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## Organizational Culture and Organizational Performance: Investigating the Mediatory Role of Leadership in the Banking Sector of Pakistan

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### Abstract

*The revolution of IT has increased the competition manifold, consequently enforcing the businesses to target international customers belonging to different culture. Therefore, the current study investigates the relationship between organizational culture and organizational performance. It goes one step ahead and also measures the mediatory role of leadership in the relationship between organizational culture and organizational performance, in the Banking sectors of Pakistan. The instruments used to collect the data regarding organizational culture were developed by Denison and Mishra (1995), organizational performance was developed by Qureshi, (2010) and Leadership was developed by Sergiovanni, Metzger and Burden (1969). The data was collected through a questionnaire from the banking sector of Pakistan by using convenient sampling technique. SPSS version 20 was used to analyze the results after testing the reliability. Regression analysis was performed to measure the said relationship between the study variables. Findings indicated that organizational culture has a significant and positive impact on performance of the banks. Further the study also evidenced that leadership partially mediates the relationship between organizational culture and banking performance.*

**Keywords:** Leadership, Organizational Culture, Organizational Performance

## Introduction

An organization is a structure with well-defined element for management, communication, decision making and productivity (Martinelli, 2001). The study of the organizations with respect to the human resource policies, leadership, performance and commitment had very widely been conducted to determine their importance and contribution in productivity and profitability (Pourrad, 2003). Culture is combination of a set of values, assumptions and behavioral patterns displayed by a group of people living in similar geographical area (Kotter & Heskett, 1992). The organizational culture is taken as the set of standard behaviors, principles, expectations, patterns, and norms established in an organization to resolve problems and promote high level of achievements (Schein, 1992; Marcoulides & Heck, 1993). Aluko (2003) Defined organizational performance as a routine activity of the employees of any organization and implementation of plans to achieve their goals and mission.

The organizational culture and organizational performance are very closely related variables. Studies evidenced a positive influence of organizational culture on organizational performance (Cotgrove, 1978; Eikenberry, 2005). Further the studies showed that productivity and performance are dependent on a number of factors predominantly quality of employees, level of commitment, training, skills and satisfaction level of employees (Currall et al., 2005).

Leadership plays a vital role in transforming the plans into actions and achieving the set targets and goals by directing the employees in the right direction. The term leadership is defined as a set of qualities, skills and actions through which a person affects the behavior, thoughts and responses of subordinates to guide them in a productive manner (Mills, 2005). Leaders are visionary people whose responsibility is to guide, help and motivate others. Leaders act as role models to be followed by the subordinates (Mills, 2005). The significant relationship between leadership and organizational performance was studied by Han and Kim (1998).

Numerous studies have investigated the relationship of dependent and independent variables selected for the current study and established their relationship but mostly in the western context. The independent relationship between organizational culture and organizational performance has been studied and proved to be significantly positive (Denison, 1990; Kotter & Heskett, 1992; Marcoulides & Heck, 1993). The relationship of organizational culture and leadership have been studied by Bass and Avolio (1993), and Schein (1985) who have established a significant positive relationship of these variables in the employees of a number of profit and nonprofit orientated organizations. Leadership and organizational performance have been studied by Bass (1985) and Jing and Avery (2008) where it was established that leadership variable had a significant positive relationship with organizational performance. Hence, it was essential to conduct a study with the view to probe the

linkage between three important aspects of organizational culture, leadership and performance (Ogbonna & Harris, 2000). The study was felt necessary due to the reasons that:

- Lack of empirical evidence of studying impact of organizational culture and leadership on organizational performance in context of Pakistan.
- Lack of empirical evidence of studying leadership as a mediatory variable between organizational culture and organizational performance.

### **Objectives of the Study**

- To study the relationship between organizational culture, leadership and organizational performance.
- To examine the mediatory role of leadership between organizational culture and organizational performance.

### **Literature Review**

#### **Organizational Performance**

Research indicates that organizational performance encompasses the sum total of the output of an organization towards attainment of its goals and objectives. It may be in relation to all or any of the three specific areas of performance to include financial, product market and shareholder's return (Richard, Devinney, Yip, & Johnson, 2009). Organizational performance is the accomplishment of work, tasks or goals to the desired level of satisfaction (Aluko, 2003). It comprises of the measure of actual output or results of an organization as against its intended outputs or goals and objectives. Organizational performance is a determinant of level of success of an organization and the organizations are always looking forward to take necessary steps to maintain or boost their performance. Literature highlights that the organizational performance is a very significant area for the organizations (Liao & Wu, 2009). Studies proved that organization's performance evaluation reports are the best tool to determine the level of success of an organization because it not only identifies the current position of an organization but also predicts the future challenge as well (Mehregan & Shahbandarzadeh, 2005).

Dyer and Reeves (1995) proposed two different approaches to measure the organizational performance i.e. the financial and non-financial. It has been established that both the financial and non-financial facets of the organizational performance are facing numerous challenges which primarily includes lack of market based financial reporting, inadequate regulatory mechanism about financial reporting, provision of fictitious financial information and lack of transparency in financial

reporting (Bae & Lawer, 2000; Hoskisson, Eden, Lau, & Wright, 2000). Studies showed that efficient, effective and committed leadership is very important in pursuing the organizational goals, achieving and maintaining competitive advantages and ensuring continued performance of an organization. In this regards, use of technology and selection of appropriate management tools is considered helpful to the management (Arabi & Rafat, 2008). Apart from physical resources like capital and assets, the intellectual resources are also important for the organizational success and existence (Gold, Malhotra, & Segars, 2001).

### **Organizational Culture**

Researches defined Organizational culture as a set of values, beliefs, practices, rituals, policies and prevalent environment of an organization which makes it unique amongst other organizations. The organizational cultures are usually driven through strategic business drivers of the organization and are taken as a pull or a push factor for potential employees (Jarnagin & Slocum, 2007). It is said to be a system of fundamental assumptions established by the people of organization with an objective to tackle day to day problems (Yilmaz & Ergun, 2008). Literature shows that organizational culture comprises of four different traits which includes mission, involvement, consistency and adaptability (Yilmaz & Ergun, 2008). Organizational cultures varies with respect to level of structure, type of organization and country of origin and are taken as the combination of norms, beliefs and rules which are accepted widely in an organization setting (Russell et al., 1985).

### **Organizational Culture and Organizational Performance**

Findings revealed that Organizational culture is positively linked to the performance and it has been established that organizational culture motivates the employee for higher organizational performance (Sang, 2005). The organizational performances depend on the level of cultural strength of the organizations and degree to which they value their policies, practices and organizational environment (Denison, 1990; Deal & Kennedy, 1982). The prevalent organizational culture plays a vital role in binding the employee in a coherent unit and result in developing competitive edge over the competitors. The organizations are required to keep monitoring their organizational culture with the view to shun off any activity or sign of deviation from rules, polices and regulations (Summers & Hyman, 2005). Each factor of organizational culture i.e. mission, involvement, consistency and adaptability has a positive effect on the performance (Denison, 1990). The values and behavioral standards are formed through organizational culture and they act as filters in processing the information (DeLong & Fahey, 2000) Findings showed that decision makers are required to be mindful of the organizational culture while analyzing the information and performance of the organization (Zheng et al., 2010).



## Leadership

Literature narrates that leaders are the people who are positively influenced with the abilities to guide, direct, persuade motivate and inspire a group of people, team or organization to perform better to achieve the assigned goals. The leadership is the process of exercising influence, having dominance on activities of the people under supervision and motivating and directing them to achieve the organizational goals and objectives (Judge, Bono, Ilies, & Gerhardt, 2002). Leadership has also been identified as an everlasting mechanism present in an organization which follows a series of actions through which a person persuades rest of the employees until the desired organizational and individual goals are achieved (Barnett, 2002).

Studies emphasis that leadership is the most important factor which contributes towards success or failure of an organization. The leaders have an insight and vision to foresee and predict the events and likely problems in a group, organization or society (Judge et al., 2002). This insight enables the leaders to possess and utilize energy and power at work to motivate, inspire and guide them in the desired direction (Zahedi, 1999). The leaders are valued because they transform the plans, strategies and policies into action and with their strong leadership qualities they are able to convert a weak strategy and plan into a success. Findings show that Possession and execution of good leadership qualities in an organization is of utmost importance to benefit from the organizational culture and strategy. Researcher evidenced those adequate skills of monitoring, managing the resources, persuading and motivating the employees, foreseeing and resolving the problems are also needed for an effective and efficient leader (Mills, 2005).

## Leadership and Organizational Performance

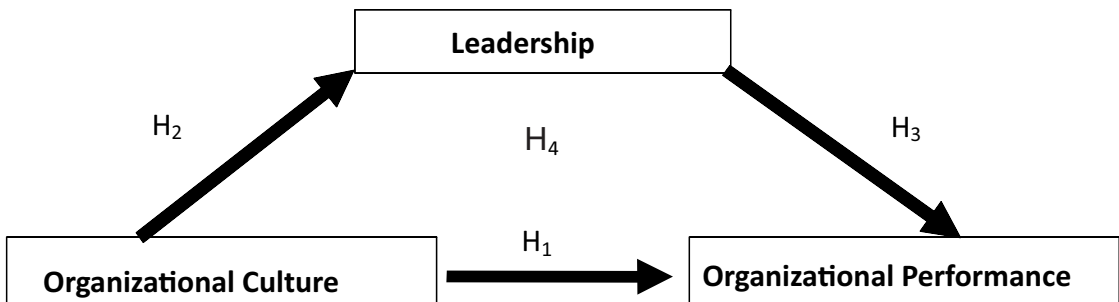
Numerous studies demonstrated that organizational performance and leadership are closely related to each other where the performance is dependent on the leadership qualities of the organizational leaders. There is a positive relationship between transformational leadership and performance (Patterson, Fuller, Kester, & Stringer, 1995). The leadership is likely to result in growth and empowerment among followers who draw aspiration, motivation and self-esteem from positive feedback and recognition by their leader. (Bass, 1985; Yukl, 1988). The leaders inculcate higher degree of trust in the followers due to his/her personality, knowledge and leadership qualities which are unique for each leader approach (Conger & Kanungo, 1998).

## Leadership and Organizational Culture

Leadership being the focal point of all administrative and managerial activities plays an important role in attaining these two basic and vital functions of an organizational culture (Tsui et al., 2006). In

order to investigate the interrelation between leadership and culture, Denison and his colleagues have developed and empirically supported the theory of organizational culture and effectiveness that identifies four cultural traits that are positively related to organizational performance, namely involvement and participation, consistency and normative integration, adaptability, and mission (Denison, 1990; Denison & Mishra, 1995; Denison et al., 2004). Further Cooke et al. (1990) have established that efficient and innovative organizations follow those norms that promote achievement, self-actualization, participative decision making, cooperation, social support, and constructive interpersonal relations. These norms are established, maintained and developed by the leaders, thus making it important to have efficient leaders for efficient culture (Cooke & Rousseau, 1988; Rousseau, 1990; Cooke & Szumal, 1993; Cooke & Szumal, 2000). Hence, the current study investigates the moderating role of leadership on the relationship between organizational culture and organizational performance in the context of Pakistani banking sector.

**Conceptual framework**



**Fig 1: Conceptual Framework**

**Hypothesis**

- H<sub>1</sub>: Organizational culture has significant positive impact on organizational performance
- H<sub>2</sub>: Organizational culture has significant positive impact on leadership
- H<sub>3</sub>: Leadership has significant positive impact on organizational performance
- H<sub>4</sub>: Leadership mediates the relationship between organizational culture and organizational performance

**Research Methodology**

The study was initially conducted with the view to establish the reliability, validity, and normality of the scales adapted to measures organizational culture, organizational performance and leadership.

Later, the hypotheses were tested on sample of 164 employees of commercial banks of Rawalpindi and Islamabad, Pakistan chosen through convenient sampling.

### Population/Sample

Public and private sector commercial banks of Rawalpindi and Islamabad, Pakistan were selected for the study. The data was collected from the employees working at managerial and non-managerial level. Convenient sampling technique was used to collect data from 164 respondent out of which 115 were male (70.1 %) and 49 (29.9 %) were female.

The ages of the respondents ranged from < 20 years to 41 years and above. Respondents of the sample had wide ranges of experience from 1-3 years to 7 years and above. Bulk of the sample i.e. 77 (47 %) draws monthly salary of Rs. 11,000 to 20,000, and 71 (43.3%) respondents receive Rs. 20,000 and above while only 16 (9.7 %) respondents were drawing salary of Rs. 10,000 or less.

### Instrument

**Organizational Culture:** Organizational culture was measured by the instrument developed by Denison and Mishra, (1995). The scale consisted of 8 items to measure organizational culture. Each item was anchored at 5- point Likert type scale ranging from (1) strongly disagree to (5) strongly agree.

**Organizational Performance:** Organizational performance was measured by an instrument developed by Qureshi, (2010). The scale consisted of 10 items to measure organizational performance. Each item was anchored at 5- point Likert type scale ranging from (1) strongly disagree to (5) strongly agree.

**Leadership:** Leadership was measured by an instrument developed by Sergiovanni, Metzger, and Burden, (1969). The scale has 17 items to measure leadership. Each item was anchored at 5- point Likert type scale ranging from (1) strongly disagree to (5) strongly agree.

### Statistical Techniques

Information was recorded sorted and collated after data collection. Latter, the collected information was compiled and analyzed by using Correlational analysis and hypotheses were tested by using multiple regressions to validate the results by using SPSS.

**Result and Analysis**

Table 1: *Demographics of the Study (N= 164)*

Category of the demographic measure		Number	Percentage
Sector of the Bank	Public	48	29.3
	Private	116	70.7
Education	Bachelor	55	33.5
	Master	92	56.1
	MPhil	17	10.4
Gender	Male	115	70.1
	Female	49	29.9
Ages of the respondents	Less than 20 years	3	1.8
	21-30 years	115	70.1
	31-40 years	35	21.3
	41 and years	11	6.7
Experience	1 – 3 years	88	52
	4-7 years	47	25
	More than 7 years	29	7
Salary of the Respondents	Less than 10000	16	9.7
	11000-20000	77	47
	More than 200000	71	43.3

The table 1 above shows the demographic statistics of the respondents.

Table 2. *Tests of reliability*

S.No	Variable	Alpha	No. of Items
1.	Organizational Performance	0.719	8
2.	Organizational culture	0.765	10
3.	Leadership	0.712	17

Table 2 above indicates the result for reliability for all the variables of the study. Reliability test shows that a value of Cronbach's Alpha varies from 0.719 to 0.765.

Table 3. *Correlation Analysis*

Table 3 : Mean, Standard Deviations and Inter Correlations (N= 164)

S. No	Variable	M	SD	1	2	3
1.	Organizational Performance	2.71	12.82	1		
2.	Organizational culture	3.46	4.93	.758**	1	
3.	Leadership	4.45	6.04	.823**	.418**	1

Table 3 above describes the mean, standard deviations and correlations between the study variables. Organizational Performance indicated a very significant positive correlation with other two variable i.e. Organizational culture ( $r = 0.758^{**}$ ,  $p < 0.000$ ) and leadership ( $r = 0.823^{**}$ ,  $p < 0.000$ ). Further the findings also showed a positive and significant relationship between organizational culture and Leadership ( $r = 0.418^{**}$ ,  $p < 0.000$ )

### Multiple Regressions

Multiple regressions were performed to measure the effects of variables in relation to organizational performance and check the mediation of leadership between organizational performance and organizational culture. The dependent variable was organizational performance and the independent variables were organizational culture and leadership. Multiple regressions were performed by using SPSS.

Table 4: *Multiple Regression of Organizational Performance on the Independent Variables (N= 164)*

	Beta	t	Sig.
Constant		6.00	.000
Organizational Culture	.540	11.7	.000
Leadership	.305	8.30	.000

$R^2 = 0.532$ , Adjusted  $R^2 = 0.526$ ,  $P < 0.05$

The result of regression analysis indicated that organizational culture ( $\beta = .676$ ,  $t = 11.685$ ,  $p < 0.000$ ) and leadership ( $\beta = .546$ ,  $t = 8.301$ ,  $p < 0.000$ ) have significantly positive influence on the organizational performance.

Table 5: *Multiple Regression of Leadership on the Independent Variables (N= 164)*

	Beta	t	Sig.
Constant		12.3	.000
Organizational Culture	.446	6.34	.000

$R^2 = 0.199$ , Adjusted  $R^2 = 0.194$ ,  $P < 0.05$

Table 5 above indicates the results of regression performed to see the effects of organizational culture on leadership as dependent variable. The result of regression indicates that organizational culture ( $\beta = .446$ ,  $t = 6.342$ ,  $p < 0.000$ ) has significantly positive influence on the leadership.

Table 6: *Multiple Regression of Organizational Performance on the Independent Variables with Leadership as Mediator (N= 164)*

Independent Variables	Dependent Variable - Organizational Performance		
	Beta	t	Sig.
<b>Models</b>			
Model – 1 $R^2 = 0.457$ , Adjusted $R^2 = 0.454$			
Constant		6.00	.000
Organizational Culture	.676	11.7	.000
Model – 2 $R^2 = 0.526$ , Adjusted $R^2 = 0.532$			
Constant		1.11	.269
Organizational Culture	.540	8.97	.000
Leadership	.305	5.07	.000

Table 6 above indicates the results of regression performed on the independent variable of organizational culture on organizational performance as dependent variable with leadership as a mediatory variable. The result of regression indicates a value of ( $\beta = .676, t = 11.685, p < 0.000$ ) for organizational culture and when leadership was introduced as a mediator, the value of have beta ( $\beta$ ) changed to ( $\beta = .540, t = 8.966, p < 0.000$ ) but it remained significant indicating a partial mediation by the leadership.

## Discussion

The purpose of this study was to examine the relationship between organizational culture, leadership and organizational performance. Secondly the objective was to examine the mediatory role of leadership between organizational culture and organizational performance. The results of correlational analysis indicated that organizational performance had a very significant positive relationship with Organizational culture. The findings of multiple regression also indicated (Fig – 2 above) that organizational culture ( $\beta = .776, t = 11.685, p < 0.000$ ) has significant positive influence on the organizational performance, hence, verifying Hypothesis 1 i-e organizational culture significantly and positively influences organizational performance. Furthermore, the value of  $R^2$  showed that 45% variance in the organizational performance was caused by organizational culture. The result of the study is in line with the previous researches (Denison, 1990; Ogbonna & Harris, 2000) which also show the significant relationship between organizational culture and organizational performance.

Correlational analysis indicated that organizational performance had a very significant positive relationship with leadership ( $r = 0.823, p < 0.000$ ). The findings of multiple regression performed also indicated (Fig – 3 above) that organizational culture ( $\beta = .446, t = 6.342, p < 0.000$ ) has significant positive influence on the organizational performance. As organizational culture significantly and positively influence organizational performance, therefore the hypothesis 2 is accepted. The value of  $R^2$  showed that 19% variance in leadership was caused by organizational culture. The result of the study is in line with the previous research (Schein, 1992) which also shows the significant relationship between organizational culture and leadership.

Correlational analysis indicated that leadership had a very significant positive relationship with Organizational culture ( $r = 0.418, p < 0.000$ ). The findings of multiple regression performed also indicated (Fig – 4 above) that leadership ( $\beta = .546, t = 8.301, p < 0.000$ ) has significant positive influence on the organizational performance. As leadership significantly and positively influences the organizational performance, therefore the hypothesis 3 is accepted. The value of  $R^2$  showed 30% variance in organizational performance is caused by leadership. The result

of the study is in-line with the previous researches (Nicholls, 1988; Quick, 1992; Simms, 1997) which also show the significant relationship between leadership and organizational performance.

Correlational analysis indicated that organizational performance had a very significant positive relationship with both the variables i.e. organizational culture ( $r = 0.758, p < 0.000$ ) and leadership ( $r = 0.823, p < 0.000$ ). The findings of multiple regression performed also indicated (Fig – 5 above) that organizational culture had a significant positive effect of organizational performance with beta value of 0.676 ( $\beta = .676, t = 11.685, p < 0.000$ ) and when leadership was introduced as a mediator, the value of beta had ( $\beta$ ) changed to 0.540 ( $\beta = .540, t = 8.966, p < 0.000$ ) and remained significant indicating a partial mediation by the leadership. As leadership indicated partial mediation between organizational culture and organizational performance, therefore the hypothesis 4 is accepted. The value of  $R^2$  change indicated that showed 7% variance was brought by the additive effect.

## Conclusion

The present study examined the variables like organizational culture and leadership as predictors of organizational performance in public and private sector commercial banks of Pakistan. It has been established during the current study that organizational culture and leadership have significantly positive influence on the organizational performance and leadership partially mediates the relationship between organizational culture organizational performances.

## Limitations and Future Recommendations

- The study has been conducted in a time constraint settings which resulted in overlooking several aspects of the employee's behavior related to the independent variables as unexplored.
- If the study was spread over a prolonged time period, the dimensions and facets of variables would have been evaluated in further details and results might have been more generalizable and detailed.
- Moreover, the data regarding demographic variables was collected but due to the time constraint, we could not control these variables as part of the study.
- Study was restricted to the employees of banking sector only and other organizations have not been studied.
- The future researchers are suggested to expand the scope of study and examine the impact of these predictors in organizations other than the Banking Sector and also examine the impact of demographic variables on the Organizational performance.



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## Intellectual Capital Efficiency and Corporate Financial Performance

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### Abstract

*The focus of this study is to investigate the linkages between the intellectual capital and the financial performance in manufacturing companies of Pakistan. For the purpose of this study financial data of 46 selected manufacturing companies were collected from their financial statements, covering the year 2011 through 2015. Both descriptive and inferential statistics were used to generalize the results. Intellectual capital performance is measured by Value Added Intellectual Coefficient (VAIC™) that is comprised of human capital efficiency, structural capital efficiency and capital employed efficiency. The financial performance is measured through return on assets, return on equity, return on investments and earnings per share. The results showed that the intellectual capital has significant effect on the financial performance of the manufacturing firms.*

**Key Words:** Intellectual Capital Efficiency, Financial Performance, Human Capital Efficiency, Structural Capital Efficiency, Capital Employed Efficiency

## Introduction

One of the emerging areas of discussion in this modern age is the intellectual capital and its role in the success of the business. It is considered as the most important competitive edge over other companies. In today's spirited economic environment of the corporate world, the success of the organizations is mostly measured by the very vital factor of the intangible assets in the field of finance, which is known as "intellectual capital". It significantly affects the standards and values in a knowledge based economy (Bontis, 2001; Yalama, 2007). Moreover, the intellectual capital is recognized as the most important element among all the other intangible assets in an organization to get the competitive advantage or the competitive edge (Lonnqvist et al., 2008; Shaari et al., 2010); to boost the performance of the entity and to support the economic development of the country. The intellectual capital is found to set positive direction towards the performance and effectiveness of the company (Cohen & Kaimenakis, 2007; Chong & Lin, 2008; Tovstiga & Tulugurova, 2009).

The dimensions in which we can divide the intellectual capital are the human capital (How much skilled and trained the work force is), structural capital (how strong the structure of the organization), relational capital (how much strong the relations are with the other firms) and the capital employed that is the real capital that is invested in the business. These all intangible assets of any progressive company play a very important role in the progress of the firm (Malone & Edvinsson, 1997; Roos, 2005). There is a dire need to examine the importance of these intangible assets of the firm which can make a difference among the other competitive companies in the market; where 20% & 80% assets in the corporations comprises of tangible and intangible assets respectively (Roos et al., 2005). Highly skilled workforce, smooth relations in the market, strong structure and a handsome capital boost the overall performance of the firm or in other words play like the catalyst.

Pakistan being a populous country with best economic corridor has got huge potential in market for many economic and commercial activities (Ahmed & Ahmad, 2008). A proficient and practical monetary framework is essential for the economic development of any country, yet the role of intellectual capital is also recognized as one of the most important elements to support the economic development of the country (Lonnqvist et al., 2008; Shaari et al., 2010). The monetary policy of Pakistan is playing out an imperative part in the financial and economic development (Anwar et al., 2010), and is widely researched; thus

## Research Question

To what extent Intellectual Capital Efficiency influences financial performance of manufacturing companies of Pakistan?

## Rationale of the Study

In the developing countries like Pakistan where the trend of intangible assets is on boom, the same is the tenacity of this research i-e to find the prominence and the influence of the role of intangibles like Intellectual capital in the performance of any organization. The results will lead to the findings that whether the intellectual capital is playing a vital part and how it adds value to the performance of the firm.

## Significance of the Study

In today's information based business environment firms are focusing more towards value based learning and as such they are putting more resources in intellectual capital (Juma & Payne, 2004). The need for intellectual capital is growing with the extension of the data, information, learning, and knowledge age (Guthri, 2001). The traditional capital as per theories of finance, that is, financial capital, labor, properties, physical resources and money are not considered liable alone to keep up the firm proficient and successful (Stahle & Hong, 2002). The analysts believe that impalpable resources are more critical in the value generation of the firm (Ahmadi et. al., 201). The present study is an attempt in that direction to empirically investigate the linkages between the studied variables to highlight the significance of the intellectual capital efficiency in enhancing the financial performance of the manufacturing sector of Pakistan.

## Literature Review

The perception of scholarly capital was at first presented by Karl-Erik Sveiby in the mid- 1980s and further investigated by Edvinsson and Malone (1997), Sullivan (1998), Andriessen and Stam (2004), Bontis (2004), Edvinsson (2005), and Andriessen and Stam (2005). Bandyopadhyey and Bhartish (2005) showed their concern towards the significance for associations to comprehend their scholarly capital resources and ought to be overseen on top most priority, if the organizations want to win the competitive edge over its environment of competition. Process for formation of value is generally characterized by the main source known as Intellectual Capital. Regardless of industry, the competency of the companies is critically reflected by intellectual capital. Johnson and Kaplan (1987) explained that the most important factor for the performance of an organization could be intellectual capital. Consequently, intellectual capital has to improve by the executives of the firm. They have to learn about to improve this intangible competitive factor. They have to learn about how to improve this intangible competitive factor. They have to learn to improve their efficiency within the organization as well as in knowledge based economy.

The moving pattern from conventional economy to information based concentrated economy amid



the most recent two decades, have made the administration business to take a principle part in esteem creation procedure of the firm (Sofian et al., 2011). Besides, educated capital assumes a key part in the organizations general execution and turn into the fundamental wellspring of accomplishing aggressive edge over contenders (Sofian et al., 2011). Scholarly capital, subsequently have an awesome potential for upper hand and this upper hand prompt to enhance the execution of the firm (Moon & Kym, 2006). Competency theory of an organization is needed as per the argument of Reich (1990) that recognizes the “value of talented people” to the system of any organization.

The intellectual capital is vital for information sensitive organizations (Sveiby, 1997; Stewart, 2001). So the intellectual capitals are each one of those immaterial assets of the association which makes value for the association. Intellectual capital has three classifications human, inner structural and social capital (Clarke et al, 2010). The human capacities, abilities, demonstrable skill and so on refer to the Human Capital. The interior structure capital comprises of advancement created by the innovative work groups, approaches, and inner environment and so on (Guthrie & Petty, 2000). Intellectual capital comprises each one of those non-physical wellsprings of significant worth that are joined with the representatives capacities, association's assets and method for working and the associations with their partners (Lönnqvist, 2004).

Malik et al. (2012) studied the importance of intellectual capital and relationship with corporate performance's tri dimensional theory, while comparing the Islamic banking system and the conventional banking system. The study concocted the outcomes from every part of V.A.I.C, the relationship between the three resource bases advantage, productivity and market valuation are mixed. Therefore the latest argument of researchers shows that only through innovative ways of checking the behavior of intangible assets maximized output can be reached. Rehman et al. (2012) directed a study by taking the banking sector in Pakistan. Intellectual Capital has turned into a key hotspot for learning based economy. So it was a pioneer study to gauge the intellectual capital execution and its effect on budgetary execution. The study revealed that intellectual capital execution in government banks, private banks, business banks and Islamic banks are generally seen to human capital efficiency.

Rehman et al. (2011) conducted a study and took Mudarba companies of Pakistan as a sample. With the end goal of measuring the execution of Mudarba organizations, the study used VAIC™ in their study as a key methodology. The study predicted that the human capital efficiency is one of the vital segments for measuring the scholarly capital effectiveness which implies more prominent the venture infused on proficient workers; implies high human capital efficiency, which is likewise bolstered by experimental results that has a noteworthy connection with financial performance of



Mudarba organizations. The other two modules of value added intellectual capital were also found in direct relationship with financial performance of Mudarba companies. Ahangar (2011) utilized the VAIC™ to quantify the execution of scholarly capital and its impact on monetary returns of organizations of Iran. Human Capital Efficiency has positive and huge impact on money related profits of organizations while on the other hand, the relationship of auxiliary capital and physical utilized capital were not demonstrating noteworthy budgetary execution of organizations.

Khaliq (2011) endeavored to investigate the relationship between the performance of companies and the components of intellectual capital of companies of Pakistan with building three research hypotheses with dependent variable of organizational performance and independent variables of human capital, structural capital, and social capital. The outcomes demonstrated the direct association between parts of intellectual capital and hierarchical execution of managing a financial segment in Pakistan. The outcome additionally delineated that human capital element has more positive association with firm's performance when contrasted with structural capital efficiency and social capital components. Maditinos et al. (2011) took sample of ninety six listed companies of Athens stock exchange for the purpose to investigate empirically that how intellectual capital relates itself with the performance of these 96 listed companies. He argues that the relationship of human capital efficiency is higher than any other component of the intellectual capital and also human capital having the positive and direct relation with return on equity.

Aziz (2010) studied the effect of intellectual capital on pharmaceutical industry of Jordan and he found that it had positive and huge effect on execution of Jordan pharmaceutical industry. Notwithstanding, the study included that high investment done in human capital is more productive and returnable than basic capital and physically utilized capital. Zeghal and Maaloul (2010) demonstrated experiential results that VAIC™ has immediate, huge and positive connection with, stock monetary and financial execution of the organizations. He included that capital utilized effectiveness is the most vital determinant which plays in securities exchange and VAIC™ has just huge connection with market execution of cutting edge businesses. Joshi et al. (2010) led a study to gauge the scholarly capital execution through model of VAIC™. They contended that Australian banks have more positive and noteworthy relations with Human Capital Efficiency which implies that more interest in people will demonstrate in the long run, indicating more and abnormal state of productivity than Structural Capital Efficiency and Capital Employed Efficiency. Laing et al. (2010) examined the trial association of IC execution and budgetary execution of motel industry of Australia over the period of 2004-2007 driving VAIC™ theory. They contemplated that Intellectual Capital Efficiency relies on upon Human Capital Efficiency of cabin industry of Australia which distinctly stimulates cash related execution of motel industry.

Cabrita and Bontis (2008) investigated the intellectual capital performance of fifty three Portuguese banks using Structural Partial Least Square Model and examined that the ultimate thing which strengthens the performance of the banks is the human capital efficiency which significantly affect the structural capital and relational capital. Kamath (2008) made his research on top most twenty five pharmaceutical firms by using the method VAIC™ and reached to the result that human capital efficiency is more valuable than structured and capital employed efficiency to boost up the productivity and profitability of pharma industry and also Yalama and Coskun (2007) got same findings conducted on the profitability of the firms. He employed VAIC™ and DEA analysis for the period of 1995-2005 and came to the conclusion that intellectual capital IC has significant positive effect on firm's profitability.

Pew et al. (2007) worked on Singapore stock exchange by taking 150 listed companies concluded that intellectual capital has a positive, direct and significant relation with the firm's financial performance of the taken sample. Same results showed in a study (Mohiuddin, Najibullah, & Shahid, 2006) conducted on 17 commercial banks of Bangladesh by using the Pulic's VAIC™ model for the purpose of measuring intangible of the banks. They derived the results that commercial banks have direct and significant relationship with Human Capital Efficiency than Structural Capital Efficiency and Capital Employed Efficiency. Tan et al. (2007) conducted another study in which he presumed that Intellectual Capital execution has noteworthy connection with association's execution and its future execution by using the same VAIC™ model of Pulic. Kamath (2007) used VAIC™ methodology in his study for the purpose of finding the empirical relation while conducting the study to measure the intellectual performance of Indian banks. He mentioned that Human Capital Efficiency (HCE) lies much more in foreign banks than public banks. But the physical capital employed is found more in public banks than in foreign banks.

Ji-Jian et al. (2006) was guided the study to gage the IC execution and its impact on budgetary execution of 32 vehicles associations recorded in Shanghai Stock Exchange. The correct disclosures revealed that each one of the determinants of VAIC™ have substantive effect on cash related execution of 32 vehicles countries.

Mavridis and Kyrmizoglou (2005) studied Greek banking system from the period of 5 years from 1996-1999, discovered the experimental relation that human capital efficiency is more imperative than physical capital employed. Mavridis (2005) managed to conduct a study using model of Pulic, VAIC™ on 17 commercial banks and reached to the result that Physical employed capital and Value Added have positive and strong relation. Sofia (2005) contended that scholarly capital has immediate and positive connection with execution of money related firms and same results are

supported by Riahi-Belkoui (2003) who reasoned that scholarly capital has immediate and substantive effect on execution of US multinational corporate segment. Goo and Tseng (2005) took 500 Taiwanese companies by using VAIC™, argued the experimental connection of scholarly capital execution and its effect on money related execution. They investigated that IC has positive substantive impact on monetary execution.

### Methodology

In the frame work of the present study there are two main variables, Intellectual capital and corporate performance. Where intellectual capital is independent variable and corporate performance is dependent variable. There is need to operationalize these two major concepts into the measurable form so that we can calculate the value of the intangible assets. The independent variable i.e. the intellectual capital is divided into three main components that are Human Capital Efficiency (HCE), Structural Capital Efficiency (SCE) and Capital Employed Efficiency (CEE). Corporate performance is further divided into four segments to calculate the firm's performance. These include Return on Equity (ROE), Return on Investment (ROI), Return on Assets (ROA) and Earnings per Share (EPS).

### Hypothesis

Following hypothesizes are developed on the basis of findings of the literature review

- H<sub>1</sub>: Higher intellectual capital efficiency leads to higher return on assets in manufacturing companies
- H<sub>2</sub>: Higher intellectual capital efficiency leads to higher return on equity in manufacturing companies
- H<sub>3</sub>: Higher intellectual capital efficiency leads to higher earnings per share in manufacturing companies
- H<sub>4</sub>: Higher intellectual capital efficiency leads to higher return on investments in manufacturing companies

### Population & Sampling

The study selected Textile and Cement sector of Pakistan to look into the linkages between intellectual capital and corporate performance. The population of the study comprised of 57 composite textile companies and 23 cement companies, listed on Pakistan Stock Exchange. 31 composite textile companies and 15 cement companies have been chosen for the study on the basis of availability of data for the period of study ranging from year 2011 to 2015.

### Measurements of Variables

The Value Added Intellectual Coefficient (VAIC™) will be utilized as a part of this study as a fundamental strategy to gauge the intellectual capital which was presented by Pulic (1998). Question about the VAIC™ arises that how it calculate the intellectual capital or intangible assets. Public (1998) defined the criteria to measure these intangible assets by giving different formulae.

Value added Intellectual Co-Efficient VAIC™

$$VAIC^{TM} = H.C.E + S.C.E + C.E.E.$$

Where;

$$H.C.E = V.A / H.C$$

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$$S.C.E = S.C / V.A$$

$$C.E.E = V.A / C.E$$

$$V.A = R.E + D.D + T + E.C + D + A$$

$$= O.P + E.C + D + A$$

$$H.C = \text{Payroll costs}$$

$$R.E = \text{Retained Earnings}$$

$$D.D = \text{Dividends}$$

$$T = \text{Taxes}$$

$$E.C = \text{Total employees expenses viewed as investments}$$

$$D+A = \text{depreciation and amortization}$$

$$O.P = \text{Operating Profit}$$

$$S.C = V.A - H.C$$

$$C.E = \text{Book Value of firm's Net assets}$$

$$V.A, = \text{Value Added}$$

### Econometric Model

Following econometric model is used to test the relationship between the studied variables

$$Y_{it} = \alpha + \sum_{i=1}^n \beta X_{it} + \mu_{it}$$

Y = Dependent Variable

X = Independent Variable

$\alpha$  = Intercept

$\beta$  = Coefficient of Independent Variables

i for Firm,

t for time period.

$\mu$  = Error term

The applied econometric model is translated for the given study as:

$$ROA_{it} = \alpha_0 + \beta_{it} VAIC + \varepsilon_t$$

$$ROE_{it} = \alpha_0 + \beta_{it} VAIC + \varepsilon_t$$

$$ROI_{it} = \alpha_0 + \beta_{it} VAIC + \varepsilon_t$$

$$EPS_{it} = \alpha_0 + \beta_{it} VAIC + \varepsilon_t$$

### Data Analysis

Results of descriptive statistics (Table 1) revealed that return on equity is having mean value of 4.6948. Its minimum value is negative i.e. -25.14, which implies that some of the organizations have negative results as for return on equity is concerned. The return with greatest value is 63.97%, it implies that highest value is demonstrating better results and financial specialists might be sure that their overall earnings are positive and further maximum earnings value is indicating better results. The standard deviation which measures the variation in the return on equity indicated the variation in the return of 11.97 percent, which demonstrates much variation in the return. Return on Asset mean value is demonstrating 1.3449 percent return and least return is in negative which is - 20.5 and most extreme profit is very nearly 32.4 with standard deviation of 6.8. This indicates that assets returns are quite volatile in these companies. Earnings per share mean value is 7.07 for every share with minimum earnings per share in negative value of - 82.54 and its maximum value is 64.720 and the variation in earning per share is 22.25. This also indicated the same trend of volatility in these companies as return on assets. Similar relationships were observed in return on investment demonstrating the mean return of 0.441 with minimum value -16.43, maximum value indicating 11.12 and standard deviation is around 6.82. One of the most critical variable which is utilized for the intellectual capital is the VAIC i.e. value added intellectual co- efficient; its mean value is demonstrating that the intellectual capital is just about four times of financial performance and its base value is demonstrating that - 19.87 which implies once in a while VAIC don't put any part in the financial performance of the organizations, then again its maximum value is 66.49 which lets us know that occasionally organizations utilizing nineteen times VAIC puts its part in financial

performance as an intangible and hidden resources of the non-financial organizations, and the variation in this factor is 7.8.

Table 1 - *Descriptive statistics*

	Mean	Std. deviation	Minimum	Maximum
ROE	4.6948	11.9741	-25.1400	63.9700
ROA	1.3449	6.8218	-20.5300	32.4300
EPS	7.0792	22.2592	-82.6400	64.7600
ROI	0.4496	6.8218	-16.4316	11.1266
VAIC	5.4520	7.8384	-19.8703	66.4915

Results of correlation matrix (Table 2) revealed the correlation among the studied variables ROI, ROA, ROE, EPS and VAIC of manufacturing companies of Pakistan. Return on Assets has a positive relationship with VAIC (intellectual capital) with magnitude 0.4125. Return on investments is positively corresponded with every one of the factors aside. Return on investments has positive association with intellectual capital VAIC with a value of 0.1054. Return on equity has positive relationship with intellectual capital VAIC which shows the value of 0.1353. Earnings per share have positive relationship with independent variable which shows the positive value of 0.3065.

Table 2 – *Correlation Matrix*

	ROA	ROI	ROE	EPS	VAIC
ROA	1.0000				
ROI	0.1738	1.0000			
ROE	0.2731	0.3475	1.0000		
EPS	0.4567	0.3382	0.5231	1.0000	
VAIC	0.4125	0.1054	0.1353	0.3065	1.0000

Fixed effect model results (Table 3) indicated that the independent variable is affecting the Return on assets. For example VAIC the proxy of intellectual capital has a positive coefficient with a value of 0.1482 and its P value is less than five percent. The overall model has good fit because its F statistics is significant. Durbin Watson value shows the autocorrelation problem which in this case showing closer to the value of 2, resulting no autocorrelation among the variables. The main independent variable which is the VAIC, measure of intellectual capital showing the significant value which is the main concern of this study.

Table 3 - *Intellectual Capital & Return on Assets*

ROA	Coefficient	Std. Error	t-statistics	P-value
Constant	-7.775963	12.63964	-0.615204	0.5392
VAIC	0.148212	0.054012	2.744056	0.0067
R-Square	0.6262	P-value for F	0.0000	
F statistics	6.1547	Durbin-Watson Stat.	1.8390	

Hausman test (Table 4) tells us that whether fixed effect should be used or random effect should be used for the purpose of reporting our result and considering for the conclusion of the study. The Hausman test is showing that fixed effect should be used in the study because P-value is less than .05.

Table 4 - *Hausman Test: Intellectual Capital & Return on Assets*

	Coefficients		Difference	
	Fixed Eff.	Random Eff.	Fe-Re	S.E
VAIC	0.148212	0.219606	0.000473	0.0010
P value			0.0037	

Fixed effect model results (Table 5) indicated that the intellectual capital has the positive coefficient which is 0.1155 and its P-value is additionally significant which implies that when VAIC will increase then return on equity will increment. The overall model has good fit because its F statistics is significant. Durbin Watson value shows the autocorrelation problem which in this case showing closer to the value of 2, resulting no autocorrelation among the variables. The main independent variable which is the VAIC, measure of intellectual capital showing the significant value.

Table 5 - *Intellectual Capital & Return on Equity*

ROE	Coefficient	Std. Error	t-statistics	P-value
Constant	-32.26013	21.94467	-1.470067	0.1433
VAIC	0.115507	0.093775	1.231749	0.0216
R-Square	0.6343	P-value for F	0.0000	
F statistics	6.3721	Durbin-Watson Stat.	1.5999	

Hausman test (Table 6) is demonstrating that fixed effect model ought to be utilized as a part of this study since P-Value is under .05 and conclusion ought to be composed by fixed effect model.

Table 6 - Hausman Test: Intellectual Capital & Return on Equity

	Coefficients		Difference	S.E
	Fixed Eff.	Random Eff.	Fe-Re	
VAIC	0.11	0.11	0.00	0.91
Pvalue			0.03	

Fixed effect model results (Table 7) indicated that independent variable is insignificantly affecting the Return on Investment. All the three controlled variables also showing insignificant results. Durbin Watson value showing no autocorrelation among the variables.

Table 7 - Intellectual Capital & Return on Investment

ROI	Coefficient	Std. Error	t-statistics	P-value
Constant	-9.25	7.82	-1.18	0.23
VAIC	0.05	0.03	1.49	0.13
R-Square	0.22	P-value for F	0.38	
F statistics	1.09	Durbin-Watson Stat.	1.97	

Hausman test (Table 8) is demonstrating that random effects should be used in this study since p value is greater than 0.05 and conclusion should be written according to the random effects model.

Table 8 - Hausman Test: Intellectual Capital & Return on Investment

	Coefficients		Difference	S.E
	Fixed Eff.	Random Eff.	Fe-Re	
VAIC	0.05	0.03	0.00	0.62
P value			0.09	

From the fixed effects results (Table 9) it is depicted that there is positive relationship between our main independent variable that is the intellectual capital and return on investments as a positive coefficient of 0.9104 is mentioned. That means when there is an increase in VAIC (intellectual capital) then the earning per share EPS also enhanced. In other words VAIC is directly proportional to the EPS. Earnings per share (EPS) also showing the significant P-Value. The overall model has good fit because its F statistics is significant. Durbin Watson value shows the autocorrelation problem which in this case showing closer to the value of 2, resulting no autocorrelation among the variables. The main independent variable which is the VAIC, measure of intellectual capital showing the significant value which is the main concern of this study. This model of fixed effect is appropriate for the study.



Table 9 - *Intellectual Capital & Earning per Share*

EPS	Coefficient	Std. Error	t-statistics	P-value
Constant	-74.73473	48.59096	-1.538038	0.1258
VAIC	0.910436	0.207640	4.384675	0.0000
R-Square	0.5123	P-value for F	0.0000	
F statistics	3.8592	Durbin-Watson Stat.	1.7414	

Hausman test (Table 10) tells that fixed effect should be used in this study since p value is less than .05 and conclusion should be written according to the fixed effects model.

Table 10 - *Hausman Test: Intellectual Capital & Earning per Share*

	Coefficients		Difference	S.E
	Fixed Eff.	Random Eff.	Fe-Re	
VAIC	0.910436	0.897628	0.008757	0.8911
P value			0.0413	

### Conclusion

The main concern of the study was to analyze how and to what extent intellectual capital efficiency affects various parameters of corporate performance including return on assets, return on equity, earnings per share and return on investment. The study concluded that intellectual capital efficiency behaves differently and with different magnitude with various measures of corporate financial performance of manufacturing companies of Pakistan. Intellectual capital was found to have significant positive relationship with return on assets, return on equity and earnings per share whereas insignificant positive relationship was observed between intellectual capital and return on investment. This indicated that intellectual capital adds more value to the equity owners rather than all funds' suppliers including financiers. There is a need to look further into it that what factors are actually causing insignificant relationship between return on investment and intellectual capital. To improve the results of this study and to add to the generalizability of the study there is a need to increase the sample size and add control variables in the study including firms' specific factors like firms' age, firms' growth rate, macroeconomic factors, corporate governance, government role and policies etc.

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## Goal Setting and Job Related Outcomes- Mediations of Employee Engagement and Workplace Optimism in IT Supplier Industry

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### Abstract

*The purpose of this study was to examine the role of goal setting on job related outcomes, employee engagement and workplace optimism mediates the relationship between goal setting and work place optimism in the supplier industry of IT sector. Employee engagement and work place optimism mediations are examined on the relationship between goal setting and job related outcomes. Job satisfaction, organizational commitment and turnover intentions are examined as the job related outcomes. Questionnaire method was used to collect data from targeted respondent. A total of 180 questionnaires were distributed from which 152 were received in useable form. Simple linear regression is used to test the first hypothesis and Baron and Kenny (1986) regression analysis is used to test remaining three hypotheses. It is determined that, to improve the job related outcomes effective goal setting by the management is important. Employee engagement and workplace optimism are also important factors to improve the outcomes*

**Keywords:** Goal Setting, Workplace Optimism, Employee Engagement, Job Satisfaction, Organizational Commitment, Turnover Intention

## Introduction

Employee engagement has received tremendous empirical attention in this decade. Most of the researches and documents regarding employee engagement offer either subjective and empirical proof that employee participation is a predictor of improved outcomes (Luthans & Lewis, 2002; Walters, 2008) or the methods by which companies or supervisors can improve a worker's stage of participation (Cartwright & Holmes, 2006; Fenci & Masarech, 2008). Optimism with connection to job related outcomes has been discussed however optimism remains an understudied phenomenon in the literature (Jensen et al., 2007). The focus of this research is to examine goal setting, employee engagement and workplace optimism as variables of interest for improved job related outcomes.

The previous studies were based on the impact of goal setting and employee engagement on individual/organizational performance. Present study focuses to evaluate the impact of goal setting and employee engagement on turnover. Study will help practitioners to reduce the turnover rate via organizational goals and enhanced employee engagement in the organization. Information from a convenience sample of 152 workers is examined following a regression technique. The research empirically looks into the potency of the development of applications that promote achievements stories, employee participation, and beneficial outlook as control practitioners always want to improve the job outcomes of their employees.

The next section contains the review of the literature, followed by discussion on hypothesis, then methodology used in this study is discussed followed by the scale valuation results and regression outcomes. Results including the contribution of the research, limitations of the research and recommendation for the future research follow at last.

## Problem Statement

As suggested by Medlin and Natural (2009), the upcoming analysis aims to assess the effects of goal setting, employee engagement, and workplace optimism on traditional outcomes such as turnover intention, job satisfaction and organizational commitment. The IT supplier industry remains target oriented and goal focused. Employees are assigned goals and they are expected to achieve these goals in the given time period. The author contends that effective goal setting may positively impact the job related outcomes. The support to above arguments can be obtained through participation and engagement of the relevant employees while management sets goals for them. Management of the supplier industry also needs to develop optimism in the employees. Thus, the employee engagement and workplace optimism acts as the potential mediators in the proposed model.

### Research Objectives

- o To assess the impact of goal setting on job related outcomes.
- o To determine the mediating role of employee engagement in relationship between goal setting and job related outcomes.
- o To determine the mediating role of workplace optimism in relationship between employee engagement and job related outcomes.
- o To study the mediating role of workplace optimism in relationship between goal setting and job related outcomes.

### Research Questions

- o What is the impact of goal setting on the job related outcomes?
- o How employee engagement mediates the relationship of goal setting and job related outcomes?
- o Does workplace optimism mediates the relationship between employee engagement and job related outcomes?
- o How does the workplace optimism mediate the relationship between goal setting and job related outcomes?

### Significance of the Study

This study addresses the issue related to the role of goal setting with mediating effects of employee engagement and workplace optimism to get the positive impact on job related outcomes. The study defines the role of these predictors on job related outcomes. Broadly, contribution of the study is to relate and develop a model of goal setting and job related outcomes with mediating effects of employee engagement and workplace optimism. This study assessed empirical evidence, in the context of Pakistan specifically in the supplier industry of IT sector to determine the contextual role of employee engagement and workplace optimism with goal setting and job related outcomes.

Findings of the study provide a guideline to improve the job related outcomes keeping in view the role of goal setting. Results of this study also provide a guideline that the role of employee engagement and workplace optimism while setting the effective goals is important to improve the job related outcomes. Goal setting is an important factor in the selected industry, so if the organizations set effective goals, the job satisfaction and organizational commitment will increase and employee intention's to leave the organization will be decreased.

## Rationale of Study

This study was conducted in supplier industry of IT in Pakistan. Respondents of this study are limited to employees working in private companies of IT suppliers located in Islamabad, Karachi and Lahore region of Pakistan. Specifically, managerial level employees working in the private companies of the IT supplier are population of this study. This is because of the good organizational connections of the researcher with employees working over there. To scrutinize the job related outcomes, three predictors were taken into account in this study. Broadly, the focus of this study is to assess the role of goal setting on job related outcomes as mediating effects of employee engagement and workplace optimism.

## Literature Review

A mounting body of research has attempted to examine goal setting, optimism, and employee engagement as instruments aimed to improve the job out comes. In the following, the independent variables, mediating variables and the dependent variables are discussed.

## Goal Setting

Present study examines goal setting as the independent variable. Goal setting is known to inculcate motivational effect leading to enhanced performance (Knight et al., 2001), as well as the control techniques or procedures needs to be developed as an essential part to improve individual performance (Zabaracki, 1998). Goal-setting concept declares that the anticipation, instrumentality, and valence of outcomes will be excellent if goals are complicated (thought- provoking), as well as particular and obtainable (Austin & Klein, 1996). Specifically, there is the postulation that behavior reflects the intended goals. Consequently, the expectation is that employee initiatives as well as in companies will be influenced by the goals allocated to, or chosen by, these workers.

Theorists argue that, to increase worker's initiatives and following performance and fulfillment, goals which are set for performance should be complicated relative to easy goals, but these should also be attainable. It is in the minds of organizational employees the encounter of achievements in the desire of complicated but obtainable goals are related with beneficial and valued outcomes. These outcomes are both internal as well as an external Example of internal outcomes are feeling of triumph, escape from feeling bored or useless, and proving himself. Examples of external outcomes are higher pay, job safety, and opportunities for upgrades (Locke, 2002). The concept also declares that goals should be particular (e.g., improve output by 5 percent in the next year), rather than common i.e. "do your preeminent" The concept further claims that individual's dedication is essential to increase the connection between goal and fulfillment (Fried & Slowik, 2004). Moreover,



dedication can be enhanced by two categories of aspects that (1) create the objective achievement essential and (2) improve individuals' perception that they can obtain the objective (high self-efficacy). Lastly, the concept claims that reliable and timely reviews are needed for effective goals.

As to what circumstances may improve or decrease the advantages of goal-setting, the answer is five-fold. First, as intended above, the person must have the ability and information to obtain the objective. If the objective is a performance result (e.g., improve business by 20 per cent within the next twelve months), and workers lack the information to obtain it, encouraging them to do their best can sometimes be even more effective than establishing a particular performance-out-come goal. A goal can cause stress and make an individual anxious to succeed as a result an individual faces a chaos that effects his planning, that ultimately deteriorates his performance. This in convert results in evaluation worry and anxiety. The anti-dote for this issue is to set a particular high-learning goal rather than a result goal (e.g., find out five methods to master this task). A studying goal needs individuals to focus on understanding the procedure that is needed of them and to create a plan for performing it correctly. In short, when actions workouts have yet to be developed, a particular high-learning goal concentrates attention on systematic troubleshooting and ultimately on top rated.

Second, the person must be dedicated to the objective, especially if the objective is complicated. Accomplishing a complicated goal needs significant amounts of attempt, with low probability of achievements. Objective dedication is likely if the result of the objective is essential to the person, and the person believes that the objective is indeed obtainable. With regard to importance,

- o Making a person's goal public increases dedication because striving to obtain it increases a person's reliability in a person's own sight as well as in the sight of others.
- o To the stage that an innovator is helpful, goals that are allocated create "demand characteristics" in that they are an intended appearance of the leader's assurance in the person that the objective can and will be accomplished.
- o A perspective offered by an innovator that galvanizes and inspires individuals is likely to improve goal dedication to the stage that the objective results in con-create actions toward the achievement of the perspective.
- o Monetary incentives can be connected with goals, but to do so is tricky as mentioned in the next article by Edwin Locke.

Third, individuals need reviews on their enhancement toward the objective. Feedback enables them to adjust the stage or direction of their attempt and the technique necessary for goal achievement. When individuals dis-cover that they are below their goal, they generally improve their attempt

and/or modify their technique. As individuals obtain their goal, they usually set an even higher goal because the objective accomplished decreases in its efficiency for inducing pride in a person's performance. Fourth, projects that are complex for an individual, where technique and actions workouts have yet to become automatized, minimize the normally beneficial outcomes of establishing a particular excellent goal. Training is obviously one remedy here. A second remedy, as previously mentioned, is to set studying rather than a result goal. A third remedy is to set sub-goals. In a manufacturing simulator, when individuals were paid on a piece-rate basis to create toys but industry circumstances changed unexpectedly, the people who were advised to do their best had higher paychecks than those with a particular high-outcome goal. However, those who had sub goals moreover to a long-term result goal had the highest pay-checks of all. This is because in dynamic circumstances, it is essential look for actively for reviews and reacts quickly to it. Sub goals generate information for individuals as to whether their enhancement is reliable with what is needed for them to obtain their goal.

Fifth, situational constraints can create goal achievement complicated. A primary part of an innovator is (1) to ensure that individuals have the resources to obtain their goals and (2) to take the actions necessary to remove challenges in the way of accomplishing those goals (Latham, 2004).

### **Employee Engagement**

Present study addresses employee engagement as one of the mediating variables. Although countless definitions are available for employee engagement (Finn & Rock, 2001), most contain either intended or precise effects that employee engagement includes "the appearance of the self through perform and other employee part activities" (Jones & Harter, 2005). Macey et al. (2009) gives the operational definition of engagement, the employee feels that he/she has the purpose, their focus on the work and initiatives are evident to others and this determination and adaptability engaged toward the company's goals. In addition, these employees have the excellent trust in the culture of the organization that they will retain them as an engaged workforce, and this kind of treatments drive participation building assistance networks assurance, resiliency, and restarting or restoring employee energy; and enhancing the motivation and engage workforce.

In analysis in an international organization, Mone and London (2009) described an engaged employee as someone who seems dedicated, passionate, and motivated and these action should be demonstrates while achieving the organizational goals. One similarity between business dedication and employee participation is that both capture some part of "employee's views of themselves, their performance and their organization" (Harter et al., 2002). Employee participation, on the other hand, being expressed "through perform and other employee- part actions," is a build more directly

connected with the interactive part of an employee's encounter, particularly with supervisors and co-workers. In fact more immediately decides whether those perform actions will take place (Jones & Harter, 2005). Engagement, like dedication, has an efficient element encompassing "people's psychological reactions to aware and unconscious phenomena," but it also is centered in "the objective proper- ties of projects, positions, and perform perspective, all within the same moments of procedure performance" (Jones & Harter, 2005).

### **Workplace Optimism**

Though fewer research are available concerning optimism in the workplace, proof surely prevails linking the idea to enhancement in job outcomes (Dixon & Schertzer, 2005; Jensen et al., 2007). The capacity to sustain a positive alignment toward the long run has been suggested to be one of the interpreting features of the individual species (Gallagher et al., 2013). In common, individuals are positive about the long run, and for valid reason. A positive outlook appears to offer numerous advantages (Jones & Harter, 2005). It is connected to higher determination toward goals and to better coping and adjustment. Optimism can be described as an attribution about succeeding now and later on to achieve goals (Luthans et al., 2007).

Optimist employees usually encounter themselves responsible for the excellent outcomes in future, while they can convert aside responsibility for opposing activities through a positive informative style (Peterson, 2000). As specified by Reuter and Schwarzer (2009) all kind of job stress can be managed through optimism. Workers who are positive can easily explain achievement and failure not only by looking themselves but the external factors as well. Optimism and beneficial objectives have helped to elaborate chosen procedures by which the person may look to the long run, and a hopeful and/or beneficial upcoming, and drive the popularity of beneficial mindset (Green, et al., 2004). Optimism is what an employee believes the best outcomes in the encounter of uncertainty. Optimistic individual is prejudice towards holding beneficial objectives across time and scenario. Optimistic workers believe that the goals assigned to them will be met. Optimism is carefully relevant to self-efficacy, which is worker's perception about how successfully he or she can accomplish the business projects (Green, et al., 2004).

### **Job Satisfaction**

Job satisfaction has been extensively studied over the last four decades of business analysis (Currivan, 1999). Scholars have described job satisfaction as the stage to which an employee conveys a beneficial efficient alignment towards a job (Smith, Kendall, & Hulin, 1969). The job satisfaction is the pleasurable psychological condition as a result of the evaluation of someone's job as achieving or assisting someone's job principles (Schwepker, 2001)". Job dissatisfaction is "the

unpleasant psychological condition as a result of the evaluation of someone's job as annoying or blocking the achievement of someone's values”.

Job satisfaction is basically determined by how individuals encounter their job and different characteristics of their projects (Spector, 1997). Job satisfaction is what employees expect from their job and what the job actually offers to them. When the inputs are equal to the outputs, an employee may be a satisfied worker (Locke, 2002).

According to Fogarty (1994), job satisfaction represents when workers gain enjoyment from their initiatives in the office. Satisfaction can be good or bad either to evaluate the decision made by individuals regarding their job or to perform scenario (Weiss, 2002). In inclusion, job satisfaction has been handled as both an international idea creating reference to overall satisfaction and as a facet-specific idea creating reference to various aspects of perform, such as pay, guidance, or workload etc. (Cook, Hepworth, Wall, & Warr, 1981).

Job satisfaction is very important dimension in the perspective of employee well-being and it is also a desired indicator of organizational outcomes (Culbertson, 2009). To be successful in motivating and retaining organizational employee's resources can be associated with high-performance establishments (Huselid, 1995; Capelli, 2000). So the management's validity assumes to be good if the employees of that organization are positive (Brown & Lam, 2008). In this perception, to be a top valued job satisfaction seems a potential way (Becker & Huselid, 1998; Boxall & Purcell, 2003; Wright et al., 2003) and a very strong mediator to increase the practices of performance (Michie & West, 2004; Purcell & Kinnie, 2007). Job satisfaction has a variety of aspects such as satisfaction with: performance, pay, work itself, high quality of lifestyle, participation, business dedication, and business climate (Lum et al., 1998). While these aspects are associated, each is an independent build. Satisfaction with one aspect does not guarantee fulfillment with all other satisfaction aspects.

### **Organizational Commitment**

Organizational commitment has been discussed widely as the variable of interest and multiple dimension and measures for organizational commitment also being suggested by many authors (Mowday et al., 1982; Meyer et al., 1998; Coyle-Shapiro et al., 2006). For the sake of employee retention, researcher's associate organizational commitment as a strong predictor and employee retention has been a major issue for organizations (Jain et al., 2008). According to Mowday et al. (1982), organizational commitment is an attitude and behavior of an employee, which prevails between the person and the company. That is why; it is regarded as a comparative durability of the person's psychological recognition and participation with the company (Jaramillo et al., 2005). The organizational commitment is merger of three main components i-e effective, normative and

continuation features of commitment (Meyer & Allen, 1991; Meyer et al., 1993, 1998; Coyle-Shapiro et al., 2006) determine efficient dedication as a worker's psychological connection to company, appreciation with and participation in the company. Continuance commitment is totally according to the cost that an employee associates with the company. Normative commitment viewed as an worker's emotional responsibility to remain with the company, and it is different from effective and continuation dedication, normative commitment concentrates on the “right or ethical thing to do” responsibility is being concentrated and moral connection of workers that are produced through the socializing procedure while achieving the organizational goals (Allen & Meyer, 1990; Thomas & Anderson, 1998). To conduct this investigation, Meyer and Allen's multidimensional three element design is regarded as a place to start.

Organizational commitment is determined as the comparative durability of your recognition with and participation in a particular company. Conceptually, authors characterized organizational commitment by at least three factors: (a) perception of an employee to approve organizational objectives and values; (b) on behalf of the organization an employee creates a desire to apply considerable attempt to achieve organizational goals; and (c) sustain membership in the company as a powerful desire of an employee (Mowday et al., 1982).

### **Turnover Intention**

In management literature, turnover intention has been discussed widely as a determinant of turnover (Flint et al., 2012). There is no standard context for understanding the turnover process as a whole. A wide range of factors have been found useful when it comes to interpreting employee turnover (Morrel et al., 2004). Intentions to leave an organization are the thoughts of the employee regarding voluntarily leaving the organization (Whitman, 1999). There is empirical evidence that the intent to stay or leave the organization is strongly related to voluntary turnover. Turnover intentions is seen as a mental decision intervening between an individual's attitude regarding a job and the stay or leave decision and that can be regarded as an immediate antecedent to stay, or leave (Fox & Fallon, 2003). Industries across the globe have emphasized the importance of retaining key employees for organizational success (Holtom et al., 2008).

Turnover among domestic functions generally represents the separation of the employee from the firm. This meaning is too narrow for the worldwide environment and must be enhanced to include several other dimensions of revenues since expatriate revenues often include inner transfers to the company (Morrel et al., 2004). There is considerable support for the notion that intention to quit is probably the most important and immediate antecedent of turnover decisions (Fox & Fallon, 2003). Research has indicated that many supervisors find the repatriation procedure much more

stressful and annoying than the initial expatriation and repatriation experiences, and this may cause following turnovers (Harvey, 1989).

The determinants of turnover intention can be controllable and uncontrollable factors. The controllable factors included achievable goals, pay, nature of work, organizational commitment. The uncontrollable is perceived alternative employment opportunity. The formulation of goals to keep or remain is naturally a result of efficient attitudes toward the worldwide assignment as well as views of employment alternatives (Lee et al., 2010).

### **Goal Setting and Job Related Outcomes**

The first aim of this study is to examine how the goal setting influence the job related outcomes such as job satisfaction goal commitment and turnover intention of employees. There is sufficient evidence that goal setting is positively related to the outcomes of job (Klein, et al., 2010). Although not every single goal setting component may affect job outcomes (Tanja & Kleingeld, 2010). Klein et al. (2000) provides evidence that goal setting is positively related to job outcomes, they reported a significant correlation for goal setting with job outcome. A negative effect on job outcomes has been investigated if the goal setting put an excessive burden on employees (Tanja, & Kleingeld, 2010).

### **Goal setting and employee engagement**

Several researchers (Dweck et al., 1993; Sujun et al., 1994; Knight et al., 2001) supported a positive relationship between organizational outcomes and effective goal setting. In Gallup's Q12 survey tool being used to measure the level of employee engagement, four of the measures are related to the idea of goal setting in organizations (Jones & Harter, 2005).

### **Employee Engagement and Workplace Optimism**

Gallup offered the definition which has been widely used for engaged worker. As per the definition of Gallup, an employee who is fully passionate and involved with his work is an engaged worker (Tritch, 2003). Employee's personal attachment with the organization is engagement (Gubman, 2004). Harley et al. (2005), identifies a profile of an "engaged worker" and to measure the engagement he lists some characteristics that can be used in organization. The definition of session board after inspecting the statistics related with the engagement is as follows: "an emotional link that an employee feels for his or her organization, which influences him to be more enthusiastic and passionate about his work." A perspective, behavioral and passionate aspect of employees regarding engagement being discussed by (Gubman, 2004). The perceptive beliefs and concerns of employees about leader, about organization and the working environment show the level of engagement, so the part is that how employees feel about these factors. When the employee puts an optional effort it is concerned with the behavioral aspect (Macey et al., 2009). The engage worker



must be fully involved with work and goals, and enthusiastic about, his or her tasks which are being assigned (Tritch, 2003a). Gubman (2008) defines employee engagement with number of definitions most of these definitions have focus upon “to what extent employees are willing to put an extra effort” and “the readiness of employees to achieve the goals being assigned to them.”

Generally speaking, in the time of uncertainty optimism is the propensity to believe that they have got the best possible outcomes in future (Kluemper & DeGroot, 1956). Optimist employees focus on the characteristics like action, situation and events that will create the best outcomes in future the future (Green et al., 2004). Association of the optimism with self- efficacy is very much, because the concept of self-efficacy is also the belief that how successful one can be in terms of task/goals accomplishments (Green et al., 2004).

**Employee Engagement and Job Related Outcomes**

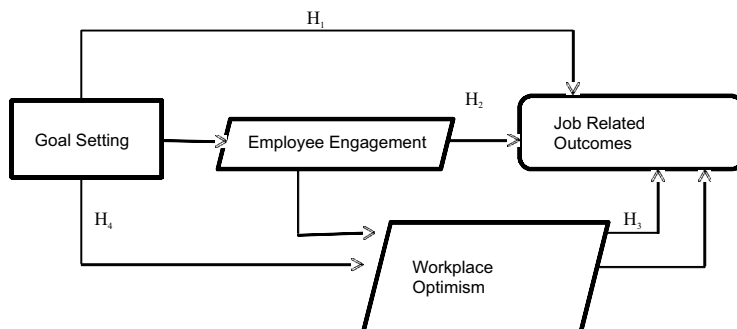
To survive and compete successfully in today's economic environment, organizations require employees to be proactive and remain with the organization as it can only be done through committed and satisfied employees (Bakker & Leiter, 2010). In previous research it has been claimed that employee engagement mediates between the relationship of goals setting and job outcomes (Harter et al., 2002; Bates, 2004).

**Workplace Optimism and Job Related Outcomes**

As suggested by Medlin and Natural (2009), present study aims to assess the effect of hypotheses of goal setting, employee engagement, and workplace optimism on traditional outcomes such as turnover intention, job satisfaction and organizational commitment. This analysis further assist the execution of control applications developed to create achievement stories, participation, and beneficial outlook. Many studies have indicated the need to investigate the comparative effect of optimism, with their connection to business outcomes (Green et al., 2004). Thus, by using informative concept, present study investigates the connection between optimism and the job relevant outcomes, job satisfaction and turnover intentions

**Theoretical Framework and Hypotheses Development**

**Figure 1S**



## Hypotheses

On the basis of extensive review of literature, following are the hypothesis designed by this study.

H<sub>1</sub>: Goal Setting is a significant predictor of Job Related Outcomes.

H<sub>2</sub>: Employee Engagement mediates the relationship between Goal setting and Job Related Outcomes.

H<sub>3</sub>: Workplace Optimism mediates the relationship between Employee Engagement and Job Related Outcomes.

H<sub>4</sub>: Workplace Optimism mediates the relationship between Goal Setting and Job Related Outcomes.

## Data Collection Method

### Population/Sample

The participants chosen for data collection were the employees of supplier industry in IT sector of Pakistan. Unit of analysis for this study is managerial level employee of supplier industry situated in Islamabad, Karachi and Lahore region of Pakistan.

A sample of 180 participants was invited to participate and response was received from 152 participants. Sample size is about 20% of the total population for this study. There are approximately 900 employees working in the supplier industry in IT sector. The percentage of the sample is statistically sufficient. Sekaran (2005) also referred that the sample of 10- 20% of the total population size is enough to predict the results for the study. Random sampling is used to access the respondents for the data collection process.

### Data Sources

Data for this study is collected from both primary and secondary sources.

- o **Primary Data Sources:** Population for this study consisted of managerial level employees of supplier industry of Pakistan. These employees considered to be the potential respondents for this study.
- o **Secondary Data Sources:** Literature about study variables were collected through national, research articles and review papers. This data is mainly utilized in first two chapters for the review of literature and justification of the study.

### Measurement

The advantage of this approach is its versatility (Blumberg et al., 2005). According to Blumberg et al



(2005) survey has many advantages in primary data collection. Its cost will be low. It requires less staff time and it easier to maintain participant's anonymity than other primary data collection methods. Moreover, participants have more time to think about their answer. Respondents are informed about privacy and secret character of the survey. They are encouraged to take a part in a survey in by information that participation does not consume much of their time.

**Goal Setting Measure:** The first four items in the questionnaire are related to construct of goal setting. Measuring scale for the goal setting construct was previously developed and assessed by Green et al.(2004). Four major dimensions of effective goal setting were included in this scale. The items in questionnaire are measured on a five point Likert scales ranging from strongly disagree to strongly agree.

**Employee Engagement Measure:** Measuring scale for employee engagement construct was previously developed and assessed by Buckingham and Coffman (1999). Four major dimensions of engage worker were included in this scale. The items in questionnaire are measured on a five point Likert scales ranging from strongly disagree to strongly agree.

**Workplace Optimism Measure:** Measuring scale for employee engagement construct was previously developed and assessed by Green et al. (2009). Five major dimensions of engage worker were included in this scale. The items in questionnaire are measured on a five point Likert scales ranging from strongly disagree to strongly agree.

**Job related outcomes measures:** Three further dimensions studied under this research include job satisfaction, organizational commitment and turnover intention. For measuring each dimension of job related outcomes separate scale is used. Measuring scale for job satisfaction construct was previously developed and assessed by five major dimensions of job satisfaction. Measuring scale for organizational commitment construct was previously developed and assessed by Porter et al. (1974). Measuring scale for turnover intention was previously developed and assessed by Cummins et al. (1979). The items in questionnaire are measured on a five point Likert scales ranging from strongly disagree to strongly agree.

### Data Analysis Tools and Techniques

Standard package of SPSS 20.0 for windows has been used to record, analyze and interpret the responses obtained from the respondents. Description of techniques utilized in this study is explained in the following. Descriptive analysis has been done to analyze the normality of the data. Internal consistency of the scales adopted in this study is determined by utilizing Cronbach's Alpha reliability test. It is more accurate tool to measure reliability of the scale. Correlation test has been done in order to analyze the relationship between variables and Regression analysis is utilized to determine the

impact of goal setting on job related outcomes. Baron and Kenny mediation steps being followed to check the employee engagement mediating relationship between goal setting and job related outcomes, workplace optimism mediating relationship between employee engagement and job related outcomes and workplace optimism mediating relationship between goal setting and job related outcomes.

**Results & Analysis**

**Descriptive Statistics**

Descriptive analysis has been run in SPSS 20.0, and descriptive are given below in table 5.1 stating that values of arithmetic mean across the distribution and spread of the distribution can be seen from the values of standard deviation for all variables.

Table 1: *Descriptive Statistics*

	Mean	Std. Deviation
Goal Setting	3.2714	1.11430
Employee Engagement	3.0576	1.21575
Workplace Optimism	3.0937	1.14669
Job Satisfaction	3.1618	1.10117
Organization Commitment	3.6530	.95167
Turnover Intention	3.5285	1.10683

**Reliability**

The reliability analysis is used to know that whether the items for each variable are measuring the particular variable or not. To check the internal reliability Cronbach Alpha is used most commonly. The value of Cronbach Alpha should be greater than 0.65 (Sekaran, 2006). It can be seen that goal setting is a four item scale and the reliability for this scale is 0.825, employee engagement is a four item scale with a reliability of 0.845, workplace optimism is five items scale and the reliability of this scale is 0.818, one of the dependent variable, job satisfaction is a five item scale with reliability of 0.835, organizational commitment is a eight item scale with the reliability of .842 and turnover intention is a three item scale with a reliability of 0.762. The sample size of this study is 152 respondents.

Table 2: Summary of Alpha reliability of all Scales

Sr.Scale	No. of items	Alpha Reliability
Goal Setting	4	.825
Employee engagement	4	.845
Workplace optimism	5	.818
Job satisfaction	5	.835
Organizational Commitment	8	.842
Turnover Intention	3	.762

### Correlation

The correlation analysis is used to describe the relationship between the variables. The relationship shows the impact of change in dependent variable caused by independent variable.

Table 3: Correlation between Variables

	GS	EE	WO	JS	OC	TI
Goal Setting	1					
Employee Engagement	.602**	1				
Workplace optimism	.867**	.640**	1			
Job Satisfaction	.791**	.929**	.781**	1		
Organizational Commitment	.780**	.741**	.785**	.822**	1	
Turnover Intention	.791**	.684**	.800**	.765**	.908**	1

Note:GS: Goal Setting; EE: Employee Engagement; WO Workplace Optimism; OC: Organizational Commitment; TI: Turnover Intention

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

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

### Regression:

#### Hypothesis 1

The first hypothesis states that, goal setting is a significant predictor of job related outcomes.

Table 4: Regression Analysis Summary for Goal setting and job related outcomes(N=152)

Variable	B	SEB	B
Constant	1.012	.137	
Goal Setting	.745	.040	.837

Note.  $R^2 = .701$ ;  $F = 350.950$ ,  $p = .000$ , \*  $p < .05$

From Table 5.4, we can analyze regression results of the goal setting and job related outcomes. R square value is shows that 70.1 % of variation in job related outcomes is due to the variation in predictor. Moreover positive beta coefficient is also explaining the one unit change in goal setting would bring 0.745 units change in job related outcomes and it is significant. The value of  $p$  is less than .05, so that predicts the relationship between goal setting and job related outcomes are significant.

**Hypothesis 2**

The second hypothesis is employee engagement mediating the relationship between goal settings and job related outcomes.

Table 5: Regression Analysis Summary for mediating role of Employee engagement between relationship of goal setting and job related outcomes (N=152)

Steps		R <sup>2</sup>	Adjusted R <sup>2</sup>	F	B	SEB	t	β	
<i>Step 1:</i>									
GS(IV) →	JRO	.701	.699	350.9	.745	.040	18.7	.837	
(DV)									
<i>Step 2:</i>									
GS(IV) →	EE	.363	.358	85.3	.657	.071	9.23	.602	
(MV)									
<i>Step 3:</i>									
EE(MV) →		.699	.697	347.8	.682	.037	18.6	.836	
JRO(DV)									
<i>Step 4:</i>									
GS (IV)	} →	JRO	.873	.872	513.6	.466	.032	14.3	.532
DV EE (MV)									

\* $p < .05$

GS: Goal Setting; EE: Employee Engagement; JRO: Job Related Outcomes

Employee engagement mediates goal setting and job related outcomes because if we compare the value of R square and beta of step 1 and step 4, it can be seen that value of R square increase from 70.1% to 87.3% and Beta value decrease from .837 to .523. Results of analysis fulfill the three assumptions of Baron and Kenny as shown in the table.

**Hypothesis 3**

The third hypothesis is workplace optimism is mediating the relationship between employee engagement and job related outcomes.

Table 6: Regression Analysis Summary for mediating role of workplace optimism between relationship of employee engagement and job related outcomes (N=152)

Steps		R <sup>2</sup>	Adjusted R <sup>2</sup>	F	B	SEB	t	β	
<i>Step 1:</i>									
EE(IV) →	JRO (DV)	.699	.697	347.8	.682	.037	18.6	.836	
<i>Step 2:</i>									
EE(IV) →	WO (MV)	.410	.406	104.1	.604	.059	10.2	.640	
<i>Step 3:</i>									
WO(MV) →	JRO(DV)	.703	.701	354.3	.725	.038	18.8	.838	
<i>Step 4:</i>									
EE (IV)	} →	JRO DV	.854	.852	437.0	.414	.033	12.4	.507
WO (MV)									

\*p < .05

EE: Employee Engagement; WO: Workplace Optimism; JRO: Job Related Outcomes

Workplace optimism mediates the relationship between employee engagement and job related outcomes because after comparing the value of R square and beta of step 1 and step 4. It can be seen that value of R square increase from 69.9% to 85.4% and Beta value decrease from .836 to .507. Results of analysis fulfill the three assumptions of Baron and Kenny as shown in the table above.

**Hypothesis 4**

The fourth hypothesis states that the workplace optimism is mediating the relationship between goal setting and job related outcomes.

Table 7: Regression Analysis Summary for mediating role of workplace optimism between relationship of goal setting and job related outcomes (N=152)

Steps		R <sup>2</sup>	Adjusted R <sup>2</sup>	F	B	SEB	t	β
<i>Step 1:</i>								
GS(IV)	→ JRO(DV)	.701	.699	350.9	.745	.040	18.7	.837
<i>Step 2:</i>								
GS(IV)	→ WO(MV)	.752	.750	453.8	.892	.042	21.3	.867
<i>Step 3:</i>								
WO(MV)	→ JRO(DV)	.703	.701	354.3	.725	.038	18.8	.838
<i>Step 4:</i>								
GS (IV)	} → JRO DV	.752	.748	255.3	.395	.073	5.4	.444
WO (MV)								

\*p < .05

GS: Goal Setting; WO: Workplace Optimism; JRO: Job Related Outcomes

Workplace optimism mediates the relationship between goal setting and job related outcomes because if we compare the value of R square and beta of step 1 and step 4 then we came to know that value of R square increase from 70.1% to 75.2% and Beta value decrease from .837 to .444. Results of analysis fulfill the three assumptions of Baron and Kenny as shown in the above table.

**Discussion**

The study proposed a model to determine the effect of effective goal setting on job related outcomes. It is also aimed to assess the mediating effects of employee engagement and workplace optimism between the relation of goal setting and job related outcomes. Three dimension of job related

outcomes considered under this study are job satisfaction, organizational commitment and turnover intention.

Results of the study determine that effective goal setting is a predictor of job related outcomes. In general the results of this are consistent with previous research such as Erez (1986). Employee engagement and workplace optimism mediating the relation between goal setting and job related outcomes. In previous research both the mediators of this study separately studied with job related outcomes. Engagement is a positive predictor of the dimensions job related outcomes (Jones et al., 2009). Workplace optimism being discussed by the Kluemper and DeGroot (2009), as they concluded that optimism has the different benefits on the job related outcomes. The model of this study established on the basis of previous research.

With the current financial difficulties faced by companies, it is crucial for management to be more aware regarding methods to enhance the outcomes related to the job. As companies attempt to cut costs by removing employees, employees will take on more obligations with higher efficiency as well as objectives. As this study indicates, predictors like effective goal setting with engagement and optimism effects on job related outcomes.

### **Contribution of the Study**

This study addresses both academic and practical issues related to goal setting and job related outcomes. Major contributions of this study are mention below:

#### **Theoretical Contribution**

This study addresses the issue related to the role of goal setting with mediating effects of employee engagement and workplace optimism to get the positive impact on job related outcomes. The study defines the role of these predictors on job related outcomes. Broadly, contribution of the study is to relate and develop a model of goal setting and job related outcomes with mediating effects of employee engagement and workplace optimism.

#### **Practical Contribution**

- o This study assessed empirical evidence, in the context of Pakistan specifically in the supplier industry of IT sector to determine the contextual role of employee engagement and workplace optimism with goal setting and job related outcomes.
- o Findings of the study provide a guideline to improve the job related outcomes keeping in view the role of goal setting.
- o Results of this study also provide a guideline that the role of employee engagement and

workplace optimism along with setting the effective goals is important to improve the job related outcomes.

- Goals setting are an important factor in the selected industry, so if the organizations set's the effective goals the job satisfaction and organizational commitment will increase and employee intention's to leave the organization will be decreased.

### Limitations

- Major Limitation for the present study includes time and cost factors to conduct this study.
- All study measures are based on the perception of the employees.
- This study considered three predictors goal setting, employee engagement and workplace optimism to improve the job related outcomes.
- This study is conducted in the supplier industry of IT sector of Pakistan and data were collected from managerial level employees.

### Recommendations for Future Research

Present research study establishes a casual and mediating relationship between the variables. In future, researchers can determine the role of moderator variables such as organizational trust, work attitudes etc. The future research aims to evaluate the impact of predictors on other outcomes such as absenteeism. This study was conducted in the supplier industry of Pakistan. It can be replicated in banking and telecom sector of Pakistan.

### Conclusion

It can be concluded from the results of the present research study that goal setting significantly affect the outcomes related to job in the supplier industry of Pakistan. Also, employee engagement and workplace optimism mediates the relationship between goal setting and job related outcomes. The scale adopted for the measurement is reliable. Regression analysis supports all the hypotheses. It is established from the study that the goal setting is positive predictor of job related outcomes. Moreover, employee engagement and workplace optimism mediates the relationship. This highlights the importance of understanding the three dimension of job related outcomes i.e. job satisfaction, organizational commitment and turnover intentions of the employees. This indicates that the management who sets the goals for the employees of supplier industry needed to make them effective, keeping in view the role of employee engagement and workplace optimism.



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## Mediating Role of Workplace Learning between HR Practices and Employee Well-Being in IT Supplier Industry

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### Abstract

*The purpose of this study was to examine impact of HR practices on employee wellbeing with mediating role of work place learning in IT supplier industry of Pakistan. Employment security, participative decision making, extensive training, career advancement, performance based reward system and performance appraisals were taken as HR practices and psychological, physical and social well-being were examined as employee well-being at workplace. Questionnaire was used to collect data from targeted respondents. A total of 180 questionnaires were distributed from which 152 were received in useable form. Utilization of HR practices were found to be essential for enhancing individual employee well-being at workplace. It was also determined that workplace learning mediates the relationship between HR practices and employee well-being in the organization.*

**Key Words:** HR Practices, High Commitment Work Practices, Workplace Learning, Psychological Well-Being, Physical Well-Being, Social Well-Being.

## Introduction

Human resource management (HRM) is a strategic way to manage the available human resource (HR) and to motivate them to effectively execute business operations. Efficient development and deployment of HR in the organization according to the nature of business operations can be a non-imitable competitive advantage for an organization (Guest, 2008). Moreover, HR practices implemented in an organization play a vital role to have this benchmark position of HR role in the organization. Employees of the organization are placed at center-stage in the analysis of HR practices implemented in the organization. According to Lawler (1992), HRM in the organization empower employees to use discretions in alignment of organizational objectives for completion of their tasks. These systematic liberties of decision make employees mentally align with the work and enhance their psychological well-being. Recent approaches to manage HR give employees liberty to complete their objectives with participative decision making (Macky & Boxall, 2007). This will definitely affect the social well-being of employees in the organization.

According to Wright and McMahan (1992) human resource management (HRM) is, “the planned pattern of human resource deployments and activities which contributes to enable the organization to achieve its objectives.” HRM focus on an integrated view to assess the impact of implemented HR practices towards individual and organizational level performance out-comes which make it distinct from traditional approaches to manage HR in the organization. Investment in management of HR is directly proportionate with performance out-comes of employees in the organization (Combs et al., 2006). It is established that HR practices in the organization enhance performance of organizations and employees.

Godard (2004) concluded that implementation of HR practices in the organization have psychological and social implications for employees of the organization. HR practices implemented in the organization shape the behaviors and attitudes of employees in the organization (Zohar, 2000). Bashir et al. (2011) concluded that HR practices have significant impact on commitment of faculty members in higher education institutions. HR practices have commitment and satisfaction related implications for employees in the organization.

The study, therefore, aims to assess the role of HR practices in employee wellbeing i-e psychological wellbeing, physical wellbeing and social wellbeing, with mediating role of work place learning.

## Research Problem

HR of the organization is most significant and important asset to achieve organizational objectives. Behaviors of employees in an organization are highly influenced by nature of practices implemented



in the organization to manage them (Zohar, 2000). These behaviors can be manipulated by adopting context specific interventions by HR functions in the organization. Broadly, HR practices are implemented for the alignment of individual goals with overall organizational objectives. This alignment motivates employees to be committed with organization. Level of satisfaction and commitment of employees working in the IT supplier industry of Pakistan is low (Ghaznavi, 2011). By the consideration of these aspects of employees' work related behaviors in the IT supplier industry of Pakistan, there is greater need to adopt involvement models in these organizations. These behaviors can also be affected by psychological and social health of employees at workplace and learning can also help to increase the well-being of employees. These factors are the part of employee well-being at workplace and are required to execute operations efficiently. Broadly, there is a lack in the quantification of relationship between implemented HR practices in the organization and employee well-being in the organization which may in the form of physical well-being, social well-being or psychological well-being.

### Research Objectives

- To study the role of HR practices in psychological well-being of employees in the organization.
- To determine the role of implemented HR practices for physical well-being of employees.
- To examine the effect of HR practices on social well-being of employees.
- To determine the mediating role of workplace learning in relationship between HR practices and psychological well-being.
- To study the mediating role of workplace learning in relationship between HR practices and physical well-being.
- To determine the mediating role of workplace learning in relationship between HR practices and social well-being.

### Research Questions

- What is the role of HR practices to enhance employee well-being (psychological, physical and social) in the IT supplier industry of Pakistan?
- Does workplace learning mediates the relationship between HR practices and employee well-being (psychological, physical and social)?



## Significance of the Study

In the context of Pakistan, this study addresses the issues related to the involvement of employees in different dimensions to boost up the overall performance of the IT supplier organizations. It defines the role of HR practices to enhance well-being of employee in three dimensions as psychological, physical and social well-being of employees and mediating role of workplace learning in the IT supplier organizations. Broadly, contribution of this study is to relate and develop a model of HR practices with well-being of employees and the role of workplace learning in IT supplier industry of Pakistan, the area which is not being focused by many researchers. This study can be utilized as empirical evidence, in the context of Pakistan specifically in the IT sector to determine the involvement of employees and can also be used to enhance involvement by taking suitable measures. Findings of this study provide a guideline to manage the HR policy of the IT supplier organizations. Results established by this study can be utilized to enhance the quality service of HR department for other departments in the organizations. This study can also be utilized to determine the more influential HR practices with respect to different dimensions of well-being of employees as psychological, physical and social well-being.

It can be concluded from the results of the present research study that HR practices significantly affect the well-being of employees at workplace in the IT supplier sector of Pakistan. It is also established that there is role of workplace learning in the relationship between HR practices and employee well-being (psychological, physical and social). This highlights the importance of understanding HR practices in the context of well-being of the employees in the IT sector of Pakistan. This study depicts the i0is to assess the role of HR practices as employment security, selective hiring, contingent base reward system, extensive trainings, and performance management system to enhance well-being of employees in the organization and the mediating role of workplace learning between the relationship of HR practices and employee well-being.

## Scope of the Study

This study is conducted in the IT supplier sector of Pakistan. Respondents of this study are limited to employees working in located in Islamabad, Lahore and Karachi. Specifically managerial level employees of IT supplier organizations are population of this study. This is because of good organizational connections of the researcher with employees of IT supplier institutions operating over there. This study will focus on the level of utilization of HR practices to enhance well-being of employees based on various demographics as gender, age, marital status and job tenure.

To examine the level of utilization of HR practices to enhance employee well-being in the organization factors related to behaviors of employees are very important to discuss. Broadly, focus

of present study is to assess the role of HR practices as employment security, selective hiring, contingent base reward system, extensive trainings, and performance management system to enhance well-being of employees in the organization and the mediating role of workplace learning between the relationship of HR practices and employee well-being.

To understand well-being of employees cognitive abilities of individuals and mental models are important factors to consider. This study focuses on the utilization of HR practices and workplace learning to enhance physical well-being, psychological well-being and social well-being of employees in the organization.

## Literature Review

### HR Practices

Many studies are available in the literature to signify the importance of HR practices for exploitation of organizational resources. Lee and Bruvold (2003) concluded that HR practices are positively associated with job satisfaction and affective commitment of employees in the organization. Sample for their study was Singapore based. According to Carmeli and Tishler (2004), HR practices in the organization enhance its capability to meet up the dynamic requirements of existing business world. HR practices enhance KSA's of employees which ultimately contribute for overall organizational knowledge capabilities. Fabling and Grims (2010) determined in New Zealand that choice of particular HR practices depends upon level of technology, size and age of the organization. Therefore, HR practices are integral element for accomplishment of organizational objectives.

There are many researches showing HR practices' impact on organizational performance. The relationship between human resource management and organizational performance practices was most important theme in the last few decades and the results of those researches were encouraging and show positive relationship between human resource practices and organizational performance (Dyer & Reeves, 1995; Huselid, 1995; Becker & Gerhart, 1996).

### Employment Security

Security of the job is very important factor and it is very influencing factor for employee motivation. If the work which employee has to perform is tightly defined and employee has to follow it to perform task than employee can't make any kind of experiment to do that work in effective way. If employees are given freedom and their job is no tightly defined than they can perform their task in effective way and in increases the abilities and skills of employees as well as the motivation level of employees (Lado & Wilson, 1994).

### **Participative Decision Making**

Past studies shown that employee participation is positively related with employee satisfaction, performance and motivation (Pfeffer, 1994; Wagner, 1994). Employee participation is very important for the success of the organization. When the organization is supportive and ask employees to participate in their work freely it will make the employee satisfied with their work.

### **Extensive Training**

It is very necessary for any organization to keep their employees up-to-date according to new skills. For new skills organizations introduces training programs which increase the quality of work and employees skills. Organizations invest more on their employees through training and development program. Researches shows that the cost which organization has to pay for training and development of employee is less as compares to benefits which organization get from news skills in their employees. When employees have new skills and do their work effectively it increases the motivation level of employees (Russell, Terberg, & Powers 1985; Bartel, 1994; Cianni & Wnuck, 1997).

### **Career Advancement**

A well functional career development system can encourage employee to be more responsible in performing task and enhancing skills which are required in the organization to perform task there are also internal career development programs in the organization which are based on merit, performance and achievement of employee. A good career development program increases the motivation level of employees. Mediating Role of Workplace learning between HR Practices and Employee Well-Being in IT Supplier Industry

### **Performance Based Reward System**

Organizations can use different ways to increase motivation level of employees and one way can be through compensation system. Organization can provide performance based compensation to their employees to enhance performance of employees and achieve specific goals. When employees are given incentives for their good performance it increases the performance of employees and performance of the organization (Russell, Terberg, & Powers, 1985).

### **Performance Appraisal System**

Appraisal system is very effective tool for changing the behavior and attitude of employees. Organizations can get the desired attitude and behavior through this process. The performance of skilled employee will be limited until he is motivated to perform task in effective way. Performance

appraisal system has positive impact on employee motivation level. When employees think that their work has a value and they will get value for their work in the form of appraisal, they try to achieve high goals to get more appraisal because when their achievement is high it shows that their performance is high (Lado & Wilson, 1994).

**Approaches towards HR Practices**

There are three different perspectives of HR practices implemented in the organizations. These are different models through which researchers under took HR practices accordingly of their contexts of studies.

Table summarizes these three perspectives of HR practices:

Table 1: *Summary of approaches towards HR practices*

Approach	Focus	Scholars
HPWS	Priorities the KSA of employee	Godard, 2004; Macky & Boxall, 2008
High commitment model	More focus on commitment of employees	Whitener, 2001; Godard, 2004
Strategic fit model	Alignment of internal environment with external environment also	Guthri, 2001; Wright & Snell, 1998

**Theoretical Framework - HPWS**

There are various theoretical approaches which have been adopted by the scholars such as Yang (2005); Allen and Wright (2008) to assess effects of HPWS with other factors of interest for example, leadership, culture and social structure. First approach is Resource Based View (RBV), generally referred as “Stakeholder Approach” explained that organizations must develop unique capabilities of their human resource through implementation of certain practices in the organization (Barney, 2001). This approach further suggests that decision makers must review balance of consumption and availability of physical and intellectual resources to attain competitive advantage (Allen & Wright, 2008).

Second approach is “Institutional Approach” which considers influential effects of institutional and legal conditions exist in the external environment (Yang, 2005) and significantly affect ability of the organization to achieve its objectives. However, success of the organization depends upon the way adopted by the organization to meet social expectations. Ferri et al. (1998) studied the role of social

context in the organizational effectiveness in order to assess performance of the organization.

Third approach is “Contingency Theory Approach”, which states that effectiveness of implemented HR practices is highly affected by organizational strategic objectives (Youndt, Snell, Dean, & Lepak 1996). Contingency theory examines capabilities and resources of the organization from an environmental point of view. More focus of HR practices in this paradigm is draining of commitment from their HR. These practices include sophisticated recruitment, behavior based training and development, performance appraisal system, contingent reward system, group bonuses and profit sharing (Whitener, 2001; Godard, 2004; Boxall & Macky, 2009).

Resources are assumed units of input required for production and capabilities as the ability to use that resources in order to achieve organizational objectives.

Fourth approach is “Universalistic Approach”, which states that particular HR practices must be implemented in the organization according to context of business (Yang, 2005). Yang (2005) further argued that resources of organization must be taken in a specific context; they do not exist in isolation. This theory further explains the impact of selected practices towards performance of the organization and employees.

### **Employee Well-being**

Employees, leaders and managers in the organizations believe that making employees happier and happier will definitely enhance their contribution and productivity (Fisher, 2003). Managers continuously evaluate the efficacy of well-being measures through feedback and communicate their commitment for well-being to employees and express publically as well. For example General Motors (2006) stated, “We are committed to protecting the health and safety of each employee as the overriding priority of this Corporation. There will be no compromise of an individual's well-being in anything we do.” Employee well-being is also in the interest of employers who spend substantial resources to hire and develop loyal employees for the organization (Avolio, Howell, & Sosik, 1999). Well-being of employees is an important concern for today's organizations. Broadly, well-being is overall quality of functioning and experience of employee (Warr, 1987). This holistic understanding of well-being is based on philosophy, healthcare, sociology and psychology literatures which further converges the three core dimensions of well-being; psychological well-being, physical well-being and social well-being.

Psychological well-being focuses on subjective experiences of individuals and highly influenced by perception of individual. It is mostly measured through subjective judgments of employees about their work (Weiss, 2002). This can be understood as the realization of fulfillment of human potential.

Physical well-being in the organizational studies considered various elements of physical fitness. For example work as the source of injury, (Danna & Griffin, 1999) work as the source of stress and work as benefit to purchase healthcare products.

Social well-being is the quality of someone's relationships with other people and groups. It occurs between the employees who can be individuals and groups (Adler & Kwon, 2002). Cultural practices and operational procedures may either be supportive for social well-being of employees or they can be vice versa.

### **HR Practices and Employee Well-being**

HR practices definitely affect the well-being of employees in the organization. Macky and Boxall (2008) argued that HR practices reduce stress of employees, and may put them in great demand of discretionary efforts to achieve team objectives, this can increase their stress. Moreover, link between HR practices and employee well-being can go either way; positive in the form of increased job control or negative in the form of increased job demands.

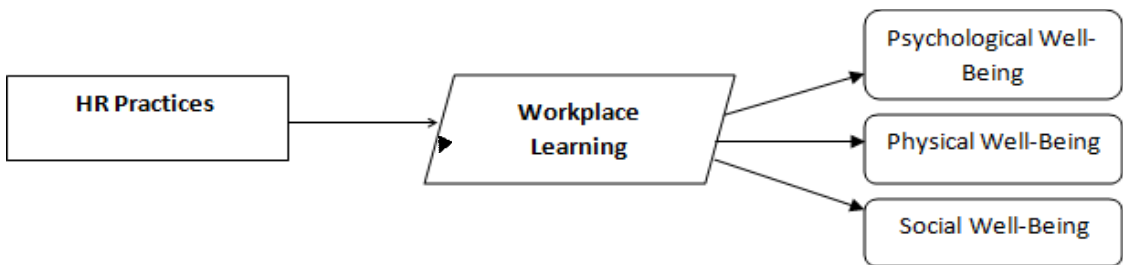
Some studies show positive employee well-being by utilization of HR practices, such as enhanced motivation and satisfaction (Berg et al., 1996; Vandenberg, Richardson & Eastman, 1999), while others show negative outcomes such as increased job stress and less job security (Bacon & Blyton, 2000), and some others concluded mixed results (Ramsay, Scholarios, & Harley, 2000; Godard, 2004). There is a need to clearly quantify the relationship between HR practices and employee well-being. In the context of Pakistan studies related to HR practices were conducted in higher education (Bashir et al., 2011) and banking (Hunjra et al., 2010) sectors in relation with organizational level measures. Employee level measures which can be affected by the HR practices are neglected by the organizational researchers in Pakistan and specifically in the IT supplier sector. Therefore, primary focus of the present study to assess the effect of HR practices towards employee well-being. It further focuses on the investigation of effect of HR practices on different dimensions of employee well-being; psychological well-being, physical well-being and social well-being.

Based on above review of literature theoretical framework for the present study is depicted below in Figure 2.1 in which HR practices serve as independent variable and employee wellbeing as dependent variable. HR practices include employment security, participative decision making, extensive trainings, career advancement, performance based reward system and performance appraisal system. Employee well-being includes psychological well-being, physical well-being and social well-being.

## HR Practices and Workplace Learning

Development of the effectively performing employees is the main focus of literature on HR practices. High productivity and increasing the flexibility by lower the costs of organization and by creating workplace learning these kinds of goals can be achieved. (Garavan et al., 1999; Hodgetts et al., 1999; Losey, 1999). Organizations focus on HR practices and workplace learning strategies, it enable employees of the organizations to respond quickly and flexibly as per the needs of the organizations. The more use of competencies approach has resulted in workplace learning provision (Lei and Hitt, 1996; Spangenberg et al., 1999).

### Theoretical Framework



### Hypotheses

Following are the hypotheses of the present study:

H<sub>1</sub>: Workplace learning mediates the relationship between HR practices and psychological well-being of employees.

H<sub>2</sub>: Workplace learning mediates the relationship between HR practices and physical well-being of employees.

H<sub>3</sub>: Workplace learning mediates the relationship between HR practices and social well-being of employees.

## METHODOLOGY

### Operational Definition of Study Variables

#### HR Practices

HR practices can be defined as facilitation practices implemented in the organization to properly manage the human resource. These practices vary from organization to organization because of nature of business. Employment security, participative decision making, extensive trainings, career advancement, contingent base reward system and performance appraisal system are practices which have been considered in this study.



## Workplace Learning

Learning which occurs as a part of an organized workplace, embedded within the organization's authority and accountability structure (Owen, 2001).

## Employee Well-being

Employee well-being in the organization can be defined as the various measures which indicate the different prospects of employee prosperity for the specific job such as: psychological health at workplace, physical demands and control of work to be done and social support at workplace.

## Measurements

**HR Practices:** High performance work systems index (Gong et al., 2009) is adopted to measure the HR practices in the organization for the present study.

**Employment Security:** Employment security of the employees at workplace is measured by five items developed and validated by Gong et al. (2009) in high performance work systems index.

**Participative Decision Making:** Participative decision making of the employees at workplace is measured by five items developed and validated by Gong et al. (2009) in high performance work systems index.

**Extensive Trainings:** Extensive trainings of the employees at workplace are measured by five items developed and validated by Gong et al. (2009) in high performance work systems index.

**Career Advancement:** Career advancement of the employees at workplace is measured by five items developed and validated by Gong et al. (2009) in high performance work systems index.

**Performance Based Reward System:** Performance based reward system of the employees at workplace is measured by four items developed and validated by Gong et al. (2009) in high performance work systems index.

**Performance Appraisal System:** Performance appraisal system of the employees at workplace is measured by five items developed and validated by Gong et al. (2009) in high performance work systems index.

**Workplace Learning:** Workplace learning is measured with nine items scale developed by Perez et al., (2004).

**Employee Well-being:** The Job Content Questionnaire (JCQ) (Karasek et al., 1998) modified is adopted in this study to measure the well-being of employees. Five items are used to measure each dimension of well-being except social support which is measured by using two items. Five point



rating scale was used to record responses of employees ranging from 1 (strongly disagree) to 5 (strongly agree).

**Psychological Well-being:** Psychological well-being of employees at workplace is measure by five items of JCQ regarding psychological demands.

**Physical Well-being:** Physical well-being of employees at workplace is measure by five items of JCQ regarding physical demands and control.

**Social Well-being:** Social well-being of employees at workplace is measure by two items of JCQ regarding social support at workplace.

### **Data Collection Method**

#### **Population of the Study**

Population of the present study consists of managerial level employees of IT supplier industry of Pakistan employed in Islamabad, Lahore and Karachi. Unit of analysis for this study is individual managerial level employee of IT supplier industry of Pakistan.

#### **Sampling Procedure**

A sample of 180 participants was invited to participate and responses were received from 152 respondents. Sample size is about 20% of the total population for this study. There are approximately 900 employees working in the supplier industry in IT sector. This percentage of the sample size is statistically sufficient as researchers recommended and Sekaran (2005) also referred that 10-20% of the total population size is enough to predict results of similar study. Finally, random sampling is utilized to access the respondent for data collection purposes.

#### **Data Analysis, Tools and Techniques**

Standard package of SPSS for windows is utilized to record, analyze and interpret the responses obtained from the respondents. Description of techniques utilized in this study is explained in the next headings term by term. Descriptive analysis has been done to analyze the normality of the data. Internal consistency of scales adopted in this study is determined by utilizing Cronbach's Alpha reliability test. It is more accurate tool to measure reliability of data (Cronbach et al., 1951).

Correlation test has been done in order to analyze the relationship between variables. Regression analysis is utilized to determine that workplace learning mediates the relationship between HR practices and well-being of employees. Hayes (2012) mediation process has been run on SPSS to check workplace learning mediating the relationship between HR practices and employee well-being. The dimension of HR practices include employment security, participative

decision making, extensive trainings, career advancement, contingent base reward system and performance appraisal system. Well-being of employees measured in three dimensions as; psychological, physical and social well-being.

## Results and Analysis

**Hypothesis 1:** In this study HR practices are taken as the independent variable, workplace learning as a mediating variable and dependent variable are psychological well-being, physical well-being and social well-being. In the first step HR practices were regressed with workplace learning. Results shows 36.6 percent change in workplace learning is due to HR practices. In next step HR practices and workplace learning were regressed on psychological well-being which shows a significant relationship. Results show that 36.6 percent change in psychological well-being is due to HR practices and workplace learning. Third step shows the total effect of HR practices on psychological well-being without the presence of workplace learning (mediating variable), and it can be interpreted from results that 35.46 percent change in the psychological well-being is due to HR practices. The fourth step shows C' path which is direct effect of HR practices (IV) on psychological well-being (DV) in the presence of workplace learning (MV). It is understood from P value .000 that relationship is significance. It shows that HR practices have impact on psychological well-being in the presence of workplace learning as a mediating variable. Mi is the total indirect effect of independent variable on dependent variable using a mediating variable. According to Hayes (2012), if upper limit confidence interval and lower limit confidence interval are positive which shows there is no zero value between the limits and in this case it can be interpreted as significance. So workplace learning fully mediating the relationship between HR practices and psychological well-being result shows that LLCI and ULCI are positive which shows the significant relationship. P value .000 also shows the significance of the relationship.

**Hypothesis 2:** In this study HR practices taken as the independent variable, workplace learning as a mediating variable and dependent variable are psychological well-being, physical well-being and social well-being. In the first step HR practices were regressed with workplace learning. Results shows 36.6 percent change in workplace learning is due to HR practices. In next step HR practices and workplace learning regressed on physical well-being which shows a significant relationship. Results show that 45.8 percent change in physical well-being is due to HR practices and workplace learning. Third step shows the total effect of HR practices on physical well-being without the presence of workplace learning (mediating variable), and it can be interpreted from results that 41.98 percent change in the physical well-being is due to HR practices. The fourth step shows C' path which is direct effect of HR practices (IV) on physical well-being (DV) in the presence of workplace

learning (MV). It is understood from P value .000 that relationship is significance. It shows that HR practices have impact on physical well-being in the presence of workplace learning as a mediating variable. *Mi* is the total indirect effect of independent variable on dependent variable using a mediating variable. According to Hayes (2012), if upper limit confidence interval and lower limit confidence interval are positive which shows there is no zero value between the limits and in this case it can be interpreted as significance. So workplace learning fully mediating the relationship between HR practices and physical well-being results shows LLCI and ULCI both are positive which shows the significant relationship. P value .000 also shows the significance of the relationship.

**Hypothesis 3:** In this study HR practices taken as the independent variable, workplace learning as a mediating variable and dependent variable are psychological well-being, physical well-being and social well-being. In the first step HR practices were regressed with workplace learning. Result shows 36.6 percent change in workplace learning is due to HR practices. In next step HR practices and workplace learning regressed on social well-being which shows a significant relationship. Results show that 56.5 percent change in social well- being is due to HR practices and workplace learning. Third step shows the total effect of HR practices on social well-being without the presence of workplace learning (mediating variable), and it can be interpreted from results that 52.36 percent change in the social well- being is due to HR practices. The forth step shows C' path which is direct effect of HR practices (IV) on social well-being (DV) in the presence of workplace learning (MV). It is understood from P value .000 that relationship is significance. It shows that HR practices have impact on social well-being in the presence of workplace learning as a mediating variable. *Mi* is the total indirect effect of independent variable on dependent variable using a mediating variable. According to Hayes (2012), if upper limit confidence interval and lower limit confidence interval are positive which shows there is no zero value between the limits and in this case it can be interpreted as significance. So workplace learning fully mediating the relationship between HR practices and social well-being results shows LLCI and ULCI both are positive which shows the significant relationship. P value .000 also shows the significance of the relationship.

Table 2: *Summary of hypotheses testing*

Sr. No.	Description	Remarks
H <sub>1</sub>	Workplace learning mediates the relationship between HR practices and psychological well-being of employees	Supported
H <sub>2</sub>	Workplace learning mediates the relationship between HR practices and physical well-being of employees	Supported
H <sub>3</sub>	Workplace learning mediates the relationship between HR practices and social well-being of employees	Supported

## Conclusion

This study proposed a model to determine that workplace learning mediates the relationship between HR practices and employee well-being at workplace in IT supplier institutions. It also aimed to assess the impact of HR practices on under consideration dimensions of the employee well-being. It further utilized to assess the effect of each HR practice; consisting of employment security, participative decision making, extensive trainings, career advancement, performance based reward system and performance appraisal system towards three dimensions of employee well-being as; psychological, physical and social well-being. Results of the present study determine that workplace learning mediates the relationship between HR practices and well-being of employees at the workplace.

Results of the study also determine each of the HR practice as predictor of each dimension of well-being i-e psychological, physical and social. In general results of this study are inconsistent with results of previous research such as Macky and Boxall (2008) and partly inconsistent with findings of Godard (2004) which have established HR practices as positive predictor to enhance psychological well-being of employees at workplace. Results of the present study are consistent with findings made by Bacon and Blyton (2000) who established that extensive utilization of HR practices reduce psychological well-being and job security of employees.

It is proposed in the current research that HR practices including its subscales (employment security, participative decision making, extensive trainings, career advancement, and performance based reward system and performance appraisal) will influence psychological well-being of employees at work place in the presence of workplace learning as a mediator. Hayes (2012) process is conducted to study the mediating role of workplace learning between the relationship of HR practices and well-being of employees at work place. Considering HR practices, workplace learning and well-being of employees at work place, it is determined that workplace learning mediates the relationship between HR practices and well-being of employees.

In relation of each HR practice as predictor of each dimension of well-being, it is determined that each practice such as employment security, participative decision making, extensive trainings, career advancement, performance based reward system and performance appraisal system significantly have an effect on each dimension of well-being i-e psychological, physical and social.

## Contribution of the Study

This study addresses both academic and practical issues related to HR practices in the organization, workplace learning and well-being of employees at workplace. Major contributions of this study are explained below term by term

### **Theoretical Contribution**

This study addresses the issues related to the involvement of employees in different dimensions to boost up the overall performance of the organization. It defines that workplace learning mediates the relationship between HR practices to enhance well-being of employee in three dimensions i-e psychological, physical and social well-being of employees in the IT supplier industry of Pakistan. Broadly, contribution of this study is to relate and develop a model of HR practices with well-being of employees at workplace in IT supplier industry of Pakistan.

### **Practical Contribution**

This study can be utilized as empirical evidence, in the context of Pakistan specifically in the IT supplier sector to determine the involvement of employees and can also be used to enhance involvement by taking suitable measures.

Findings of this study provide a guideline to manage the HR policy of the IT supplier organizations.

Results established by this study can be utilized to enhance the quality service of HR department for other departments of the IT supplier organizations.

This study can also be utilized to determine the more influential HR practices with respect to workplace learning and different dimensions of well-being of employees as psychological, physical and social well-being.

### **Limitations**

Major limitations for the present study included time and cost factors to conduct this research study. This study consider six HR practices i-e employment security, participative decision making, extensive trainings, career advancement, performance based reward system and performance appraisal system and workplace learning to determine their role to enhance well-being of employees of IT supplier industry of Pakistan. Well-being of employees is measured by using three dimensions such as: psychological, physical and social well-being of employees.

This study considered HR practices and workplace learning to enhance the well-being of employees. Some others factors can also predict the well-being of employees. This study is conducted in the IT supplier industry of Pakistan and data were collected from managerial level employees in the Islamabad, Lahore and Karachi region.

### **Recommendations for Future Research**

Present research study establishes a causal relationship between HR practices, workplace learning and well-being of employees at workplace in the IT supplier industry of Pakistan. In future researchers can determine the role of different related variables as moderator and mediator to this

established relationship such as mentoring and shared vision etc. This study is conducted in the IT supplier sector of Pakistan and can be replicated in other sectors of economy as sports equipment industry and garment industry etc. There are six HR practices included in this study and in future can be extended to other HR practices as flexible job assignments and job enrichment etc.

## Conclusions

It can be concluded from the results of the present research study that HR practices significantly affect the well-being of employees at workplace and workplace learning also mediates the relationship between HR practices and employee well-being in the IT supplier sector of Pakistan. It is established by the results of the study that workplace learning mediated the relationship between HR practices and psychological, physical and social well-being of employees in IT supplier industry of Pakistan. HR practices are also determined as the positive and significant predictor of psychological, physical and social well-being of employees at workplace in the IT supplier industry of Pakistan. This highlights the importance of understanding HR practices regarding three significant dimensions of well-being at workplace. This indicates that if proper HR practices are implemented in the organization, it will enhance the well-being of employees. In general, HR practices are significant and positive predictor of well-being of employees at workplace and workplace learning mediates the relationship between HR practices and well-being of the employees (Psychological, Physical and Social Well-Being).

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## Determinants of Employee Deviant Behavior: Assessing the Mediating Role of Job Satisfaction

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### Abstract

*Keeping employee deviance as the central point, the effects of injustice from organizational perspective as well as behavior of the leader is analyzed while keeping satisfaction at job as a mediating variable. Finding solution to unwanted behaviors of employees served as the bases of this research. The employees of cellular industry of Pakistan are taken as the respondents. Sample size consisted of 229 individuals and data collected was interpreted with the help of SPSS. Partial mediation remained between dependent and independent variables; however, variables are significantly correlated to each other. This study could be useful for all levels of management particularly the strategic level where policies are devised for employees. Precisely, this research focuses a stressed manager finding way to resolve employee problems related to morale and intrinsic motivation. The work limits itself to telecommunication industry of Pakistan only.*

**Keywords:** Injustice, deviant behavior, leadership, satisfaction

## Introduction

Organizations are made up of multiple resources out of which the human resource is the most significant. The way a human behaves at work contributes largely to the sustainability and development of the business. It is imperative for the organizational management to keep an eye on the work activities of its employees. The concept of deviance arrives as individual behaves contradictorily to the acceptable standards prevailing in the surroundings. In an organizational setup, all types of deeds that are not directly or indirectly beneficial are termed as deviance. Employees totally waste their time when they invest their energies into something least productive such as personal matters and, thus, creating disturbance. Employees must focus on the work so that productivity could be enhanced.

There is an alarming situation in the world regarding workplace deviance. Researchers have found out that approximately 33% to 75% employees at work are engaged in some type of deviance (Robinson, 1995; Appelbaum et al., 2007). A mere reason is the lowering self-control of humans. In quest to small actions, people behave destructively; hence making it a challenge for the authority to handle. Any outcome indifferent to what is expected from an employee is deviant behavior (Nasir & Bashir, 2012), such as, bullying, fighting, telling a lie, making worker uncomfortable with inappropriate actions. Academic scholars have labeled these outcomes with multiple terminologies; counterproductive behavior, workplace deviance, anti-social behavior etc. (Appelbaum & Roy-Girard, 2007). Everton et al. (2007) added employee withdrawal, dishonesty, organizational misbehavior, and dysfunctional outcome. In a nut shell, a behavior becomes deviant when it challenges the policies and customs put forward by the management. Muafi (2011) warned that all these factors either done by an individual or bunch of people directly intimidate the well-being of an organization.

The concept of employee deviance is getting popular among research scholars because they consider it as the most destructive tool for the sustainability of an organization (Omar et al., 2011). The most common forms of deviance at workplace are vandalism, sexual annoyance, rumor-spreading, sabotaging, absenteeism, not putting in full efforts, uneven decision making, bullying, and gossiping. Any action that can contribute to the lowering on an individual's morale is also termed as employee deviance. The development of an organization is threatened as the employee does not focus on their assigned work that eventually leads to delays in submission and lower quality of output.

Furthermore, deviant behavior also includes neglecting manager's instructions, working slowly on purpose in order to annoy the supervisor, arriving late at the workplace, robbery, and rude behavior during work hours. Robinson & Bennett (1995) have come up with detailed work on employee

deviant behavior and states that a lot of employees are seen engaged in one form of deviance or another ranging between theft, fraud related to information technology, cheating, withholding efforts, and biased decision making.

Organizations that value their human capital are the most successful ones. They understand that the key to achievement is giving maximum attention to their employees, providing timely feedback so that their outcome grows, thus, effecting the wellbeing of business and ultimately leading to the development of country. Academia is showing interest in the said topic as it could be problem creator for both; the organization as well as the employee. Too and Harvey (2012) specified that in terms of organization it may affect the financial figures while on interpersonal level it affects the expressive state of an employee. Aggression, preservation of efforts, and deception is becoming common; hence it is important to find a way away from these attitudes in order to gain competitive edge. Studies have stated that employees are found stealing from an organization more as compared to customers; one employee in every fifteen steals, whereas forty-two percent women are abused sexually (Rogojan, 2009).

Violence at workplace has a reported amount of 4.2 billion dollars; fraud conducted by employees ranges up to 400 billion dollars whereas theft by workers has mounted 200 billion dollars (Rogojan, 2009). Keeping in view the financial losses, the importance of elimination on deviant behavior of employees could be understood.

## Literature Review

*Injustice by organization:* Organizational injustice has been under consideration since long (Cantisano, 2013). Someone's perception that they have been treated differently as compared to others is said to be injustice (Ambrose *et al.*, 2002). Justice is considered as the degree of truthfulness with regard to employees at work (Sulu, Ceylan, & Kaynak, 2010). Research has found that justice at work influence multiple factors such as turnover, commitment, satisfaction, stress, and trust (Ceylan & Sulu, 2011).

Intense competition in the world has accelerated the need to satisfy human capital at work places. Managers are keen to find ways to eliminate any sense of injustice among employees so that they work devotedly (Rowland & Hall, 2012). The relationship between injustice and morale is very strong, if one variable increases, the other decreases and vice versa. The feeling of cheated upon is the strongest to deviate from desired morale. Organizational Injustice has a negative relationship with commitment of employee (Shibaoka *et al.*, 2010). Moreover, scholars

continued believing that when injustice escalates, satisfaction diminishes (Fatima *et al.*, 2012).

There are different kinds of justice, the one that depends on fairness while deciding pay scales, promotions, and bonus is called distributive justice (Ceylan & Sulu, 2011). It is calculated by the ratio of employee input to the ratio of organizational compensation. The other kind of justice is said to be procedural justice, it states that the methodology of identifying rewards has to be fair (Ceylan & Sulu, 2011). It focuses just allocation of remuneration.

The third kind of justice is known to be interactional justice; the first agenda is to deal employees with ought most to respect; it holds that management keeps employees in the loop while taking decisions. It may consist of focus groups and open meeting sessions. This type of justice shows lenient attitude towards employees by having strong communication, truthfulness, timely response, and courteous attitude towards each other (Ceylan & Sulu, 2011). Interactional equity is sub-separated into interpersonal equity and educational equity that allude to method for treatment among people and view of equivalent data sharing individually (Rowland & Hall, 2012; Gupta & Kumar, 2013). Various past specialists have theorized those diverse sorts of authoritative unfairness that prompts to different kind or counter-beneficial conduct (Ambrose *et al.*, 2002). Attacking is a sort of degenerate conduct seen at working environment, which implies obliteration, delays underway, making shame for others, harm to unmistakable property and elusive relationship among collaborators. Also, most normal components of shameful conduct talked about by Ambrose in his paper is, demonstrating discourtesy to a worker, giving supplementary obligation with no increase in salary, postponing advancements, evasion of giving fundamental types of gear to finishing work, and partiality. Unfairness makes much distress in the association and must be taken after to take out from the framework. The view of reasonableness prompts to worker demeanors, both positive and negative, for example, work fulfillment, responsibility with the work, turnover, stretch, undermine, representative execution, trust on the administration, and representative citizenship conduct (Sulu *et al.*, 2010).

*Leadership behavior:* The competition among organizations is escalating day by day due to shrinkage of international boundaries. The central point of this antagonism is to bring flexibility and adaptability among the human capital. It is considered as the sole feature of a successful and growing organization in today's world. Now the question arises, who will bring about these changes? Yes, it's the leader. Therefore, academia has been studying leadership styles and its affects since long. The behavior of a leader speaks for the type of work done by the employee. It is taken as the ratio of output provided by leader to the input produced by the employee. There is

a direct relationship between leader's acknowledgement and satisfaction/happiness of the team members. Human beings require motivation and encouraging words for smooth functioning whereas in the absence of these they feel gloomy and frustrated.

The sense of being treated fairly contributes largely to the increased morale of all employees. They act less deviant in the presence of encouraging leadership. Appelbaum et al. (2007) added that psychologically upset and morally dead managers encourages employees to act deviant. Research scholars have come up with multiple terminologies for badly chosen leadership such as abusive supervision, petty tyranny, leader bullying, toxic leader, workplace aggression, emotional abuse, and manager undermining (Starratt & Grandy, 2010). Hence, the way a leader behaves effects the employee's output because as soon as an employee sense an unbalanced leadership, their motivation level decreases affecting the goal attainment process of the organization.

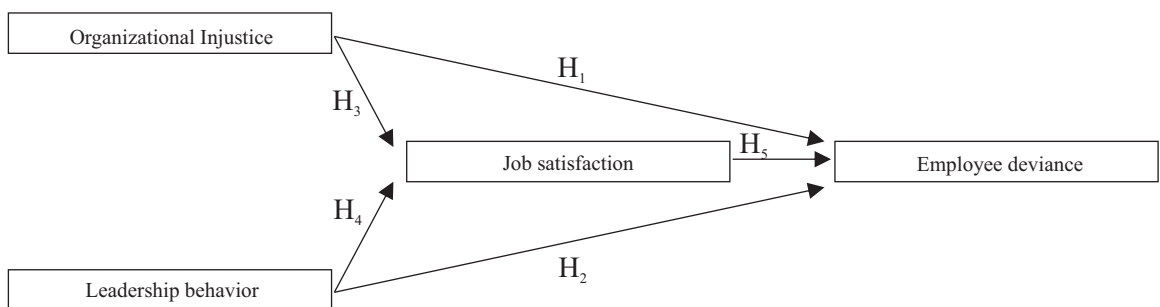
Look into backings the plan that when representatives who are revealed to unfeeling environment they are furthermore expected to show extraction practices containing turnover and non-participation (Kisamore et al., 2010). Jackson et al. (2012) has satisfied that pioneer motivator conduct has consequences for laborer certainty and conduct based results, which incorporates endorsement, guarantee, and authoritative citizenship conduct, turnover expectations individually.

*Job satisfaction:* Every success has a story behind and the reason for a successful organization is its devoted employees (Halkos & Bousinakis, 2010). Satisfaction at work comes when individual is happy with the happenings in the organization. Job satisfaction is a combination of multiple features of workplace; working conditions, environment, rewarding behavior of the management, and strong communication between people (Gunlu, Aksarayli, & Percin, 2010).

Omar et al., (2011) wrote in his analysis that employees satisfied with their work life are less likely to engage in deviant behaviors whereas those unhappy with the work are more likely to take part in the irrelevant processes. Moreover, the most common studies deviant behavior if theft and stealing. Employee steals more if they are dissatisfied in quest of taking revenge however happy employees are loyal. Disappointment leads to lowering commitment, decreasing morale, reduced productivity, and absenteeism (Fatima et al., 2012).

Likewise, explore has contended that second rate level of occupation fulfillment is associated with better aims than surrender, and non-attendance while upgraded work routine and citizenship

deeds of representatives are connected with hoisted levels of employment endorsement (Mohr & Zoghi, 2008). Then again, research has uncovered that representative discontent created via inconsiderateness, absence of worry in the occupation permit them to carry on anomalous at work environment (Lara, 2010). However, past research has satisfied that occupation understanding has an unhelpful association with counter-beneficial work practices (Kisamore, Jawaar, Liguori, Mharapara, & Stone, 2010). In spite of this, absence of work fulfillment was started to be lone motivations to offer repression to counter profitable work practices (Fatima et al., 2012). Workers with minor employment fulfillment bolster unforeseen practices and they have an unconstructive relationship suspended between them (Nasir & Bashir, 2012).



*Employee deviance:* The kind or behavior shown by employees that threaten the well-being of an organization along its human capital is called employee deviant behavior (Bennett & Robinson, 2000; Everton et al., 2007; Lara & Tacoronte, 2007; Lara, 2010; Nasir & Bashir, 2012). Analysts have come up with multiple reasons for such behaviors such as interpersonal conflict between two or more employees and sometimes with supervisors. Managers are found to be curious for mapping a solution to employee deviant behavior (Syebani & Sobri, 2011). Providing wrong information to the management is also a dangerous tool used by deviated employees. Sulea (2010) confirmed that incorrect information from employees Determinants of Employee Deviant Behaviour: Assessing the Mediating Role of Job Satisfaction directly give birth to bigger problems, especially those concerned with financial investments and decision making.

Deviant behaviors of employees can be categorized in to two; the first is positive deviated behavior and the other is negative deviant behavior (Muafi, 2007). Various types of employee deviance are as follows; arriving late at work, making use of abusive language, leaving work station ahead of time, telling a lie about hours spent at work, and backbiting about a co-worker or manager. Furthermore, asking for and taking bribe, intentionally making mistakes during work to annoy supervisor, not admitting mistakes, neglecting safety regulations, behaving foolish with customers, calling in sick, misusing discount offers, purposefully ignoring boss's order, wasting organizational resources,



talking personal on official telephone, cyber loafing, and etc.

## Methodology

Social sciences is one unique field that holds its application in the business world alongside academia. The nature of this research is exploratory that seeks to discover the extent of relationship between organizational injustice, leadership behavior and employee deviance while keeping in view the mediating role of job satisfaction. Voluntary participation was encouraged from the respondents and it was committed to keep it solely for the said research purposes. The sample was taken from the large population of cellular industry of Pakistan; namely, Ufone, Telenor, Zong, and Mobilink. The total number of respondents who participated in the research study belonged to cellular organizations. Approximately three hundred responses were targeted out of which two hundred and forty were delivered back reaching a response rate of seventy six percent.

## Findings

Sociology research is generally in view of the human practices, though look into has demonstrated that it is difficult to discover the correct estimation of human instinct as it ceaselessly changes. The use of factual programming is of awesome significance in the social sciences. The study audits the nearness of deviant conduct of workers at the corporate workplaces of Pakistan, its significance and purposes behind event. The consequence of various HR practices and the level of appropriateness and significance according to respondents and the relationship between the factors are studied in the research using SPSS. The descriptive statistics demonstrates that most extreme quantities of respondents are guys involving 69.4% while keeping females on 30.6%.

## Results

*Reliability testing:* Dependability of the instrument can be guessed by coefficient of reliability. This value shows the extent to which one can rely on the results derived by using these measures. The variables of the study and their respective Cronbach Alpha values shows that injustice by management yield 0.72, the behavior of leader has a coefficient ranging up to 0.77, satisfaction at work is near 0.70, while employee deviant behavior is 0.75.

*Correlation analysis:* the interface among dual variables is calculated by said analysis. However the results of the variables under investigation are as follows:

*Regression analysis:* This tool helps in the understanding of the relationships between different variables. It finds out the effect on one variable through the presence of several other variables. Moreover, regression analysis explains the nature of relationship that independent variables has with the dependent variable



Table 1: *Correlations*

		OI	LRB	JS	EDB
OI	Pearson Correlation	1			
LRB	Pearson Correlation	.535**	1		
JS	Pearson Correlation	.428**	.445**	1	
EDB	Pearson Correlation	.486**	.491**	.477**	1

Table 2: *Regression*

		Beta	T	R Square	Adjusted R Square	F
<b>Model 1</b>	(Constant)		.000	0.301	.304	50.8
	OI	.313	4.78			
	LRB	.323	4.94			
<b>Model 2</b>	(Constant)		.000	0.363	0.355	42.8
	OI	.242	3.72			
	LRB	.243	3.69			
	JS	.265	4.323			

These estimations of beta clarify the commitment of every indicator for the model. As indicated by results, the estimation of R square is 0.301 and this esteem clarifies changeability in result accounted by the indicators. The estimation of balanced R square is 0.304, which clarifies the speculation of the model as its qualities are near R square. The estimation of F in model 1 is 50.8 which clarify the capacity of model for result variable. The T value given in the table shows a rough indication of the impact of each predictor variable. The bigger T value suggests that the independent variables are having large impact on the dependent variable.

## Discussion

After the use of different factual tests, the outcomes generated are in accordance with the past studies. Fatima et al. (2012) found a noteworthy association between unfairness and work satisfaction. Also, Demir (2011) inferred that hierarchical unfairness has an exceptionally solid association with the deviance conduct of representatives. Leader's conduct is a moment driver of progress in an association. Earlier studies have demonstrated that representative feeling of employment fulfillment is altogether connected with the remunerating conduct of a pioneer (Jackson et al., 2012). In spite of this, research has demonstrated that when leader don't esteem their representatives and offer an unsympathetic situation for them to work, they frequently wind up with withdrawal conduct, for example, non-attendance and turnover (Kisamore et al., 2010). While, examination has uncovered that disappointed representatives will probably show deviant behavior at work environments (Lara, 2010).

The primary theory of the exploration is, 'Organizational injustice has a noteworthy association with employee deviance'. It was speculated using past research. The study demonstrates that there is a noteworthy relationship between the two factors as the "beta" qualities found from the relapse investigation yields .313 that implies hierarchical bad form contributes 31% to the advancement of representative freak conduct. Moreover, the second theory of the examination is, 'Leader reward behavior has a huge association with employee deviant behavior'. This announcement is, likewise, guessed using past research. Though the connection investigation demonstrates that leader conduct and worker deviant conduct are half related to each different as it yields an estimation of .491 while then again, the beta esteem found in the relapse examination indicates 32% commitment of reward conduct towards the deviance.

The third theory of the examination is, 'Organizational injustice has a noteworthy association with job fulfillment'. The relationship between the two factors is .428 that implies authoritative bad form is 42% connected to job fulfillment. Also, the beta qualities found from relapse investigation is .24 that implies the commitment of job satisfaction to the worker freak conduct is 24%. Accordingly, the relationship is not extremely solid yet they do have some level of holding between them. The fourth speculation of the examination is, 'Leader remunerate conduct has a critical association with representative satisfaction'. The two factors are connected to each other with an estimation of .442 which demonstrates that 44% relationship happens between employment fulfillment and leader conduct. Conversely, the relapse examination is race to locate the beta values that demonstrate the commitment of one variable on the last yield. Subsequently, Leader conduct has a 24% commitment towards the advancement of employment fulfillment. Though the centrality esteem is most elevated

having .000

The fifth speculation of the examination is, 'Job satisfaction has a noteworthy association with deviant behavior of employees'. Work satisfaction is observed to be 47% corresponded with employee deviant behavior which is almost 50% of the connection. Accordingly we can state that two factors are incompletely corresponded to each other. The relapse examination keep running on the model shows beta estimation of .265 which implies that satisfaction at work has a commitment of 26% on the improvement of worker freak conduct. The 6th speculation of the exploration holds that occupation fulfillment intervene the relationship between organizational injustice and leader reward conduct with employee deviance. The intercession between the factors is examined using SPSS straightforward relapse investigation. The relationship values found in the relapse examination between job satisfaction, administration conduct, organizational foul play and employees freak conduct are .26, .24, .24 separately therefore yielding that occupation fulfillment has the most elevated commitment on the worker degenerate conduct by affecting 26%. Furthermore, the technique for finding the intercession occurring in a model is to include the beta estimations of model 2 (JS=.263, LRB=.243, OI=.242) and demonstrate 1 (OI=.313, LRB=.323) that gives estimations of 0.75 and 0.63 separately. Presently, subtract the lower value from the greater value,  $0.75 - 0.63 = 0.12$  in this manner; it demonstrates that the exploration model is demonstrating an incomplete intercession of 12% within the sight of job satisfaction as a middle person between the independent and dependent variable.

## Conclusion

The study highlights the deviant behavior of the workers. An incomprehensible clarification of such practices is portrayed so that the concerned has a reasonable perspective of what abnormality is. Representative degenerate practices can be troublesome for the associations and its workers. This is an old idea yet it is not talked about frequently, that is the reason such practices are ignored at the work environments and they get to be highlighted when they had as of now hurt the association and its creatures. There are a lot of purposes behind employee deviance conduct, this study is centered on two factors i.e. organizational injustice and leader's conduct. While, mediating influence of employment fulfillment between these connections is examined. The hugeness of theory portrays that worker aberrance exists in Pakistani cellular organizations and they are influenced by the impression of equity and remunerating conduct of the leader. It is indispensable to make associations mindful of such practices and empower they comprehend the position of such practices and why is it important to kill them.

Pakistan is an immature nation and requires numerous changes keeping in mind the end goal to

contend in the worldwide commercial center. The human recourses should be cleaned with most up to date abilities. Innovative progressions and most recent hardware ought to be kept set up so that the current hole amongst Pakistan and creating nations could be decreased. With a specific end goal to end up an effective and prosperous country, the initial step ought to be to right oneself, quit irritating others, quit ridiculing them or harassing, be straightforward and be conscious to each other. Representatives must not veer off from what they should do. Everybody is urged to give in his/her best into his or her work so that the best quality yield is accomplished as this is the best way to make the tomorrow secure.

The ramifications of this work are a significant issue for both supervisors and analysts. This examination can turn out to be huge help for directors to control freak practices of representatives by satisfying their due requests and by having their very own self investigation activities. Working environment aberrance is the after effect of the blame of both the representatives and the business. Along these lines, the discoveries will help with enhancing hierarchical execution by checking on their arrangements and strategy. The examination might support bosses who confront challenges while treating representatives at the work environments. Keeping forms in line while taking everybody along is for sure a troublesome stride that the supervisors regularly confront. The study is indispensable to know the lacking parts, so that the supervisors may amend the issue and fill in the common holes. It will likewise help them while taking care of freak representatives at work environments and plan on the best way to repay them so that any kind of exploitative practice at working environment could be diminished. It is vital to research how unjustifiable and unscrupulous types of hierarchical judges exchange with each other to comprehend and anticipate an assortment of worker states of mind and practices. The examination may help best administration while taking choices with respect to worker matters.

From a hierarchical advancement point of view, the study gives solutions for issues connected with representatives particularly identified with their levels of job satisfaction. Keeping in mind the end goal to control the representative freak conduct, work fulfillment must be considered and assessed for every worker. Furthermore, it will attract thoughtfulness regarding the requirement for skilled leaders for authoritative achievement while adding to the consciousness of aberrance as it is damaging for the prosperity of an association. Businesses having a place with different parts, for example, fabricating industry can likewise exploit and identify with the discoveries. The essential ramifications of this exploration display for the investigation of work environment aberrance is that it highlights how much freak conduct can include the authoritative procedures and also its individuals.

This study contributes emphatically to the assortment of information of worker deviance. It has given

a more extensive way to deal with aberrance. The essentialness of a pioneer's conduct is additionally highlighted in the study that put weight on the significance of the state of mind of a leader in hypothetical information. Thus, it has contributed that way objective hypothesis and value-based initiative ought to be controlled and checked keeping in mind the end goal to demoralize working environment aberrance. Besides, a noteworthy hypothetical ramification provided by the examination is that hierarchical culture ought to be given significance and made through a pre-arranged thought in view of the philosophy of the association i.e. being moral and reasonable in every one of the procedures.

Future research may look at more measurements and its association with the representative degenerate conduct. Facilitate research should be possible on concentrating on representative abnormality as for sexual orientation. How does a female and male representative predict and practice aberrance? May be it has a connection with work-life strife subsequently, giving a potential way for research.

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## Impact of Organizational Trust and Empowering Leadership on Knowledge Sharing

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### Abstract

*The rationale of this study is to examine the impact of organizational trust and empowering leadership on the knowledge sharing of employees in Pakistan. This study also explores the intervening role of organizational commitment and attitude of employees towards knowledge sharing. In this study the data is collected from many private and government organizations. Almost 170 questionnaires were filled by employees. Regression and correlation techniques are used to test the hypothesis. The results have shown that organizational trust and empowering leadership have direct and indirect impact on knowledge sharing. The sample size of this study and Pakistani context might border the generalizability of outcome. This research adds to the past research and gives better understanding of knowledge sharing in the context of Pakistan. Practically this work will help the organizations to understand how to enhance knowledge sharing in the work place for getting competitive advantage. In setting where employees have trust on each other and are led by empowering leadership, knowledge sharing will better.*

**Key words:** Knowledge Sharing, organizational trust, Empowering leadership, Organizational commitment, Attitude towards knowledge sharing



## Introduction

Knowledge sharing is a course that gives competitive lead to an organization (Matzler & Mueller, 2011). Knowledge sharing facilitates the organizations to meet up the demands of the customers (Kim & Lee, 2006) and convey improvements in the existing products and services (Verona, Prandelli, & Sauchney, 2006). The intention of this study is to understand the personal and organizational factors that influence the employees to share knowledge with each other. Researchers found that if employees have trust on each other then they will help each other to solve their problems and their capability to complete the task will increase (Kim & Lee, 2006).

Past research work gives deep understanding of knowledge sharing (West & Anderson, 1996; Seibert et al., 2004; Crawford, 2005; Srivastava & Bartol, 2006; Liang et al., 2007; Singh, 2008; Hulsheger et al., 2009). Organizational trust influences the organizational commitment that in turn effects knowledge sharing of employees. Organizational trust and commitment assist the successful communication among employees (Te'eni, 2001). An employee who is committed with the goals of organization and have trust on coworkers and management, is more likely to share his /her knowledge with others .An effective organizational commitment create favorable atmosphere for knowledge accumulation and contribution (Hooff & Ridder, 2004).The research work has also shown that leadership plays a fundamental role in knowledge sharing. When a manager or supervisor authorizes the subordinates to make job related decisions on their own, they need to have adequate information to make right decision. As a result they will more likely share knowledge in decision making process (Xue, Bradely, & Liang, 2010). Therefore, empowering leader has direct impact on knowledge sharing and this direct relationship is effected by the intervening role of attitude of employees towards knowledge sharing. An important factor of knowledge sharing is the willingness and attitude of the employee; it is complex process that involves human behavior (Ipe, 2003).

A lot of work has been done in this area in western countries, but in developing countries like Pakistan this area is not much explored by the researchers. This study first time investigates knowledge sharing and its most related variables in the context of Pakistan. In this research the author examines knowledge sharing in the light of two most related factors: organizational trust and empowering leadership. These two factors have both direct and indirect impact on knowledge sharing with the intervening role of organizational commitment and employees attitude towards knowledge sharing.

This study will help the researchers to understand how the knowledge sharing within the Organization is influenced by the Organization trust and leadership. It will also help the senior management to take right measures for improving knowledge sharing among employees. The reason

of investigating this area is that it is almost impossible and very challenging for management to direct the employees to share their knowledge without any selfishness. The study of the combination of these factors and their impact will solve many problems of organizations related to the knowledge sharing.

In this study we conduct a survey in different organizations of Pakistan and collect data by the help of a questionnaire, data is collected from more than 10 organizations of Pakistan. The next section presents literature review in detail and the hypothesis testing. The data collection, analysis and hypothesis testing discussed in methodology. After this we present the findings and discuss the implications of results. Finally future directions and limitations are mentioned.

## Literature Review

### Knowledge sharing

The knowledge of an organization is becoming a source of core competency and the factors that influence the sharing of this knowledge are becoming an important area of research. There is a deep research on knowledge sharing and some researchers try to prove that knowledge sharing and information sharing is the same thing. Researchers use both terminologies interchangeably (Makhija & Ganesh, 1997; Alavi & Leidner, 2001; Bartol & Srivastava, 2002). But many researchers said information and knowledge are two different things. According to researchers, information is just the flow of communication but knowledge has two things i-e information and justifiable beliefs or know how (Kogut & Zander, 1992; Nonaka, 1994). Knowledge sharing is actually the flow of information within the organizations to solve the issues and to make the right decisions (Pulakos, Dorsey, & Borman, 2003; Cumming, 2004). Some researchers said knowledge sharing occurs in experimental studies where colleagues share software, manuals and databases (Wang & Noe, 2010). Organizational performance is improved when employees share knowledge with each other (Kim & Lee, 2006). There are many variables that affect the knowledge sharing, but this study focuses on two most important factors i-e organizational trust and empowering leadership. There is an intervening role of "Organizational commitment" between organizational trust and knowledge sharing. Similarly another intervening variable "Attitude towards knowledge sharing" exists between empowering leadership and knowledge sharing. Srivastava et al. (2006) said that senior management has constructive effects on knowledge-sharing attitudes, if manager appreciates the views of employees and motivate them to participate in decision-making process then employees will be recognize and acknowledge the design of sharing knowledge.

## Organizational Trust

Trust is defined by Kramer (1999) a “State of perceived vulnerability or risk that is derived from individuals uncertainty regarding the motives, intentions and prospective actions of others on whom they depend”. (p.571). Trust is actually the bases of commitment, integrity and relationship among the employees in an organization (Chathoth et al., 2011). Trust has two perspective, one is trust among the employees/peers and 2nd is trust on the employer or senior management (Aryee et al, 2002). Lot of research work has been done on the relationship between organization trust and knowledge sharing. A high level of trust among the employees motivates them to share knowledge with each other (Wang & Noe, 2010). Huemer et al. (1998) said that if there is trust in an organization then there is cooperative environment in the organization. If the organization builds up competition among employees then it creates a big hurdle in the way of knowledge sharing. Therefore, a cooperative environment creates trust among the employees that is necessary for knowledge sharing (Schepers & Berg, 2007). But here it is observe that there is an intervening variable of organizational commitment. A higher level of trust in colleagues and senior management has led to the higher level of employee commitment with the organization (McAllister, 1995). Hence a higher level of commitment leads to higher level of knowledge sharing.

H<sub>1</sub>. Knowledge sharing is positively influenced by organizational trust.

H<sub>2</sub>. Organizational trust has a positive Impact on organizational commitment.

## Organizational Commitment

Commitment is defined as “The relative strength of an individual's identification with, and involvement in a particular organization” (Mowday et al., 1979). Te'eni, (2001) argues that commitment and trust develop an environment in the organization where an effective information sharing can occur. Organizational commitment serves as an important intervening variable between organizational trust and knowledge sharing. Commitment is a long-term relationship between the organization and employee, where the organization valued the knowledge, skills and abilities of the employee (Paine, 2003). Literature shows that organizational trust influences the employee responses towards organizational commitment (Mack & Boxall, 2007). Farndale, Hailey, and Kelliher (2009) has explored the relationship between trust and commitment and found that there is strong and positive relationship between trust and commitment. Hence an employee who has trust in coworkers and management and is committed with the organization is more likely to share his knowledge with others (Hoof & Ridder, 2004).

H<sub>3</sub>. Organizational commitment has positive impact on knowledge sharing.

**Empowering leadership**

Leadership support is an important independent variable that influence the knowledge sharing behavior of the employees .Specifically when a supervisor or team leader delegate some powers to his subordinates for making decisions, they need to cooperate and share information with other colleagues to make the informed decisions (Xue et al., 2010). A good leader has ability to direct the subordinates and give them right or trustworthy knowledge. Foreman and Money (1995) suggested that when the executive leadership lays out clear objectives and employees have confidence on the leadership, then the employees will perform positively for the organization because they recognize its objectives. An empowering leader is actually supportive leader who give proper guidance to his subordinates, share his knowledge with them, appreciate their feedbacks and acknowledge their abilities and attributes. The motivation of employees towards knowledge sharing is increased when their knowledge sharing attitude recognized by the leader (Srivastava & Bartod, 2006).

H<sub>4</sub>. Knowledge sharing is positively influenced by empowering leadership.

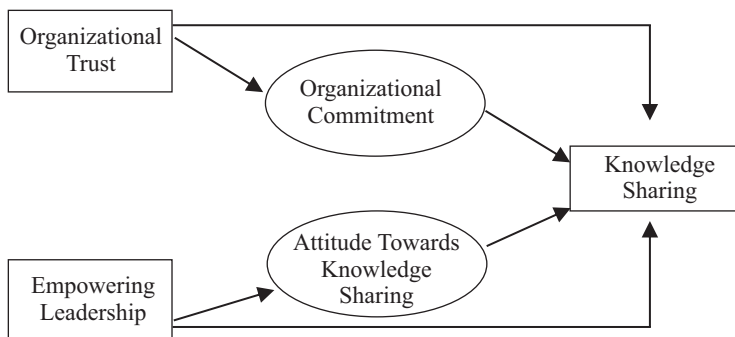
H<sub>5</sub>. Empowering leadership has positive impact on attitude toward knowledge sharing.

**Attitude towards knowledge sharing**

Attitude is defined as “The degree to which a person has a favorable or unfavorable evaluation or appraisal of the behavior in question” (Ajzen, 1991). When an employee evaluates a certain behavior favorably /positively then his intension to perform this behavior will increase (So & Bollojn, 2005). Attitude towards knowledge sharing is an intervening variable between empowering leadership and knowledge sharing. Empowering leadership strongly effect the employee attitude towards knowledge sharing .The positive attitude of an employee towards knowledge sharing will cause greater cooperation among the employees. On the other side negative Attitude is the biggest hurdle for knowledge sharing (Hsu et al., 2007).

H<sub>6</sub>.Attitude toward knowledge sharing has positive impact on knowledge sharing

**Model**



## Methodology

### Sample and Procedure

The population of this study comprises the government and private sector employees of Pakistan. In the government sector, the employees of International Islamic University, AGPR, Fatima Jinnah Women University and Pakistan Medical Research Council, while in the private sector employees of Allied Bank, Askari Bank, Audit firms and Fauji Fertilizer Company are included in this study. Convenience sampling technique was used to select the sample in this study. Managerial and lower staff both are included in this research. A total of 125 questionnaires were distributed, some questionnaires were sent through Email and some were distributed through self-administrative way. Respondents were randomly selected without any discrimination. 109 responses recovered with response rate of 73% and 16 questionnaire excluded due to incompleteness. The pilot testing of this questionnaire has been carried out by some scholars and employees. The first part of this questionnaire collects information about the demographics. There were 81 (74%) male and 29 (26%) female respondents. The data was collected from respondents of different age groups but majority of respondents were young having age from 20-30. The education level of the respondents was different which can be categorized as bachelors, masters, MS and PhD. Among this respondent 32 (29%) were bachelor students, 68 (62%) master students, 7 (6%) MS and only 3 (2%) were of PhD students. The public and private sector employees were almost equal in numbers.

### Measures

All variables are measured by questionnaire with five point likert scale. 1 for “strongly disagree” and 5 for “strongly agree”. Organizational trust is measured by six items (Chathoth et al., 2007) and no changes are made in this scale. It is highly validated and the alpha reliability is 0.703. Example of items include “My organization takes significant measures to lead me in the right direction”. Organizational commitment is also measured by (Chathoth et al., 2007) using five items. Ten point likert scale used by Chathoth is converted in to five point likert scale to make the questionnaire user friendly. The items used to measure organizational commitment were very short (e.g. I feel loyal to my organization) that save the time of respondents. The alpha reliability of organizational commitment measure is 0.671. An empowering leadership scale was developed by Xue, Bradely, and Liang (2010). Five items are included in this measure and the cronbach's alpha reliability of these items is 0.722. Knowledge sharing and attitude toward knowledge sharing are measured according to (Bock et al., 2005), seven items for knowledge sharing and four items for attitude towards knowledge sharing are included in the questionnaire. The alpha reliability of all items of attitude towards knowledge sharing is 0.677 and 0.720 for knowledge sharing (Bock et al., 2005). The data of

questionnaires was put in SPSS software and statistical tools such as regression and correlation techniques were applied on the data for analysis.

**Results & Discussions**

Table 1 shows the descriptive statistics (mean and standard deviation), correlation among all the variables and the cronbach's alpha reliability variables. Table 2 shows the results of regression analysis with standardized coefficients, R square and change in R square. Direct effect and mediating effect of variables is also mentioned in table 2.

The independent variables organizational trust is significantly correlated with the mediator organizational commitment but the degree of association is medium. Organizational trust and organization commitment are significantly and highly correlated with the knowledge sharing. Similarly empowering leadership have significant medium correlation with mediator attitude towards knowledge sharing but both these variables have significantly high degree of association with knowledge sharing.

Table 1: Means, Standard Deviations, Correlations, and Reliabilities

	Mean	Standard deviation	1	2	3	4	5
<b>OT</b>	3.94	0.43	(.703)				
<b>OC</b>	3.89	0.53	.59(**)	(.671)			
<b>EL</b>	3.89	0.43	.59(**)	.51(**)	(.722)		
<b>ATKS</b>	3.55	0.68	.49(**)	.54(**)	.43(**)	(.677)	
<b>KS</b>	3.75	0.43	.77(**)	.68(**)	.64(**)	.73(**)	(.720)

\*\* Correlation is significant at the 0.01 level (2-tailed). Alpha reliability in parenthesis

Hence the regression analysis is performed to test the hypotheses. The first hypothesis (H<sub>1</sub>) is supported by the results ( $\beta = 0.772$ ,  $p < 0.01$ ) which means that organizational trust has significant positive relationship with knowledge sharing. The beta value 0.772 means that one unit increase in organizational trust will cause .772 unit increases in knowledge sharing. This result has compliance with the past research (Wang & Noe, 2010) on the basis of which hypothesis was developed. The total variation explained by organizational trust in knowledge sharing is .597. The second hypothesis predicts that the organizational trust have positive impact on organizational commitment, this hypothesis is accepted on the basis of this study results ( $\beta = 0.592$ ,  $p < 0.01$ ) and the organizational trust explain ( $R^2 = 0.35$ ) variation in organizational commitment. OT is significantly positively influencing the OC. This result was derived by McAllister (1995).

Table 2 : Results of regression Analysis

Predictors	Organizational Commitment (OC)			Knowledge sharing (KS)		
	$\beta$	R <sup>2</sup>	Adjusted R <sup>2</sup>	$\beta$	R <sup>2</sup>	Adjusted R <sup>2</sup>
Direct Effect						
OT	0.592**	0.350		0.772**	0.597	
Mediation						
Step1:OC				0.689**	0.475	
Step2:OT				0.561**	0.680	0.204**
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <b>Attitude towards knowledge Sharing(ATKS)</b> </div> <div style="width: 45%;"> <b>Knowledge sharing (KS)</b> </div> </div>						
Direct Effect						
EL	0.425**	0.181		0.641**	0.411	
Mediation						
Step1:ATKS				0.731**	0.534	
Step2:EL				0.403**	0.667	0.133**

n=109; Dependent variable=knowledge sharing; \*\* p < 0.01

The literature of this study finds that the OC has played a mediating role between OT and KS. Hoof and Ridder (2004) has proved that organizational commitment of employees improves the knowledge sharing activities. This hypothesis is find correct by the regression results( $\beta = 0.689$ ,  $p < 0.01$ ) of this study. OC explain more .475 variations in KS. Afte<sup>r</sup> putting the OC as a mediating variable between the OT and KS, it is observed that the change in R square decrease significantly. Before mediation OT was explaining the variation (0.597) in KS and after the mediation effect it is decreased by more than 50% (0.204). The beta coefficient is also decreased significantly from 0.772 \*\* to 0.561 \*\*.As a result it is finding that the mediating effect of OC between OT and KS is existing, but this is almost partial mediation. Because the change is R square is not too much as compare to past studies. Similarly on the other hand the forth hypothesis (H4) “KS is positively influenced by empowering leadership” and fifth hypothesis (H5) “KS is positively influenced by the Attitude towards KS” are proved correct as it was observed in the literature (Foreman & Money, 1995; Srivastava & Bartod, 2006). The direct effect of EL on KS is shown as ( $\beta = 0.641$ ,  $p < 0.01$ ) and



explain 0.411 variation in KS. This result provides support to the H4. Xue et al (2010) measure the mediating effect of Attitude towards knowledge sharing (ATKS) between the EL and KS. The results of this study support the work of Xue et al (2010). The independent effect of ATKS on KS has shown that it has significant positive influence on KS ( $\beta = 0.731$ ,  $p < 0.01$ ) and explicate 53.4% variation in KS. After mediation it is observed that the  $R^2$  is increased up to 0.667 but the change in  $R^2$  is decreased significantly ( $R^2 = 0.133$ ) that was 0.411 before mediation. This result has proved that the ATKS has playmediating role between the EL and KS.

This study will add to the prior research and it will help the management to understand how the knowledge sharing within the Organization is influenced by the organizational trust and leadership. This study has practical implications, i-e it will help the senior management to make the right measures and design teams to facilitate the knowledge sharing among employees. The reason of investigating in this area is that it is almost impossible and very challenging for management to direct the employees to share their knowledge without any selfishness. The study of the combination of these factors and their impact will solve many problems of organizations related to the knowledge sharing.

This study has certain limitations that affect the generalizability of this research work. Due to the limited time and financial resources the data is collected from few organizations that are easily accessible. But all the organizations are either based in capital city Islamabad or Rawalpindi, and almost similar response is found from these organizations. Therefore, its results can be implemented in these major cities.

In future this work can be extended by collecting data from different sectors of Pakistan. Moreover, a large sample should be selected to make its implication in all organizations of Pakistan. This will make its results more generalizable. Also, the cross cultural comparison can also be conducted between two countries

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The title should be brief and not comprise of more than fourteen words written in Times New Roman font- bold and centered in 14 font size (formatted for 8.5" x 11" paper size)

The manuscripts should be composed according to the APA (American Psychological Association) 6th edition format and should be free of grammatical errors.

The submission can be submitted via e-mail as per the specified format.

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The abstract should not exceed 250 words along with the mention of;

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The abstract should be based on a concise summary of the study that the content and scope of the research and identifies the study's objectives, its methodology and its findings, conclusions, or intended results.

Maximum of 7 key words could be added in the end.

***Introduction***

The Introduction should provide a clear statement of the problem, relevant literature on the subject. Methods and procedures used in the research should be described in detail. Results should be clearly elaborated and must provide a comprehensive picture. Detailed interpretation of data should be included. In the discussion section findings should be interpreted in view of the present study as well as the past findings in that area. Conclusions should be given at the end of article. It should describe the validity of observation and other published work dealing with the same type. Finally the implications of the study should be given to establish the study's relevance and significance.

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- a) A4 size paper
- b) Margins 1.25 inch on all sides
- c) Font size 12 Times New Roman with 1.15 - line spacing (body text)
- d) Title, subtitles, abstract and references single spaced with 4 font size
- e) Referencing, graphics & tables as per APA format and will be part of the total page count.

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- a) Tables must be in the Microsoft Word table format, and should be created using Times New Roman text, 10 point size. APA-style provided elsewhere must be preferred.
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- c) Tables and figures may be oriented horizontally (landscape) or vertically (portrait) within the allotted space.
- d) Each table and figure should be identified with a table or figure number and a descriptive title.
- e) For any data not generated by the author(s), the source of the data should be given (in short form) below the table or figure and also should be listed in full in the references.

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- a) Footnote material should be incorporated into the text wherever required. If footnotes are necessary, the note number should be typed in the form of superscript in the text. The notes should be mentioned at the end of the page as endnotes.
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