.

The purpose of this research is to identify the impact of motivational factors such as rewarding, monetary benefits, Leadership style etc. on turnover intention of employees at Taj Samudra; as per the findings it is evident that there is a positive adverse relationship with all the four variables on turnover intention.

As per the answers of the questionnaire distributed amongst the 60 staff members; most of them believes the need of a solid Leadership to drive and motivate the staff members is the need of the hour, if they are to compete with the strong competition from other luxury hotels.

The principle objective of the research is to identify the impact of Motivational factors such as rewards & recognition, monetary benefits, working culture & Leadership style on employee turnover intention. As per the findings of the study carried out with answers of 60 employees, it proves that there is a positive adverse relationship with the variables.

Other objective of identifying the contribution of each variable has also been identified in the data analysis which proves that the author’s argument of relationship between two variables is a fact. The amount of impact will vary amongst the four variables and highest impact to have a turnover intention amongst the employees is found as the ‘Leadership style’. Many answers which was received were negative and many answers emphasized the fact of having local department Heads for departments such as Food & beverages, Kitchen, Sales & Marketing and Housekeeping, by having expats in crucial positions has somewhat forced the employees to even consider of having a Union and force the Management to make radical changes.

Least impact on turnover intention is identified as rewards & recognition; as per the findings and analysis it is visible that rewarding, welfare and employee engagement activities at Taj Samudra are incomparable to other hotels as it spends millions on rewarding, employee engagement & cultural activities. Hence many of the respondents were satisfied with the current rewarding system.

b) Recommendations

i. Recommendations based on questionnaires
   a. In order to have a positive work culture, it is recommended to take steps to reduce stress at work place by having activities such as birthday celebrations, weekly fun activities.

b. A benefit grid is recommended for employees of all levels such as meal discounts, other entitlements for each grades will help enhance the rewarding mechanisms of the organization.

c. Create ‘Gender equality’ by recruiting a pool of female candidates from local government and private universities who are studying Hospitality Management and train them to take up higher responsibilities to reduce the impact if turnover.

d. To enhance the monetary benefits, it is recommended to have incentive based pay such as ‘room up selling’ for front line staff which will motivate the staff to go the extra mile.

e. Most of the decisions are to be changed as per the land law and government rules and regulations, the processes currently in place are mostly those are practiced for Indian based hotels, such as employing female staff after 10.00pm etc. needs to be re-look at in order to maintain industrial harmony.

f. It is recommended to conduct rewarding mechanisms for inventive ideas and novelty in an attempt to encourage new ideas and methods rather than continuing the same methods.

g. Creating a pay structure for the Job role rather than the person/gender and performance wise bonus pay will help create equality amongst the team members and will encourage the hardworking employees to achieve more success.

h. It is recommended to get the ideas of junior level employees as well by having skip level meetings, one to one meetings with General Manager or the management, which will communicate the new ideas amongst the team and overcome any employee grievances.

ii. Recommendations based on Literature review

a. Otley, (1999) in his study explains that to have a high performance culture in an organization it needs to promote innovations and idea generation amongst the staff members. A Working culture which empowers employees is recommended to be used in Taj Samudra.

b. Journals by (Eisenhardt, 1989), (Bartol and Srivastava, 2002), (Delaney and Huselid, 1996), (Heneman et al., 1988), (Musgrove & Creighton, 1973) in their study suggests that to motivate employees an organization should equally distribute monetary and non-monetary benefits such as rewarding, effective work culture, challenging job role etc. Hence it is recommended to have an employee engagement survey to identify the main motivations factors of the staff members and cater to those demands.

iii. Recommendations based on authors findings

a. Author recommends to introduce a Performance Management system based on individual
performance rather than deciding on the organizational performance. Current performance management system gives more weightage to the overall performance which makes the high performance demotivated as all the employees get a similar Performance management (PMS) score. Hence it is recommended to give high weightage to the individual performance and reward accordingly.

b. It is recommended to reduce the service charge percentage given to the new joiners and absorb them as Fixed term contract employees, usually all the new joiners are given 100% service charge which reduces the overall service charge value for other employees; this might help organizations in crisis situations when downsizing.

c. It is recommended to conduct ‘Train the trainer’; supervisory development program etc. in order to enhance the skills and competencies of staff members to take up higher roles in future, this will create a positive work culture and motivate them to take up higher roles in future. Organization will also benefit from this as during difficult periods when top positions are vacant it can promote internal staff to fill the positions.

d. It is recommended to have team building initiatives with the Department Head and team members with events such as back to floor, share with peer, team lunch, outbound training etc. where the leaders and team members has a platform to express their self.

REFERENCES


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The Effects of NGOs on Socio-Economic Empowerment of Women: Empirical Evidence from Some NGOs Operating in Ethiopia

By Diriba Ayele Gebisa & Sori Tefera
Ambo University

Abstract- Women have been the most disadvantaged and discriminated sections of society all over the world, particularly in developing countries. This study aimed to investigate the effects of NGOs on socio-economic empowerment of women by conceptualizing and developing five basic dimensions of empowerment including income, saving, decision-making ability, expenditure level, and assets ownership rights of women. To test the hypotheses in this paper the researcher targeted three NGOs operating in the study area for a long period. For analysis data were collected from 80 respondents selected by stratified random sampling technique. Data were analyzed using SPSS V20. The result of the five hypotheses tested indicated the existence of a positive and significant statistical difference between prior and post involvement of women in the various intervention approaches used by the NGOs to empower women the socio-economic perspectives.

Keywords: poverty, empowerment, and NGOS.

GJMBR-A Classification: JEL Code: M19
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I. Introduction

According to Taylor and Perezniestro (2014) women’s economic empowerment is the method of realizing women’s equal accessibility and control over economic resources. Achievement of women empowerment is now a global policy priority for its potential effects on the sustainable Development Goals of the United Nation (UN) that targets poverty reduction, well-being and human development. The achievement of these goals besides the government partially realized through Non-Governmental Organization (NGOs).

The emergence of NGOs have centered on their ability to offer a development alternative, making a set of claims about the more effective approaches necessary for addressing poverty and challenging unequal relationships (Bebbington et al, 2008; Lewis and Kanji, 2009) and NGOs can fill the gaps caused by inefficient state provision of services of rehabilitation, namely, economic, social, educational and medical (Lang, 1999).

International and indigenous non-government controlled welfare and community organizations have existed for longtime all over the world. However, in the last three decades, Non-Governmental Organizations (NGOs) have expanded and grown enormously in developing country for the humanity and socio-economic problem of the society. Emerging from long-term traditions of charity and self-help group, NGOs vary widely in origin and levels of formality (Lewis and Kanji 2009). The NGOs found in the form of religious groups, private foundations, charities, research organizations, and federations of dedicated physicians, civil society organizations, and citizen associations.

It is argued that where government lack public services, NGOs play a significant role in the direct provision of social and economic services. Similarly, in developing countries, NGOs emerged and play the roles as service providers and significantly NGO worked on poverty alleviation and reducing income inequality. As Vakil (1997) explained the perceived failures of state led development approaches throughout the 1970s and 1980s powered interest in NGOs as a development alternative, offering innovative and people-centered approaches to service delivery, advocacy and empowerment.

Most of international and domestic NGOs working in Ethiopia are religious based and had been working in relief, rehabilitation and development works and they are active in their operations. Most of them are working with the marginalized people at the grass root level. The emergency of large number of new NGOs and expansion of NGOs in Ethiopia related to the devastating drought in the 1974/75, and again in the 1984/85. From that time onwards NGOs highly expanded in Ethiopia and offered variety of services and designed and implemented various development projects that support socio-economic development of the country.

The purpose of this study is to analyze the effects of NGOs on socio-economic empowerment of women and developed five hypotheses, stating there is statistically significant difference in the income, saving; decision making, expenditure level of women and assets ownership rights of the participated women prior and post involvement in NGOs intervention program. The investigation of this research focused on the effect of NGOs on social and economic empowerment of women exposed to the NGOs empowerment approaches. This paper is organized as follows: section 2 provides a theoretical and empirical review of the literature. Section 3 formulates the theoretical framework.
of the study. Section 4 presents the results, and finally section 5 present the conclusion.

II. Review Literature

The common objective of NGOs working in gender related area is alleviation of poverty and ensuring the economic empowerment of women (Cassen, 1999; Sen, 2001; Chambers, 1999). Enhancing women’s engagement in productive activities is fundamentally equal with action against poverty (Cassen, 1999). Economic independence of women leads to the freedom to make decisions on family planning and the household assets; this can in turn have important effects on poverty reduction (AlmazFiseha, 2010).

According to O’Neil et al., (2014) defined women’s empowerment as a process of psychological, political, social and economic change, through which women individually and collectively gain power and control over their lives. Empowerment can be approached from distinct viewpoints, which needs different political priorities and strategies.

However, as Alsop et al., (2005) argued empowerment is mainly about making changes that give individuals greater freedom in pursuing their goals; and among different established institutions of achieving empowerment, the popular and most widely used institution is NGO.

Non-Governmental Organization (NGO) takes many different meaning and forms in different countries. In some country like England they are known as voluntarily organization, private voluntarily organization, and national voluntary organization but in the United States they take different names like non-profit organization, not-for-profit organization, intermediary organization, umbrella organization (Paul, 2000; Lewis, 2001).

NGO has no clear cut meaning; it defined differently based on the legal status, economic and/or financial considerations, functional areas, and their organizational features (Vakil 1997). As Mufune (1996) defined, NGOs are organizations that are to some degree organizational expressions of volunteerism. Volunteerism entails a capacity on the part of the individual to serve of their own free will without expectation of monetary or other personal material gain. In similar way, Todaro (1996) also defined NGOs as voluntary organizations that work with and on behalf of mostly poor grass roots people’s in developing countries. Generally, most of the NGOs are charitable, benefiting the community represent the idea of humanity and not for profit; self-motivated and committed to help the poor; the needy and the weak independence from outside interference and control (Tegene, 1994); but Korten (1990) identified four essential characteristics for the definitions of NGOs that enable them to be distinguished from other organizations in civil society: they are voluntary, independent, not-for-profit and not self-serving.

The roles of NGOs are so broad but due to the scope of this paper the researchers focused only on the roles of NGOs in the social and economic empowerment of women. As Save the Children Fund (1997) demonstrated NGOs have made a great contribution in poverty alleviation, redressing gender balance, combating environmental degradation and involving the poor in participatory development.

NGOs are increasingly promoted as the solution for correcting all the iniquities and problems encountered in the developing regions (Clark, 1995; Diamond, 1993; Renshaw, 1994). High number of NGOs working in developing country is mainly working on how to alleviate poverty and income inequality in the rural and urban areas (Clark et al, 2003). The major strength of NGOs are the grassroots linkages they offer enabling them to design services and programs using innovative and experimental approaches centered around community participation (Bebbington et al, 2008).

The task of NGOs is not to compensate for the government failure or market deficiency; rather, the role of NGOs is about innovation and subsequent mainstreaming and multiplication (Uvin et al., 2000). The goal of the NGOs are to expand poor, particularly women’s opportunities for entrepreneurship by promoting access to and participation in economic processes and structures, including access to employment and control of economic resources. People-centered socioeconomic development emphasizes the need to strengthen and support the capacity and self-reliance of women. The opportunity for advancement of economic power can facilitate and result in empowerment and a sense of self-worth brought about by economic self-sufficiency and self-reliance, *under conditions that give people both the opportunity and incentive to mobilize and manage resources (Korten, 1987).

In helping the poor to climb out of poverty, NGOs use two approaches: supply-side and demand-side (Clark, 1995). In the supply side approach NGOs can directly provide services to the people, while in the demand-side NGOs play indirect roles. However, the two approaches are not mutually exclusive.

III. Research Methodology

This research used a mixed research design means descriptive and casual design; where the descriptive design used descriptive statistics of frequency, mean, standard deviation and cross tab; and casual design used multiple regressions analysis to see the impact of the independent variables on the dependent variables, i.e women social and economic empowerment.
Data used for this research were collected by triangulation method, i.e. combination of structured questionnaire, interview and observation from three dominant NGOs operating in the study area for a long period in women empowerment area.

The sampling techniques used were stratified and simple random sampling techniques were used to minimize the bias of data collections from the non-reliability of measurement to be used. For validity of the study, the researchers used construct validity and for reliability a cronbacha alpha of 0.81 was attained confirming the reliability of measurement to be used.

IV. RESULT AND DISCUSSIONS

The survey instrument done on respondents profile with respect to their age, educational level, and marital status; respecting the age distributions of the women respondents about 58.75%, 32.50%, 2.5% and 5% are between age 41-50, 31-40, 20-30 and above 51 respectively. Similarly, respecting the marital status, majority of the respondents were married; and on average the respondents included in this survey had completed elementary school and only small fraction of them never attended school at all. Generally, no significant differences observed among the women involved in the NGOs under investigation regarding their demographic status of age, marital status and education.

The designed survey questionnaire under different categories of Likert scale model to measure the effects of the NGOs on the social and economic status of the poor women under the NGOs intervention program analyzed in the following section.

a) NGOs intervention programs and women empowerment

It is well known that the first goal of the millennium development programs (MDGs) is eradication of extreme poverty and hunger. Poverty is one of the most important global problems, and the fight against poverty is becoming a vital of our age. The eradication of poverty highly concern women since large percentages of women greatly live in absolute poverty and due to the seriousness of the problem and increasing trends of people under serious poverty the United Nations have declared 2008-2017 as the Second Decade for the eradication of Poverty (Sach, 2005).

Improving the status of women is an integral part of the work of eradicating poverty and building civil society. Poverty can only be eradicated if women half of the world’s populations are educated and strong enough to generate income for themselves and their families. Around the world, many programs target women in an attempt to reduce poverty: a goal which empowers women in many other ways. Microcredit programs are a key example. When women receive small loans to start their own small businesses, they gain experience, confidence, practical skills and economic independence.

All of these skills and experiences go beyond simple economic improvement and lead women toward taking active roles in their lives and the lives of their communities. The income generating activities enable women to have access to income, and enhanced decision-making on health, education, consumption, etc. Women also interact with outside markets and the community, and this process gradually enables them to play an active role in social, political and economic issues affecting themself, household and the community (Mayoux 1998). White (1991) on Bangladesh women borrowers as well as by Mbilinyi and Omari (1993) in Tanzania, how credit facilities had improved the income of low income women.

Table C given in the appendix part of this research shows the descriptive statistics on the differences of income levels of the poor participants’ women before and after involvement in income generating activities designed and sponsored by NGOs to empower and alleviate poverty. As it is shown on the table, the income levels before joining the NGOs program 23.88% of the participants had no anything of income; however after involvement in the NGOs program all of them had started to earn some amount of income; whereas prior involvement majority, 62.68%, of them were under very low income category, however after involvement in the NGOs 46.27% of the women participated were grown to high income earning category.

Generally, post involvement in the NGOs income generating program a radical change observed in the last two income ranges of high and very high,
where formerly none of them had earned that ranges of income latter on 19(28.36%) and 6(8.95%) of them had lies between high and very high income ranges. From the above analyzed data there was a significant change on income levels of the participants between post and prior involvement in NGOs. This finding confirm, the result of Asmelash (2003) from the study conducted in Tigray region that the credit provided to the poor has brought a positive impact on the life of the clients as compared to those who do not get access to the credit services.

c) **NGOs intervention program on saving capacity of women**

Getting income and consuming alone has no value unless that part of income is saved to serve future growth. From the discussion made above under the NGOs intervention mechanisms’ programs for women empowerment, one is development of the saving habits of the poor women from their small incomes. The descriptive statistics result of the effects of the NGOs on the saving levels of the poor grass roots women show that earlier to the training and awareness creation program and participation in income generation program by the NGOs, 38% had saved nothing and 43% of them were within category of very low saving level, whereas post involvement in NGOs empowerment intervention program 31% of them were within medium saving category and 55% were within high saving level category. Prior none of them were within very high saving category while post involvements 13% of them were within very high saving category.

From the analysis, 82.08% of the respondents had saved below very low saving category, i.e Birr 260 annually prior involvement, but post involvement none of the respondents were below this saving levels, while 13.4% of the poor participants had saved between low saving category (Birr 261-520) per year prior involvement but late involvement the number of participants who had saved between this range increased to 31.34%.

Besides the frequency distribution, the mean distribution of the saving levels prior in was very low but after intervention significantly increased. Similarly, the standard deviation of the saving levels among the participants after taking part in the program was slightly decreased and shown marginal improvement in income inequality.

To sum up the significant difference in the saving levels was the result of accessibility to affordable credit or finance and training services designed and given frequently to enhance the income levels and to foster saving habit of the participants to improve their wellbeing and security.

d) **NGOs intervention program on decision making ability of women**

Poverty is perceived and experienced differently by men, women and social classes. In the society the controller of resources has more power to influence socio-politics and poverty alleviation. Intra-household inequalities in making decision affect women’s power in alleviating poverty because they cannot make decision in allocation or distribution of resources at the household level or at higher entrepreneurial levels.

Besides the economic marginalization, women are marginalized in decision making in the family and society level. Regarding the action of the NGOs in enabling improving women decision making ability, the result show that prior intervention program only 10.45% of the participants had participated in personal and family decision making, but late involvement income generating program majority, 83.58%, of them were started to be involved in personal and family decision making.

Besides the frequency distribution there was also difference in coefficient of variations (CV) in pre and post decision making ability. The analyzed data revealed that in a situation where formerly women have been marginalized in household decision-making process, intervention by the NGOs improved their role in decision-making process.

e) **NGOs intervention program on assets ownership rights of women**

In measuring poverty or wealth of women, the level of their access to and control over resources must be considered. This is because from a gender perspective, power over resources is a key concept on poverty (Mbughuni, 1994). The controller of resources has more power in poverty alleviation; poverty is also linked to lack of access by the poor households to the assets necessary for a higher standard of income or welfare (World Bank, 2000).

The descriptive statistics revealed a slight increase in the enjoyment levels of women to assets ownership right post involvement in poverty alleviation and women empowerment program of the NGOs. Prior intervention program only 16.42% of the women had full ownership rights on her family’s asset but after participation in intervention program the number of women enjoyed to assets ownership right increased by 26.86% and become 43.28%.

On the other hand, the statistics show a relative decrease in the standard deviation and coefficient of variations. The findings indicate that the NGOs actions significantly enabled women to enjoy assets ownership rights; however, all participants had not fully enjoyed assets ownership rights even after they owned their own income and assets, however it is on promising trend.
Hypothesis Testing

The summary of hypothesis testing is outlined below.

**Hypothesis 1:** There is statistically significant difference between income levels of the participants’ women between the prior involvement and post involvement of NGOs.

The analysis shows the existence of significant difference, where the calculated $X^2$ is statistics is much greater than the critical value, 124.05 > 11.07, at $\alpha=0.05$. That is the result show that there is statistically significant difference in the income levels of participants’ women prior and post involvement in NGOs.

In other words, the statistic is large enough since some of the cells have large discrepancies between the observed and expected frequencies. Thus, the null hypothesis can be rejected since the P value statistic is too small relative to the calculated $X^2$. This suggests that the there is a significant difference in income levels of participated women prior and post involvement in NGOs. Thus, women empowerment programs by the NGOs had significantly affecting income of the women involved in the NGOs intervention program.

**Hypothesis 2:** There is statistically significant difference between saving levels of the participants prior and post involvement in NGOs. The result of the second hypothesis (Ho) show the non-existence of statistically significant difference in the prior and post saving levels of the women. This hypothesis is supported by the analysis that shows the existence of significant difference, where the calculated $X^2$ is statistics is much greater than the theoretical value, 76.51 > 9.488, at $\alpha=0.05$, which suggests the existence of statistically significant difference in the income levels of participants’ women prior and post involvement in NGOs.

**Hypothesis 3:** There is statistically significant difference in the enjoyment of asset ownership rights in the period prior and post involvement of NGOs. This hypothesis is supported by calculated value of $X^2$ is 39.96456 > 7.81 (df= 3 at 0.05) of theoretical value; which suggests that involvement in NGOs empowerment intervention program enables women to enjoy assets ownership rights from the assets they accumulated from the intervention program.

**Hypothesis 4:** There is statistically significant difference in expenditure level of women on family/personal matters before and after involvement in NGOs. The hypothesis analysis shows the existence of significant difference, where the calculated $X^2$ value is much greater than the theoretical value, (75.59> 5.99), at $\alpha=0.05$. That is the result show that there is statistically significant difference in expenditure level of women before and after involvement in NGOs.

**Hypothesis 5:** There is significant difference in women decision making at the family level and in the society between prior and post involvement of NGOs. There is statistically significant difference in decision making level of women on family/personal matters before and after involvement in NGOs. The hypothesis analysis shows the existence of significant difference, where the calculated $X^2$ value is much greater than the theoretical value, ($54.387> 5.991$), at df= 3, $\alpha=0.05$. That is the result show that there is statistically significant difference in decision making level of women before and after involvement in NGOs.

**g) Major Project Priorities by the NGOs for women empowerment**

The range of NGOs work is as diverse as their interest. Their perspective and operation may be local, regional, national and international. The major projects carried out by the NGOs under investigation in the area of development and social services are the rural finance and poverty alleviation, natural resource management and conservation are the leading projects in their descending order, followed by care and support for orphans and vulnerable children’s and livelihood development program by 92% and 85% respectively. Health and HIV/Aids, Gender and Development, and Education followed by 77%, 69% and 62% respectively.

Finally, special program is the least project carried out within the organization. This analysis is a key indicators that the NGOs are fundamentally working in diversified areas of poverty alleviation and empowerment program to dry the roots of poverty from its' low levels.

**h) Alternatives Intervention Approaches used by the NGOs in women empowerment**

A range of approaches and strategies adopted by the three NGOs to address women issues linking gender issues to development programs, and promoting rights based approach to social inclusion. The intervention programs of the NGOs are in the form of services related to education, health care, micro-finance, agricultural extension, emergency relief, and human rights (Lewis & Kanji, 2009).

The summary of the interview, open ended and closed ended questionnaire on the alternative intervention approaches used by the NGOs summarized as follows. In the early period the NGOs enable the local community to be accessed to education, health, rural roads, water supply and sanitation prior to the coverage of the government service concentrating on the supply side, that is delivering services, providing development programs, or assisting official bodies to increase the spread of their own programs but starting from the last decades NGOs partly diverted their program from the public service delivery to household service by empowering the women, who are half of the community but who marginalized for a long period of time.
The NGOs under considerations are using a variety of approaches to empower the disadvantaged women at the grass roots levels based on their own goals and capacity. The common approaches being used by them are low cost credit service, subsidized loan facility, training of new skills by which they generate their own means of income and economize and use their assets, provide health and nutrition service for children of the poorest, offering money freely for the old and disabled people without support. Figure 4 provided at the appendix revealed detailed techniques used by the NGOs under study in poverty alleviation and women empowerment.

According to Stormiest (2002) there are three major functions of NGOs service delivery such as relief, welfare, basic skills; educational provision including basic skills and often critical analysis of social environments; and finally public policy advocacy. Baccaro (2001) also illustrated a combination of micro-credit, awareness raising, training, and other social services as a means of women empowerment.

The summary of the most widely used alternative methods used by the NGOs under considerations to empower women and alleviate poverty were lending of money at low interest, awareness creation training on saving and wise utilization of resources, lending without interest rate, supplying foods and health services, and transfer payments for elderly and disabled poor women.

V. Conclusions

The objective of this study is to investigate the effects of NGOs on socio-economic empowerment of women. Women’s socio-economic empowerment is fundamental for poverty eradication, gender equality, better families’ well-being, and comprehensive economic growth. Overcoming these problems requires bold and compressive strategies. This study focused on five key factors that indicate the effects of NGOs on women empowerment levels; and the intervention approaches by the NGOs. The major factors considered were income, saving, decision making ability, expenditure levels, and assets ownership rights of the poor women as a result of the intervention program by the NGOs.

The results of the tested hypothesis show the existence of significant effects of the NGOs intervention program on the tested variables. Similarly, for the empowerment of the poor women at grass root levels the NGOs under considerations used approaches of lending of money at low interest, awareness creation training on different aspects, lending money free interest rate, supplying foods and health services in special cases, and transfer payments for elderly and disabled poor women.

VI. Limitation

The main limitation of this paper is difficulty of generalizing the finding based on performance sample taken from only three NGOs. The other constraint is method of data collection; this particular research solely based on data collected by questionnaire, therefore to get more data that nearer to the reality its better if the researcher used interview as well as observation to practically see the conditions of the women approached by the NGOs. The other limitation was method of data analysis; it’s more preferable if the analysis were done extensively by descriptive to investigate briefly variables creating unemployment for graduates.

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30. NGOs working to reduce poverty Written by By The Independent Team Tuesday, 01 September 2009 18:30 1581 NGOs working to reduce poverty


APPENDIX

Table 1

<table>
<thead>
<tr>
<th>Factors</th>
<th>Responses</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
</tr>
<tr>
<td>Contribution of NGOs</td>
<td>Fr(%) 43(53.75)</td>
<td>23(28.75)</td>
<td>14(17.50)</td>
</tr>
<tr>
<td>Cum Fr(%)</td>
<td>43(53.75)</td>
<td>66(82.50)</td>
<td>80(100)</td>
</tr>
<tr>
<td>Influence of NGOs</td>
<td>Fr(%) 7(8.75)</td>
<td>32(40)</td>
<td>10(12.50)</td>
</tr>
<tr>
<td>Cum Fr(%)</td>
<td>7(8.75)</td>
<td>39(48.75)</td>
<td>63(78.75)</td>
</tr>
<tr>
<td>Extent NGOs influence the poor</td>
<td>Fr(%) 11(13.75)</td>
<td>21(26.25)</td>
<td>9(11.25)</td>
</tr>
<tr>
<td>Cum Fr(%)</td>
<td>11(13.75)</td>
<td>32(40)</td>
<td>41(51.25)</td>
</tr>
<tr>
<td>Small scale development projects</td>
<td>Fre(%) 11(13.75)</td>
<td>10(12.50)</td>
<td>0</td>
</tr>
<tr>
<td>CumFre(%)</td>
<td>11(13.75)</td>
<td>21(26.25)</td>
<td>48(60)</td>
</tr>
<tr>
<td>Income Progress</td>
<td>Fre (%)</td>
<td>56(70)</td>
<td>24(30)</td>
</tr>
<tr>
<td>CumFre (%)</td>
<td>56(70)</td>
<td>80(100)</td>
<td>80(100)</td>
</tr>
<tr>
<td>Economic empowerment</td>
<td>Fre (%)</td>
<td>27(33.75)</td>
<td>30(37.50)</td>
</tr>
<tr>
<td>Cum Fre (%)</td>
<td>27(33.75)</td>
<td>57(71.2)</td>
<td>71(88.75)</td>
</tr>
</tbody>
</table>

Source: Own survey of 2018
Table 2: Show the population and sample selection of the study

<table>
<thead>
<tr>
<th>Name of NGOs</th>
<th>Woreda Coverd</th>
<th>Kebele Covered</th>
<th>Total population</th>
<th>No. of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Walali Project Associations</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Sayo</td>
<td>DambiDolo</td>
<td>Dolo</td>
<td>37</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lafto</td>
<td>32</td>
<td>6</td>
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<tr>
<td></td>
<td>Sayo</td>
<td>Mata Tabor</td>
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<td>Kebele 01</td>
<td>26</td>
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<td>5</td>
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<td></td>
<td>Employees of the WPAs</td>
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<td>9</td>
<td>4</td>
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<td><strong>Ethiopian Evangelical MekaneYesus Church</strong></td>
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<td>Sayo</td>
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<tr>
<td>Sayo</td>
<td>Employees of the ECC</td>
<td></td>
<td>11</td>
<td>4</td>
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<td>Sayo</td>
<td>Alaku</td>
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<td></td>
<td>DambiDolo</td>
<td>Lafto</td>
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<td>4</td>
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<td></td>
<td>Employees of the ECC</td>
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<td>4</td>
</tr>
<tr>
<td><strong>Total population</strong></td>
<td></td>
<td></td>
<td>374</td>
<td>80</td>
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FELLOWS

FELLOW OF ASSOCIATION OF RESEARCH SOCIETY IN BUSINESS (FARSB)

Global Journals Incorporate (USA) is accredited by Open Association of Research Society (OARS), U.S.A and in turn, awards “FARSB” title to individuals. The 'FARSB' title is accorded to a selected professional after the approval of the Editor-in-Chief/Editorial Board Members/Dean.

The “FARSB” is a dignified title which is accorded to a person’s name viz. Dr. John E. Hall, Ph.D., FARSBA or William Waldroff, M.S., FARSBA.

FARSB accrediting is an honor. It authenticates your research activities. After recognition as FARSB, you can add 'FARSB' title with your name as you use this recognition as additional suffix to your status. This will definitely enhance and add more value and repute to your name. You may use it on your professional Counseling Materials such as CV, Resume, and Visiting Card etc.

**The following benefits can be availed by you only for next three years from the date of certification:**

- FARSBA designated members are entitled to avail a 40% discount while publishing their research papers (of a single author) with Global Journals Incorporation (USA), if the same is accepted by Editorial Board/Peer Reviewers. If you are a main author or co-author in case of multiple authors, you will be entitled to avail discount of 10%.

- Once FARSB title is accorded, the Fellow is authorized to organize a symposium/seminar/conference on behalf of Global Journal Incorporation (USA). The Fellow can also participate in conference/seminar/symposium organized by another institution as representative of Global Journal. In both the cases, it is mandatory for him to discuss with us and obtain our consent.

- You may join as member of the Editorial Board of Global Journals Incorporation (USA) after successful completion of three years as Fellow and as Peer Reviewer. In addition, it is also desirable that you should organize seminar/symposium/conference at least once.

We shall provide you intimation regarding launching of e-version of journal of your stream time to time. This may be utilized in your library for the enrichment of knowledge of your students as well as it can also be helpful for the concerned faculty members.
As FARSBA, you will be given a renowned, secure and free professional email address with 100 GB of space e.g. johnhall@globaljournals.org. This will include Webmail, Spam Assassin, Email Forwarders, Auto-Responders, Email Delivery Route tracing, etc.

The FARSBA will be eligible for a free application of standardization of their researches. Standardization of research will be subject to acceptability within stipulated norms as the next step after publishing in a journal. We shall depute a team of specialized research professionals who will render their services for elevating your researches to next higher level, which is worldwide open standardization.

The FARSBA member can apply for grading and certification of standards of their educational and Institutional Degrees to Open Association of Research, Society U.S.A. Once you are designated as FARSBA, you may send us a scanned copy of all of your credentials. OARS will verify, grade and certify them. This will be based on your academic records, quality of research papers published by you, and some more criteria. After certification of all your credentials by OARS, they will be published on your Fellow Profile link on website https://associationofresearch.org which will be helpful to upgrade the dignity.

The FARSBA members can avail the benefits of free research podcasting in Global Research Radio with their research documents. After publishing the work, (including published elsewhere worldwide with proper authorization) you can upload your research paper with your recorded voice or you can utilize chargeable services of our professional RJs to record your paper in their voice on request.

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MARSB accrediting is an honor. It authenticates your research activities. After becoming MARSBA, you can add 'MARSBA' title with your name as you use this recognition as additional suffix to your status. This will definitely enhance and add more value and repute to your name. You may use it on your professional Counseling Materials such as CV, Resume, Visiting Card and Name Plate etc.

**MEMBER OF ASSOCIATION OF RESEARCH SOCIETY IN BUSINESS (MARSBA)**

The 'MARSBA' title is accorded to a selected professional after the approval of the Editor-in-Chief / Editorial Board Members/Dean.

The “MARSBA” is a dignified ornament which is accorded to a person’s name viz. Dr. John E. Hall, Ph.D., MARSBA or William Walldroff, M.S., MARSBA.

MARSB accrediting is an honor. It authenticates your research activities. After becoming MARSBA, you can add 'MARSBA' title with your name as you use this recognition as additional suffix to your status. This will definitely enhance and add more value and repute to your name. You may use it on your professional Counseling Materials such as CV, Resume, Visiting Card and Name Plate etc.

The following benefits can be availed by you only for next three years from the date of certification.

MARSB designated members are entitled to avail a 25% discount while publishing their research papers (of a single author) in Global Journals Inc., if the same is accepted by our Editorial Board and Peer Reviewers. If you are a main author or co-author of a group of authors, you will get discount of 10%.

As MARSBA, you will be given a renowned, secure and free professional email address with 30 GB of space e.g. johnhall@globaljournals.org. This will include Webmail, Spam Assassin, Email Forwarders, Auto-Responders, Email Delivery Route tracing, etc.
We shall provide you intimation regarding launching of e-version of journal of your stream time to time. This may be utilized in your library for the enrichment of knowledge of your students as well as it can also be helpful for the concerned faculty members.

The MARSBA member can apply for approval, grading and certification of standards of their educational and Institutional Degrees to Open Association of Research, Society U.S.A.

Once you are designated as MARSBA, you may send us a scanned copy of all of your credentials. OARS will verify, grade and certify them. This will be based on your academic records, quality of research papers published by you, and some more criteria.

It is mandatory to read all terms and conditions carefully.
Auxiliary Memberships

Institutional Fellow of Open Association of Research Society (USA)-OARS (USA)

Global Journals Incorporation (USA) is accredited by Open Association of Research Society, U.S.A (OARS) and in turn, affiliates research institutions as “Institutional Fellow of Open Association of Research Society” (IFOARS).

The “FARSC” is a dignified title which is accorded to a person’s name viz. Dr. John E. Hall, Ph.D., FARSC or William Walldroff, M.S., FARSC.

The IFOARS institution is entitled to form a Board comprised of one Chairperson and three to five board members preferably from different streams. The Board will be recognized as “Institutional Board of Open Association of Research Society”-(IBOARS).

The Institute will be entitled to following benefits:

The IBOARS can initially review research papers of their institute and recommend them to publish with respective journal of Global Journals. It can also review the papers of other institutions after obtaining our consent. The second review will be done by peer reviewer of Global Journals Incorporation (USA).

The Board is at liberty to appoint a peer reviewer with the approval of chairperson after consulting us.

The author fees of such paper may be waived off up to 40%.

The Global Journals Incorporation (USA) at its discretion can also refer double blind peer reviewed paper at their end to the board for the verification and to get recommendation for final stage of acceptance of publication.

The IBOARS can organize symposium/seminar/conference in their country on behalf of Global Journals Incorporation (USA)-OARS (USA). The terms and conditions can be discussed separately.

The Board can also play vital role by exploring and giving valuable suggestions regarding the Standards of “Open Association of Research Society, U.S.A (OARS)” so that proper amendment can take place for the benefit of entire research community. We shall provide details of particular standard only on receipt of request from the Board.

The board members can also join us as Individual Fellow with 40% discount on total fees applicable to Individual Fellow. They will be entitled to avail all the benefits as declared. Please visit Individual Fellow-sub menu of GlobalJournals.org to have more relevant details.

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After nomination of your institution as “Institutional Fellow” and constantly functioning successfully for one year, we can consider giving recognition to your institute to function as Regional/Zonal office on our behalf. The board can also take up the additional allied activities for betterment after our consultation.

**The following entitlements are applicable to individual Fellows:**

Open Association of Research Society, U.S.A (OARS) By-laws states that an individual Fellow may use the designations as applicable, or the corresponding initials. The Credentials of individual Fellow and Associate designations signify that the individual has gained knowledge of the fundamental concepts. One is magnanimous and proficient in an expertise course covering the professional code of conduct, and follows recognized standards of practice.

Open Association of Research Society (US)/ Global Journals Incorporation (USA), as described in Corporate Statements, are educational, research publishing and professional membership organizations. Achieving our individual Fellow or Associate status is based mainly on meeting stated educational research requirements.

Disbursement of 40% Royalty earned through Global Journals: Researcher = 50%, Peer Reviewer = 37.50%, Institution = 12.50% E.g. Out of 40%, the 20% benefit should be passed on to researcher, 15 % benefit towards remuneration should be given to a reviewer and remaining 5% is to be retained by the institution.

We shall provide print version of 12 issues of any three journals [as per your requirement] out of our 38 journals worth $ 2376 USD.

**Other:**

The individual Fellow and Associate designations accredited by Open Association of Research Society (US) credentials signify guarantees following achievements:

- The professional accredited with Fellow honor, is entitled to various benefits viz. name, fame, honor, regular flow of income, secured bright future, social status etc.
➢ In addition to above, if one is single author, then entitled to 40% discount on publishing research paper and can get 10% discount if one is co-author or main author among group of authors.

➢ The Fellow can organize symposium/seminar/conference on behalf of Global Journals Incorporation (USA) and he/she can also attend the same organized by other institutes on behalf of Global Journals.

➢ The Fellow can become member of Editorial Board Member after completing 3yrs.

➢ The Fellow can earn 60% of sales proceeds from the sale of reference/review books/literature/publishing of research paper.

➢ Fellow can also join as paid peer reviewer and earn 15% remuneration of author charges and can also get an opportunity to join as member of the Editorial Board of Global Journals Incorporation (USA)

➢ • This individual has learned the basic methods of applying those concepts and techniques to common challenging situations. This individual has further demonstrated an in-depth understanding of the application of suitable techniques to a particular area of research practice.

Note:

”

➢ In future, if the board feels the necessity to change any board member, the same can be done with the consent of the chairperson along with anyone board member without our approval.

➢ In case, the chairperson needs to be replaced then consent of 2/3rd board members are required and they are also required to jointly pass the resolution copy of which should be sent to us. In such case, it will be compulsory to obtain our approval before replacement.

➢ In case of “Difference of Opinion [if any]” among the Board members, our decision will be final and binding to everyone.

”
Preferred Author Guidelines

We accept the manuscript submissions in any standard (generic) format.

We typeset manuscripts using advanced typesetting tools like Adobe In Design, CorelDraw, TeXnicCenter, and TeXStudio. We usually recommend authors submit their research using any standard format they are comfortable with, and let Global Journals do the rest.

Alternatively, you can download our basic template from https://globaljournals.org/Templates.zip

Authors should submit their complete paper/article, including text illustrations, graphics, conclusions, artwork, and tables. Authors who are not able to submit manuscript using the form above can email the manuscript department at submit@globaljournals.org or get in touch with chiefeditor@globaljournals.org if they wish to send the abstract before submission.

Before and During Submission

Authors must ensure the information provided during the submission of a paper is authentic. Please go through the following checklist before submitting:

1. Authors must go through the complete author guideline and understand and agree to Global Journals’ ethics and code of conduct, along with author responsibilities.
2. Authors must accept the privacy policy, terms, and conditions of Global Journals.
3. Ensure corresponding author’s email address and postal address are accurate and reachable.
4. Manuscript to be submitted must include keywords, an abstract, a paper title, co-author(s’) names and details (email address, name, phone number, and institution), figures and illustrations in vector format including appropriate captions, tables, including titles and footnotes, a conclusion, results, acknowledgments and references.
5. Authors should submit paper in a ZIP archive if any supplementary files are required along with the paper.
6. Proper permissions must be acquired for the use of any copyrighted material.
7. Manuscript submitted must not have been submitted or published elsewhere and all authors must be aware of the submission.

Declaration of Conflicts of Interest

It is required for authors to declare all financial, institutional, and personal relationships with other individuals and organizations that could influence (bias) their research.

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Plagiarism is not acceptable in Global Journals submissions at all.

Plagiarized content will not be considered for publication. We reserve the right to inform authors’ institutions about plagiarism detected either before or after publication. If plagiarism is identified, we will follow COPE guidelines:

Authors are solely responsible for all the plagiarism that is found. The author must not fabricate, falsify or plagiarize existing research data. The following, if copied, will be considered plagiarism:

- Words (language)
- Ideas
- Findings
- Writings
- Diagrams
- Graphs
- Illustrations
- Lectures
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Global Journals follows the definition of authorship set up by the Open Association of Research Society, USA. According to its guidelines, authorship criteria must be based on:

1. Substantial contributions to the conception and acquisition of data, analysis, and interpretation of findings.
2. Drafting the paper and revising it critically regarding important academic content.
3. Final approval of the version of the paper to be published.

Changes in Authorship

The corresponding author should mention the name and complete details of all co-authors during submission and in manuscript. We support addition, rearrangement, manipulation, and deletions in authors list till the early view publication of the journal. We expect that corresponding author will notify all co-authors of submission. We follow COPE guidelines for changes in authorship.

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Unless specified in the notification, the Editorial Board’s decision on publication of the paper is final and cannot be appealed before making the major change in the manuscript.

Acknowledgments

Contributors to the research other than authors credited should be mentioned in Acknowledgments. The source of funding for the research can be included. Suppliers of resources may be mentioned along with their addresses.

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Global Journals is in partnership with various universities, laboratories, and other institutions worldwide in the research domain. Authors are requested to disclose their source of funding during every stage of their research, such as making analysis, performing laboratory operations, computing data, and using institutional resources, from writing an article to its submission. This will also help authors to get reimbursements by requesting an open access publication letter from Global Journals and submitting to the respective funding source.

Preparing your Manuscript

Authors can submit papers and articles in an acceptable file format: MS Word (doc, docx), LaTeX (.tex, .zip or .rar including all of your files), Adobe PDF (.pdf), rich text format (.rtf), simple text document (.txt), Open Document Text (.odt), and Apple Pages (.pages). Our professional layout editors will format the entire paper according to our official guidelines. This is one of the highlights of publishing with Global Journals—authors should not be concerned about the formatting of their paper. Global Journals accepts articles and manuscripts in every major language, be it Spanish, Chinese, Japanese, Portuguese, Russian, French, German, Dutch, Italian, Greek, or any other national language, but the title, subtitle, and abstract should be in English. This will facilitate indexing and the pre-peer review process.

The following is the official style and template developed for publication of a research paper. Authors are not required to follow this style during the submission of the paper. It is just for reference purposes.
**Manuscript Style Instruction (Optional)**

- Microsoft Word Document Setting Instructions.
- Font type of all text should be Swiss721 Lt BT.
- Page size: 8.27” x 11’’, left margin: 0.65, right margin: 0.65, bottom margin: 0.75.
- Paper title should be in one column of font size 24.
- Author name in font size of 11 in one column.
- Abstract: font size 9 with the word “Abstract” in bold italics.
- Main text: font size 10 with two justified columns.
- Two columns with equal column width of 3.38 and spacing of 0.2.
- First character must be three lines drop-capped.
- The paragraph before spacing of 1 pt and after of 0 pt.
- Line spacing of 1 pt.
- Large images must be in one column.
- The names of first main headings (Heading 1) must be in Roman font, capital letters, and font size of 10.
- The names of second main headings (Heading 2) must not include numbers and must be in italics with a font size of 10.

**Structure and Format of Manuscript**

The recommended size of an original research paper is under 15,000 words and review papers under 7,000 words. Research articles should be less than 10,000 words. Research papers are usually longer than review papers. Review papers are reports of significant research (typically less than 7,000 words, including tables, figures, and references)

A research paper must include:

a) A title which should be relevant to the theme of the paper.

b) A summary, known as an abstract (less than 150 words), containing the major results and conclusions.

c) Up to 10 keywords that precisely identify the paper’s subject, purpose, and focus.

d) An introduction, giving fundamental background objectives.

e) Resources and techniques with sufficient complete experimental details (wherever possible by reference) to permit repetition, sources of information must be given, and numerical methods must be specified by reference.

f) Results which should be presented concisely by well-designed tables and figures.

g) Suitable statistical data should also be given.

h) All data must have been gathered with attention to numerical detail in the planning stage.

Design has been recognized to be essential to experiments for a considerable time, and the editor has decided that any paper that appears not to have adequate numerical treatments of the data will be returned unrefereed.

i) Discussion should cover implications and consequences and not just recapitulate the results; conclusions should also be summarized.

j) There should be brief acknowledgments.

k) There ought to be references in the conventional format. Global Journals recommends APA format.

Authors should carefully consider the preparation of papers to ensure that they communicate effectively. Papers are much more likely to be accepted if they are carefully designed and laid out, contain few or no errors, are summarizing, and follow instructions. They will also be published with much fewer delays than those that require much technical and editorial correction.

The Editorial Board reserves the right to make literary corrections and suggestions to improve brevity.
Format Structure

It is necessary that authors take care in submitting a manuscript that is written in simple language and adheres to published guidelines.

All manuscripts submitted to Global Journals should include:

Title

The title page must carry an informative title that reflects the content, a running title (less than 45 characters together with spaces), names of the authors and co-authors, and the place(s) where the work was carried out.

Author details

The full postal address of any related author(s) must be specified.

Abstract

The abstract is the foundation of the research paper. It should be clear and concise and must contain the objective of the paper and inferences drawn. It is advised to not include big mathematical equations or complicated jargon.

Many researchers searching for information online will use search engines such as Google, Yahoo or others. By optimizing your paper for search engines, you will amplify the chance of someone finding it. In turn, this will make it more likely to be viewed and cited in further works. Global Journals has compiled these guidelines to facilitate you to maximize the web-friendliness of the most public part of your paper.

Keywords

A major lynchpin of research work for the writing of research papers is the keyword search, which one will employ to find both library and internet resources. Up to eleven keywords or very brief phrases have to be given to help data retrieval, mining, and indexing.

One must be persistent and creative in using keywords. An effective keyword search requires a strategy: planning of a list of possible keywords and phrases to try.

Choice of the main keywords is the first tool of writing a research paper. Research paper writing is an art. Keyword search should be as strategic as possible.

One should start brainstorming lists of potential keywords before even beginning searching. Think about the most important concepts related to research work. Ask, “What words would a source have to include to be truly valuable in a research paper?” Then consider synonyms for the important words.

It may take the discovery of only one important paper to steer in the right keyword direction because, in most databases, the keywords under which a research paper is abstracted are listed with the paper.

Numerical Methods

Numerical methods used should be transparent and, where appropriate, supported by references.

Abbreviations

Authors must list all the abbreviations used in the paper at the end of the paper or in a separate table before using them.

Formulas and equations

Authors are advised to submit any mathematical equation using either MathJax, KaTeX, or LaTeX, or in a very high-quality image.

Tables, Figures, and Figure Legends

Tables: Tables should be cautiously designed, uncrowned, and include only essential data. Each must have an Arabic number, e.g., Table 4, a self-explanatory caption, and be on a separate sheet. Authors must submit tables in an editable format and not as images. References to these tables (if any) must be mentioned accurately.
Figures

Figures are supposed to be submitted as separate files. Always include a citation in the text for each figure using Arabic numbers, e.g., Fig. 4. Artwork must be submitted online in vector electronic form or by emailing it.

Preparation of Electronic Figures for Publication

Although low-quality images are sufficient for review purposes, print publication requires high-quality images to prevent the final product being blurred or fuzzy. Submit (possibly by e-mail) EPS (line art) or TIFF (halftone/photographs) files only. MS PowerPoint and Word Graphics are unsuitable for printed pictures. Avoid using pixel-oriented software. Scans (TIFF only) should have a resolution of at least 350 dpi (halftone) or 700 to 1100 dpi (line drawings). Please give the data for figures in black and white or submit a Color Work Agreement form. EPS files must be saved with fonts embedded (and with a TIFF preview, if possible).

For scanned images, the scanning resolution at final image size ought to be as follows to ensure good reproduction: line art: >650 dpi; halftones (including gel photographs): >350 dpi; figures containing both halftone and line images: >650 dpi.

Color charges: Authors are advised to pay the full cost for the reproduction of their color artwork. Hence, please note that if there is color artwork in your manuscript when it is accepted for publication, we would require you to complete and return a Color Work Agreement form before your paper can be published. Also, you can email your editor to remove the color fee after acceptance of the paper.

Tips for Writing a Good Quality Management Research Paper

Techniques for writing a good quality management and business research paper:

1. Choosing the topic: In most cases, the topic is selected by the interests of the author, but it can also be suggested by the guides. You can have several topics, and then judge which you are most comfortable with. This may be done by asking several questions of yourself, like "Will I be able to carry out a search in this area? Will I find all necessary resources to accomplish the search? Will I be able to find all information in this field area?" If the answer to this type of question is "yes," then you ought to choose that topic. In most cases, you may have to conduct surveys and visit several places. Also, you might have to do a lot of work to find all the rises and falls of the various data on that subject. Sometimes, detailed information plays a vital role, instead of short information. Evaluators are human: The first thing to remember is that evaluators are also human beings. They are not only meant for rejecting a paper. They are here to evaluate your paper. So present your best aspect.

2. Think like evaluators: If you are in confusion or getting demotivated because your paper may not be accepted by the evaluators, then think, and try to evaluate your paper like an evaluator. Try to understand what an evaluator wants in your research paper, and you will automatically have your answer. Make blueprints of paper: The outline is the plan or framework that will help you to arrange your thoughts. It will make your paper logical. But remember that all points of your outline must be related to the topic you have chosen.

3. Ask your guides: If you are having any difficulty with your research, then do not hesitate to share your difficulty with your guide (if you have one). They will surely help you out and resolve your doubts. If you can’t clarify what exactly you require for your work, then ask your supervisor to help you with an alternative. He or she might also provide you with a list of essential readings.

4. Use of computer is recommended: As you are doing research in the field of management and business then this point is quite obvious. Use right software: Always use good quality software packages. If you are not capable of judging good software, then you can lose the quality of your paper unknowingly. There are various programs available to help you which you can get through the internet.

5. Use the internet for help: An excellent start for your paper is using Google. It is a wondrous search engine, where you can have your doubts resolved. You may also read some answers for the frequent question of how to write your research paper or find a model research paper. You can download books from the internet. If you have all the required books, place importance on reading, selecting, and analyzing the specified information. Then sketch out your research paper. Use big pictures: You may use encyclopedias like Wikipedia to get pictures with the best resolution. At Global Journals, you should strictly follow here.

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6. **Bookmarks are useful:** When you read any book or magazine, you generally use bookmarks, right? It is a good habit which helps to not lose your continuity. You should always use bookmarks while searching on the internet also, which will make your search easier.

7. **Revise what you wrote:** When you write anything, always read it, summarize it, and then finalize it.

8. **Make every effort:** Make every effort to mention what you are going to write in your paper. That means always have a good start. Try to mention everything in the introduction—what is the need for a particular research paper. Polish your work with good writing skills and always give an evaluator what he wants. Make backups: When you are going to do any important thing like making a research paper, you should always have backup copies of it either on your computer or on paper. This protects you from losing any portion of your important data.

9. **Produce good diagrams of your own:** Always try to include good charts or diagrams in your paper to improve quality. Using several unnecessary diagrams will degrade the quality of your paper by creating a hodgepodge. So always try to include diagrams which were made by you to improve the readability of your paper. Use of direct quotes: When you do research relevant to literature, history, or current affairs, then use of quotes becomes essential, but if the study is relevant to science, use of quotes is not preferable.

10. **Use proper verb tense:** Use proper verb tenses in your paper. Use past tense to present those events that have happened. Use present tense to indicate events that are going on. Use future tense to indicate events that will happen in the future. Use of wrong tenses will confuse the evaluator. Avoid sentences that are incomplete.

11. **Pick a good study spot:** Always try to pick a spot for your research which is quiet. Not every spot is good for studying.

12. **Know what you know:** Always try to know what you know by making objectives, otherwise you will be confused and unable to achieve your target.

13. **Use good grammar:** Always use good grammar and words that will have a positive impact on the evaluator; use of good vocabulary does not mean using tough words which the evaluator has to find in a dictionary. Do not fragment sentences. Eliminate one-word sentences. Do not ever use a big word when a smaller one would suffice. Verbs have to be in agreement with their subjects. In a research paper, do not start sentences with conjunctions or finish them with prepositions. When writing formally, it is advisable to never split an infinitive because someone will (wrongly) complain. Avoid clichés like a disease. Always shun irritating alliteration. Use language which is simple and straightforward. Put together a neat summary.

14. **Arrangement of information:** Each section of the main body should start with an opening sentence, and there should be a changeover at the end of the section. Give only valid and powerful arguments for your topic. You may also maintain your arguments with records.

15. **Never start at the last minute:** Always allow enough time for research work. Leaving everything to the last minute will degrade your paper and spoil your work.

16. **Multitasking in research is not good:** Doing several things at the same time is a bad habit in the case of research activity. Research is an area where everything has a particular time slot. Divide your research work into parts, and do a particular part in a particular time slot.

17. **Never copy others' work:** Never copy others' work and give it your name because if the evaluator has seen it anywhere, you will be in trouble. Take proper rest and food: No matter how many hours you spend on your research activity, if you are not taking care of your health, then all your efforts will have been in vain. For quality research, take proper rest and food.

18. **Go to seminars:** Attend seminars if the topic is relevant to your research area. Utilize all your resources.

19. **Refresh your mind after intervals:** Try to give your mind a rest by listening to soft music or sleeping in intervals. This will also improve your memory. Acquire colleagues: Always try to acquire colleagues. No matter how sharp you are, if you acquire colleagues, they can give you ideas which will be helpful to your research.

20. **Think technically:** Always think technically. If anything happens, search for its reasons, benefits, and demerits. Think and then print: When you go to print your paper, check that tables are not split, headings are not detached from their descriptions, and page sequence is maintained.

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21. **Adding unnecessary information:** Do not add unnecessary information like "I have used MS Excel to draw graphs." Irrelevant and inappropriate material is superfluous. Foreign terminology and phrases are not apropos. One should never take a broad view. Analogy is like feathers on a snake. Use words properly, regardless of how others use them. Remove quotations. Puns are for kids, not grunt readers. Never oversimplify: When adding material to your research paper, never go for oversimplification; this will definitely irritate the evaluator. Be specific. Never use rhythmic redundancies. Contractions shouldn’t be used in a research paper. Comparisons are as terrible as clichés. Give up ampersands, abbreviations, and so on. Remove commas that are not necessary. Parenthetical words should be between brackets or commas. Understatement is always the best way to put forward earth-shaking thoughts. Give a detailed literary review.

22. **Report concluded results:** Use concluded results. From raw data, filter the results, and then conclude your studies based on measurements and observations taken. An appropriate number of decimal places should be used. Parenthetical remarks are prohibited here. Proofread carefully at the final stage. At the end, give an outline to your arguments. Spot perspectives of further study of the subject. Justify your conclusion at the bottom sufficiently, which will probably include examples.

23. **Upon conclusion:** Once you have concluded your research, the next most important step is to present your findings. Presentation is extremely important as it is the definite medium though which your research is going to be in print for the rest of the crowd. Care should be taken to categorize your thoughts well and present them in a logical and neat manner. A good quality research paper format is essential because it serves to highlight your research paper and bring to light all necessary aspects of your research.

**Informal Guidelines of Research Paper Writing**

**Key points to remember:**
- Submit all work in its final form.
- Write your paper in the form which is presented in the guidelines using the template.
- Please note the criteria peer reviewers will use for grading the final paper.

**Final points:**

One purpose of organizing a research paper is to let people interpret your efforts selectively. The journal requires the following sections, submitted in the order listed, with each section starting on a new page:

*The introduction:* This will be compiled from reference matter and reflect the design processes or outline of basis that directed you to make a study. As you carry out the process of study, the method and process section will be constructed like that. The results segment will show related statistics in nearly sequential order and direct reviewers to similar intellectual paths throughout the data that you gathered to carry out your study.

*The discussion section:*

This will provide understanding of the data and projections as to the implications of the results. The use of good quality references throughout the paper will give the effort trustworthiness by representing an alertness to prior workings.

Writing a research paper is not an easy job, no matter how trouble-free the actual research or concept. Practice, excellent preparation, and controlled record-keeping are the only means to make straightforward progression.

**General style:**

Specific editorial column necessities for compliance of a manuscript will always take over from directions in these general guidelines.

**To make a paper clear:** Adhere to recommended page limits.

**Mistakes to avoid:**
- Insertion of a title at the foot of a page with subsequent text on the next page.
- Separating a table, chart, or figure—confine each to a single page.
- Submitting a manuscript with pages out of sequence.
- In every section of your document, use standard writing style, including articles ("a" and "the").
- Keep paying attention to the topic of the paper.
Use paragraphs to split each significant point (excluding the abstract).
Align the primary line of each section.
Present your points in sound order.
Use present tense to report well-accepted matters.
Use past tense to describe specific results.
Do not use familiar wording; don't address the reviewer directly. Don't use slang or superlatives.
Avoid use of extra pictures—include only those figures essential to presenting results.

Title page:
Choose a revealing title. It should be short and include the name(s) and address(es) of all authors. It should not have acronyms or abbreviations or exceed two printed lines.

Abstract: This summary should be two hundred words or less. It should clearly and briefly explain the key findings reported in the manuscript and must have precise statistics. It should not have acronyms or abbreviations. It should be logical in itself. Do not cite references at this point.

An abstract is a brief, distinct paragraph summary of finished work or work in development. In a minute or less, a reviewer can be taught the foundation behind the study, common approaches to the problem, relevant results, and significant conclusions or new questions.

Write your summary when your paper is completed because how can you write the summary of anything which is not yet written? Wealth of terminology is very essential in abstract. Use comprehensive sentences, and do not sacrifice readability for brevity; you can maintain it succinctly by phrasing sentences so that they provide more than a lone rationale. The author can at this moment go straight to shortening the outcome. Sum up the study with the subsequent elements in any summary. Try to limit the initial two items to no more than one line each.

Reason for writing the article—theory, overall issue, purpose.

- Fundamental goal.
- To-the-point depiction of the research.
- Consequences, including definite statistics—if the consequences are quantitative in nature, account for this; results of any numerical analysis should be reported. Significant conclusions or questions that emerge from the research.

Approach:
- Single section and succinct.
- An outline of the job done is always written in past tense.
- Concentrate on shortening results—limit background information to a verdict or two.
- Exact spelling, clarity of sentences and phrases, and appropriate reporting of quantities (proper units, important statistics) are just as significant in an abstract as they are anywhere else.

Introduction:
The introduction should "introduce" the manuscript. The reviewer should be presented with sufficient background information to be capable of comprehending and calculating the purpose of your study without having to refer to other works. The basis for the study should be offered. Give the most important references, but avoid making a comprehensive appraisal of the topic. Describe the problem visibly. If the problem is not acknowledged in a logical, reasonable way, the reviewer will give no attention to your results. Speak in common terms about techniques used to explain the problem, if needed, but do not present any particulars about the protocols here.

The following approach can create a valuable beginning:
- Explain the value (significance) of the study.
- Defend the model—why did you employ this particular system or method? What is its compensation? Remark upon its appropriateness from an abstract point of view as well as pointing out sensible reasons for using it.
- Present a justification. State your particular theory(-ies) or aim(s), and describe the logic that led you to choose them.
- Briefly explain the study's tentative purpose and how it meets the declared objectives.
Approach:

Use past tense except for when referring to recognized facts. After all, the manuscript will be submitted after the entire job is done. Sort out your thoughts; manufacture one key point for every section. If you make the four points listed above, you will need at least four paragraphs. Present surrounding information only when it is necessary to support a situation. The reviewer does not desire to read everything you know about a topic. Shape the theory specifically—do not take a broad view.

As always, give awareness to spelling, simplicity, and correctness of sentences and phrases.

Procedures (methods and materials):

This part is supposed to be the easiest to carve if you have good skills. A soundly written procedures segment allows a capable scientist to replicate your results. Present precise information about your supplies. The suppliers and clarity of reagents can be helpful bits of information. Present methods in sequential order, but linked methodologies can be grouped as a segment. Be concise when relating the protocols. Attempt to give the least amount of information that would permit another capable scientist to replicate your outcome, but be cautious that vital information is integrated. The use of subheadings is suggested and ought to be synchronized with the results section.

When a technique is used that has been well-described in another section, mention the specific item describing the way, but draw the basic principle while stating the situation. The purpose is to show all particular resources and broad procedures so that another person may use some or all of the methods in one more study or referee the scientific value of your work. It is not to be a step-by-step report of the whole thing you did, nor is a methods section a set of orders.

Materials:

Materials may be reported in part of a section or else they may be recognized along with your measures.

Methods:

- Report the method and not the particulars of each process that engaged the same methodology.
- Describe the method entirely.
- To be succinct, present methods under headings dedicated to specific dealings or groups of measures.
- Simplify—detail how procedures were completed, not how they were performed on a particular day.
- If well-known procedures were used, account for the procedure by name, possibly with a reference, and that’s all.

Approach:

It is embarrassing to use vigorous voice when documenting methods without using first person, which would focus the reviewer’s interest on the researcher rather than the job. As a result, when writing up the methods, most authors use third person passive voice.

Use standard style in this and every other part of the paper—avoid familiar lists, and use full sentences.

What to keep away from:

- Resources and methods are not a set of information.
- Skip all descriptive information and surroundings—save it for the argument.
- Leave out information that is immaterial to a third party.

Results:

The principle of a results segment is to present and demonstrate your conclusion. Create this part as entirely objective details of the outcome, and save all understanding for the discussion.

The page length of this segment is set by the sum and types of data to be reported. Use statistics and tables, if suitable, to present consequences most efficiently.

You must clearly differentiate material which would usually be incorporated in a study editorial from any unprocessed data or additional appendix matter that would not be available. In fact, such matters should not be submitted at all except if requested by the instructor.
Content:
- Sum up your conclusions in text and demonstrate them, if suitable, with figures and tables.
- In the manuscript, explain each of your consequences, and point the reader to remarks that are most appropriate.
- Present a background, such as by describing the question that was addressed by creation of an exacting study.
- Explain results of control experiments and give remarks that are not accessible in a prescribed figure or table, if appropriate.
- Examine your data, then prepare the analyzed (transformed) data in the form of a figure (graph), table, or manuscript.

What to stay away from:
- Do not discuss or infer your outcome, report surrounding information, or try to explain anything.
- Do not include raw data or intermediate calculations in a research manuscript.
- Do not present similar data more than once.
- A manuscript should complement any figures or tables, not duplicate information.
- Never confuse figures with tables—there is a difference.

Approach:
As always, use past tense when you submit your results, and put the whole thing in a reasonable order.

Put figures and tables, appropriately numbered, in order at the end of the report.

If you desire, you may place your figures and tables properly within the text of your results section.

Figures and tables:
If you put figures and tables at the end of some details, make certain that they are visibly distinguished from any attached appendix materials, such as raw facts. Whatever the position, each table must be titled, numbered one after the other, and include a heading. All figures and tables must be divided from the text.

Discussion:
The discussion is expected to be the trickiest segment to write. A lot of papers submitted to the journal are discarded based on problems with the discussion. There is no rule for how long an argument should be.

Position your understanding of the outcome visibly to lead the reviewer through your conclusions, and then finish the paper with a summing up of the implications of the study. The purpose here is to offer an understanding of your results and support all of your conclusions, using facts from your research and generally accepted information, if suitable. The implication of results should be fully described.

Infer your data in the conversation in suitable depth. This means that when you clarify an observable fact, you must explain mechanisms that may account for the observation. If your results vary from your prospect, make clear why that may have happened. If your results agree, then explain the theory that the proof supported. It is never suitable to just state that the data approved the prospect, and let it drop at that. Make a decision as to whether each premise is supported or discarded or if you cannot make a conclusion with assurance. Do not just dismiss a study or part of a study as "uncertain."

Research papers are not acknowledged if the work is imperfect. Draw what conclusions you can based upon the results that you have, and take care of the study as a finished work.
- You may propose future guidelines, such as how an experiment might be personalized to accomplish a new idea.
- Give details of all of your remarks as much as possible, focusing on mechanisms.
- Make a decision as to whether the tentative design sufficiently addressed the theory and whether or not it was correctly restricted. Try to present substitute explanations if they are sensible alternatives.
- One piece of research will not counter an overall question, so maintain the large picture in mind. Where do you go next? The best studies unlock new avenues of study. What questions remain?
- Recommendations for detailed papers will offer supplementary suggestions.
Approach:
When you refer to information, differentiate data generated by your own studies from other available information. Present work done by specific persons (including you) in past tense.
Describe generally acknowledged facts and main beliefs in present tense.

The Administration Rules

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Segment draft and final research paper: You have to strictly follow the template of a research paper, failing which your paper may get rejected. You are expected to write each part of the paper wholly on your own. The peer reviewers need to identify your own perspective of the concepts in your own terms. Please do not extract straight from any other source, and do not rephrase someone else's analysis. Do not allow anyone else to proofread your manuscript.

Written material: You may discuss this with your guides and key sources. Do not copy anyone else's paper, even if this is only imitation, otherwise it will be rejected on the grounds of plagiarism, which is illegal. Various methods to avoid plagiarism are strictly applied by us to every paper, and, if found guilty, you may be blacklisted, which could affect your career adversely. To guard yourself and others from possible illegal use, please do not permit anyone to use or even read your paper and file.
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BY GLOBAL JOURNALS

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