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Review of Drivers of Marketing Oriented Social Entrepreneurship in Sri Lanka and need for Adopting Marketing Capabilities

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Abstract

The objective of the paper is to give clear understanding of the social entrepreneurship and gives the importance of being marketing oriented and adopting marketing capabilities for Sri Lankan social entrepreneurship. While social entrepreneurs are changing their conventional method of social entrepreneurship, marketing orientation is very much essential for social entrepreneurs to become a commercial business with the attributes of assisting to the society as large. In order to be marketing oriented, social entrepreneurship should also adopt marketing capabilities. As per the previous studies, social entrepreneurs cannot determine which marketing capabilities are needed for social entrepreneurs. Therefore, there is a need for research on the marketing orientation and marketing capabilities adopted by social entrepreneurs.

Keywords: *Entrepreneurship, social entrepreneurship, marketing orientation, marketing capabilities.*

Introduction

Any organization to succeed in their business, entrepreneurial orientation is vital. Despite the fact that many successful entrepreneurs are in Sri Lanka, there is still untapped social entrepreneurships which have to be found and capitalized. These entrepreneurships play a significant role in the country's economy by way of creating employment and stimulating economic growth and innovation. Entrepreneurship is defined as the process by which organizations are renewed with its markets by pioneering, innovating and risk taking (Miller, 1983). Further, Onuoha (2007) defines entrepreneurship as responding to an identified opportunity by way of starting up new business or reviving mature organizations or by finding purely new business. Thus, an entrepreneur is who can exploit a market opportunity via innovations (Schumpeter, 1965).

Social entrepreneurship can be differentiated from business entrepreneurship. Social entrepreneurship is defined that as a commercial ventures for social objective for profit commercial ventures (Dees & Anderson, 2003) or for corporate social entrepreneurship (Austin et al., 2004). This also should have innovation as businesses entrepreneurship is having. Social entrepreneurship is creating social values to the country. Although many researchers and scholars are giving different meanings to the social entrepreneurship, there is a possibility to find similar attributes for both business and social entrepreneurship to create and offer social value. The similarities are innovation, personal characteristics, operating sector, process and resources used and the social mission. The attribute which is differentiating social entrepreneurship from business entrepreneurship is the purpose. Social entrepreneurship creates social value and business entrepreneurship is driven economically. Yet, there is

no hard and fast rule that social entrepreneurship should not generate economic value (Austin et al., 2006).

In spite of the fact that social entrepreneurship is growing in Sri Lanka, there is still room for improvement. Besides, people are unaware of the social entrepreneurship and its importance to the country. Social entrepreneurship is very significant for country like Sri Lanka since it contributes to the sustainable development and poverty alleviation in the country. Hence, social entrepreneurship in the country as other commercial entities, need to be marketing oriented and be with marketing capabilities and thus, enhance the performance and contribute more to the society. Therefore, the study about marketing orientation and marketing capabilities of social entrepreneurs in the country is paramount enabling an improvement in the performance of those social entrepreneurs. Thus, the objectives of the paper is to make awareness of the social entrepreneurship and differentiate it from the commercial enterprises. Another objective is to understand the need for research on the market orientation and marketing capability adaptation in social entrepreneurs in Sri Lanka. Hence, this paper is prepared in the following line. Firstly, the characteristics and orientation of the entrepreneurship is addressed. Secondly, differences between business entrepreneurship and social entrepreneurship are explained. Next, the marketing orientation and marketing capabilities for social entrepreneurs are addressed and finally, conclusion is given with a research idea on social entrepreneurship in Sri Lanka.

Characteristics and orientation of entrepreneurs

Daft (2014) explains that an entrepreneur has to be with various characteristics. The first is autonomy which is the primary motivator for

every entrepreneur to go ahead in the entrepreneurial life. Entrepreneurs has desire to be autonomy in all aspects of the business. This means that they are autonomous in planning and decision making without any contribution of partners in their business. Secondly, the entrepreneurial struggle which state that entrepreneurs will experience long struggle in their life in the business. Even though they experience struggling in the entrepreneurial life, they continuously stay positively. Third characteristic is power and influence that some people want to be entrepreneurs due to the desire for power and influence. Forth is high energy which requires for business startup i.e great efforts. Entrepreneurs should have high level of risk taking behavior and passion towards earning that will help get rid of obstacles and traumas. Fifth character is need to achieve. Entrepreneurs are motivated towards the situation where the success is expected. This characteristic is helpful for them to set goal which is difficult to achieve and challenging. The sixth character is self-confidence which is vital for entrepreneurs. They should have confidence over their ability and thinking to run the business with day to day activities. This infers that they should have the confidence in winning the customers, solving problems including technical problems and in moving the business forward. The final characteristic is tolerance for ambiguity. This characteristics is with regard to uncertainty. This is, in fact, a psychological characteristic. Entrepreneurs are making decision without knowing which options are successful to start. This is important for entrepreneurs because some business situations offer uncertainty.

In the discussion of characteristics of entrepreneurs, it is important to discuss the entrepreneurial orientations which reflect the characteristics of an entrepreneur. Lumpkin and Dess (1996) explain that entrepreneurial

orientation consist of three dimensions that also reflect the characteristics; namely innovativeness, risk taking and proactive.

Innovativeness is the source through which the firm finds new opportunities. This could be done by researching the market and find new needs and capitalize it. This may result in new product or service. According to Schumpeter (1942), entrepreneur with innovative character will be able to contribute to the wealth creation by way of disrupting the existing market structure. This would be possible through the innovation by introducing new product of service to the market. Thus the innovation is called as specific tool of entrepreneurs.

The second dimension of the entrepreneurial orientation is risk taking which is also connected with entrepreneurship. Risk taking means that an entrepreneur should be able to invest on the business with bearing risks. Entrepreneur can enter a new market dumping more resources without expecting exact outcome from the business.

The third dimension of the entrepreneurial orientation is proactive. This means that entrepreneur can anticipate and act towards future needs and wants of the market and capitalize it so that it can enjoy first mover advantage than competitors. Hence, this is associated with entrepreneur opportunity seeker and forward looking person.

Having discussed the entrepreneurship in general, it is worthy to discuss the social entrepreneurship in detail. Social entrepreneurship is serving to the society with the central goal is solving environmental or social problems. According to Dees (1998), the social mission for social

entrepreneurs is obvious and central to them. For social entrepreneurs targeting and completing social mission is major task than creating revenue for themselves. In contrast, business entrepreneurs generate income for them is the way to measure the value creation. Mostly, social entrepreneurs handle vulnerable people like elders, differently able people, unemployed youths and widows etc. in a way of producing goods and services to meet their needs that impact on social environment positively.

It is also noted here that there is no generally accepted definition for social entrepreneurship. In literatures, many dimensions have been incorporated for the social entrepreneurship. This is explained in the following Figure 1.

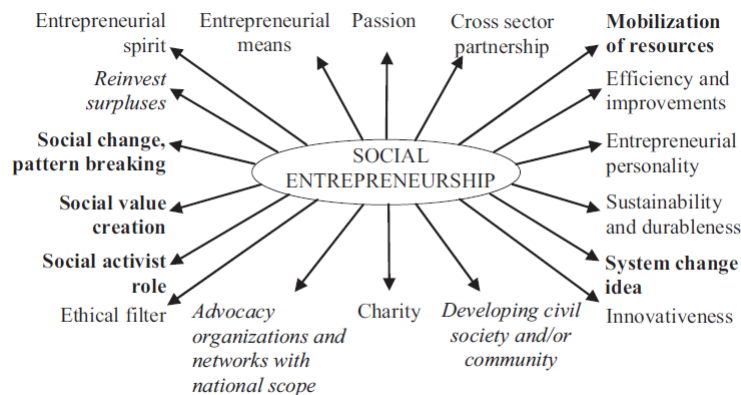


Figure 1: Source: Kaseorg and Raudsaar (2013)

Differences between social entrepreneurs and business entrepreneurs

Dees et al. (2001) explains that social entrepreneurs are differed in many ways which include five points delineating the behavior of social entrepreneurs. They are discussed below.

Mission to create social value

The roles played by social entrepreneurs are different and they play as change agent in the social sectors. Social entrepreneurs are creating a mission to sustain social value. This is the prime difference between business and social entrepreneur. In fact, social mission is prime for a social entrepreneur. Social mission should be formulated to social improvement to the private income for individuals. Profit generation and creation of wealth may be a part of social enterprise which will also be a means of social end. Basically, social entrepreneurs are expecting long term social return on investment so that sustainable impact should be emerged.

Recognizing and relentlessly pursuing new opportunities

Social entrepreneurs take opportunities when others are with problems. They do not just get the social problem and become social entrepreneurs. Instead, they have the vision of achieving improvement in the social problems they encounter. Whatever the actions they take and whatever model they follow will impact on the society and do a change. Even when there is an obstacles for their efforts, they sometimes adjust accordingly rather than giving up the task.

Continuous innovation, adaptation and learning

Irrespective of business and social entrepreneurs, all entrepreneurs are innovative in their activities. They bring new models and approaches for which they will be pioneers. Innovation not only the entire new things putting into practice but simply putting or applying existing practices and ideas in a new ways. Thus, social entrepreneurs are not necessarily inventors but they should be able to be resourceful and innovative in their business with what others have already found out. Social entrepreneurs should make sure that they would have resources until they create social value by adopting innovations. When they have risk, social entrepreneurs

should have tolerance and learn how to manage particular risk in their efforts.

Acting boldly with limitation of resources in hand

Social entrepreneurs use their limited resources for pursuing their visions. They have skills to maximize the use of their limited resources efficiently and able to attract resources from others or they will collaborate with others for using limited resources belonging to others. They will also calculate the risk and act accordingly in order to reduce the harm resulting from the failure.

Exhibiting accountability and outcomes created

Social entrepreneurs clearly understand the people whom they serve and make sure that they are creating social value to them and reach them properly by assessing their needs and values of the people who receive social values. Social entrepreneurship should be very closer to the customers they serve. Social entrepreneurs take steps to measure their progress of their social, financial and managerial outcomes and if there is any discrepancy between the actual state and desired state, they take corrective actions.

In addition to the characteristics of social entrepreneurs given above, it may be useful to analyze the characteristics explained by Sibieude (2010). Social entrepreneurs know well about the social challenges and economic challenges faced by the people in the areas in which they reside. They, therefore, are with a sense of social duty and responsibility. Further, they are well induced by strong social value which are with them to pursue their social mission. Sibieude (2010) further noted that due to this characteristics of social entrepreneurs, approximately 5000 social enterprises generated over 700,000 jobs for diablols and long term

unemployed people. Therefore, it was concluded that social entrepreneurs are connecting the society and economy.

Despite the fact that many researchers and scholars provide many definition for social entrepreneurship and point out many characteristics, Saifan (2012) differentiate the characteristics of social and business entrepreneurs as under.

Table 1: Unique and Common Characteristics of Business and Social Entrepreneurs

Unique characteristics of the business entrepreneur	Common Characteristics for both business and social entrepreneur	Unique characteristics of the social entrepreneur
High achiever	Innovator	Mission leader
Risk bearer	Dedicated	Emotionally charged
Organizer	Initiative taker	Change agent
Strategic thinker	Leader	Opinion leader
Value creator	Opportunity alert	Social value creator
Holistic	Persistent	Socially alert
Arbitrageur	Committed	Manager
		Visionary
		Highly accountable

Source: Saifan (2012)

Although social and business entrepreneurs are with unique and similar characteristics, social entrepreneurs are operating within a spectrum of entrepreneurship of two business strategies such as organizations without profit while earning income and organizations for profit with mission driven strategies (Saifan, 2012). Under the first strategy, social entrepreneur will generate income which will be used for further improving the social value. In the second category is that for profit

under which, organization will earn profit for sustainability and shareholders and investors will benefit from the social entrepreneurship. This is diagrammatically illustrated in Figure 2 as follows.

In summary, social entrepreneurs are different from business entrepreneurs. Both entrepreneurs have some similar, different and unique characteristics. Social entrepreneurs are also experiencing challenges and overcome it with their strategies. Since they face challenges and they become heroes with the talent of entrepreneur and win the social mission with reception of competitive return for them (Austin et al., 2006).

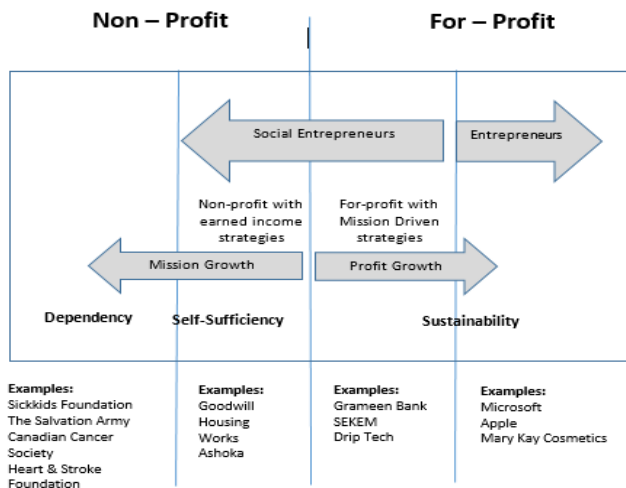


Figure 2: The Entrepreneurial Spectrum (Source: Saifan (2012))

These findings challenge the conventional wisdom that market-driven organizations must develop all types of marketing capability. We suggest that social entrepreneurs should develop their marketing capabilities selectively according to their specific performance objectives. These findings challenge the conventional wisdom that market-driven organizations must develop all types of marketing capability. We suggest

that social entrepreneurs should develop their marketing capabilities selectively according to their specific performance objectives.

Marketing orientation and marketing capabilities for social entrepreneurs

Implementation of marketing concept in an organization is called market orientation. In the case of entrepreneurship, market orientation directly influencing on the enhancement of its performance. Narver and Slater (1990) explain market orientation is connected to the market. This infers that market orientation should be reflected in fulfilling the customers' needs. Many studies also found that positive relationship between marketing orientation and firm performance (For example; Liao et al., 2011).

Market orientation consists of five dimensions such as customer orientation, competitor orientation, inter function coordination and responsiveness and profit emphasis (Brendan et al., 1998). These dimensions can be used to measure market orientation of an organization. Further, it was emphasized that managers need to give more attention on these five dimensions in order to enhance their firm performance and support in spotting weakness areas in the organization and take remedy situation.

In order to have the market orientation, social entrepreneurial organizations need to have marketing capabilities. Marketing capabilities are connected to the marketing functions of the organization (Danneels, 2007). According to the literatures, two types of marketing capabilities are in practice. One is individual marketing mix process and the second is

with regard to development of marketing strategy and execution (Morgan et al., 2009).

Vorhies and Morgan (2005) posit that the first type of marketing capabilities consist of marketing activities such as product development and management, pricing, selling, marketing communication and channel management. Dutta et al. (2003) suggest that the second type of marketing capabilities contain the sources of competitive advantages that is always improving the business performance of the organization.

Many studies by Morgan et al. (2009), Vorhies and Morgan (2005) have been carried out to understand the contribution of capabilities of marketing to the business performance of organizations. However, very rare to find researches on the marketing capabilities of the social entrepreneurship especially in Sri Lanka. Although many social entrepreneurs are operating in Sri Lanka, there are no studies addressing about their marketing orientation and marketing capabilities. Many social enterprises are now moving from conventional third sector (organizations functioning purely for social works) to more market oriented sectors (Gordan, 2015).

Sri Lankan social entrepreneurs are also facing same dramatic change in the effort to operate the social entrepreneurship. This necessitates the adoption of market orientation. Consequently, it is necessary to have organizational capabilities (marketing capabilities) for them to be marketing oriented. Due to the fact that social entrepreneurs are moving to marketing oriented business in the changing dynamic business environment, they cannot avoid competitions from other business firms

competing in the same industry and hence, outperforming is an important requirement in the same industry. As Day (1994) indicates that organization relies on the marketing capabilities to enjoy competitive advantage in the industry, social entrepreneurs in the country should also have marketing capabilities which is one of the prerequisites for the social entrepreneurs.

Conclusion

Many of the social enterprises in Sri Lanka is only creating the social value which may sometimes difficult for survival. In order to avoid this, social enterprises need to convert themselves from conventional to commercial sectors and that assists them to become social enterprises for which marketing capabilities and marketing orientation are vital.

Specifically, social entrepreneurs need to implement the marketing concept and thus, is said to be marketing oriented. In the case of market orientation, entrepreneurs with social mission should attempt to focus on the customer orientation, competitor orientation, inter functional coordination and responsiveness and profit emphasis. The stated elements of the marketing orientation has greater positive impact on the organizational performance. Therefore, it is very much important to diagnose whether these elements of marketing orientation within the social enterprises are implemented and contribute to the improved performance of those social enterprises.

In the case of marketing capabilities consist of strategies for pricing, product, distribution, marketing communication and selling, dealing with market information, marketing planning procedures and implementation

of marketing (Morgan et al., 2009). All these factors have positive impact on the firm performance irrespective of the size of the entrepreneurship (Pascal and Shin, 2015). According to Gordan (2015), firms cannot determine what marketing capabilities are important for a social enterprises to attain achievement of social marketing and for the creation of social value. As a result, Sri Lankan social entrepreneurs also need to find what marketing capabilities which are appropriate for the social value creation out of the eight stated above.

In Sri Lanka, there are many social entrepreneurs are operating to contribute to the sustainable development and reduction of the poverty. For example Ecowave (Guarantee) Ltd., TCT Supermarket, Lanka Social Ventures etc. As the other entrepreneurs in the country, existing and emerging social entrepreneurs are also facing with many challenges in the country especially in the areas of marketing. This necessitates many researchers and practitioners to study the social entrepreneurs in Sri Lanka in order to improve the performance with respect to profitability and social mission.

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The Impact of HRM Practices on Organizational Performance Evidence from Public University in Sri Lanka

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Abstract

The purpose of this paper is to study the impact of human resource management (HRM) practices on organizational performance. A total of 200 employees from a public university comprising of both academicians and non-academicians responded to the survey. The survey questionnaire had 33 items covering selected demographic factors, HRM practices and university performance. The study has found that HRM practices: recruitment and selection, training, performance appraisal, compensation and employee participation have a significant relationship with university performance. Training and performance appraisal gave highest contribution towards university performance. If the university aims to upgrade university performance, it should emphasize more on these HRM practices. Most studies have focused impact on HRM practices in manufacturing sector and this study targeted service sector, especially higher education sector. It also has attempted to add knowledge on the impact of HRM practices on university performance in Sri Lanka combining both the academicians and non-academic staff.

Keywords: *Human resource practices, Public sector, University performance*

Introduction

Today organizations have increasingly identified the potential for their people to be a source of competitive advantage. Not too long ago, so called HR functions was the preserve of “Personnel Managers” whose duties were to recruit and select, appraise, promote and demote (Hameed et al, 2015). According to Antony and Norton (1991), successful corporate leaders recognize that their competitive edge in today’s market place is their people. They also acknowledge that few organizations know how to manage human resources effectively, primarily because traditional management models are appropriate in our dynamic work environment.

According to Noe et al. (2011) human resource management is critical to the success of organizations because human capital has certain qualities that make it valuable. In terms of business strategy, an organization can succeed if it has a sustainable competitive advantage (is better than competitors at something and can hold that advantage over a sustained period of time). Therefore, we can conclude that organizations need human resources that will give them such an advantage.

Employees are one of the most important assets of an organization as they contribute to its growth and success (Danish and Usman, 2010). Malik et al. (2010) concluded that in the era characterized by rapid and continuous change, knowledge capital must be retained in order for organizations to be productive and responsive to the needs of their stakeholders. Likewise, universities as training and research institutions need to attract, retain and develop their employees. Universities need employees who are well trained and motivated so that they are committed to their work of conducting research and training for the development of

the nations (Lew, 2009). Research literature has shown that effective application of some human resources management (HRM) practices enables university employees to be committed to their work for good performance of the universities (Chen et al., 2009; Shahzad et al., 2008). Implementation of appropriate HRM practices for university employees will promote university performance as Lew (2009) noted that employees play a strategic role in improving ratings in key areas like research quality, academic reputation of faculty, academic program quality, research contribution to society, preparation of tomorrow's leaders and quality of graduates. Realizing the importance of promoting university performance, many universities are embarking into strategizing its HRM (Sirat, 2005). It is important Sri Lankan's universities improve their world class university ranking by attracting developing and retaining excellent and experience academicians and support staff.

Higher education institutes play major role in country's education. It is required talented workforces both in public and private sectors. There is a shortage of empirical researches conducted to examine the effects of HRM practices on public universities performance in Sri Lanka. In order to effectively investigate whether human resources are capable of contributing to competitive advantage, it is important to examine HRM practices in as many settings as possible. Therefore, this study is to examine the impact of HRM practices on organizational performance in Sri Lankan public universities.

Literature Review

HR Practices and University Performance

HRM can be defined as the policies and practices involved in carrying out the “people” or human resource aspects of a management position, including recruiting, screening, training, rewarding and appraising (Dessler and Varkkey, 2008). It is about effective and efficient utilization of human recourse to achieve goals and objectives of the organization. Previous studies on the relationship between HR practices and firm performance have used balanced score card (BSC) or key performance indicators (KPI) across industries (Chand and Katou, 2007; Rizov and Croucher, 2009; Abdullah *et al.*, 2009; Khan, 2010; Osman *et al.*, 2011). However, there is lack of literature supporting application of BSC or KPI in education sector (Stavarakakis *et al.*, 2010; Nistor, 2009; Jonen and Simgen, 2006; Karathanos and Karathanos, 2005). The following discussion will focus on hypotheses development.

Recruitment and Selection and Organizational Performance

Watson et al (2002) refers recruitment and selection as the process by which organizations solicit, contract and engender interest in potential new appointees to vacant positions in the organization, and then in some way establish their suitability for appointment. Recruitment is one of the major functions of HRM and it helps managers attract and select best candidates which in turn leads to improved organization performance (Rehman, 2012). Formal recruitment methods include newspaper classified advertisements, network bulletins, posters and human resource banks, while informal methods include personal connections and introductions through teachers and other staffs (Chen and Cheng, 2012). The effectiveness of different recruitment sources for new employees has

been the topic of speculation and research for over 50 years and this effectiveness has primarily been assessed by examining job survival rates and job performance (Breugh, 2008; Rehman, 2012; Zottoli and Wanous, 2000). In addition, Ferris *et al.* (2002) found that effectiveness of recruitment practices has an impact on organizational effectiveness. Similarly, many researchers agreed that effective recruitment and selection will lead to competitive advantage and high performance of organization (Pfeffer, 1994; Storey, 2007; Zheng *et al.*, 2006; Werther and Davis, 1996). Therefore, the following hypothesis is developed:

H1. Recruitment and selection has significant relationship with organizational performance.

Training and Organizational Performance

Training means giving new or preset employees the skills they need to perform their jobs (Dessler and Varkkey, 2008). Training enhances employees' capabilities which is instrumental in improving overall organizational performance (Mackelprang *et al.*, 2012; Millar and Stevens, 2012). Previous studies reveal that there is a positive relationship between training and organizational performance (Qureshi *et al.*, 2010; Khan, 2010; Abdullah *et al.*, 2009; Katou and Budhwar, 2006; Chang and Chen, 2002; Huselid, 1995; Singh, 2004). For example, Khan (2010), Katou (2008) and Qureshi *et al.* (2010) concluded that HRM practices have profound effect on organizational performance. HRM practices such as selection and training and development enhances employee performance by providing relevant skills. Similarly, Paul (2009b) revealed that employee training is also significant for organizational performance as it is a mean through which organizational culture and employee behavior can be aligned to outcomes. Thus, the following hypothesis is proposed:

H2. Training has significant relationship with organizational performance.

Performance appraisal and Organizational Performance

According to Dessler and Varkkey(2008), performance appraisal is evaluating an employee's current and/or past performance relative to his or her performance standards. Literature indicates that there is a significant relationship between performance appraisal and organizational performance (Khan, 2010; Qureshi *et al.*, 2010; Abdullah *et al.*, 2009; Lee and Lee, 2007; Chang and Chen, 2002). For example, Brown and Heywood (2005) argued that complementary HRM practices, i.e., formal training and incentive pay enhance performance appraisal leading to a greater influence of productivity. Managing performance of employees forms an integral part of an organization and reflects how they manage their human capital (Meyer and Kirsten, 2005). Moreover, ineffective appraisal practices can lead to many undesirable problems including low morale, decreased employee productivity and low enthusiasm to support organizations, hence decrease organizational performance (Osman *et al.*, 2011b). In fact, an effective performance appraisal should encompass an overall framework or context that enables the entire process to operate at an optimal level of performance (Giles *et al.*, 1997). Therefore, the following hypothesis is suggested:

H3. Performance appraisal has significant relationship with organizational performance.

Compensation and Organizational Performance

Employee compensation is all forms of pay or rewards going to employees and arising from their employment (Dessler and Varkkey,2008)It has been found that there is a significant relationship between compensation andemployee and organizational performance (Giorgio and Arman, 2008; Shin-Rong and Chin-Wei, 2012; Danish and

Usman, 2010; Khan, 2010; Qureshi *et al.*, 2010; Tessema and Soeter, 2006; Katou and Budhwar, 2006; Chang and Chen, 2002). For example, Mayson and Barret (2006) found that a firm's ability to attract, motivate and retain employees by offering competitive salaries and appropriate rewards is linked to firm performance and growth. On the other hand, Inés and Pedro (2011) found that the compensation system used for the salespeople has significant effects on individual salesperson performance and sales organization effectiveness. Therefore, in an ever competitive business environment, many companies today are attempting to identify innovative compensation strategies that are directly linked to improving organizational performance (Steven and Loring, 1996; Denis and Michel, 2011). The following hypothesis is proposed:

H4. Compensation has significant relationship with organizational performance.

Employee participation and organizational performance

Salamon(1987) defines participation as a philosophy or style of organizational management which recognizes both the need and the right of employees, individually or collectively, to be involved with the management in areas of the organization's decision making beyond that normally covered by collective bargaining. The process of employee participation should provide employees with the opportunity to influence and, wherever possible, take part in decision making on matters which affect their working lives(Bratton and Gold, 1994).

There is evidence to suggest that employee participation enhances the performance of firms (Osman *et al.*, 2011b; Khan, 2010; Qureshi *et al.*, 2010; Katou and Budhwar, 2006; Zheng *et al.*, 2006; Rizov and Croucher, 2009; George, 1999). For example, David *et al.* (2006)

consider manufacturing excellence, competitiveness and a company's ability to continuous innovation to be dependent among others on the participation and involvement of employees at different levels. Charlton(1983) has suggested that the most prevalent classification is that which differentiates direct from indirect participation. Direct participation, such as briefing groups or or the creation of new work organization arrangements (self- managed teams), is viewed as a device to increase labor productivity and implicitly to improve job satisfaction. Indirect forms such as joint consultation, widening the content of collective bargaining and 'worker directors', are associate with the broader notion of 'industrial democracy' (Brennen, et al. 1976; Bullock, 1977).

The following hypothesis is proposed:

H5. Participation has significant relationship with organizational performance.

Methodology

The selected university has approximately 165 academic and 350 nonacademic staff. Simple random sampling technique was used in this study. A total of 220 questionnaires were distributed equally to academic and nonacademic staff at all faculties and administration offices. The questionnaire instruments were adapted from Singh (2004), Qureshi *et al.* (2010) and Shahzad *et al.* (2008).

The instrument was divided into three parts: Human Resource Practices, University Performance and Demographics. The first part consists of 25 items measuring the degree to which HRM practices construct including recruitment and selection, training, performance appraisal, compensation and employee participation are being applied in the chosen

university. The participants were asked to rate the 25 elements based on five-point Likert scale ranging from 1 strongly disagree, 2 disagree, 3 neutral, 4 agree and 5 strongly agree.

The second part measures university performance through 5 items. The participants were asked to rate their perceived university performance based on five-point Likert scale ranging from 1 strongly disagree, 2 disagree, 3 neutral, 4 agree and 5 strongly agree. The third part covers demographic questions. It includes items such as age, gender, and staff category. Research data were analyzed through descriptive statistics, correlation and regression analysis in order to estimate relationships.

Findings

Out of 220 questionnaires distributed to the university staff, 200 questionnaires were collected. Table:1 shows the profile of respondents. Out of the 200 participants, 120 were below 30 years, 53 were within the range of 30-40 years, 27 were above 50 years. Majority of the respondents were below 30 years. Out of 220 participants, 64 and 36 percent were male and female, respectively. Academic and nonacademic staff present of the respondents, respectively.

Table 1: Profile of respondents

Demographic variable	Range	Frequency	%
Age	Below 30 years	120	60%
	30-40 years	53	26%
	Above 50	27	14%
Gender	Male	72	64%
	Female	128	36%
Staff category	Academics	68	34%
	Nonacademic staff	132	66%

Survey results (2017)

Table: 2 indicates the results of correlation analysis where all variables have positive relationship and statically significant at $p < 0.01$. The results are in line with the findings of Qureshi et al. (2010) where it was found that the variables are correlated. Training and performance appraisal have the highest correlation of 0.656 and 0.758 respectively while recruitment and selection and compensation has the lowest correlation of 0.325 and 0.223 respectively.

Table 2: Correlation analysis results

	R&S	T	PA	COM	EP	OP
R&S	1					
T	0.456** 0.000	1				
PA	0.532** 0.000	0.357* 0.000	1			
COM	0.236* 0.000	0.533** 0.000	0.234** 0.000	1		
EP	0.126** 0.000	0.322* 0.000	0.265** 0.000	0.213* 0.000	1	
OP	0.325** 0.000	0.656* 0.000	0.758** 0.000	0.223* 0.000	0.589** 0.000	1

Notes: R&S, recruitment and selection; T, training; PA, performance appraisal; COM, compensation; EP, employee participation. **Correlation is significant at the 0.01 level and * significant at the 0.05 level (two-tailed)

Survey results (2017)

Table:3 shows that there are significant impact of recruitment, training, performance appraisal, compensation, employee participation on university performance, thus, *H1-H5* were supported.

Table 3: Regression analysis results

Variables	R ²	Beta-coefficient	F change	Significant level
Recruitment	0.222	0.236	98.6	0.000
Training	0.285	0.569	144.2	0.000
Performance Appraisal	0.296	0.622	140.24	0.000
Compensation	0.121	0.323	88.6	0.000
Employee participation	0.252	0.455	118.51	0.000
Overall	0.438		45.88	0.000

Notes: n=200. Significant level $p < 0.05$

Survey results(2017)

Discussion and conclusions

The objective of the study is to examine the impact of HRM practices on organizational performance. The study revealed that HRM practices have significant impact on organizational performance. It has been found that university performance can be attributed to HRM practices including recruitment, training, performance appraisal, and compensation and employee participation. This study is consistent with Qureshi *et al.* (2010), Chen *et al.*, 2009, Khan (2010), Huselid (1995), Rizov and Croucher (2009), Chang and Chen (2002).

Universities need to have an effective recruitment policy to promote scientific selection of prospective employees. The heads of department and assistant registrars should participate in selection process as they have different preferences in the candidates.

Candidates need to be selected based on requisite skills knowledge, attitude and qualification using appropriate selection techniques. Besides, appropriate training program for both academicians and support staff should be organized to continuously improve the skills of employees. Furthermore, performance appraisal should be guided by the performance management policy. Employee's performance should be assessed based on quantifiable standards and feedback be given to employees on their performance.

It was found that performance appraisal contributes the most to university performance (b=0.622). The managers should consider effective performance criteria to measure employee performance and compensate on good performance. Similarly, it implies that increasing employee involvement and participation in decision making regarding their performance will greatly enhance university performance. In this sense, Chen *et al.* (2009) proposed an integrated performance measurement system for universities. Learning and growth is one of the dimensions which include progression of staff to move up the career ladder hence the importance of performance appraisal for performance improvement. Since HRM practices have a significant impact on organizational performance, managers need to implement them in an integrated and coherent manner (Chen *et al.*, 2009; Wickramasinghe and Gamage, 2011).

Organization including universities need to attract and retain talents and leverage them for competitive advantage (Khan, 2010). Candidates need to be selected based on requisite skills knowledge, attitude and qualification using appropriate selection techniques. Furthermore, appropriate training program for academicians and support staff should be organized to continuously improve their skills in line with the developments needs of the university and employees. Consequently,

management and the supervisors should allow the employees to participate on decision making on issues which affect the employees. Open communication or information sharing promote fast decision making. This will influence commitment and job satisfaction among employees (Katou, 2008).

One of the major limitations of this study is the small sample size thus the findings are not generalizable. Future research should include more universities both public and private. In addition, future researchers should also consider moderating variables such as university culture, organization climate, and the labor market, legal and regulatory environment.

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Corporate Governance Factors Influence to the Voluntary Disclosures in Banking and Finance Companies in Sri Lanka

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Abstract

The purpose of this research is to examine the relationship between corporate governance variables and voluntary disclosure level in banking and finance companies which are registered in the Colombo Stock Exchange (CSE) in Sri Lanka. To measure voluntary disclosure level of aforesaid companies used content analysis of annual reports for the period between 2012 and 2015. This study has developed a voluntary disclosure index which includes 83 items under 9 sub categories with the intention of measuring level of voluntary disclosures. Panel data analysis used to measure the relationships and this study used size of the board, proportion of independent directors, and board with female directors, a large audit firm as independent variables. Size of the firm, profitability, age and leverage are used as control variables. Empirical results of study indicates that independent directors and female directors on the board have significant positive relationships with voluntary disclosures whereas the board size has an insignificant positive relationship with voluntary disclosures and there is a significant negative relationship between voluntary disclosures and corporate governance.

Keywords: *Banking and Finance Company, Corporate governance, CSE, Panel data analysis, Voluntary disclosures*

Introduction

Corporate disclosures are a growing importance phenomena in capital markets of both developed and developing countries. Corporate disclosures can be categorized by ways of mandatory disclosures and voluntary disclosures. Voluntary disclosures are free reveals. Disclosures which reveal consistent with regulatory and legal requirements are considered mandatory disclosures (Cooke, 1992).

According to the International Financial Reporting Standards (IFRSs), the key purpose of the financial report is to provide essential information to investors, lenders, creditors and other uses of facts reported in the financial statements. Therefore, companies communicate their information to stakeholders of company via financial report to take decisions (Bagnoli & Watts, 2007). Managers use voluntary disclosures as a tool of filling information gaps between managers and other stakeholders. Due to the importance of voluntary disclosures provided in annual reports, this area is very attractive among scholars, in past few decades.

Even though the aim of the corporation is to maximize the shareholder value, there is a possibility for agency conflicts (Fama and Jensen, 1983). Managers can diminish the degree of disclosure level to hide the real performance from principals (owners) of the company. In order to solve this information asymmetry the governing board should play an important role. Strong governance mechanism willing to increase management encouragements to disclosure more information to stake holders of corporations in order to diminish the information asymmetry (Charumathi and Ramesh, 2015). Based on that research question is recognize the connection between corporate governance determinants and voluntary disclosure level.

The key objective of this research is to measure the relationship between corporate governance variables and voluntary disclosure level in banking and finance companies listed in the Colombo Stock Exchange (CSE) in Sri Lanka. Sri Lanka is a middle income earning developing country (World Bank, 2015) and corporate governance was introduced to the Sri Lanka in 1977 and has updated in 2003, 2008 and 2013 with the purpose of direct and control the corporations (The Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka, 2013).

The study contributes to existing literature in several ways. At present, there is a deficiency of research which examine the relationship between the governance structure and voluntary disclosure levels in Sri Lankan companies. This study empirically tests the relationship between corporate governance and voluntary disclosure levels based on 50 listed companies which are registered in the CSE under Banking industry and Finance industry for the years of 2012 to 2015. This study contributes to the theoretical domain as well as practical domain. Based on results of this study management of organizations and governing bodies can identify the determinations of voluntary disclosures which will support decision marking processes, and these results will also be significant to both current and future investors.

The paper is organized as follows: Literature related to this study is presented in section two. In third section describes data and methodology, Section number four covers the results and discussion. The conclusion limitations and future research are presented in section five.

Literature Review and Hypothesis Development

Agency Theory which was initially developed by Ross, 1973 and it was more extended by Jensen and Meckling, 1976. Agency Theory explain the owner (principal) – manager (agent) relationship. Owners assign managers

to execute services, granting decision making power in the best interests of owners. Separation of owner manager relationship cause to generate agency cost (Eisenhardt, 1989). With the intention of reducing agency problems and agency cost, owners appoint a director board to observe the effort of management (Jensen and Meckling, 1976; Aguilera and Jackson, 2003). To mitigate the agency cost which arises through the asymmetry of information between owners and management, managers improve levels of disclosures (Gul & Leung, 2004).

Voluntary disclosures are a border debated and well researched area in both developed and developing countries' contexts since the study done by Cerf, 1961. This topic is very attractive among academics. Studies done by several scholars such as; Naser, Alkhatib, and Karbhari, 2002; Barako, Hancock, and Izan, 2006; Iatridis and Alexakis, 2012; Charumathi and Ramesh, 2015 are general examples. Moreover the association between determinants of corporate governance and voluntary disclosures have been empirically tested using Agency Theory in various researches such as; Eng and Mak, 2003; Gul and Leung, 2004; Shamil, Shaikh, Ho, and rishnan, 2014.

Taking Agency Theory as the theoretical foundation for the study, following hypothesis were established;

Board Size

Two conflicting views have been suggested in prior literature about board size. They are larger boards and smaller boards. Some scholars support smaller boards while others support larger boards. Certain past research state that even though larger boards are unlikely to be controlled by agent (management), smaller boards are more likely to be controlled by management (Hermalin and Weisbach, 2003). Larger boards are inefficient due to feebler influence from management and this causes an

increase in agency conflicts and agency cost (Lim, Matolcsy, and Chow, 2007).

Furthermore, previous research has found a positive relationship between size of the board and voluntary disclosures (Lim, Matolcsy, and Chow, 2007; Laksmana, 2008). Likewise, some other prior researches have discovered positive associations between corporate social responsibility (CSR) disclosures and board size (Esa, Anum, and Gazali; Ntim and Soobaroyen, 2013). Furthermore, according to Shamil, Shaikh, Ho, and Krishnan, 2014 board size positively associates with sustainability reporting. Based on aforesaid empirical findings, study hypothesized that: H1. There is a positive relationship between board size and voluntary disclosures.

Board Independence

According to Jensen and Meckling, 1976; Fama and Jensen, 1983; Barako, Hancock, and Izan, 2006, Agency Theory suggests that when increasing the board independent directors, agency conflicts and agency cost will reduced. Therefore in order to diminish agency conflicts, boards which have large percentage independent directors can force the management to disclose information.

Chau and Gray, 2010 argued that there is a positive relationship between proportion of independent directors on the board and voluntary disclosures. Contrary to this argument some scholars state the negative relationship between proportion of independent directors on the board and voluntary disclosures (Eng and Mak, 2003 ; Barako, Hancock, and Izan, 2006). However, the findings of empirical studies Ho and Wong, 2001; Boesso and Kumar, 2007 stated that there is not any relationship between proportion of independent directors on the board and voluntary disclosures. Based on prior studies, study test the below hypothesis:

H2. There is a positive relationship between board independence and voluntary disclosures

Board with Female Directors

A Board with female directors is a vital phase in corporate governance literature. Findings of empirical analysis on the relationship between female directors on board and voluntary disclosures are mixed. Studies such as (Barako and Brown, 2008; Bear, Rahman, and Post, 2010) found positive association between board with female directors and Corporate Social Responsibility (CSR) disclosures. However, Ntim and Soobaroyen, 2013 identified that there is no any association between board with female directors and CSR disclosures. A recent study which was done by Shamil, Shaikh, Ho, and Krishnan, 2014 on corporate governance and sustainability reporting, found the negative relationship between board with female directors and sustainability disclosures. Aligned with these empirical findings study construct the following hypothesis is put to test:

H3. There is a positive relationship between board with female directors and voluntary disclosures

Audit Firm Size

Maintaining reputation is very essential for larger audit firms, therefore bigger audit firms motivate their clients to execute standards for disclosing more widespread important information. Apart from that, big audit firms try to continue their independent status continuously. Hence managers who are willing to get benefits from outside monitoring also try to find the services from big audit firms. Consequently, managers agree to disclose quality information with compliance to the requirements of large audit firms. That is, simply employing a large audit firm indicates a managers enthusiasm on disclosing high quality information (Xiao, Yang, and Chow, 2004; Albawwat, 2015)

Prior studies on larger and smaller audit firms have created different results. According to the Craswell and Taylor, 1992; Inchausti, 1997; Lopes and Rodrigues, 2007; Wang, Sewon, and Claiborne, 2008 there is a positive relationship between a larger audit firm and the extent of disclosures. Also, there are some firms which hires larger audit firms but do not disclosure more information (Owusu-Ansah, 1998). In consequence, consistent with the above-mentioned evidences, study hypothesized that:

H4. There is a positive relationship between larger audit firms and voluntary disclosures

2.1. Control Variables

This empirical model includes key firm-specific characteristics as control variables. They are, firm size that measures through logarithm of total assets, firm profitability which calculated net profit dividing by total asset, listing age of the firm and leverage ratio though debt to equity.

Methodology

This section defines the tools used to accomplish objective of the research. First explains the population of the study then sample and finally data and methodology of the study.

The sample of 50 companies used to study out of all companies which are registered in CSE under banking and finance and insurance sector. 62 companies have registered under aforesaid sector in CSE. Insurance companies registered in CSE and companies with inadequate information were excluded from the sample. Ultimately 50 companies were used as the final sample and data collected over a period of 4 years (2012 to 2015). Therefore, the study consists of 200 observations.

This study analyzed present or absents of items in disclosure index. Disclosure index is presenting in Table I. A firm that presents disclosures was allocated “1” and allocated “0” for absents disclosures. Then to calculate total of the companies, score of every items added to compute company each year total and to calculate level of voluntary disclosures, it matched with all the other voluntary disclosures according to study done by Leventis & Weetman, 2004. Hence calculated index of voluntary disclosures as follows; Voluntary disclosure index = Total of items which are disclosure voluntary /all considered voluntary disclosures (83).

Table 1: Voluntary Disclosure Index

A. Background about the Bank, Finance company or Insurance company/ General Information (11)	E.10 Disclosures on value-at-risk (VAR)
A.1. Brief narrative history of the bank/ Finance company	E.11. Maturity of foreign currency assets and liabilities
A.2. Description of bank/ Finance company Structure	E.12. Maturity information about deposits and other liabilities
A.3. Description of major services	
A.4. The legal form of the bank/ Finance company	F. Forward looking information (9)
A.5. Address of bank or Finance company/telephone/fax	F.1. Forecasts of cash flows
A.6. Bank / Finance company Website address	F.2. Forecasts of revenue
A.7. Email address	F.3. Economic influence to bank's or company's future
A.8. Date and details of establishment	F.4. Political influence to bank's or company's future
A.9. General Outlook of business activities	F.5. legal influence to bank's or company's future
A.10. List of branches location	F.6. Social influence to bank's or company's future
A.11. Information on branches/telephone/fax/ adders for correspondence	F.7. Technological influence to bank's or company's future

	F.8. Impact on strategies to the future performance
B. Corporate Strategy (6)	F.9. Discussion on future industry trend
B.2. Corporate Mission	G. Human and Intellectual Capital (16)
B.3. Corporate Goals and Objectives	G.1. Marketing innovation
B.4. Corporate ethics	G.2. Brand values
B.5. Corporate Values	G.3. Value of customer relationship
B.6. Corporate Strategies	G.4. Value of patent/trademarks
	G.5. Rand D facilities
C. Corporate Environment (5)	G.6.No. Of employees engaged in Rand D
C.1. General Outlook of the economic environment	G.7. Rand D focus areas
C.2. General Outlook of the industry environment	G.8.Total No. of employees
C.3. General Outlook of the social environment	G.9. Category of employees by gender
C.4. General Outlook of the legal environment	G.10. Policy on training
C.5. General Outlook about the political environment	G.11. Category of employees undergoing training
	G.12. Amount spent on employee training
D. Financial Performance (10)	G.13. Equal opportunity policy statement
D.1 Brief discussion and analysis of a bank's / Finance company's financial position.	G.14. Employee safety policies
D.2. Qualitative forecast of earnings	G.15. Employee recruitment policy
D.3. Return on equity	G.16.Human resources accounting
D.4. Net interest margin	
D.5. Earnings per share	H. Competitive Environment and Outlook (6)
D.6. Risk weighted assets	H.1. Estimation of market size

D.7. Debt to Equity ratio	H.2. Estimation of market growth
D.8. Total liquid asset to assets ratio	H.3. Market share analysis
D.9. Loan to deposit ratio	H.4. Barriers to entry
D.10 Dividend per share	H.5. Competitive environment
	H.6. Impact of competition on profit
E. Risk Management (12)	
E.1. Information on risk management committee	I. Corporate social responsibility (8)
E.2. Information on assets liability management committee	I.1. Sponsoring public health, sporting or recreational projects
E.3. Information on risk management structure	I.2. Information on donations to charitable organizations
E.4. Information on credit management structure	I.3. Supporting national pride/ government.- sponsored campaigns
E.5. Quantitative information on gross loan/deposits	I.4. Environmental protection program implemented
E.6. Amount and details of problem loans or details by internal risk ratings	I.5. Awards for environmental protection
E.7. Disclosure of credit rating system	I.6. Employee's appreciation
E.8. Ageing schedule of past due loans and advances	I.7. Discussion of employees' welfare
E.9. General descriptions of market risk segments	I.8. Statement of corporate social responsibility

This voluntary disclosure index was developed based on the studies of Bhasin, Makarav, and Orazalin, 2012; Ismail and El-Shaib, 2012; Al-Shammari, 2013; Haji and Ghazail, 2013; Ho and Taylor, 2013; Charumathi and Ramesh, 2015; Abeywardana and Panditharathna, 2016. Hence these disclosures items were equally important for the study used unweight method to score the stuffs in disclosure index (Cooke, 1989; Hossain, Tan, and Adams, 1994; Wallace, Naser, and Mora, 1994; Naser, Alkhatib, and Karbhari, 2002; Ousama and Fatima, 2010).

Operationalization of the independent variables (board size, board independence, boards with female directors, larger audit firm) and control variables (firm size, profitability, age and leverage) of the study have been developed based on prior literature and that is present in Table II.

Table 2: Operationalization

Variable	Measurement	Prior Studies support to the measurement of the study
Independent		
Board size (bs)	Total number of directors on the board	Laksmna, 2008; Lim, Matolcsy, and Chow, 2007; Shamil, Shaikh, Ho, and Krishnan, 2014)
Proportion of independence directors (pid)	Number of non-executive independent directors on the board as a percentage of the total number of directors of the company.	Eng and Mak, 2003; Barako and Brown, 2008; Ho and Wong, 2001; Haniffa and Cooke, 2002
Board with female directors (fd)	If company has female directors placed (1) and (0) if otherwise	Shamil, Shaikh, Ho, and Krishnan, 2014; Ntim and Soobaroyen, 2013
Larger audit firm (laf)	If company has audited from big 4 audit firms placed (1) and (0) if otherwise	Craswell and Taylor, 1992; Inchausti, 1997
Control		
Size	Logarithm of total assets	Barako, Hancock, and Izan, 2006; White, Lee, and Tower, 2007
Profitability (prof)	Net Profit/ Total Assets	Meek, Roberts, and Gray, 1995; Charumathi and Ramesh, 2015
Age	Listing Age	Owusu-Ansah, 1998; Haniffa and Cooke, 2002
Leverage (lev)	Debt/ Equity	Leventis and Weetman, 2004; Charumathi and Ramesh, 2015

This study used panel data analysis methodology. Panel include 200 observations over the period of 2012 to 2015. To proceed with analysis study used following regression model.

$$VD_{it} = \alpha_{it} + \beta X_{it} + \eta_i + v_t + \varepsilon_{it}$$

Where,

VD_{it} = Level of Voluntary Disclosure of the I firm and t time

X_{it} = Corporate Governance variables which contain board size (bs), board independence (bi), board with female directors (bfd), larger audit firm (laf) and Firm specific characteristics which consists firm size, profitability (prof), age and leverage (lev)

η_i = Firm specific effect which unobservable

v_t = Fixed effect year

Panel data analysis techniques were used for the study to identify the relationship between corporate governance determinants of voluntary disclosures. As a first step through F test inspects the group attempts to check which model is more appropriate from pooled Ordinary Least Square (OLS) and Fixed Effect (FE) model. This test was conducted to see whether there is the fixed effect or not (Park, 2011)

In the second step carried out, the Hausman test was used in order to understand which model is better from FE model and random effect model. The Hausman test compares the fixed and random effect models under the null hypothesis where unobservable effect is uncorrelated with any repressors' of the model (Hausman, 1978)

Thirdly, it tests the existence of time fixed effect. Also the study tested the multi-collinearity by employing Variance Inflation Factor (VIF) and tolerance value. Furthermore, cross sectional dependence,

heteroskedasticity and serial correlation by employing pesaran's test of cross sectional dependence, modified Wald test and Wooldridge test respectively for panel data to assure that the study used well behaved panel data and the null hypothesis of these tests are no cross sectional dependence, no heteroskedasticity and no serial correlation respectively.

Based on that study developed the following model;

Analysis of Results

This section presents analysis of data, results and findings.

F test and Hausman test carried out to identify the best model which should be used to identify the corporate governance determinants of voluntary disclosures. P value of F test is 0.0000 which leads to reject the null hypothesis i.e. there is no firm fixed effect. This result indicated that the fixed effect model was better than the pooled OLS model. Further, p value of Hausman test is 0.0000 and therefore the null hypothesis of cross-section random effects is rejected. In this case, the fixed effect estimation is used to random effect model. Therefore, the results confirmed that the fixed effect model is an appropriate method to identify the determinants of voluntary disclosures.

Furthermore, to assure that the study used well behaved panel data firstly it tested that the multi-collinearity and VIF values lie below 10 and tolerance values are lie above 0.10 and it indicates that each independent variable act independently. Since the P values are 0.1287, 0.099 and 0.088 for the results of Pesaran's Test of Cross-sectional Dependence, Modified Wald Test for Group Wise Heteroskedasticity and Wooldridge Test for Autocorrelation respectively, the study assured that there is no cross sectional dependence, no heteroskedasticity and no serial correlation.

Based on the identification of the best model, table III presents the empirical results of the fixed effect model which was used to identify the determinant of voluntary disclosures.

Table 3: Results of Fixed Effect Model

Periods included: 4

Cross-sections included: 50

Total panel (balanced) observations: 200

Dependent Variable: Voluntary Disclosure Level

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Bs	.0030837	.002827	1.09	0.277
Bi	.0799847	.0336948	2.37	0.019**
Bfd	.0028165	.0119245	1.24	0.014**
Laf	-.0200816	.0150407	-1.74	0.084*
Size	.0467572	.0225687	2.07	0.040**
Prof	.1115931	.048763	2.29	0.024**
Age	.0198049	.0027447	7.22	0.000***
Lev	-.0020636	.0007445	-2.77	0.006***
C	-.6055757	.1893017	-3.20	0.002***

R-squared = 0.65

Adjusted R-squared = 0.6034

Significant levels = * * *1% level, * *5%levl and *10% level.

Independence directors on the board and board with female directors are positively associated with the level of companies' voluntary disclosure and provide huge support to the Hypothesis No 2 and 3. Even though larger audit firms are significant the relationship is negative and it does not support the expected positive relationship in 4th hypothesis. Even though the relationship between number of directors on the boards and level of voluntary disclosures expect a positive sign, board size variable absences statistical significance, therefore H1 have to reject. In addition to the

independent variables, control variables; firm size, profitability and age have positive significant relationships with voluntary disclosure level. Furthermore leverage has a significant negative relationship with voluntary disclosures.

Discussion

The results show that the proportion of independent directors has a significant positive association with voluntary disclosures and it is complying with the study done by Chau and Gray, 2010 which suggests good observing by independent directors is the cause to increase level of voluntary disclosures. Similar to that board female directors have a significant positive relationship with voluntary disclosures and this is similar to the study done by Bear, Rahman, and Post, 2010 which implies that firms with female directors disclosed more information other than to the firms without female directors. Furthermore, large audit firms have a significant negative relationship with voluntary disclosures which implies that odds in voluntary disclosures in a firm with larger audit firm is 0.020 compared to the firms do not have a larger audit firm. This is similar to the study done by Owusu-Ansah, 1998. Even though there is a positive association between board size and level of voluntary disclosures it is lack with significant.

Conclusion

According to the Agency Theory perspectives, this study inspected the association between corporate governance variable and voluntary disclosures. A sample of 50 listed companies from the sectors of banking finance and insurance in CSE Sri Lanka was selected for this study.

Observed findings of this study is compliance with the Agency Theory, although it is not applicable for all corporate governance variables. The level of voluntary disclosures in the companies of banking and finance are

subsist on some corporate governance factors such as board independence, board with female directors and larger audit firm. However, number of directors on the board have an insignificant relationship with level of voluntary disclosures. Based on the results of this study stakeholders can be informed about the disclosure practices in the banking and finance industry to create great decisions.

Findings of this study have several limitations. Depended variable of this study has been measured as binary variable therefore it does not measure quality of disclosures. Therefore future researchers should investigate the relationship between good corporate governance and quality of voluntary disclosures. Furthermore, the study tested the relationship between corporate governance determinants with voluntary disclosures in the companies which are registered in CSE under the banking and finance sector. Other than bank finance and insurance sector most companies have registered in CSE under 19 different sectors. Future researchers also can test the relationship using all companies which are registered in CSE as sample. Future studies need to examine the effect of board effectiveness, board committees, ownership structure and profile of directors on voluntary disclosure level.

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**Strategic Entrepreneurship and Sustainable Competitive
Advantage: A test of Ireland's model of Strategic
Entrepreneurship**

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Abstract

The purpose of this research is to conduct a test of Ireland's model of Strategic Entrepreneurship. Prime concern on stakeholders is a crucial aspect in each business success. Among the wide spectrum of organizational strategies, Strategic Entrepreneurship pays a greater emphasis. This research details are practical as well as empirical with regard to the notion of Strategic Entrepreneurship. Focally, strategic Entrepreneurship is an integration of Entrepreneurship (Opportunity Seeking Behavior) and Strategic Management (Advantage Seeking Behavior). Thus I conclude that amalgamation of Strategic Management and Entrepreneurship (I.e. Strategic Entrepreneurship) inevitably leads to create wealth, value and survival of the business.

Keywords: *Strategic Entrepreneurship, Opportunity seeking behavior, Advantage seeking behavior, Competitive Advantage.*

Introduction

In spite of the type and the size of the venture, remaining entrepreneurial is vital for the success of the venture. Considering all the factors affecting venture success, it's evidential that the firm level construct which depicts the entrepreneurial strategy is important. Given this we acknowledge the concept utilization of Ireland, Hitt, & Sirmon, (2003), on Strategic Entrepreneurship and state that entrepreneurial strategy and superior firm performance can be achieved through the views of opportunity seeking behavior and advantage seeking behavior.

Opportunity seeking behavior under Entrepreneurship contributes for an organization to gain competitive advantages. Advantage seeking behavior under Strategic Entrepreneurship will also contribute for an organization to gain competitive advantages. Organizations that are entrepreneurial oriented, practice opportunity seeking behavior. Therefore entrepreneurial organizations will have the capability to generate competitive advantages over those of other conservative organizations. Firm can pursuit superior performance by simultaneously practicing opportunity seeking and advantage seeking behaviors. In other words combination of advantage seeking behavior and opportunity seeking behavior impose a great impact on creation of competitive advantages and creation of wealth. Strategic Entrepreneurship refers to the combination of these two dimensions. Therefore organizations that practice both of these dimensions will create wealth in long run. Here we develop a model of entrepreneurial continuum which explains how these dimensions are integrated to create wealth.

In particular, a developing country like Sri Lanka largely value Entrepreneurial Ventures. That is because entrepreneurial ventures significantly contribute to employment generation, GDP, innovation, technological advancements etc. Adding to that, they fail; that is because

they don't seek for "Competitive Advantage". A seminal paper in Strategic Entrepreneurship (SE) by Ireland, Hitt, & Sirmon, (2003) postulated the same proposition of SE, as an integration of two constructs; they are, opportunity seeking behavior (Entrepreneurship) and advantage seeking behavior (Strategic Management) to create superior firm performance.

Every venture plays an important role in any economy through generation of employments, contributing to the growth of GDP, embarking on innovations and stimulating other economic activities. In Sri Lanka thousands of ventures start annually, but the problem is they do not consider about their survival. Every venture conducts their businesses under same conditions. But lot of ventures start today and close tomorrow. This happens due to the strategies that they are using, short sighted strategies which don't deliver a unique product or service to the market, this ultimately leads for failure.

So this research identifies above problem & focus on "Up to what extent Strategic Entrepreneurship is practiced in Sri Lankan Entrepreneurial Ventures."

Several researches are being conducted regarding strategic entrepreneurship & sustainable competitive advantage, but in this research our sole attention is to test the Ireland's model of strategic entrepreneurship according to the Sri Lankan context with the depiction of the dimensions of opportunity seeking behavior and advantages seeking behavior.

In Sri Lankan context this kind of researches are rare, so in that case we need more updated research in this area so this research focuses to capture the most up to date information. So it will contribute to provide more

realistic information about how Sri Lankan entrepreneurs practice strategic entrepreneurship.

Literature Review

Strategic Entrepreneurship involves simultaneous opportunity seeking (i.e., Entrepreneurial) and advantage seeking (i.e., Strategic) behaviours (Ireland, Hitt, & Sirmon, 2003). Shane & Venkataraman, (2000) suggested that discovering and exploiting profitable opportunities is the foundation for creation of wealth through entrepreneurship. Further he says Entrepreneurship's attention to wealth creation centers on identifying new and emerging opportunities in the market place (shane & Venkataraman, 2000).

The entrepreneurial function implies the discovery, assessment and exploitation of opportunities, in other words, new products, services or production processes; new strategies and organizational forms and new markets for products and inputs that did not previously exist (Shane & Venkataraman, 2000). Entrepreneurship is simply identifying a new opportunity and implementing that opportunity as a new venture.

Strategic Entrepreneurship involves simultaneous opportunity seeking (i.e., Entrepreneurial) and advantage seeking (i.e., Strategic) behaviours (Ireland, Hitt, & Sirmon, 2003). By focusing on both of these dimensions, Strategic Entrepreneurship scholars suggest that firms create and sustain wealth by exploiting current competitive advantages while identifying opportunities which will create future competitive advantages (Ketchen, Ireland, & Snow, 2007).

The creation of a firm's wealth depends upon its competitiveness. The process of wealth creation can be achieved through competitive advantages. Competitive advantages can arise from a firm's ability to exploit market opportunities. Shane & Venkataraman, (2000) suggested

that discovering and exploiting profitable opportunities is the foundation for wealth creation through entrepreneurship. Further he says Entrepreneurship's attention to wealth creation centers on identifying new and emerging opportunities in the market place (Shane & Venkataraman, 2000). Competitive advantage oriented to novelty, entrepreneurial actions are newly fashioned behaviors through which companies exploit opportunities others have not identified or exploited (Ireland R. D., Hitt, Camp, & Sexton, 2001). Therefore opportunity seeking behavior helps organizations to find unexploited opportunities which the competitors haven't discovered so far. Thus discovering opportunities are only half of a firm's challenge.

To have entrepreneurship, you must first have Entrepreneurial Opportunities (Shane & Venkataraman, 2000). Given this, we can postulate that, entrepreneurial opportunities are vital to successful entrepreneurship. Then what is entrepreneurship? Shane & Venkataraman, (2000) further suggested that discovering and exploiting profitable opportunities is the foundation for wealth creation through entrepreneurship. Ireland, Hitt, & Sirmon, (2003) in their seminal work, state that small entrepreneurs are successful in identifying entrepreneurial opportunities when compared to the large enterprises.

Opportunity seeking behaviour is well established in entrepreneurial literature (Simsek, Heavey, Prabhakar, & Huvaj, 2011). Entrepreneurship focuses on newness and novelty in the form of new products, new process and new markets as the drivers of wealth creation. (Shane & Venkataraman, (2000) suggested that discovering and exploiting profitable opportunities is the foundation for wealth creation through entrepreneurship.

We know for a fact that, strategic management, as the term implies, talks about how to formulate a competent strategy to run a business. Further we know, competitive advantage plays an important role in this regard. Competitive advantage is the notion which describes the way to differentiate you as a good corporate. When there is a large number of players existing in the market, the keen company should know how to position their value proposition in a lucrative manner. For an example, the well-known Amazon Incorporation is selling books online. They differentiate themselves from other players in the market with a lucrative strategy, (i.e. selling online). Another example, BMW, they differentiate themselves as the ultimate driving machine within the intense competitive car industry. Simply stated, they have a good strategy which implies competitive advantages. Further, we know for fact that those examples are considered as benchmarks in respective industries. Thus strategy plays a vital part in firm success.

This kind of strategy is known as advantage seeking behaviors, (Ireland, Hitt, & Sirmon, 2003). Further they suggested that, advantage seeking behaviors are closely associated with large enterprises when compared to the small ventures. Thus the author builds the second proposition as (Ireland, Hitt, & Sirmon, (2003) suggested, strategic management (i.e. advantage seeking behavior) is another construct to create wealth.

Methodology

This research tests the Ireland's model of Strategic Entrepreneurship. Therefore research based on a theory testing and research approach is used for the research study which is the "inductive approach". This involves testing the theories that already exists and these tests were carried out with questionnaires. Furthermore, the data were collected through a survey research to get information from the selected sample. The survey was

conducted through a structured self-administrated Questionnaire presented to the selected sample.

The hypotheses are as follows:

H₁: There is a positive relationship between Opportunity Seeking Behavior and Competitive Advantage.

H₂: There is a positive relationship between Advantage Seeking Behavior and Competitive Advantage.

Based on the literature review the conceptual framework was developed as follows.

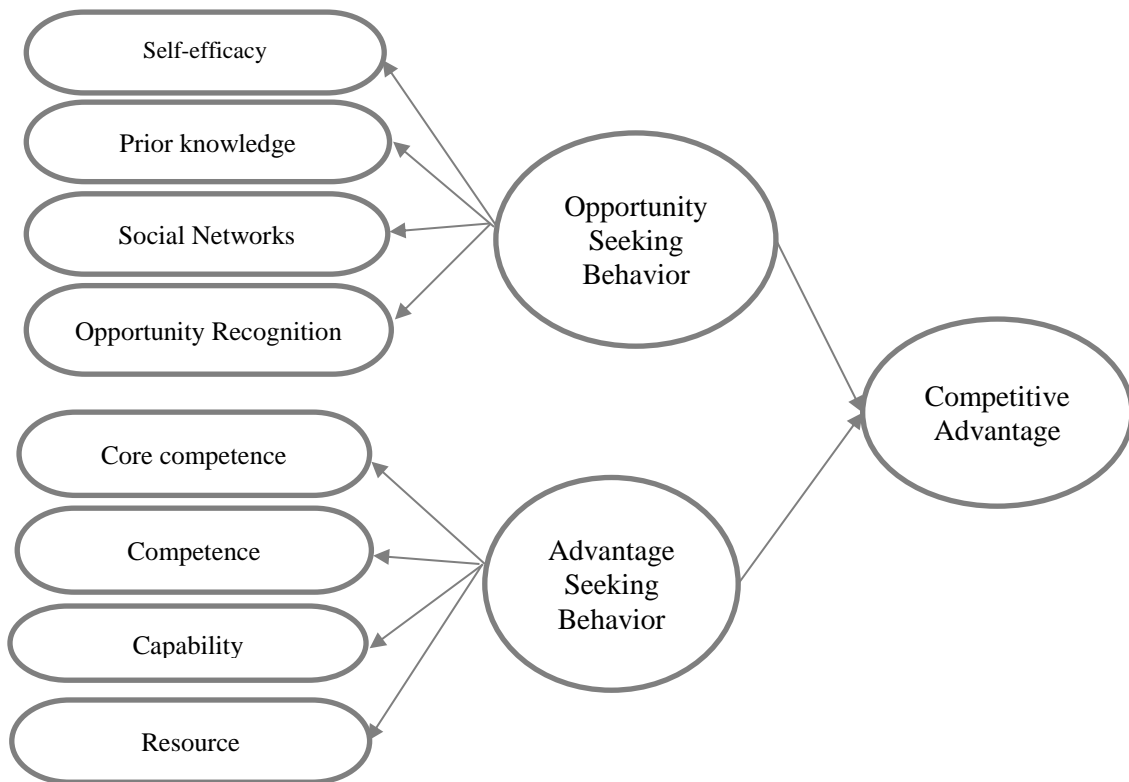


Figure 1: Source (Ireland, Hitt, & Sirmon, 2003)

A seminal paper in Strategic Entrepreneurship (SE) by Ireland, Hitt, & Sirmon, (2003) postulated about SE, as an integration of two constructs; they are, opportunity seeking behavior (Entrepreneurship) and advantage

seeking behavior (Strategic Management) to create superior firm performance. This inconclusive knowledge is the underlying premise we strive to address. To support the argument in the study we employ number of variables which were suggested by theoretical as well as empirical investigations. Strategic Entrepreneurship is an integration of Entrepreneurship (Opportunity Seeking Behavior) and Strategic Management (Advantage Seeking Behavior). Here we conclude, an amalgamation of Strategic Management and Entrepreneurship (I.e. Strategic Entrepreneurship) inevitably leads to create wealth, value and survival of the business.

The majority of entrepreneurial opportunity recognition literature has focused on psychological variables, such as personality traits, that may influence individuals in exploiting opportunities (De Carolis & Saporito, 2006). Self-efficacy, Prior knowledge, Social Networks, Opportunity recognition and Sales, employee and equity which comes as a summated value of opportunity seeking behavior. Thus we suggest opportunity seeking behavior leads to competitive advantage of the firm. And we postulate Advantage seeking behavior which comes as a summated value of Core competence; Capability and Resource propensity will inevitably leads to the competitive advantage of the venture.

Data and Procedure of Testing

This research based on a theory testing and research approach used for the research study was the “inductive approach”. This involves testing the theories that already exists and these tests were carried out with questionnaires.

To draw the sample, used the list of entrepreneurs in Sri Lanka of Small Enterprise Development Division, Ministry of Youth affaires.

The research design entails a large scale cross sectional survey utilizing a sample constituting by 100 Small and medium entrepreneurial ventures in Matara, Colombo, Gampaha, Kandy, Kurunagala and Kegalle districts in Sri Lanka. The method of data collection that used to this research was structured Questionnaires.

To summarize and analyze the primary data collected from the questionnaire the researcher used SPSS software and MS Excel software packages. Unit of the analysis was a firm. Data analyzed using Univariate, Bivariate and Multivariate Statistics. Frequencies, means and standard deviations will be used as univariate coefficients to measure the distribution, central tendency and dispersion of the data respectively. Further, correlation coefficient also used to examine the relationship between the desired variables. Main analysis, stepwise regression analysis method.

Data Analysis

We used ten respondents to do the pilot study of this research. The results are as follows.

Table 1: Reliability Statistics

Cronbach's Alpha	No of Items
.803	10

Descriptive analysis of the study

This section present data showing the demographic background of the respondent's that obtained from the questionnaire, and used the analysis to make general observations on the data, such as age, gender, and education level and firms category.

Table 2: Gender proportion of the Sample

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	94	94.0	94.0	94.0
Female	06	06.0	06.0	100.0
Total	100	100.0	100.0	

Table 3: Age category of the sample

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 20	0	0	0	0
20- 24	3.0	3.0	3.0	3.0
25-29	11.0	11.0	11.0	15.0
30-34	7.0	7.0	7.0	22.0
35-39	28.0	28.0	28.0	50.0
40-49	29.0	29.0	29.0	79.0
50-59	19.0	19.0	19.0	98.0
60 or above 60	2.0	2.0	2.0	100
Total	100	100.0	100.0	

Table 4: Level of Education of the Sample

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 10 years or Less than	0	0	0	0
11 years	0	0	0	0
12 years	2.0	2.0	2.0	2.0
13 years	2.0	2.0	2.0	4.0
14 years	15.0	15.0	15.0	19.0
15 years	2.0	2.0	2.0	21.0
16 years	24.0	24.0	24.0	45.0
17 years	0	0	0	45.0
18 years or above	55.0	55.0	55.0	100.0
Total	100	100.0	100.0	

Table 5: Business Type of the Sample

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agricultural commodities	3.0	3.0	3.0	3.0
	Hotels & Restaurants	11.0	11.0	11.0	14.0
	Timber & Furniture	3.0	3.0	3.0	17.0
	Machineries & Equipments	6.0	6.0	6.0	23.0
	Clothing & Textiles	9.0	9.0	9.0	32.0
	Food and Beverage	17.0	17.0	17.0	49.0
	Mineral & Energy	6.0	6.0	6.0	55.0
	Information & Technology	2.0	2.0	2.0	57.0
	Constructions	5.0	5.0	5.0	62.0
	Printing & Publishing	9.0	9.0	9.0	71.0
	Telecommunication, Banking & Insurance	2.0	2.0	2.0	73.0
	Tourism	0	0	0	73.0
	Other	27.0	27.0	27.0	100.0
	Total	100	100.0	100.0	

Correlation analysis of the study

The researcher conducted a correlation analysis to examine the relationship of the Opportunity Seeking Behavior to Competitive Advantage and Advantage Seeking Behavior to Competitive Advantage. From the literature review and conceptual framework the hypothesis were developed to measure the relationship between independent and dependent variables. Therefore, correlation analysis was used to test the relationship from the develop hypothesis on each independent and dependent variable separately.

Table 6: Correlation Analysis

IV \ DV	Competitive Advantage	Opportunity Seeking Behavior	Advantage Seeking Behavior
Self-efficacy	0.269**	0.422**	0.666**
Prior Knowledge	0.216*	0.403**	0.659**
Social Networks	0.231*	0.495**	0.748**
Entrepreneurial Opportunity Recognition	0.110	0.130	0.113
Core Competence	0.475**	0.835**	0.568**
Competence	0.396**	0.830**	0.526**
Capability	0.404**	0.751**	0.501**
Resource	0.489**	0.716**	0.417**
**. Correlation is significant at the 0.01 level (2-tailed).			
*. Correlation is significant at the 0.05 level (2-tailed).			

Table 7: Independent variables and Opportunity Seeking Behavior

Independent Variable	Pearson's Correlation	Significant Level
Self-efficacy	0.422**	0.000
Prior Knowledge	0.403**	0.000
Social Networks	0.495**	0.000
Entrepreneurial Opportunity Recognition	0.130	0.197
**. Correlation is significant at the 0.01 level (2-tailed).		
*. Correlation is significant at the 0.05 level (2-tailed).		

Self-efficacy and Opportunity Seeking Behavior

According to the Pearson Correlation Analysis, it is clearly shown that there is a significant relationship between Self-efficacy and Opportunity Seeking Behavior with a coefficient correlation value (r value) of 0.422 at 0.000 significant level and P value 0.000 is less than the 0.10.

Prior Knowledge and Opportunity Seeking Behavior

Based on the Hypothesis developed by the researcher as above, the correlation analysis was carried out. It is clearly shown that there is a significant relationship between Prior Knowledge and Opportunity Seeking Behavior with a coefficient correlation value (r value) of 0.403 at 0.000 significant level and P value 0.000 is less than the 0.10.

Social Networks and Opportunity Seeking Behavior

The above Correlation Analysis, is clearly shown that there is a significant relationship between Social Networks and Opportunity Seeking Behavior with a coefficient correlation value (r value) of 0.495 at 0.000 significance level P value 0.000 is less than the 0.10.

Entrepreneurial Opportunity Recognition and Opportunity Seeking Behavior

According to the Pearson Correlation Analysis, it is clearly shown that there is a relationship between Entrepreneurial Opportunity Recognition and Opportunity Seeking Behavior with a coefficient correlation value (r value) of 0.130 and P value 0.197 is higher than the 0.10.

Table 8: Independent variables and Advantage Seeking Behavior

Independent Variable	Pearson's Correlation	Significant Level
Self-efficacy	0.568**	0.000
Prior Knowledge	0.526**	0.000
Social Networks	0.501**	0.000
Entrepreneurial Opportunity Recognition	0.417**	0.00
**. Correlation is significant at the 0.01 level (2-tailed).		
*. Correlation is significant at the 0.05 level (2-tailed).		

Core Competence to Advantage Seeking Behavior

According to the above table, it is clearly shown that there is a significant relationship between **Core Competence to Advantage Seeking Behavior** with a coefficient correlation value (r value) of 0.568 at.001 significance level and P value 0.000 is less than the 0.10.

Competence to Advantage Seeking Behavior

Based on the Hypothesis developed by the researcher as above, the correlation analysis was carried out. It is clearly shown that there is a significant relationship between Competence to Advantage Seeking Behavior with a coefficient correlation value (r value) of 0.526 at 0.000 significant level and P value 0.000 is less than the 0.10.

Capability to Advantage Seeking Behavior

According to the Pearson Correlation Analysis, it is clearly shown that there is a relationship between Entrepreneurial **Capability to Advantage Seeking Behavior** with a coefficient correlation value (r value) of 0.417 at 0.000 significant level and P value 0.000 is less than the 0.10.

Resources to Advantage Seeking Behavior

According to the above table, it is clearly shown that there is a significant relationship between **Resources and Advantage Seeking Behavior** with a coefficient correlation value (r value) of 0.568 at.001 significance level and P value 0.000 is less than the 0.10.

Testing goodness of the data

Regression Diagnostics

Collinearity

Table 9: Tolerance and Variance Inflation Factors (VIF) of models

Model	Tolerance	VIF
Opportunity Seeking Behavior	1.000	1.000
Advantage Seeking Behavior	1.000	1.000

Tolerance:

Tolerance means the percentage of variance in a variable not associated with other variables. Tolerance has a range from zero to one. A value of near one indicates independence; if the tolerance value is close to zero, the variables are multicollinear. As a rule of thumb, a tolerance of less than .20 indicates a problem with multicollinearity (Kellogg School of Management 2004). As per the research data of the study one may identify that, all tolerance values are 1.000 (100%). So therefore, one can determine that the models do not corresponds with, no multicollinearity. Or in other words, all variables on the study are act independently.

Variance Inflation Factor (VIF):

As a rule of thumb, a researcher can assume that he does not have multicollinearity problem for a particular variable as long as the VIF are considerably less than ten (10). Moreover, A VIF greater than ten would mean that over 90% of the variance in a given predictor variable can be collectively accounted for by the other predictor variables. Therefore, one may recognize that all VIF values in the data set are less than ten (10). It is 1.000. Consequently, one may emphasize that there is no multicollinearity problem in study's model.

The impact of Opportunity seeking behavior on Competitive Advantage

The impact of Opportunity Seeking Behavior on Competitive Advantage can be assessed using the regression models. R square value and F value has been taken into consideration.

Table 10: Regression Statistics

Regression Statistics	
R value	.345
R Square	.119
F- Value	13.217
Observations	100

R value stands at .345 (34.5 %), implies that 34.5 percent of fitness can be observed in the sample regression line. Furthermore, it measures 34.5 percent of the total variation in the advantage seeking behavior.

F value is 13.217 that is significant at 5% level ($P=.000$) which suggests that the indicators of one independent variable have significantly explained 11.9% of the variation in the competitive advantage. And also indicates the model is more or less moderately good fit for the data. Remaining 88.51% variance in the opportunity seeking behavior is attributed to other variables.

Table 11: The impact of Advantage Seeking Behavior on Competitive Advantage

Regression Statistics	
R value	.565
R Square	.319
F value	22.725
Observations	100

R value stands at .565 (56.5 %), implies that 56.5 percent of fitness can be observed in the sample regression line. Furthermore, it measures 56.5.5 percent of the total variation in the opportunity seeking behavior.

F value is 22.725 that is significant at 5% level ($P=.000$) which suggests that the indicators of one independent variable have significantly explained 31.9% of the variation in the competitive advantage. And also indicates the model is more or less moderately good fit for the data. Remaining 68.1% variance in the opportunity seeking behavior is attributed to other variables.

Empirical findings, conclusion and suggestions

For this research purpose researcher collects data from a sample of 100 respondents. The sample consists with respondents who owned small and medium enterprises in Si Lanka.

In addition to this research, quantitative phase shows that opportunity seeking behavior and advantage seeking behavior directly affect to the competitive advantage. All the independent variables show positive significant relationship with the dependent variable.

For this research purpose researcher developed two hypotheses & all two hypotheses are supported in the research.

Hypothesis testing

Summary of data analysis is given below through hypothesis testing.

Table 12-The Summary of Hypothesis Testing

No	Hypothesis	Results	Tools
H ₁	There is a significant impact on Opportunity Seeking Behavior to Competitive Advantage	Accepted	Regression
H ₂	There is a significant impact on Advantage Seeking Behavior to Competitive Advantage	Accepted	Regression

Objective of this study was to observe the relationships between opportunity seeking behavior and advantage seeking behavior on competitive advantage.

Results showed that there are significant relationships exist and those relationships are significant. Above hypothesis testing proves the relationships predicted.

Limitations of the study

Base of literature this research consider only the opportunity seeking behavior and advantage seeking behavior that highly relevant to the competitive advantage of a venture. There are may be some variables that

affect to the competitive advantage. This research secondary data collect from base only limited geographical area in Sri Lanka with a sample of 100. In this research only used secondary data collection method is questionnaire. Most of the literature sources and base articles are overseas, so there are not 100% matching to Sri Lankan contexts

Recommendation to future research

Use some other independent variables & try to understand the competitive advantage. Consider more respondents as a sample, cover a wide geographical area & use more methods for collecting data. Use more method for collecting secondary data like focus group interviews, interview methods.

Conclusion

Entrepreneurial organizations usually engage in opportunity seeking behavior compared to conservative organizations. Entrepreneurial organizations which identify and exploit potentially valuable opportunities will develop competitive advantages. Therefore opportunity seeking behavior helps an organization to find unexploited opportunities which the competitors haven't discovered so far. Advantage seeking behavior is a dominant perspective within strategic Management. It says competitive advantages can be developed for the organizations with unique (valuable, rare, inimitable, and difficult to replace via substitution) resources. Therefore Strategic Entrepreneurship contributes to our understanding of how firms create wealth. Firms execute simultaneous opportunity seeking and advantage seeking activities will pursuit superior performance. In additionally although opportunity seeking and advantage seeking behavior develop competitive advantages individually, combination of both of these dimensions will help an organization to create sustainable competitive advantages that create wealth in long run.

Entrepreneurial oriented organizations usually practice effective opportunity seeking behavior and gain competitive advantages over their competitors. Entrepreneurial organizations can practice opportunity seeking behavior with advantage seeking behavior will also be able to gain sustainable competitive advantages which can create wealth in long run. In other words entrepreneurial organizations that already practices opportunity seeking behavior by additionally practicing advantage seeking behavior will help to create sustainable competitive advantages. So entrepreneurial organizations have higher tendency in developing sustainable competitive advantages than other conservative organizations.

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Factors Influencing the Job Satisfaction of Development Officers' in Government of Sri Lanka

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Abstract

Every organization attempts to continue maintaining high skill labour force within the organization as the management of any organization clearly has identified the value of the human resource. Therefore, they try to maximize the job satisfaction level of employees to minimize the labour turnover. The objectives of the study were to measure the job satisfaction level of development officers, determine the factors affecting the job satisfaction level of Development officers in their employment position and compare the job satisfaction level between male and female Development Officers in Sri Lanka. A sample of the study was selected from five government ministries. Although job satisfaction level of development officers proved to have been above the middle-level, it's essential to note that it should advance further with special reference to male development officers. Seventynine percent of development officers' satisfaction depends on selected factors, namely; working environment, relationship with co-workers, relationship with supervisors, freedom at workplace, career advancement of development officers and basic salary. Among the selected independent factors, working environment has shown the highest significant positive influence on employee satisfaction. Since policymakers must take necessary steps to develop a favorable working environment to encourage the development officers.

Keywords: *Job satisfaction, government development officers, labour turnover, working environment, government ministries.*

Introduction

Human resource is considered as the most significant factor in every organization; because the organization's productivity mainly depends on the effectiveness of their competent employees. The organization can replace physical resources such as machines and equipment, but it is difficult to replace skilled and qualified employees at short notice without an impact on the performance of the organization. Moreover, the replacement of skilled and qualified workforce is a difficult and time-consuming process. Therefore, a major responsibility of the top management is to retain the qualified employees within the organization. In order to achieve such objectives, the top management has to improve job satisfaction among employees and provide a conducive environment with positive attitudes.

The key objective of promoting children for higher education is to ensure their employability (Perera, 2006) Accordingly, almost all Sri Lankan families are having the greater aspiration of providing university education for their children as a secured path of higher employability (Perera, 2008). Graduates are considered as one of the most important human capital in a country with higher social reputation. They are expected to work in a middle or top management level providing services to society in various ways.

Jobs are available either in government sector or non-government organizations or in private sector institutions in Sri Lankan job market for graduate employees. Most of the graduates prefer to have a government sector job mainly due to job security, allowances, and other benefits like pension and so on. In addition, also some of the graduates feel job security

in the government sector. The availability of jobs for graduates in the government sector institutions in Sri Lanka heavily depends on the state policies adopted by the particular political party which is in power. Pensionable jobs are rare in the current job market, and jobs available are challenging, need to be self-motivated to gain more benefits and to reach a higher position especially in the private sector. Sri Lankan society also generally expects that graduates must have high and reputable occupations. Such norms and values in the society discourage graduates to start a job at a lower level in private sector.

Employee satisfaction is an important factor for all organizations. Employee satisfaction have been recognized to have a major impact on many economic and social phenomena, researchers have reported that a number of different factors can influence employee dissatisfaction with their workspaces (Aboobacker Jahufer, 2015). It is generally understood that unfavourable conditions of office environment can have negative influences on employees' satisfaction. Regardless of the discipline, job satisfaction is a frequently studied subject in work and organizational literature. This is mainly due to the fact that many experts believe that job satisfaction trends can affect labour market behaviour and influence work productivity, work effort, employee absenteeism and especially staff turnover. Moreover, job satisfaction is considered a strong predictor of overall individual well-being (Diaz-Serrano, 2005), as well as a good predictor of intentions or decisions of employees to leave a job (Gazioglu, 2006). Over the years, many studies have attempted to categorize and find out the factors that affect job satisfaction (Abdullah et al., 2011) and found out that wages as the main factor for job satisfaction. But certain other factors such as the promotion, recognition of work and employee's loyalty

has also been considered. In addition, salaries and incentives are the most important determinant of job satisfaction (Calisir et al., 2010). Ali and Ahmed (2009) conclude that due to the changes in reward or recognition programs, there will be a corresponding change in work motivation and satisfaction; this means that if there is a greater focus on remuneration and recognition. Due to the increasing inflation people tend to find more payable employment. When considering the Sri Lankan context, it is obvious that government sector employees have to wait for a long time from their first employment to have a considerable amount of basic salary compare to the private sector. It is problematic that Sri Lankan government and relevant authorities have already identified the gap between the employers and the graduates. On the other hand, it is actually necessary to find out whether this gap exists in Sri Lankan job market, and if so, how significant the gap is. This research is conducted in order to find out the gap between graduate government employees' expectation on their employment and expectation of government authorities of Sri Lanka and to formulate recommendations for stakeholders. Graduates are working under different job titles in different ministries although only development officers have been selected for the study.

It was the general understanding that the implementation of Graduate Employment scheme was aimed mainly (a) to obtain the contribution of educated youth for development programmes in the country (b) provision of employment opportunities for unemployed graduates.

It is observed that success of this scheme was discussed at various forums. Most of the critiques are aimed at selection process – ie. Not giving proper attention to areas of specialization /qualifications when appointing candidates for respective posts. Some of the other areas under discussion

were, future promotional prospects, remuneration, job recognition, job satisfaction and so on. However, there are no specific evidence or research findings to support above. Therefore, it is timely to conduct a detailed study on their job satisfaction.

Problem Statement

Development officer position in the government of Sri Lanka was created under two main objectives, namely to find a solution for unemployment problem of degree holders and to obtain their maximum contribution for development activities in the country. A recent study carried out by the Central Bank of Sri Lanka has revealed that Government of Sri Lanka has recruited 40,810 graduates as Development Officers for the first time in the year 2012 representing all 25 districts. However, in a study, it was found out that, there were 96 resignations recorded and 1,580 officers had joined other positions in state sector organizations. Furthermore, based on preliminary discussions that have been conducted with development officers and higher officials about the job satisfaction level of the development officer position, it is observed that a majority of them were with the view of leaving their positions due to the dissatisfaction of employment resulted from various reasons. This statistics signifies that within such a short period of time 4% of above number had left their employment for some unknown reasons. Hence, there appears to be a serious problem of retaining recruited development officer employees within the Government sector Institutions.

Objectives of the study

Based on the above research problem the researcher has developed following research objectives

To investigate the job satisfaction level of the development officers appointed by government of Sri Lanka

To compare the job satisfaction level between male and female development officers in Sri Lanka

To determine the factors affecting the job satisfaction level of development officers in their employment position

Methodology

There are around 40,810 development officers, and as it is a difficult task to interview all development officers in Sri Lanka, six hundred & fifty (650) development officers were selected from five government organizations, namely; Mahaweli Authority, Ministry of Health, Divisional Secretariats, Irrigation Department and Ministry of Agriculture. Discussions were held with development officers & heads of government organizations to get a fair understanding of the study and information was collected based on available and up dated records. The primary data was collected through structured questionnaire. The first part of the questionnaire included questions on general information of respondents. The second part of the questionnaire included questions relating to employee satisfaction and five factors affecting job satisfaction. Descriptive analysis is utilized to explore the demographic pattern of the respondents and level of satisfaction. Exploratory factor analysis was used for measuring the construct validity of the questionnaire. Moreover, correlation analysis and multiple regression analysis were utilized to analysis relationship among the variables.

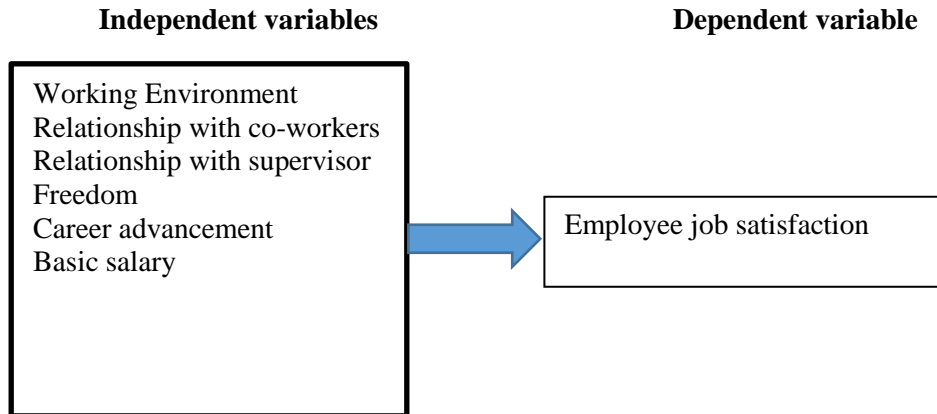


Figure 1: Theoretical Framework

Following hypotheses were developed by the researcher.

Working environment

The work environment is correspondingly significant or indeed appropriate when the considered job satisfaction and also affects the welfare of employees (Aryee et al., 2002).

H₁ The working environment positively affects the development officer's job satisfaction level

Relationship with co-workers

Employees in friendship tend to engage in altruistic behaviours by providing co-workers with help, guide, advice, feedback, recommendation, or information on various work-related matters (Berman et al., 2002).

H₂ The co-workers positively affect the development officers job satisfaction level

Relationship with Supervisors

The relationship between supervisor and employee and job satisfaction is a subject of debate in organizations, and this leads to studies being done to measure the exact influence of the relationship and how it affects the organizations (Petersitzke 2008).

H₃ Relationship with supervisors positively affects job satisfaction of Development Officers.**Freedom/ autonomy**

Autonomy in the workplace refers to how much freedom employees have while working. Research shows that when employees are given the freedom associated with autonomy, job satisfaction rises (Walley et al., 1974).

H₄ Freedom/ autonomy positively affect job satisfaction of Development Officers**Career advancement**

Career development performs in the workplace support organization attract and retain high performing employees (Kappia, et al., 2007; Sullivan & Mainiero, 2007). Researchers found that employees are more likely to stay if offered the opportunity to develop.

H₅ Career Advancement positively affects job satisfaction of Development Officer.**Basic salary**

Brown et al., (2007) mentioned that the level of the salary is a secondary variable that cannot stand alone and its influence may be limited when the work quality is unsatisfactory. A study conducted by Brown and his colleagues supports this notion.

H₆ Basic salary positively affects job satisfaction of Development Officer.

Gender and satisfaction level

Significant satisfaction differences found between the gender, qualifications, experience, job characteristics and job satisfaction (Ahmed et al., 2010).

H7 Satisfaction level of male Development Officers are equal to female Development Officers**Result and discussion**

Sixty-seven percent of the respondents were female employees, and 33% were male respondents male. Sixty-eight present respondents were married developing officers. The majority was married (68%) and most had bachelor degrees (84%). Rest of respondents had completed their master degrees, and many of the respondents mentioned that they are following masters. According to the age distribution of respondents represents age group 18-27 age category represented 20% employees, 28-37 age category comprised of 45% of employees were representing the highest number of employees in this category. Age category 38-47 is the category which consists with the lowest number of employees in the sample, and it was 15% selected employees. That implies there is a lower amount of employees in this category. In the sample which was selected from the development officers, a representation of 20% employees was in the age category 48-57. The significant incident which was recorded in this distribution was, there were no employees to represent the age category more than 57 years old.

Analysis of Validity and Reliability

Reliability analysis was employed to determine whether the summated scale score made were sufficient and reliable. Moreover, Haire et al. (1998) noted that general acceptable lower limit for Cronbach's alpha is

0.70. Reliability of each variable was tested, and the results were tabulated below accordingly for each. Table 1 shows the result of the reliability test.

Table 1: Reliability statistics of Variables

Variable	Cronbach's alpha
Working Environment	0.744
Relationship with co-workers	0.913
Freedom/Autonomy	0.838
Career Advancement	0.832
Salary	0.876
Employee Satisfaction	0.832

Level of job satisfaction

The first objective of the research is to measure the current Job satisfaction level of the Development Officer employees with their employment at government organizations. Table 2 shows the relevant descriptive statistics values of mean, median and standard deviation of the selected sample. Job satisfaction level of employees was showing a mean value of 2.765, and also the standard deviations of job variables showed a value of 0.5022.

Table 1: Descriptive statistics of Variables

Variable	Mean	Std Dev	Median
Job satisfaction level of development	2.765	0.5022	2.750

Job satisfaction level between male and female:

The researcher has identified that the 2nd objective of the research is to compare the job satisfaction level between male and female development officers.

Table 3: Job satisfaction level between male and female

	Mean of Satisfaction Level
Female	2.916
Male	2.692

When considering the job satisfaction level of employees, female development officers seem to be more satisfied than male employees even though they are under moderate satisfied level when consider as a whole. As above table number 02 shows comparatively female development officers were satisfied higher than male development officers. According to the table number 02 result, alternative hypothesis seven (H₇) (The satisfaction level of male Development Officers are equal to female Development Officers) is accepted.

Accordingly, it was found out that 48% of satisfaction level was shown by male employees while female employees or development officers have 52% of satisfaction level. By this result, it is proven that the job satisfaction level of female development officers is not equal to male development officers.

Factors affecting the job satisfaction

The coefficient of determination (R Square) generally measures the goodness fit of the regression line to the set of data. It describes that R Square value of the model measures the proportion or percentage of total variation in dependent variable which is explained by the independent variables. Multiple regression R square value was 0.787. In accordance with that, it can be concluded 79% of total variation of employee satisfaction level development officers is explained by work environment, relationship with co-workers, relationship with supervisors, freedom at work place, career advancement of development officers and basic salary.

On the other hand, approximately 22% of total variation in the employee satisfaction in government development officers is unexplained by above mentioned six independent variables. Therefore it seems that the model was fitted appropriately as the explained variation is higher than the unexplained variation.

The above mentioned six factors, impact in different ways on the levels of satisfaction of development officers. Influence of proposed independent variables and employee satisfaction is given in the co-efficient values which were derived from multiple regression analysis result in order to demonstrate the effectiveness of independent variables on the dependent variable. According to the multiple regression results, selected six factors affected by the level of satisfaction of development officers. The multiple regression function co-efficient values show different values; it means selected factors' effect on employee satisfaction in a dissimilar manner. The working environment has shown the significant effect on employee satisfaction with co-efficient value is 0.383. Therefore, working environment of development officers is able to play substantial role in the degree of employee satisfaction. On the other hand, Freedom, Career advancement, Basic salary, Relationship with co-workers and Relationship with Supervisors can significantly effect to the employee satisfaction level.

Summary and conclusion

Sixty-seven percent of the sample represented female development officers, and the remaining amount of development officers represent the male developing officers. Moreover, Eighty-four percent of development officers hold a bachelor degree and others have higher degrees. The

satisfaction level of female employees comparatively more satisfied than the male employees as they are generally under moderately satisfied level when considered as a whole. Seventy-nine percent of development officers' satisfaction depends on selected factors namely work environment, relationship with co-workers, relationship with supervisors, freedom at work place, career advancement of development officers and basic salary. Among these factors working environment highly affected the satisfaction level of development officers. Relationship with Supervisors shows the lowest effect on employee satisfaction among the selected factors. Moreover rest of 21% of development officers' satisfaction level depends on other factors. These findings also serve as foundation knowledge for developing strategies to enhance job satisfaction among developing officers.

Policymakers must pay attention to improve employee satisfaction level to minimize labour turnover, for this purpose developing the auspicious working environment is very important to minimize the development officer's turnover because it highly influences the level of development officer's satisfaction. Moreover, the satisfaction level of male development officers is comparatively lower than women development officers since policymakers must pay special attention to improve the male development officers' satisfaction. Future researchers have to ensure the result with the massive sample with other factors that may influence development officers' employee satisfaction.

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