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PAKISTAN BUSINESS REVIEW APRIL 2014
A SHIFT FROM TEACHER CENTERED TO EXPERIENTIAL TEACHING METHOD: A CASE STUDY

Samra Javed¹, Nasreen Hussain² & Talib Syed Karim³

Abstract:

The study was conducted to identify the experiential component in the core MBA program courses in a business school in Karachi, Pakistan, using multi mode qualitative research design employing documentary analysis and individual interviews. First, the course outlines and teaching plans of core business administration in Finance, Marketing, Human Resources, Management, Business Law and Management Information System were analyzed to conclude the extent to which each used experiential teaching methods. In the second step, four faculty members were interviewed to obtain more information on the teaching methods they used. The documentary analysis concluded that only a minor part (12 %) of teaching methodology employed in MBA courses was experiential. The experiential components were seen only in class projects and assignments that included field work and simulations. In addition, the interviews revealed that though the teachers wanted students to learn skills that would help them to enter the corporate world and realized the significance of experiential learning to achieve their aims, their teaching methodology was mainly non experiential.

Keywords: Experiential learning, business management, business administration, teaching methodology, MBA

JEL Classification: Z 000

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Experiential learning, also known as informal education, emphasizes on the nature of participants’ subjective experiences and includes learning that comes about through reflection on everyday experience. An experiential educator’s role is to organize and facilitate direct experiences of phenomenon under the assumption that this will lead to genuine, meaningful, and long-lasting learning. This often requires preparatory and reflective exercises and can be traced back to scholars like Dewey (1933), Kolb (1984), Lewin (1951) and Piaget (1952).

Simply put, experiential learning is defined as learning by doing and making meaning from direct experiences. Learning from experience by yourself might be called “nature’s way of learning” and “education that occurs as a direct participation in the events of life” (Houle, 1980 as cited in Smith, 2003, p. 221).

Over the last many years, the concept of experiential learning has gained strength in the area of teaching and learning as educators have observed that experiential methods in teaching are more effective than other conventional methods in terms of students’ deeper levels of understanding of the concepts, their active involvement in classes, and improvement in their skills. Teaching in business administration is no exception to the above mentioned fact as focus on experiential learning is now considered an important teaching method in the discipline. The emphasis on experiential learning in MBA program is gaining strength as the faculty, deans, and executives recognize that the most important and critical aspects of leading and managing are learned through practice rather than through traditional classroom based pedagogy.

Experiential learning in business management has become the focus of educators in the United States because educators have observed declining trends in enrollments in full time MBA program over the last few years across the globe. Datar (2010), in his research, probed into this decline using interviews with the Deans of business schools and recruiters in United States, Europe and some parts of
Asia in 2008. The study identified the need to bridge the gap between the academic research carried out by business schools and competencies and skills needed by the practicing managers. The findings indicated that too little emphasis is laid on a change in the curriculum- a shift to real world management issues. The students are taught analytical frameworks and qualitative techniques and not organizational skills. The schools that use the case method help the students learn to assess and weigh different approaches to problem solving and do not train students to implement solutions to the problems posed by the practical scenarios. Datar (2010) asserts that despite the fact that the faculty members are research oriented and excel in their respective fields, the focus is on analytical courses that include outdated concepts and theories. In addition, there is a need to focus on relevant research. As reported, there has also been a lack of student engagement and a need to train the graduates in the areas of business administration that have a global perspective. Leading business schools in the US, Europe and some parts of Asia are engaged in innovative examples of experiential learning. Some of these examples are from courses in business education at Stanford that reflect experiential learning put into practice particularly in Stanford’s Critical Analytical Thinking Course (CAT). Another example is Creating Infectious Action: Stanford Design School that emphasizes on learning by doing and focuses on preparing future innovators to be breakthrough thinkers and doers. Stanford’s Global Context of Management course is yet another example that covers political, economic, financial, and cultural drivers of global marketplace. (Datar, 2010).

Courses in leadership skills have also been transformed into the experiential concept of leadership in action. A few examples of experiential programs in leadership are Leadership Development in China Europe International Business School (CEIBS), MBA Program and at S.P. Jain Institute of Management and Research (SPJIMR), India. (Gabula, 2011).

Your First Hundred Days at INSEAD, Singapore, presents the epitome of experiential learning by providing a taste of what it is like to assume managerial control of a company a student and his/her
team of fellow managers have just bought. (Turner, 2011). Hence, the examples of innovative teaching methodology affirm that a revamp in business education curriculum, though requiring a considerable amount of time and efforts, can endorse practical and meaningful exposure to business students resulting in skill building needed by the industry.

The teaching of business administration in Pakistan is also undergoing a change in methodology and many business schools are constantly striving towards the case method following Harvard Business School. Business schools face many issues that include lack of trained faculty, a dire need of linkages with the industry, and lack of locally relevant research and scarce job opportunities for business graduates. (Khan, 2006 & Kolachi and Wajidi, 2008).

The study in question is placed in a private sector business school in Karachi that offers bachelor’s and master’s programs in business administration. The Institute is engaged in revisiting its curriculum in line with the latest trends in business administration teaching and has already revised some of its courses as a part of curriculum review process. The Institute also plans to seek accreditation from the Association of Advance Collegiate of Schools of Business (AACSB) which is a challenging task and requires considerable changes in teaching methodology. This is one of the reasons for the schools to give a serious consideration to revisit its curriculum. The researcher is a member of curriculum review committee and is also responsible for the AACSB accreditation procedure. Being a part of both is all the more reason to carry out the study in question.

**Purpose of the study:**

The intent of the study is to identify the experiential component in the core business administration courses of MBA program in a business school. The fundamental question of the study was as follows:
1. What is the experiential component in the core business administration courses of MBA program in the business school?

The sub questions of the study were the following:

i. What are a few active learning strategies that are used and are part of the curriculum?

ii. How many teaching sessions in a semester are allocated to practice learning in the field?

iii. What is the nature of the project work given in each course?

The following two research questions were added later when it was decided to include interviews as well to gain more information regarding the research objective:

1. What are the perceptions of teachers regarding the effectiveness of experiential teaching method in achieving the aims they have set for the courses they teach?

2. What are the challenges of employing experiential teaching methods in the courses?

A qualitative study design is chosen for this research to look for in depth information about the course content and teaching methodology and provide a narrow view of the phenomenon rather than generalizing it to a larger phenomenon. It was anticipated that the study will throw light on the teaching of MBA courses and the results of the study will recommend ways the administration / decision makers/ curriculum review committee of the business school and of other business schools in general can work on ways to revisit MBA curriculum, increase experiential component and thus making it at par with the curricula of benchmark universities. Second, it was anticipated that faculty members teaching in the business school will gain an insight into the latest methodology of MBA teaching.

**Theoretical Framework of the Study**

Experiential learning can be defined as a process by which the learner creates meaning from direct experience (Dewey, 1933).
Kolb (1984) defines experiential learning as an activity that takes place when, a) a person is involved in a task, b) he looks back and evaluates it, c) determines what was useful or important to remember and d) uses this information to perform another activity or task. Chavan (2011) adds a similar four-stage cycle of learning as proposed by Kolb involving experiential activities followed by questionnaires that made students reflect and the knowledge acquired is measured through the tests/assignments. The study reflected how Kolb’s model could be applied and implemented by providing students hands on experiences in classroom (Chavan, 2011). Hence, experiential learning engages learners in an activity and provides an opportunity to reflect and place value on the experience. The model of experiential learning is defined by Borzak (1981) as “an instructional model with four cyclic stages beginning with the learner’s direct involvement in an experience, his/her reflection, discussion, analysis, and evaluation on that experience” (as cited in Brookfield, 1983, p. 9).

Experiential Learning Theory proposes a constructivist theory of learning and defines learning as “the process whereby knowledge is created through the transformation of experience. Knowledge results from the combination of grasping and transforming experience (Kolb, 1984, P.41).

The central reference point for discussion on experiential learning theory comes from the work of David A Kolb and his associate Roger Fry (1975). Presented below is their conceptualization of experiential learning (See figure 1). Kolb (1984) is the pioneer of the theory of experiential learning which he initiated around 20 years ago. His theory has now been recognized as a well-organized model of learning grounded in the theoretical framework of personal experience (Ausburn & Brown, 2006).

There has been an extensive research on his theory with around 1,000 articles written on that since its inception (Kolb, Boyatzis, and Mainemelis, 2002). Kolb, A & Kolb, D (2006) report reviewing
around 300 journals, articles and books that describe the application of Experiential Learning Theory. These can be classified into research studies that identify students learning styles and the ones that describe the design and delivery of courses that follow experiential learning design.

Kolb has extracted the concept of experiential learning from the works of Dewey, who emphasized upon the part played by experience in the learning process (Rudowski, 1996) and Lewin (1951) whose research discovered that learning is best facilitated when there is a conflict between a learner’s immediate concrete experience and a detached analysis of it by the individual. Lewin’s cycle of action, reflection, generalization, and testing is characteristic of experiential learning.

Kolb’s model called ‘experiential learning cycle’ as shown in figure 2 below consists of four elements namely, concrete experience, observation and reflection, the formation of abstract concepts and testing in new situations.

Figure 2 Kolb’s Model
For Kolb (1984) experiential learning is an activity that takes place when, a) a person is involved in a task, b) he looks back and evaluates it, c) determines what was useful or important to remember and d) uses this information to perform another activity or task. Chavan (2011) adds a similar four-stage cycle of learning as proposed by Kolb involving experiential activities followed by questionnaires that made students reflect and the knowledge acquired was measured through the tests/assignments. The study reflected how Kolb’s model could be applied and implemented by providing students hands on experiences in classroom (Chavan, 2011). Hence, experiential learning engages learners in an activity and provides an opportunity to reflect and place value on the experience. The model of experiential learning is defined by Borzak (1981) as “an instructional model with four cyclic stages beginning with the learner’s direct involvement in an experience, his/her reflection, discussion, analysis, and evaluation on that experience” (as cited in Brookfield, 1983, p. 9).

The model of experiential learning presents two approaches each of grasping Concrete Experience (CE) and Abstract Conceptualization (AC) and transforming experience Reflective Observation (RO) and Active Experimentation (AE).

The learner “touches all the bases” – he/she experiences, reflects, thinks, and acts - in a repeated process in response to the learning situation. James Zull (2002), a biologist and founding director of CWRU’s University Center for Innovation in Teaching and Education (UCITE), suggests a connection between experiential learning and brain functioning (as shown in Fig. 1).
The illustration suggests that concrete experiences come through the sensory cortex, reflective observation involves the integrative cortex at the back, creating new abstract concepts occurs in the frontal integrative cortex, and active testing involves the motor brain. In other words, the learning cycle arises from the structure of the brain (Zull, 2002, p.18).

As per ELT, immediate or concrete experiences lead to observations and reflections. These reflections are then assimilated into abstract concepts with implications for action, which the person can actively test and experiment with, which in turn enable the creation of new experiences. The learning process can begin at any stage. (Cited in Chavan, 2011)

Real experiences help the individual learn advanced abstract concepts. The experiences might result in paths, which allow the individual to actively collect information to learn and become a member of the community of practice. Perhaps critical thinking and reflection may refine ideas or lead the individual to consider alternate possibilities. Each phase potentially leads to another and builds upon the former.

Another perspective of experiential learning involves students’ reflection on their engagement with the learning experience that takes place throughout their life time (Houle, 1980). (see Figure 3).
Literature Review

The theoretical background of the study includes research studies that reveal the nature of experiential learning and explain its premise, its effectiveness in the teaching of business education, and its implementation in various disciplines of business management like economics, accounting and finance, and marketing as well as in the development of much needed skills and competencies the business graduates are expected to acquire.

The concept of Experiential is best explained by a quote of Confucius: I hear and I forget, I see and I remember, I do and I understand and Sophocles’ quote from 400 B.C., “One must learn by doing the thing, for though you think you know it-you have no certainty, until you try” (Gentry, 1981). The AACSB Memorandum (Carter et al., 1986 cited in Gentry 1981) used a somewhat diverse description of experiential

Figure 2 Experiential Learning Throughout Life (Houle 1980)
Learning as follows: “Tell me and I’ll forget. Show me and I’ll remember. Involve me and I’ll understand.”

Experiential learning can be defined as a process by which the learner creates meaning from direct experience (Dewey, 1933). It is also defined as “…a sequence of events with more or one identified learning objectives, requiring active involvement by participants at one or more points in the sequence” (Waltes & Marks, 1981, p. 1 cited in Graf & Kellogg, 1990). Smith (2003) defined experiential learning as the —sort of learning undertaken by students who are given a chance to acquire and apply knowledge, skills and feelings in an immediate and relevant setting (Smith, 2001 (p. 1) cited in Clark, Threeton, & Ewing, 2010). It is important to note that it entails a direct experiential engagement with the learning experience instead of a thought process connected with the learning (Borzak, 1981) (see Figure 1).

Figure 1 Experiential learning via a direct educational encounter (Borzak, 1981)
There has been a substantial evidence by researchers (Mok, 1999; Paul & Mukhopadhyay, 2005; Koehler, Lawroski and Bischoff, 1995; McCarthy & McCarthy, 2006) that experiential learning turns classroom learning into a meaningful and focused activity that helps learners develop skills that are required by the hiring market. Mok (1999) proposed 10 functional attributes that could frame a model of experiential learning. The study tested the appropriateness of these attributes with education students by placing the attributes against key indicators and the respondents’ perceptions regarding the effectiveness of experiential activities by comparing their effect with that of study journal (maintaining a record of learning) learning. The respondents gave a high rating to the former activity in experiential attributes as compared to the latter.

The use of the instructional models of experiential learning in business education has gained currency replacing case method which has been the focus of instructors and educators in the teaching of business administration concluding that case method alone cannot be sufficient in business education. In spite of the fact that case method has been popular for many years, it cannot take the place of learning that business students acquire when engaged in activities that help them give a direct experience to assimilate their academic concepts with direct work experiences in their choice of careers or majors (McCarthy & McCarthy, 2006). Instead of simply imagining a situation or a scenario, students are given real business world scenarios to ponder on so as to exercise their decision making skills. In addition, students are provided with opportunities to look at the available career choices, engage in networking, and get to work with both academic and professional mentors (McCarthy & McCarthy, 2006) Needless to say, a gap such as this can only be filled by incorporating experiential activities where students can apply the concepts they have acquired to deal with real business world issues. Paul and Mukhopadhyay (2005) focus on activities related to cases including role playing, class project including negotiation, website
development, guest speaker sessions and videos that make students enhance their understanding of issues in international business.

The use of experiential learning has been reported to be effective in various disciplines of business education as reflected in the review of literature that discusses subject wise initiatives in this respect. To give an example in accounting and finance, a study by Siegel, Omer, and Agrawal (1997) compares the performance of two classes of students; the experimental class was provided with a series of videotapes of an audit experience and the controlled group was not provided with any. The students in the experimental group performed significantly better as compared to the controlled group. The videos provided concrete experience of auditing which would have been missing in traditional classroom pedagogy.

In the same vein, Specht and Sandlin (1991) conclude that the students participating in experiential activity in accounting retained knowledge more successfully than their peers taught by traditional lecture. Simulation of a lending decision was used and students were required to engage in a role play. The steps followed in this exercise were the main steps of experiential learning model. In addition, the use of games in financial management in order to make learning more meaningful, interesting and relevant has been discussed by Koehler, Lawroski, and Bischoff (1965). The three games comprised a) an investment game where a student was given $2000 to invest in different ways, b) a credit card comparison activity that taught the risks involved in the market as well as the economic needs of customers and c) Perils activity to teach risk management.

Similarly, the effectiveness of simulation games in economics has been reported in a study that developed an experimental design to test whether simulation in teaching economics supports the experiential learning model proposed by Kolb (Hertz & Merz, 1998). A simulation game MACRO was used in the research which represented four groups of economic agents (business, union, government and
central bank) in a country trying to achieve their targets by controlling specific decision parameters. The game helped the students evaluate the economic policies of different players and the results of the study indicated that the steps of Kolb’s model were supported by the game in a better way than a traditional lecture based methodology. The findings suggested that the main challenge was to find a game that was flexible to be tailored to the needs of the learners and their environment and at the same time it should have good economic foundations.

Effectiveness of experiential learning has also been discussed in teaching marketing. A research study conducted by Voccaro (2008) reports effective use of experiential activities used in advertising. The advertising campaign helped the students get a flavor of real life experience of managing and running an advertising agency without being faced by the cost that would have incurred in a real advertising scenario. Paul and Mukhopadhyay (2008) conducted a similar exploratory study to observe the effect of experiential learning in teaching business management courses that reported how the university implemented a few new experiential techniques. Results of the study reported that introducing experiential pedagogy facilitated meaningful learning for the students.

Although the need for students to hone their skills through hands on activities is as much required globally; however, the scenario of business education in Pakistan does not offer much room for students to engage in experiential learning. Kolachi and Wajidi (2008) share the reasons for the dismal picture of job market in Pakistan: one is that business schools are not teaching marketable skills to their graduates and the other is emphasis on bookish knowledge that lacks practical exposure. Also, there is a lack of research in business schools in Pakistan. Khan (2006) suggests that business schools should develop industry linkages to benefit students and that although leading business schools in Pakistan have industry linkages, there is
a need to accelerate the process. In addition, the teaching pedagogy needs to be updated as most of the teachers are untrained.

The research in the past indicates the effectiveness of experiential learning in different areas of business education. However, the researcher has not come across any studies that identify the extent of experiential component in business education program. In addition, the concept of experiential learning, though not new for educators in many parts of the world, is still not being implemented in its basic principles and practices in many business programs in Pakistan.

The method of inquiry

The study seeks to find out the experiential component in the core business administration courses of MBA program in a business school using a qualitative and case study research approach entailing documentary analysis and interviews. Documentary analysis was used as the main tool of the study to identify the extent to which the course contents of the above mentioned courses were experiential, whereas interviews with faculty members were used to gain insight into the skills they aimed at, their teaching methodology, their opinions about the effectiveness of experiential learning, and the challenges they faced when employing experiential learning as a teaching methodology in their classes.

Phase One: Documentary analysis

Documentary analysis was used for the analysis of course contents of 24 core business administration courses taught at MBA (regular) program. Based on the literature review pertaining to the nature and types of experiential learning, a check list was developed comprising two grids against which every course outline could be analyzed (See Appendix A). In addition, the teaching methods were also categorized as experiential or non experiential on the basis of nature and types of experiential learning explored by the researcher during the literature review. 40 sessions (90 minutes each) were
allocated to each course, out of which four were allocated to examinations and 26 to teaching. Each course was analyzed separately. First, the number of sessions in which each teaching method was implemented were calculated. Next, each teaching method was categorized as experiential or non experiential. In the third step, the percentages of experiential and non experiential teaching methods were calculated, first course wise and then discipline wise. Finally, the total percentages of experiential and non experiential teaching methods of the entire core business administration courses of MBA were calculated identifying the total component of experiential teaching method.

Phase Two: Interviews

After the documentary analysis was completed, it was decided to conduct interviews as well to obtain more information and throw further light on the nature of teaching methods employed in teaching core business administration courses.

Four teachers were selected to participate in individual interviews. The selection was made on systematic sampling methods choosing every fifth teacher teaching the course selected for documentary analysis. Individual interviews, which varied in length from 25 to 30 minutes, were conducted to obtain in-depth information supplementing the findings of documentary analysis. The interviews were conducted in faculty offices. The interviews were semi structured, in-depth, face to face and were carried out in a conversational style. All interviews were tape-recorded and transcribed verbatim for data analysis. The names of the participants were kept confidential. Each person who agreed to be interviewed was asked to read and sign an informed consent form. The researcher guaranteed complete anonymity. Common patterns in responses to each question were categorized. The category that had the most similar responses was reported as the strongest. Excerpts from the interviews are quoted in the results for better understanding.
Findings

The findings of this study are divided into two sections: a) documentary analysis and b) insights from the interviews.

**Documentary analysis**

**Finance and Accounting**

The business administration courses in Finance and Accounting included four courses, namely, Introduction to Managerial and Cost Accounting, Introduction to Financial Accounting, Financial Management and Advanced Financial Management. All four courses were analyzed against the prepared checklist to find out the extent to which experiential learning methodology was followed in each course. The researcher could not find the nature of 10 percent of the methodology that included exercises from the books as no details of these activities were given in the teaching plans or course outlines. The analysis of the rest of the methodology concluded that the teaching methodology implemented in these courses was non-experiential as it included explanation of concepts by the teacher, reading, lectures and discussions in the classrooms. In addition, there were no details of the projects given as part of the above mentioned courses carrying 10 percent of assessment weightage, therefore, the researcher was unable to find out the nature of projects to conclude whether they were experiential or non-experiential.

**Human Resources**

The three business courses in Human Resources included Human Resource Management, Organizational Change and Development and Strategic Human Resource Management which were analyzed against the prepared checklist to find out the extent to which experiential learning methodology was followed. The nature of one percent of the methodology was not identified due to lack of details of these activities in the teaching plans. The analysis of the rest of the methodology showed that 30% of the teaching methodology was experiential that included experiential exercises, management
films, and guest speaker sessions. On the other hand, 70% of the methodology was identified as non-experiential including discussion based cases, class discussions, and lectures. However, all three projects given as part of the above mentioned courses carrying 10 to 15% of assessment weightage were identified as experiential.

Management
The business administration courses in Management included nine courses, namely, Principles of Management, Organizational Behavior, Entrepreneurship and Small Business, Strategic Management, Production and Operations Management, Project Management, Corporate Social Responsibility, Corporate Governance and Total Quality Management. All nine courses except for two that the researcher could not get from the Head of the Department were analyzed against the prepared checklist to find out the extent to which the teaching methodology implemented in the course was experiential. The research could not find the nature of 16% of the methodology as no details of these activities were given in the teaching plans or course outlines. The analysis of the rest of the methodology concluded that 12% of the teaching methodology was experiential including experiential exercises and videos. On the other hand, 88% of the methodology implemented in classrooms could be identified as non-experiential including discussion based cases, class discussions and lectures. However, out of seven projects given as part of the above mentioned courses carrying 10 to 30 percent of assessment weightage, four were identified as experiential. The nature of three projects was not identified owing to lack of information.

Marketing
Five courses in Marketing included Principles of Marketing, Marketing Management, Methods in Business Research, Strategic Marketing and Planning and Consumer Behavior were analyzed against the given checklist to find out the extent to which these courses followed experiential methodology. The analysis of the methodology concluded that 30% of the teaching methodology could be identified
as experiential including experiential exercises, cases converted into experiential exercises and videos. On the other hand, 89% of the methodology was identified as non-experiential including discussion-based cases, class discussions and lectures. However, three out of four projects given as part of the above mentioned courses carrying 10 to 15% of assessment weightage were identified as experiential and the details of one were not given in the teaching plan.

**Management Information System**

The business administration courses in Management Information System included two courses, namely, Business and Information Technology and Electronic Commerce. Both courses were analyzed against the prepared checklist to find out the extent to which experiential learning methodology was followed in each. The analysis of the methodology concluded that it did not include any experiential exercises and included only discussion-based cases and class discussions.

**Business Law**

The business administration courses in Law included only one course, namely, Corporate Law. The course was analyzed against the prepared checklist to find out the extent to which it followed experiential learning methodology. The analysis of the methodology concluded that it did not include any experiential exercises at all. In addition, no details of the projects given as part of the above mentioned courses carrying 10% of assessment weightage were given in course outlines.

**Interviews**

The following were the themes that emerged out of the responses of the teachers who participated in this study:
Development of skills and abilities

Teachers emphasized on development of skills as their major aim while teaching students. One teacher was of the opinion that the purpose of business education is to train graduates to become Chief Executive Officers and therefore, they should be trained in the areas of skill building and development of competencies. He stated that the main objective of the courses he taught was “to use knowledge as a tool for personal and professional life….. I believe manuals do not serve the purpose, but hands on exposure is needed to achieve this objective.” Another respondent asserted that the students should be given decision making scenarios and team work so that they improve their analytical and communication skills. The third teacher believed that his course was aimed at preparing the graduates to enter practical life in a congenial manner by providing them with opportunities to experience the problems they would face once they enter the corporate world. He added that these opportunities, in turn, would help them hone their analytical and listening skills. The fourth teacher also shared similar aims as that of the first three by emphasizing on analytical and communication skills as aims and objective of the courses he taught.

The ability to work as effective team players was another skill that two out of four respondents wanted their student to develop. One respondent aimed for developing a positive approach and work ethics as well as the skills to develop a sound vision, effective strategy and effective operational skills in students. Other objectives that emerged from the responses to this question were the ability to reason and argue, develop a proactive and participative approach and active listening skills.

Comprehension, mastery and application of concepts

For two respondents, it was comprehension, mastery and application of concepts of the respective subjects that they wanted their students to acquire. One of these teachers responded: “I want them to apply the concepts they learn… logically, sensibly and
rationally as I believe business education is useless unless the graduates are trained to apply what they learn.”

Discussion Based Cases as Teaching Methodology

In response to the question that asked what teaching methods the teachers employ, discussion based cases was the main teaching methods that they used in their classes. To quote a teacher: “I let them solve the case and suggest solutions through interactive discussions in the class. The students get to know the best option for the solution of the case when I discuss with them the most appropriate answers.” “To teach cases, I need to do a lot of homework before I go to the class so that I can provide them with the most appropriate solution.” However, only one respondent dealt with cases in a semi experiential manner including simulation, whereas the other three used discussion as a method of teaching cases. Hence, case studies and mini scenarios were the common classroom teaching methods used by all respondents. Another teacher responded that 75% of his teaching methodology entailed interactive discussion on the cases given to the students. Discussion based cases were used as the main teaching method for the third teacher too.

Lectures

Besides discussion based case studies, lectures were another common teaching method employed by three out of four teachers. One teacher responded that only 25% of his teaching methodology comprised lectures whereas the rest of 75% entailed interactive discussion on the cases given to the students.

Other Teaching Method

Three teachers shared that sometimes they showed videos showed “management at workplace” to the students. One out of four teachers emphasized on providing reading material to students “that they were expected to read before they come to the class”. He further stated: “I use many quizzes throughout the semester. These quizzes are from the reading material.” Another teacher stated that he solved exercises from the prescribed books which were word problems in Finance as the sole method of teaching in his class.

Experiential Projects
Three teachers responded that the projects given to their students were truly experiential as the nature of the projects either entailed sending the students to the industry to engage into actual work scenario or simulation of real business scenarios in classrooms. In addition, they responded that these projects carried 15 to 20% of the marks allocated to the course. Only one respondent did not give any project to his students as part of the course. One respondent informed: “The projects given in the course I teach involve students in a hypothetical marketing scenario. I really wish the project could involve a real rather than imagined business scenario to help me achieve the aims of the course in a more effective way.”

Experiential learning helps to achieve the aims and objectives of courses

All respondents believed that experiential learning helps to achieve the aims and objectives of their respective courses in a better way. They were also of the view that experiential teaching method would help to generate interest of students and help motivating them to take part in learning. To quote a teacher: “It is like preparing them in classrooms for the future- for what they are most likely to experience once they enter the practical business world”.

Missing liaison of the business school with the industry

The strongest challenge that emerged was the missing liaison of the business school with the industry. The teachers reported that this missing link hampered the field work that could engage their students to provide them hands on experience. One of the respondents felt that the industry itself discourages such a liaison and that there are no internal issues or challenges raised by the business school in question with respect to this aspect.

Lack of teacher training

Another challenge was lack of training for the teachers to handle experiential learning as reported by three out of four
respondents. A teacher shared that the faculty is not trained in terms of a) having appropriate and sufficient exposure to the real industry issues and b) experiential teaching methods particularly simulations in classrooms.

Other Challenges
The third challenge was the huge class size that made experiential learning difficult to manage as reported by two respondents. Other barriers to experiential learning were excessive load of course content the faculty needed to cover, and lack of motivation in students. A teacher shared: “The students here are grade oriented and do not seem to show interest in working on long term goals.”

Discussion
The findings that emerged from the documentary analysis indicated that only 12% of the teaching methodology of core business administration courses was experiential and 88% was non experiential. This supports Harrington (2004) findings that only 12% of instructors use experiential learning in spite of its advantages. However, all projects (carrying 10 to 30% of the assessment) given in these courses were experiential except for those not analyzed because of lack of necessary details. Moreover, the finding also reveals that the experiential component was mostly seen in off class projects where students were sent to the field as compared to in class activities.

The findings also highlighted that core business administrative courses in Marketing and Human Resources had the most experiential component as compared to Finance, Management, Business Law and Management Information Technology. Studies by Gruys and Stewart (2007) and Burke (n.d) confirm the efficient use of experiential exercises and projects in teaching Human Resources in terms of students’ active engagement in classes and effective learning outcomes. Similarly, research studies by DeLozier, Lewison and
Woodside (1977) and Li, Greenberg and Nicholls (2007) report inclusion of experiential marketing projects in teaching Marketing that bridge the gap between theory and practice. The findings indicate the need for raising awareness about the potential in engaging students in experiential learning among the faculty of other courses in business management particularly in Finance and Accounting as the accounting firms expect the business graduates to be familiar with the work patterns encountered in the real world of accounting and group decisions needed in audit.

The non experiential methods employed by the faculty included mainly lectures, class discussions, and cases and thus reflect the traditional pedagogy generally employed by the educational system in Pakistan. The system is predominately based on lecture as pedagogy from the primary education till the university level. The cases were taught through class discussions only and hence were non experiential as they did not provide direct and personal encounter as exemplified by Kralj (2007) in his discussion of live and experiential cases that involved role plays and simulations. This points out lack of knowledge, awareness, and training among faculty in handling cases in a proactive and experiential manner. Desiraju and Gopinath (2001) mention two teaching styles- the most common Harvard Case and the comparatively new McAleer Interactive Case Analysis. The traditional Harvard Case is led by the teacher who needs to give his/her own opinion as well as counter students’ arguments to promote discussion and debate in the class. The McAleer Interactive Case Analysis is more student centered and requires the students to guide the flow of discussions and develop solutions to the problems or issues. The teacher acts as a moderator. At present, many business schools in Pakistan are training the faculty to employ the Harvard Case method as the benchmark for management education and few have succeeded in doing so. It is important to note that as students, these teachers have been taught with traditional and teacher centered methods and therefore, the shift to experiential learning means changing their mindset and thus requires considerable time and effort. Furthermore,
A Shift From Teacher Centered To Experiential Teaching

the mind set and learning habits of the students should also be considered. The students enrolling in MBA program come from heterogeneous educational background and are not trained in experiential teaching pedagogy. Therefore, a judicious and gradual shift to the latest trends in MBA education is all the more needed.

The interviews, conducted after the documentary analysis to fill in the missing gaps in the information obtained in the latter, confirmed the findings that emerged out of documentary analysis. The findings showed that the overall aims and objectives of the courses were development of skills in students that they would need once they started working in the corporate sector. The respondents focused particularly on analytical skills. In addition, the other skills aimed at by the respondents were communication skills, listening skills, skills to become effective team players, as well as visionary and strategic skills and the skills to reason. This finding is similar to the significance of development of skills in business students discussed by Currim (1987), Datar (2010), Sedlak, Doheny, Panthofer, and Anaya (2003), Klute and Billig (2002), and Simons and Cleary (2006). In terms of teaching methodology, case studies using discussion were the most common methodologies employed by these teachers. Videos and experiential exercises were occasionally seen as teaching methodology. On the other hand, as reported by the teachers, class projects were mainly experiential including industry visits and hands on experiences and were allocated 15 to 20% of the assessment. Therefore, the results of the interviews supported the findings that emerged from documentary analysis for endorsement.

The findings also indicated that all respondents believed that experiential learning was immensely helpful in meeting the objectives they had set for their respective courses. However, they reported a few challenges faced by them as barriers to experiential teaching methodology that included lack of training and huge class size similar to the findings reported by Brewer and Gray (1999), Kleinsmann and Rianne (2008), Levine (2005) and Minstrell (2001).
Moreover, lack of liaison with the corporate sector as a barrier confirms the significance of strong linkages between business schools and the industry pointed out by Khan (2006). A strong liaison between the two could have helped the faculty members to i) develop local cases ii) take members from the industry on board to recommend changes in curriculum iii) analyze the needs of the industry and thus train the graduates accordingly, and iv) include more field based assignments.

**Conclusion and recommendations**

To sum up, the study conducted to find out the experiential component in core business administration courses at MBA in a business school through documentary analysis concluded that only a minor part of teaching methodology employed was experiential as seen in class projects and assignments where experiential projects included field work and simulations. In addition, the interviews revealed that though the teachers wanted students to learn skills that would help them to enter the corporate world and realized the significance of experiential learning to achieve their aims, their teaching methodology was mainly non experiential. Similar to the findings of documentary analysis, the projects these teachers gave to students as part of their courses were mainly experiential. Moreover, these teachers faced big challenges including huge classes and lack of relevant training in experiential learning that hampered switching to experiential learning as a methodology in their classrooms. The fact that these teachers realized how helpful experiential learning was in teaching was positive in the sense that this could help the Curriculum Committee of the business school to implement changes in teaching methodology after controlling the barriers identified by the teachers.

The findings of the study recommend extensive training of business education teachers in experiential learning as well as handling this approach in huge classrooms.

Moreover, working on ways to develop a close collaboration with the industry needs to be worked out. One of the strengths of the
business school is its excellent job placement. Most of its graduates are working in the leading firms of the country. The schools can capitalize on this strength and use its alumni network to strengthen the ties with the industry. The faculty, Internship and Placement Department, administration of business schools, the corporate sector, the government, the Higher Education Commission of Pakistan and the Ministry of Education, Pakistan can play a significant role in developing a stronger and more effective liaison.

Reducing the class size and the long list of course contents would help to give the teachers more room, flexibility and time to be creative to focus on building relationship with the industry and employ experiential teaching methods to be able to achieve the aims they set for their students and make business education more meaningful for them.

Previous studies have not probed into the overall experiential component of business education and most of them have reported the procedure and effects of the experiential methods employed in classrooms. In this respect, this study provided a new dimension by throwing light on the general patterns of teaching methods used in MBA teaching and reconfirmed some of the findings of previous studies. This study also provided implications that other business schools in Pakistan may be following similar trends in terms of teaching methods.

Limitations of the study

Due to the sketchy nature of the information available in teaching plans and course outlines, the extent to which this study could reach any generalization may be questioned. The small sample size, focused questions and short duration of interviews were also not adequate to generalize on the perceptions and challenges of experiential learning. In addition, management films and guest speaker sessions were considered experiential by the researcher. Further
research needs to be carried out to determine whether or not they should be considered so. Therefore, it is urged that further research should be carried out in the following directions:

- At the national level, the study should be expanded further to include more business schools in the country and compare their respective teaching methods. However, focus group interviews could replace individual interviews to make the findings of the future research more universal.
- A longitudinal research should be carried out in collaboration with the corporate sector to compare the learning outcomes of various teaching methods in terms of skill development in business graduates by measuring their on the job performance.
- At the international level, a consortium could be formed comprising experts in business education from some of the leading business schools of the world to recommend ways the shift from teacher centered to experiential pedagogy could be made gradual, smooth and therefore, more successful.
- In addition, whether or not experiential learning is the best way to teach a certain subject which needs focus on the theory, should be determined.
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Journal of Management Education, 25, 394-408


A Shift From Teacher Centered To Experiential Teaching


RELATIONSHIP BETWEEN
STOCK MARKET VOLATILITY
AND EXCHANGE RATE
VOLATILITY

Mobeen-ur-Rehman

Abstract:

Following the portfolio balance theory, the direction is from stock market volatility to exchange rate volatility whereas in other case results conclude that the direction of spillover is from exchange rate volatility to stock market volatility hence following the flow approach. I have taken the data of stock market returns from Karachi Stock Exchange and Business Recorder website while the data on the exchange rate are taken from the International Monetary fund website. The volatility of both the series has been calculated and made stationary and the tests for relationship, both short term and long term, have been applied. The results show that the direction of relationship is from stock market volatility to exchange rate volatility and a long term relationship exists between these two series, while no short term relationship exists between these two series. We have applied co-integration tests to prove these relationships as both of the above mentioned series were stationary at first difference. This study adds to the literature that in the emerging markets the portfolio balance theory prevails and this finding can be of practical importance for the formulation of macroeconomic policies to reduce the level of volatility to control the volatility in the exchange rates.

Keywords: Stock Market Volatility, Exchange rate Volatility, Emerging Markets.

JEL Classification: G 100

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Introduction:
There has been considerable amount of work in studying the relationship between stock market volatility and exchange rate volatility. Some studies have concluded positive relationship between them whereas others have highlighted the negative one. Various researchers have shown that the volatility in the exchange rate explains the stock market volatility whereas based on the portfolio balance theory, the volatility in stock market is attributable to the volatility in the exchange rates but despite of the past research, the direction of causality remains unsolved yet. No doubt there are many macro economic factors that affect both of the above mentioned variables but here in this paper, our focus will be to determine the direction of causality if any, or to find the extent of relationship between these two variables. There has been various studies in the developed as well as the developing markets but despite these market differences, the direction of causality first needs to be determined so that the difference between the markets to have this relationship can be further investigated. The exchange rate system is also one factor that has a major impact on the volatility of the exchange rate, and if following the flow approach, we can reduce the spillover effect and hence the stock market volatility. No doubt, the pegged exchange rate system is not a true representative of a country’s economy and fixed exchange rate system adds more stability; the currently followed managed floating system adds to a little volatility to the exchange rate system, and hence to the stock market volatility following a flow approach.

Significance of the study
Significance of the study is that this study will help us in determining that whether the flow approach is applicable in our emerging market or the portfolio balance theory is involved as there are different opinions about different level of efficiency in various markets concluded by the previous researchers.
Problem Statement
With the increase in the international trade, the volatility in the exchange rates is attributable for the stock market volatility whereas following a portfolio balance theory, stock market volatility effects exchange rate volatility, hence direction of causality remains unsolved.

Research Objective
Research objective is to find the direction of the causal relationship between stock market volatility and exchange rate volatility in our emerging market and to find the type of relationship i.e. whether short term or long term relationship between the two time series exists or not.

Hypothesis

Hypothesis 1
H0: No volatility spillover.
H1: Volatility spillover exists.

Hypothesis 2
H0: No spillover from the exchange rate volatility to the stock market volatility.
H1: Spillover exists from exchange rate volatility to the stock market volatility.

Hypothesis 3
H0: No spillover from the stock market volatility to the exchange rate volatility.
H1: Spillover exists from stock market volatility to the exchange rate volatility.

Delimitations of the study
There are many factors that can be involved in the volatility of both the time series data i.e., stock market volatility and the exchange rate volatility. There can also be macroeconomic variable as well as micro economic factors. But in this paper our focus is to only determine the direction of causality between these two variables because the determination of direction would add to the current literature as very few studies have been conducted in the emerging markets regarding the determination of relationship between these two variables. So our
main focus is not to explore the determinants of the volatility in these two variables but to find the direction so that we can infer that either the portfolio balance theory is influencing the relationship between the stock market volatility or portfolio balance theory is involved between them.

**Literature Review**

By applying long time series techniques, it has been analyzed that a long term stable relationship between prices indices and exchange rate exists, but the causality relationship holds true only from exchange rates to industry sector index (Kasman 2003). Emerging markets have been a source of consideration for the researchers in the last few decades as the volatility, market capitalization and returns in these markets have dramatically increased. It has also been found that not only these markets are uncorrelated with each other but also with the other developed markets (Kasman 2003).

Many of the financial crises characterized by the dramatic fluctuations in the exchange rate and the stock returns have forced researchers to find the underlying relationship between the two variables. According to Naka and Makrjee (1995) stock prices are integrated with the exchange rates, Koutoulas and Kryzanowski (1996) provided evidences that volatility of the stock market significantly responds to the exchange rate volatility and Fang (2000) found a negative depreciation effect on the process of stock returns as a result of the Asian crises in Taiwan. As far as the relationship between stock returns and exchange rate is concerned, there are varying opinions, some studies have found a negative relationship between interest rates and stock returns, few of them concluded that the relationship is not exact whereas the remaining suggested that there is no equilibrium relationship between stock returns and exchange rates.

The role of exchange rate fluctuations on the stock returns have been found by many authors, some have found negative relationship whereas others have found positive relationship as when exchange rate fluctuates, the value of assets and liabilities dominated in foreign currency is affected which in turn affects the profitability and ultimately
the stock prices (Kadir et al 2011). Yang and doong (2004) and Kanas (2000) found unidirectional spillover from the returns of the stock market to the volatility in the exchange rates in the G7 countries. Choi et al (2009) did not examine any volatility spillover between exchange rate volatility and stock market volatility while studying the empirical study in New Zealand. Volatility spillover between stock markets and exchange rate changes within the same economy has been studied across time and in different countries (Choi et al 2009). There has been consistent spillover from New Zealand stock market to exchange rate volatility indicating that the result are consistent with the previous findings as the New Zealand stock market is a developing market in the sense that this market is very small as compared to the US market and the firms are not very much diversified (Choi et al 2009).

The era of globalization has increased the flow of funds among the international financial markets that has increased the interdependence between exchange rates and stock market returns (Dark et al 1999). Spillover effect from the foreign exchange market to the stock market can be explained by the flow approach to the determination of the exchange rate. Changes in the real exchange rate affects countries economic activities and balance of trade as a result the profitability of the firms gets affected and so does the values of their listed stocks. On the contrary, spillover from the stock prices to the foreign exchange volatility is explained from the portfolio balance theory, according to which the changes in the stock prices affects investor’s wealth as a result the demand for money which in turn affects exchange rates and interests (Dark et al 1999).

There are basically two theories in the asset approach model, monetary theory and the portfolio balance theory. In the monetary theory, the exchange rate of the two involved countries is determined by the forces of demand and supply between them, where as in portfolio balance theory, relative supply of local and foreign bonds play an active role in determining the exchange rate of the two currencies. Also relative money market condition of the two involved countries also contributes positively. Under the monetary theory, domestic and foreign bonds are considered to be perfect substitutes, therefore the
investors are indifferent towards the local and the foreign bonds. They are also not concerned about choosing from the local and the foreign bonds as both of these offer the same rates of returns and therefore hold the interest rate parity. On the other hand, under the portfolio balance theory, the investors are concerned as the local and the foreign bonds are not perfect substitutes, therefore investors diversify by investing in the foreign bonds denominated in various currencies. These diversification based foreign bonds investment offer these investors risk premium therefore interest rate parity does not hold in case of portfolio balance theory.

There are varying opinions among different researchers as Bodart (1999) suggests that there is no linkage between foreign exchange market and stock market. According to Cheung and Westermann (2000), reduction in exchange rate volatility resulted in the reduction in stock market volatility and persistence whereas Bartov et al (1996) and Karolyi and Stulz (1996) found a positive association between the foreign exchange market and the stock market. The spillover between the foreign exchange market and the currency market is due to the informational flow and also the unexpected currency order flow serves as a source of vehicle through which the information is transmitted in these markets (Francis et al 2007).

Not only the significant bidirectional mean and volatility spillover are found between the equity and the foreign exchange market but also the domestic market are predicted by the foreign market and vice versa (Francis et al 2007). Previous literature also suggests that the exchange rates also have an effect on the competitiveness of the firms and ultimately on their market value. It has also been observed that the spillover from the currency volatility to the equity volatility is far stronger than the reverse (Francis et al 2007). Horng and Chen (2010) showed in an empirical study that volatility in the exchange rate has a negative effect on the Thailand stock market and also that the volatility process do not have an asymmetry in the Thailand stock market and the exchange rate.

In the literature, there are many studies to see the relationship between the stock market volatility and the exchange rate but the direction of
causality remains unsolved (Aydemir and Demirhan 2009). With the increase in international trade and capital movement, exchange rate has become one of the important determinants of equity prices and profitability of the business (Kim 2003).

According to Granger et al (2000) market mechanism approach, stock prices are negatively correlated to exchange rates whereas Joseph (2002) argues that competitiveness of the firms gets affected by the exchange rate changes through their impact on the output and the input prices. Now this exchange rate volatility not only affects the competitiveness of multinational firms but also of the local firms (Aggarwal 1981). There are many reasons that are associated as a source of volatility in the stock market and many researchers came across with different factors but in reducing all of these factors using the fundamental approach as suggested by Fama and French (1996) or decomposition approach provided by Caner and Onder (2005) we can look for the items that are correlated with the volatility of stock returns (Karoui 2006).

Hedging against the foreign risks can also minimize the volatility in the returns of international portfolio. However such hedging operations are costly and can decrease the efficiency of the firms. Also hedging operations can reduce the volatility of the hedged firms but at the same time can increase the volatility of the non-hedged firms (Karoui 2006).

Methodology
The data for our study is taken from the period of January 2001 to December 2011. The dependent variable in our study is exchange rate volatility whereas independent variable is stock market volatility. The data for exchange rates is taken from International Monetary Fund website whereas the data for stock market returns is taken from the website of Karachi Stock Exchange and the daily Business Recorder websites. As discussed in literature review section, the determination of direction between these two variables has been a problem as the relationship has been found bidirectional in many of the studies with significant results therefore we will also test the direction of causality
through Granger Causality Effect. Jarque-Bera test will be applied to check the normality of the stock market returns series as well as exchange rate series along with the descriptive statistics of the data. The stock market returns were calculated on daily basis, and then by taking monthly average of these returns, the volatility is calculated. For exchange rates, monthly, three months, six months and one year rates were also available but we have taken spot rates of baskets of currencies and because of that reason we have taken SDR which includes major currencies like US dollar, Euro, Japanese Yen, Swiss Franc and Pound sterling. One major reason to take SDR instead of a single currency is also that the debts of our country are mainly denominated in the currencies that we have taken in the SDR baskets.

It has also been recommended in the pegged exchange rate system that the currencies that are major creditors to the emerging markets should be considered and we have also mentioned such pegged exchange rate system in case of emerging markets and our markets is one of them also. Although Euro can also be calculated as a base currency like US dollar but we have selected SDR basket of currencies by taking weighted average of the above mentioned five currencies. To calculate the volatility in both the variables that is stock market returns and exchange rates, generalized auto regressive conditional heteroscedasticity (GARCH) has been applied through Eviews. Then we have also applied Granger Causality to check the direction of relationship between these two variables as the determination of direction has been an issue in the previous researches. We also have applied Unit root analysis at the first place because we are dealing with the time series data and so the series are non stationary at the first place and needs to be made stationary by taking the first difference of both of them. After that we have also applied co integration test to check the long term relationship between these two series and then we have also applied vector error correction model to the two series to check the short term relationship.
Data Analysis and Interpretation

The descriptive statistics of the data showing the main characteristics of data are given in the table I.

<table>
<thead>
<tr>
<th>Description</th>
<th>Stock Market Volatility</th>
<th>Exchange Rate Volatility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>3.948</td>
<td>14.966</td>
</tr>
<tr>
<td>Standard Error</td>
<td>0.224</td>
<td>0.601</td>
</tr>
<tr>
<td>Median</td>
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<td>15.314</td>
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<tr>
<td>Mode</td>
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<tr>
<td>Standard Dev</td>
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<td>6.907</td>
</tr>
<tr>
<td>Sample Var.</td>
<td>6.604</td>
<td>47.709</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>-0.021</td>
<td>0.109</td>
</tr>
<tr>
<td>Skewness</td>
<td>1.119</td>
<td>-0.949</td>
</tr>
<tr>
<td>Count</td>
<td>132.000</td>
<td>132.000</td>
</tr>
</tbody>
</table>

Table I

The above table show the basic data characteristics of the two series i.e. the stock market volatility and the exchange rate volatility. The standard deviation of exchange rate volatility is much greater than the stock market volatility. Both the series are almost have same skewness with stock market volatility and has positive value near one whereas exchange rate volatility is negatively skewed near one. Both the series nearly have meso kurtic distribution.

**ADF Test Statistics Stock Market Volatility (Levels)**

<table>
<thead>
<tr>
<th>Method</th>
<th>Statistic</th>
<th>Prob,**</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADF - Fisher Chi-square</td>
<td>3.10489</td>
<td>0.2117</td>
</tr>
<tr>
<td>ADF - Choi Z-stat</td>
<td>-0.80043</td>
<td>0.2117</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prob.</th>
<th>Lag</th>
<th>Max Lag</th>
<th>Obs</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMV</td>
<td>0.2117</td>
<td>0</td>
<td>12</td>
</tr>
</tbody>
</table>

Table II
**ADF Test Statistics Stock Market Volatility (First Difference)**

<table>
<thead>
<tr>
<th>Method</th>
<th>Statistic</th>
<th>Prob.**</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADF - Fisher Chi-square</td>
<td>67.9528</td>
<td>0.0000</td>
</tr>
<tr>
<td>ADF - Choi Z-stat</td>
<td>-7.87131</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

**Table III**

Table II and III shows that the time series of the stock market volatility is not stationary at the level as the results are not significant having probability of 0.2117 which is insignificant. We have taken first difference statistics of the stock market volatility to make it stationary through ADF and the results are highly significant.

**ADF Test Statistics Exchange Rate Volatility (Levels)**

<table>
<thead>
<tr>
<th>Method</th>
<th>Statistic</th>
<th>Prob.**</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADF - Fisher Chi-square</td>
<td>0.01112</td>
<td>0.9945</td>
</tr>
<tr>
<td>ADF - Choi Z-stat</td>
<td>2.53994</td>
<td>0.9945</td>
</tr>
</tbody>
</table>

**Table IV**

**ADF Test Statistics Exchange Rate Volatility (First Difference)**

<table>
<thead>
<tr>
<th>Method</th>
<th>Statistic</th>
<th>Prob.**</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADF - Fisher Chi-square</td>
<td>22.712</td>
<td>0.0000</td>
</tr>
<tr>
<td>ADF - Choi Z-stat</td>
<td>-4.22972</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

**Table V**
Similarly, Tables IV and V show that the time series of the exchange rate volatility is not stationary at the level as the results are not significant having probability of 0.9945 which is highly insignificant. We have taken first difference statistics of the exchange rate volatility as well to make it stationary through ADF and the results are highly significant showing that the series at stationary at first difference.

**Granger Causality Test**

*Sample: 2001M01 2011M12*

<table>
<thead>
<tr>
<th>Null Hypothesis:</th>
<th>Obs</th>
<th>F-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERV does not Granger Cause SMV</td>
<td>121</td>
<td>0.31444</td>
<td>0.9758</td>
</tr>
<tr>
<td>SMV does not Granger Cause ERV</td>
<td>2.34525</td>
<td>0.00157</td>
<td></td>
</tr>
</tbody>
</table>

**Table VI**

Table VI shows the Granger Causality test results suggesting that the significance level of the second value is highly significant having probability value of 0.0157 at 95 percent confidence interval. This implies that the stock market volatility causes exchange rate volatility. F statistics value is also significant having value of 2.34 which is greater than 1.96.

**Cointegration Test**

<table>
<thead>
<tr>
<th>Hypothesized No. of CE(s)</th>
<th>Trace Eigenvalue</th>
<th>Trace Statistic</th>
<th>0.05 Critical Value</th>
<th>Prob.***</th>
</tr>
</thead>
<tbody>
<tr>
<td>None *</td>
<td>0.160532</td>
<td>22.58848</td>
<td>18.39771</td>
<td>0.0122</td>
</tr>
<tr>
<td>At most 1</td>
<td>0.010113</td>
<td>1.240121</td>
<td>3.841466</td>
<td>0.2654</td>
</tr>
</tbody>
</table>

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level

**Table VII**
Table VII and VIII show the results of co-integration to show either the long term relationship between the two series exists or not. The significance level is high in table VII having probability value of 0.0122 and the value of trace statistics is 22.59 which is greater than the critical value of 18.40 showing that there exists a long term relationship between these two series. Table VIII shows that the results with Eigen values and the results are also significant in this case at 95 percent significant level.

\[
\begin{align*}
\text{Cointegrating} & \quad \text{CointEq1} \\
\text{Eq:} & \\
\text{SMV}(-1) & 1 \\
\text{ERV}(-1) & -0.36817 \\
& -0.94683 \\
& [-0.38884] \\
\text{C} & -0.9155
\end{align*}
\]

\textit{Table IX}
Tables IX and X show that there does not exist any short term relationship between these two time series as the T values are less than 1.96 in most of the cases and also the probability value also is greater than 0.05 showing that in the long term, the relationship between these two series does not exists. The lagged values of the two time series are taken up to two values. Stock market value of the second lagged value is found to have short term relationship with the exchange rate value and this short term relationship can be seen through the impulse response mentioned in second graph.
Research Contribution

As far as academic contribution is concerned, this paper will add to the discussion regarding the direction of causality between the stock market volatility and exchange rate volatility. The decision regarding the direction of relationship between these two variables has different opinions with respect to the implementation of study on the emerging and the developed markets. This study has been conducted on the emerging market and contributes towards the existing literature that portfolio balance theory does drives the market thus implying that the direction of relationship or the spillover effect is from the stock market volatility to the exchange rate volatility.

As far as the practical contribution is concerned, this study can be of very much practical importance to the market makers, large investors and the specialists who are actively involved in the stock markets, as this relationship suggests that by controlling the volatility of the

Figure 1

Response to Cholesky One S.D. Innovations

Response of SM to SMV

Response of SMV to ERV

Response of ERV to SMV

Response of ERV to ERV
By controlling the stock market volatility and controlling the factors that are actively involved in it, the exchange rate volatility can also be controlled which can also be very helpful in eliminating or at least minimizing the exchange rate risk to a greater extent which is one of the big issue in international diversification of portfolio, cross trading, direct investment in other stock exchanges and finally in the operations of the multinational organizations.

**Future Recommendation**

Future recommendation of this study would be to find the direction of causality between these two variables in the developed markets as well and in case of the emerging markets, we have taken only one emerging market of our country, in order to generalize the results of the direction of relationship, it would be better to take a combination of several markets so that one decision regarding the determination of portfolio balance theory or the flow approach can be made. Also the inclusion of other variables can be introduced if someone is interested in measuring the extent of variation in one variable on the dependent variable after finding the direction of relationship and in this context, interest rate variable can be added.

**Conclusion**

In this paper, focus was the direction of causality as the relationship between these two time series has been proved by the previous researchers. The direction of this relationship has been changing according to the efficiency of the market as well.
Many of the studies found the direction in one way, rest in the other way. Few studies have been conducted in determining the direction of relationship in the emerging markets and our study confirms the spillover effect from the stock market volatility to the exchange rate volatility. By this finding, there can be practical implications in controlling the volatility of the exchange rate volatility as mentioned in the above section. In moving from the weak efficient form to the efficient form, the volatility can be controlled and following the results of this study, the volatility of the exchange rate can be controlled, as the volatility of the developed markets is found to be less volatile and having less persistent effect as compared to the developed markets. The central bank can also intervene in controlling the volatility of the exchange rates to control the volatility of the stock market in the perspective of the flow approach but in this study the direction has been proved the opposite way, so central bank’s role will be of little help and will be out of context in the perspective of this current study.
References


Karoui, A., 2006. The correlation between FX rate volatility and stock exchange returns volatility: An emerging markets overview


THE IMPACT OF ADVERTISING ON THE PROFITABILITY OF COMMERCIAL BANKS

Samina Riaz

Abstract:

The purpose of this study is to investigate the impact of advertising on the profitability of banks over the period of 2008-2012 in the presence of control variables: credit risk, operating efficiency, capital ratio and advances to deposit ratio. Bank’s profitability is measured in terms of return on equity (ROE) and return on assets (ROA). The data have been obtained from the State Bank of Pakistan (SBP) and commercial bank publications. The regression results confirm a positive and significant effect of advertising expenditure on ROE and ROA.

Keywords: ROE, ROA, advertising, credit risk, operating efficiency, bank deposits and advances, capital ratio.

JEL Classification: G 210

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1- Introduction

Banking industry is an essential part of the economy; it plays an important role as an intermediary to serve the economy. Growth in economy is influenced by the performance of banking sector. After the emergence of Pakistan the scope of banking has been increasing and expanding continuously. In Pakistan all banks are under the supervision of the State bank of Pakistan, which is the central bank of Pakistan. These banks offer many services such as different types of account including monthly savings account, loan schemes such as home loan, car loan and student loan, phone banking, corporate banking, Islamic banking and many other services.

A lot of changes have occurred in banking sector of Pakistan since 1947. The State bank of Pakistan Act 1956 encouraged the private sector to establish financial institutions. In June 1974 all banks of Pakistan were nationalized by the government. Privatizations in 1992 attracted the local as well as foreign investor to establish banks in Pakistan. The banking sector of Pakistan is a mixture of public, private, specialized, Islamic and foreign banks. At the end of 2012 there were 38 listed banks in Pakistan, which consist of 5 public banks, 22 private banks, 7 foreign banks and 4 specialized banks. Total assets of banking sector at the end of 2012 were Rs 8295 billion. This means 15% growth as compare to 2010. Total liabilities of overall banking industry were at the end of 2011 Rs 7486 billion which were Rs 6490 billion in 2010 so it also showed 15% increase. Total deposits increased from Rs 5.5 trillion to Rs 6.3 trillion in 2011 that indicate 14.7% growth rate. Growth rate of total advances was 1% in 2011. At the end of 2011 profit after tax showed a growth of 58.3%.

The history of banking in Pakistan shows that the banking sector has been trying to introduce new products to their customers. Advertising activities are carried out in order to change the thinking pattern of the customer in some way which includes feelings, experiences, perceptions and attitudes towards a certain brand or
services. These measures necessarily look at the short term effects of the advertising tasks thus having the customer memory structure as the focal point rather than sales (Romaniuk and Nicholls, 2005). Effective advertising results in building, changing or strengthening the customer’s attitude towards a certain service or brand (Keller, 2003). Advertising would be most effective if it is designed keeping in mind the cultural and individual values of the customers; thus it would help more in changing the customer’s behaviors and induce repurchase intentions through customer satisfaction (Amitava and Sonali, 2007). Hofstede (2001) studied the Asian culture as the collectivist so in such countries advertisements and specially words of mouth advertisements are more significant for the banks because File and Prince (1992) revealed that the satisfied customers share their experiences thus increasing the bank’s customers. Jaffe (1994) considered advertising as the most effective tool that can affect the frozen image of the customer regarding the product that is why the advertising expenses should be accommodated because it is the vital instrument in marketing and incorporating the awareness regarding the brand to the customers.

Recently banking institutions are facing the environment that is changing rapidly and competition is increasing at local as well as at international level. Countries whose banking system is going into profit can successfully manage the financial distress and make a better contribution in the consistency of financial system. Therefore it is useful to investigate the effect of advertising on the profitability of banks. Banks use savings to make them productive by applying investment techniques. If financial system of any economy is productive then it gives progress to the profit, attracts more savings from customer and provides better quality services to the public.

1.1 Problem Statement

Banking is a rapidly growing industry. Every bank is trying to enhance overall performance plus profits to occupy a better position
in the financial system. Banks spend very minimum portion of their income on advertisement so it is important to know the impact of advertisement on the profitability in Pakistan over the period 2008-2012.

2: Literature Review

As individuals are exposed to 3000 advertisements per day, advertising practitioners use various tactics to cut through the cluttered advertising scenario of modern world (Kotler and Keller, 2005). Many reputed academicians and researchers supported this notion and argued that advertising plays an integral part in capturing viewer’s attention and not only that, it also inhibits positive buying behavior and consumer response (Cambell, 1995; Mitchell, 1981). But on the contrary, writers of conflicting school of thought believe that advertising intentionally or unintentionally attacks the consumer’s autonomy (Shimp, 2003, Pollay 1986).

Advertising specialists use a range of publicity instruments in order to get into the mind of target audience. The use of advertising as an attention seeking tactic is not new but scientists have argued that due to the advanced technology the use of advertising by financial institutions is increasing day by day (Callcott and Lee, 1994). Even then the concept of bank advertising seems to ignite primitive hostility in certain ranks. Despite of its immense popularity among marketers and advertisers, empirical studies provide some mixed results in support of practical usage. Critics of the usage of advertising by banking institutions argued that evaluation of the advertising effectiveness is limited to the general usage and no proper methodological instruments have been used to analyze the effectiveness of bank’s advertising and its impact on Bank’s profitability (Dennis and Anna, 2012).

This dichotomy between methodological orientations and pragmatic usage makes advertising a very complex topic to deal with. To cater these complexities scientists have now begun to focus on
tools that would clarify the content and nature of bank tools for evaluation of advertising effectiveness and its relationship with Bank’s profitability (Drossos et al, 2010). In correspondence to that recently scientists have also started building theories to illustrate that how different elements of advertising effect the consumer’s likelihood of choosing a certain bank which is more conservative in approach towards advertising.

In their 2010 study, Hong and John investigated banks in Japan with varying ownership structures in order to study the factors affecting profitability between 2000 and 2007 and determined that capital adequacy ratio does relate positively to profitability. Conversely, they found that the capital adequacy ratio has a negative correlation with the Net interest margin (NIM). In a similar study examining the effects of specific factors related to Tunisian commercial banks Samy and Mahammad (2008) also examined the macroeconomic indicators for profitability and the impact of the financial structure on the profitability of the banking sector in Tunisia between 1980 and 2000. Their findings confirm that the capital adequacy ratio is a positive indicator of profitability and that size has a negative impact on profitability. They find that macroeconomic indicators have no effect on Tunisian banks’ profitability. The Chinese banks’ internal structures and macroeconomic indicators were studied by Fadzlan and Muzaffar (2009) to discover their influence on profitability during the period 2000-2005. This study involved joint stock commercial banks and state-owned banks, as well as city commercial banks. It was found that in state-owned banks, there is a positive correlation between liquidity and profitability and that capitalisation and credit risk also have a positive impact on profitability. The findings also revealed that there is a negative effect of cost on profitability in commercial banks of joint stock. However, Fadzlan and Muzaffar found that there is also a negative impact of both size and costs in commercial city banks. The diversification has positive effect on profitability. The effect of diversification on profitability was found to be positive. Moreover,
in China the impact of economic growth is positive and there is a negative correlation between the growth of money supply on the profitability of both state-owned and city commercial banks. Deger and Adem’s (2011) study involving ten listed commercial banks in the Istanbul stock exchange investigated the effect of factors related to commercial banks and the macroeconomic indicators on the profitability in Turkey between 2002-2010. The findings revealed that the size of assets has a positive effect on non-interest income. However, the size and the credit portfolio has a negative impact on profitability and the real interest rate has a positive effect on the profitability of Turkish banks. Donald et al. (2010) examined the impact of advertising and promotion on firms’ profits and market share using profit function. The authors reported significant evidence of increasing returns on sale due to higher marketing expenditure. Researchers have argued that advertising strategies for increasing profits are effective and less risky when demand is growing (Hall, 2012). Other studies have maintained that consumers become more price conscious when the demand for a product or service is growing and advertising strategies become less viable (Doyle, 1968).

Some marketing pundits define advertising by banks as a tool to reduce the perceived risks and not only that they argued that advertising helps financial institutions especially banks to build a rapport with the clients and enhance bank’s image (Rust et al, 1996; Fugate, 1998). Research done in the field mentioned that retail banking can be a two edge sword and if not carefully handled can damaged a bank’s image and in turn a bank’s profitability. To support the point scientists argued that a bank’s image and its profitability goes hand by hand. Although they clarify the notions that advertising should not be considered as the sole image enhancing tool by the banks but it is one of the most potent armor in any bank’s arsenal (Worcester, 1997; Yen and Su, 2004). Hence it is quite imperative for academics to compare various financial institutions and efforts should be made to
In their 2011 study, Dennis and Taisier studied 10 Middle Eastern and North African countries between 2000 and 2008 and made a comparison between accounting profitability measures and economic determinants. The former represents return on assets and return on equity, whereas the later are related to the efficiency of cost and profit. They found that the size of the bank has a positive effect on its profitability accounting measures. There was a high profitability in those MENA banks and little negative correlation between the cost and profit efficiency, despite being smaller. The larger the bank, the greater the increase in efficiency of cost and profit. Furthermore, cost efficiency has a negative effect on profitability. This is peculiar to those Middle Eastern and North African banks, which are not found to be as efficient as their European counterparts in cost efficiency terms, although they are similar to those in developing countries.

The profitability of Thai banks between 1999 and 2005 (post-financial Asian crisis) was studied by Fadzlan (2010), who examined the effects on profitability of both the internal factors as well as the macroeconomic indicators. Having conducted a regression analysis, Fadzlan found that there is a positive correlation between both size and capitalization and profitability; however, overhead costs, non-interest income and credit risk are all found to have a negative impact on profitability. Although credit risk was found to have a negative effect on return on assets, it conversely showed a positive effect on return on equity. Inflation in Thai banks is positively affected by greater economic growth; nevertheless, profitability is negatively affected by GDP per capita.

3. Research Methodology

At present, there are 29 commercial banks operating in Pakistan excluding microfinance and specialized banks and DFIs. However, the sample of this study consists of 12 banks, that are operating for over 10 years, representing private, public, foreign and...
Islamic banks. The quarterly data of Banks is collected from the publications of State bank of Pakistan over the period of 2008-2012.

3.1 Hypotheses
The study proposes the under mentioned hypotheses:
H1: There is a significant impact of Advertising on ROE.
H2: There is a significant impact of Advertising on ROA.

3.2 Explanation of the Variables
For the empirical analysis the following variables have been included. Dependent variable i.e. bank’s profitability was measured in terms of return on equity (ROE) and return on assets (ROA). Advertising expenditure served as an independent variable along with four control variables including; operating efficiency, credit risk, capital adequacy and advances to deposit ratio. (Panayiotis, Sophocles & Matthaios, 2008; Fadzlan & Habibullah, 2009; Timothy & Robin, 2009; Deger & Adem, 2011; Andreas & Gabrielle, 2011) used ROE and ROA as dependent variable in their study.

3.2.1 Dependent Variables
Return on equity (ROE): ROE is calculated as net profit divided by stockholders’ equity. It displays the rate of return which bank management gets by investing the money of stockholder in productive projects. This ratio also shows the risk of banks for capitalizing its assets how much relying on the funds of shareholders.

Return on assets (ROA): ROA shows how well assets are used by the organization to maximize profits. This measure of profitability is calculated as net profit divided by total assets. This show the actual earnings produced from each rupee of asset

3.2.2 Independent variables
Advertising (ADV): It is calculated as advertising expense to earnings before taxes. These pre-tax earnings are a useful indicator
for analysts, enabling them to evaluate the operating performance of a business without having to calculate the ramifications of any taxes.

3.2.3 Control Variable

Capital Adequacy (CA)

It is calculated as capital to total assets, Abru and Mendes (2002), Demrgue-Kunt and Husingha (1999) and Bashr (2000) used this as independent variable. This shows that how much participation of equity in total assets. Increase in capital ratio refers to the amount of own funds available to support a bank’s business and therefore bank capital act as safety net in the case of adverse development. Higher bank’s capital ratio can take the advantage of higher profitability.

Credit Risk (CR): CR is calculated as total loss provision divided by total loans. The theory suggests that increase in credit risk is associated with the decrease in profitability.

Total advances to total deposits (TA/TD): Inward flow of money i.e. deposits are vital source for banks funding. Increase in the deposits transformation into loans also increases the interest margin and profit.

Operating efficiency (OE): It is calculated as total operating expenses divided by net interest income.

3.3 Empirical Model

This study used the fixed effect and random effect model. The following models have been constructed:

\[
\begin{align*}
\text{ROE}_i &= \beta_1 \text{ADV}_i + \beta_2 \text{CR}_i + \beta_3 \text{OE}_i + \beta_4 \text{TA/TD}_i + \beta_5 \text{CA}_i + \alpha_i + \epsilon_i \\
\text{ROA}_i &= \beta_1 \text{ADV}_i + \beta_2 \text{CR}_i + \beta_3 \text{OE}_i + \beta_4 \text{TA/TD}_i + \beta_5 \text{CA}_i + \alpha_i + \epsilon_i
\end{align*}
\]

Where,

ROA represent the Return on Asset
ROE represent the Return on Equity
ADV represents the advertising exp to earnings before taxes ratio
CR represents the Credit risk
OE: Operating efficiency (total operating expenses to net interest income
TA/TD represents the Advances to Deposit Ratio
CA: represents capital adequacy (capital to total assets)
\( \varepsilon \) represents the error term
\( \alpha \) is the unobserved time-invariant individual effect
\( \beta \) represents the intercept
\( i \) = a specific bank
\( t = 1, 2, 3 \ldots 20 \) (quarters)

3.4. Statistical Technique

There are a large number of empirical studies that have attempted to estimate the duration and cost of advertising on sales and/or profitability, with a wide range of differing results depending on the data sets and the econometric models used. Most of these studies analyze advertising effects on the sales of consumer non-durables, rather than consumer durables or business products (Donald et al. 2010; Hall, 2012; Preston, 2013). Preston (2013) examined the relationship between profitability and advertising in the United States’ clothing retail industry and reported positive results. Another consumer durable industry that has been the focus of advertising duration research is the automobile industry. In a study of the automobile industry, Lambin (1976) finds advertising has long lived effects for a number of consumer non-durable products, although these results vary substantially by product category. Lambin also finds that other marketing and promotional activities in addition to advertising have a significant and long-lasting impact on sales.

Effect of Advertising expenditure on banks’ profitability has received little attention. The ability to earn higher returns on deposits encourages increased advertising efforts to attract deposits. This study includes credit risk, operating efficiency (OE), total advances to total deposit (TA/TD), capital adequacy as control variables which are included in the equation along with advertising expenditure. The expected sign of the advertising expenditure is not clear cut. There are a large number of empirical studies that have attempted to estimate the effect of advertising on sales and/or profitability, with a wide range
of differing results depending on the data sets and the econometric models used. In this study it is hypothesized that advertising expenditure will exert positive impact on return on equity and assets.

3.4.1 Data

The data which are analyzed in this study were obtained from the Banks Financial Statements. The data set includes quarterly data of 5 years (from 2008 to 2012) for 12 banks on return on equity, return on assets, credit risk, capital adequacy, operational efficiency, TATD and advertising expenditure.

3.4.2 Analysis

In panel data analysis, the role of the omitted variables can be treated either as a fixed constant over time for each bank or an individual specific effect like a random variable (Menard, 2007). However it is not easy to decide what would be the most appropriate treatment of error terms necessary to explain the differences in behavior of banks (Menard, 2007). In this study, models are estimated to assess individual effects both as fixed and random to banks.

The analyses of parametric differences are carried out by testing for random and fixed effects. Both models are used to study the effect of advertising expenditure on profitability. In the fixed effect or least square dummy variable model, individual effect is considered as a fixed but unknown constant differing among banks. In an alternative specification known as the random effects, individual effect is drawn from normal distribution and is not correlated both with the error term and with the explanatory variables. Hausman specification tests have been performed to determine the presence of parametric differences (Menard, 2007). An insignificant Hausman’s chi-squared statistics for ROE models (chi2(5)= 1.15, p-value = 0.94 > 0.05) shows the presence of fixed effect. On the other hand significant Hausman’s chi-squared statistics for ROE models (chi2(5)= 22.10, p-value = 0.00 < 0.05) shows the presence of random effect as opposed to fixed effect (See Appendix 1.A and 1.B). To remove any heteroskedasticity and serial correlation within the model, the robust standard error estimates for ROE fixed effect linear panel model and ROA random effect linear panel model were estimated. The following results were obtained:
Fixed-effects (within) regression
Number of obs = 240
Group variable: panel
Number of groups = 12
R-sq: within = 0.2843
Obs per group: min = 20
between = 0.1238
avg = 0.1340
max = 20
F(5,11) = 152.01
corr(u_i, Xb) = -0.2509
Prob > F = 0.0000

(Std. Err. adjusted for 12 clusters in panel)

|               Robust | Coef.     | Std. Err. | t    | P>|t| | [95% Conf. Interval] |
|-------------------|-----------|-----------|------|-----|----------------------|
|                   |           |           |      |     |                      |
| roe               |           |           |      |     |                      |
| creditrisk        | -0.0556   | 0.0092    | -6.04| 0.00| -0.0758395 to -0.0353402 |
| oe                | -0.0955   | 0.0179    | -5.49| 0.00| -0.138052 to -0.0590306 |
| tatd              | 0.0446    | 0.0249    | -1.78| 0.10| -0.0104657 to 0.0995787 |
| capitaladequacy  | -0.3438   | 0.1324    | -2.60| 0.02| -0.6351048 to -0.0524839 |
| advexp            | 0.0529    | 0.0064    | 8.25 | 0.00| 0.0387595 to 0.0669693  |

According to the R\(^2\), this estimator performs worse between the overall fixed-effects estimator but it performs well within fixed-effect model. Taken jointly, our model measuring ROE is significant at 1% significance level as reported by F-statistics (F(5,11) = 152.01, p = .00 < 0.01).

The coefficient reported in the table indicates that advertising expense (b = 0.739, se=0.125) is significantly and positively associated with return on equity after controlling for operation efficiency, credit risk, TATD and capital adequacy. The size of coefficient suggests that unit increase in advertising expenditure is associated with a 0.73 unit increase in return on equity.

Random-effects GLS regression
Number of obs = 240
Group variable: panel
Number of groups = 12
R-sq: within = 0.1017
Obs per group: min = 20
## Research: The Impact of Advertising on The Profitability . . .

|                | Coef. | Std. Err. | z     | P>|z| [95% Conf. Interval] |
|----------------|-------|-----------|-------|------------------------|
| creditrisk     | -0.0291435 | 0.0032858 | -8.87 | 0.000 | -0.0355836 - -0.0227034 |
| oe             | -0.0040384 | 0.0091077 | -0.44 | 0.657 | -0.0218893 - 0.0138124 |
| ttd            | 0.015639 | 0.0069511 | 2.25  | 0.024 | 0.0020151 - 0.0292628 |
| capitaladequacy | -0.044645 | 0.0208029 | -2.15 | 0.032 | -0.085418 - -0.003872 |
| advebt         | 0.1003645 | 0.0452363 | 2.22  | 0.027 | 0.0117029 - 0.1890261 |
| _cons          | 0.0059435 | 0.0018464 | 3.22  | 0.001 | 0.0023246 - 0.0095623 |

Wald chi2(5) = 364.39

corr(u_i, X) = 0 (assumed)

According to the R^2's, this estimator performs worse within the overall or between random-effects estimator. Taken jointly, this model measuring ROA is significant as reported by Wald-statistics = 364.39, p = 0.00 < .01). The coefficient of advertising expenditure in ROA equation is found to be statistically significant at convenient levels and it also has an expected positive sign. These results suggest that advertising spending is also positively associated with return on assets.

### 3.5 Conclusion & Recommendation

This study tested the effect of advertising on banks profitability in 12 banks, controlling for the effects of operational efficiency, credit risk, TA/TD and capital adequacy. The results were consistent with previous studies. Both ROA and ROE models demonstrated that advertising expenditure have a significant positive impact on profitability. This paper further suggests that bank managers may apply latest techniques of brand image, brand awareness and advertisements to gain competitive edge and satisfy their customers.
Undoubtedly, the role of marketing is viewed as extremely vital to be successful in the financial services industry, especially the banking industry where a number of similar options of products and services are available to the customers and they make the final decision based on primarily intangibles. Keller (2003) studied the brand as an essential feature that can make it feasible for the consumers to pick and choose any given financial institution’s products or services and may easily be able to distinguish them from those presented by the competitors. In order to reveal more useful information, recommendations for further study include increasing the time-frame for the research and incorporating a wider range of economic factors. The inclusion of a greater number of banks or a greater geographical spread of banks around the world would also extend the findings of this study. A wider range of economic factors – for example, taxation, exchange rates – could be included in future studies. It would also be interesting to make a comparison between Islamic banking and western banking conventions. Future research could also be done on the determinants of the Pakistani foreign and domestic banking systems.
References:
Amitava, S. G., Sonali De(2007). “Changing trends of cultural values in advertising: an exploratory study”, psychology developing societies,pp 113-123
Bourke, Philip (1989). “Concentration and other determinants of bank profitability in Europe,


North America and Australia”, Journal of Banking & Finance, vol. 13, No. 1 (March),
pp. 65-79.
Appendix 1A. Hausman Tests for ROA

--- Coefficients ---

<table>
<thead>
<tr>
<th>(b)</th>
<th>(B)</th>
<th>(b-B)</th>
<th>sqrt(diag(V_b-V_B))</th>
</tr>
</thead>
<tbody>
<tr>
<td>fixed</td>
<td>random</td>
<td>Difference</td>
<td>S.E.</td>
</tr>
</tbody>
</table>
Appendix 1.B: Hausman Test for ROE

```
xtreg roe creditrisk oe tatd capitaladequacy advebt, fe
Group variable: panel                           Number of obs      =       240
R-sq: within = 0.2843                         Obs per group: min =        20
between = 0.1255                              avg =      20.0
overall = 0.1360                              max =        20
Number of groups = 12
F(11, 223) =     1.15
corr(u_i, X) = 0.0000                         Prob > F =    0.9997

roe |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
--------------------------------------------------------------------------------
creditrisk |  -0.0553007   .0283562   -1.96   0.049   -0.111368    .000767
oe        |   .0985413   .0251558    3.97   0.000    .0486931    .148390
 tatd     |    .0596351   .0201722    2.99   0.003     .020327    .108942
 capitaladequacy |  -0.3420109   .0846189    -4.04   0.000   -0.507950    -0.17608
 advebt    |    .7008771   .1239833    5.65   0.000    .4578939    0.943860
_cons     |    .0539981   .0132908    4.06   0.000     .027952    .080045
--------------------------------------------------------------------------------
sigma_u |    .0401777
sigma_e |    .0103285
rho     |  -0.9380111   (Fraction of variance due to u_i)

F test that all u_i=0:     F(11,  223) =   1.15             Prob > F = 0.9997
```

estimates store fixed

. xtabond2 roe creditrisk oe tatd capitaladequacy advebt, re
Random-effects GLS regression                   Number of obs      =       240
Group variable: panel                           Number of groups   =        12
R-sq: within = 0.2840                         Obs per group: min =        20
between = 0.1360                              avg =      20.0
overall = 0.1372                              max =        20
Wald chi2(5)       =     2.97
corr(u_i, X)   = 0.0000                         Prob > chi2        =    0.8699

```
roe |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
--------------------------------------------------------------------------------
creditrisk |  -0.0562514   .0283562   -1.98   0.047   -0.111284    .000772
oe        |   .0999886   .0251558    3.97   0.000    .0492913    .150686
 tatd     |    .0540503   .0201722    2.68   0.007     .014497    .093603
 capitaladequacy |  -0.3437944   .0846189    -4.05   0.000   -0.511183    -.176400
 advebt    |    .7008771   .1239833    5.65   0.000    .4578939    0.943860
_cons     |    .0539981   .0132908    4.06   0.000     .027952    .080045
--------------------------------------------------------------------------------
sigma_u |    .0401777
sigma_e |    .0103285
rho     |  -0.9380111   (Fraction of variance due to u_i)

F test that all u_i=0:     F(11,  223) =   1.15             Prob > F = 0.9997
```

.estimates store random

. hausman fixed random
--- Coefficients ---
<table>
<thead>
<tr>
<th></th>
<th>fixed</th>
<th>random</th>
<th>Difference</th>
<th>S.E.</th>
</tr>
</thead>
<tbody>
<tr>
<td>creditrisk</td>
<td>-0.0553007</td>
<td>-0.0562514</td>
<td>0.0007507</td>
<td>.00434</td>
</tr>
<tr>
<td>oe</td>
<td>0.0985413</td>
<td>0.0999886</td>
<td>0.001446</td>
<td>.00434</td>
</tr>
<tr>
<td>tatd</td>
<td>0.0596351</td>
<td>0.0540503</td>
<td>0.005578</td>
<td>.00434</td>
</tr>
<tr>
<td>capitaladequacy</td>
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<td>-0.3420109</td>
<td>0.001784</td>
<td>.00434</td>
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<tr>
<td>advebt</td>
<td>0.7008771</td>
<td>0.7008771</td>
<td>0.0000</td>
<td>.00434</td>
</tr>
<tr>
<td>_cons</td>
<td>0.0539981</td>
<td>0.0539981</td>
<td>0.0000</td>
<td>.00000</td>
</tr>
</tbody>
</table>

b = consistent under Ho and Ha, obtained from xtabond2
B = inconsistent under Ha, efficient under Ho, obtained from xtabond2
Test:  Ho: difference in coefficients not systematic
ch2(5) = (b-B)'*(V_b-V_B)^(-1)*(b-B) = 1.15
Prob>ch2 = 0.9497
```

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THE RELEVANCE OF PSYCHOLOGY TO BUSINESS MANAGEMENT:
PEDAGOGICAL IMPLICATIONS

Moses Chukwugi Ossai & Falak Zehra Mohsin

Abstract:
The study examined the perceptions of first year Bachelor of Business Administration (BBA) students on the relevance of the Psychology topics they were taught in the Spring Semester 2013. Ex-post-facto survey design was used in the study. A perception of psychology questionnaire was developed and sent to 280 students who enrolled for the Introduction to Psychology Course. Responses received from 162 of the students (90 males and 72 females) were analyzed using SPSS Descriptive Statistics, t-Test, Factor Analysis and ANOVA. It was found that the BBA students perceived most of the psychological topics as irrelevant to business management and their perceptions did not vary significantly on the basis of their gender and majors. Recommendations were, therefore, made for teachers of psychology to adopt more practical approaches such as experiential learning to help students grasp the relevance of psychological concepts and theories to business management.

Keywords: Psychology, Business Management, pedagogy.

JEL Classification: Z 000

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Psychology is a broad discipline which encompasses areas such as medicine, business, education, politics, economics, sociology, sports and so on (Feldman, 2011). Hence, the subfields of Psychology include clinical, health, counseling, educational, developmental, forensic, industrial or organizational, school and more recently business psychology. The application of Psychology to business has been described as a recent development (Wasylyshyn, 2001; Autumn Consulting, 2013). This view was also reiterated by Weaver (2013) who said that “psychology, along with medicine and other ‘health’ related occupations, has traditionally (since the end of World War II) been focused on disease and disorder” (para.1). Therefore, it is not surprising that most people are yet to grasp the reason for the application of psychological principles in other fields or in all fields of human endeavor. Often, the first shocker that a Psychology teacher receives from students of Business Administration is the question as to why they have to take a course in psychology. In other words, Bachelor of Business Administration (BBA) students may not easily see the relevance of Psychology courses to their profession.

The definition of the subject ‘Psychology’ often confounds the problem for the students. It has been defined by the American Psychological Association (APA, 2013, p.1) thus:

Psychology is the study of the mind and behavior. The discipline embraces all aspects of the human experience - from the functions of the brain to the actions of nations, from child development to care for the aged. In every conceivable setting from scientific research centers to mental health care services, “the understanding of behavior” is the enterprise of psychologists.

The above definition by APA shows the fluidity and vastness of the scope of Psychology spanning all areas of living where human behavior is involved. Thus, BBA students should see the subject in this light. Unfortunately, it seems that most students and some teachers of the subject see it from the perspective of one of the requirements to get a degree and nothing more. Hence, this study sought to find out the
actual perception of the BBA students on the relevance of Psychology to business management.

The vastness of the content of the Introductory Psychology course for BBA students is another factor that tends to inhibit the perception of the students on the relevance of the subject to business management. The course content covers such topics as: definition and goals of psychology; research methods in psychology; theories of human development; classical and operant conditioning; cognitive and observational learning; sensation and perception; memory; motivation and emotion; stress, health and coping; personality; intelligence and its assessment; attitudes, social influence and group behavior; and, leadership styles and job satisfaction. Given such broad range of topics in a course outline, some students may not easily grasp the face validity of some of them to business administration. Consequently, it becomes a more herculean task for the teacher to sustain their interest in the subject and attain the goals of the course by relating such seemingly irrelevant course content to the practical realities of the business world. An insight into how the BBA students perceive such course contents in relation to their prospective profession will help the teacher of psychology to devise pedagogical strategies for more effective delivery of the course content to the students.

Literature Review and Theoretical Framework

This study is premised on the theory of positive psychology as enunciated and expounded by Seligman (1975, 1991, 1993, 2002, and 2007). Positive psychology was described by the Positive Psychology Center (2007) where Seligman is the Director as “the scientific study of the strengths and virtues that enable individuals and communities to thrive. The field is founded on the belief that people want to lead meaningful and fulfilling lives, to cultivate what is best within themselves, and to enhance their experiences…” (para.1). Positive psychology provided the paradigm shift of emphasis by psychologists
from focus on dysfunctional and abnormal behavior to functionality and happiness of the human organism (Cherry, 2013; Weaver, 2013). According to Seligman (as cited in Cherry, 2013, p.1) “before World War II, psychology had three distinct missions: curing mental illness, making the lives of all people more productive and fulfilling, and identifying and nurturing high talent”. Moreover, Cherry further stated that after World War II the attention of psychologists was primarily focused on treating abnormal behavior and mental illness until the 1950s when humanistic psychologists began to draw attention to the other two positive aspects of psychology. This shift in focus, which was started by psychologists such as Carl Rogers, Erich Fromm and Abraham Maslow, provided the antecedent for Seligman to renew interest in positive psychology. Seligman, who was elected President of the American Psychological Association (APA) in 1988, used that platform to popularize positive psychology leading to the first International conference on Positive Psychology in 2002 and the first World Congress on Positive Psychology in 2009. Cherry suggested that positive psychology has broad range of applications in real-world in areas such as education, therapy, self-help and work related issues; therefore she recommended that teachers, coaches and employers can motivate others by using positive psychology to help them understand and develop their personal strengths. Weaver (2013) agreed with Cherry and he further demonstrated areas of application of positive psychology in the work place to include job design, teamwork and transformational leadership.

The direction provided by Seligman during his tenure as President of American Psychological Association (APA) was followed by subsequent presidents such as Richard M. Suinn who in 1999 asked the pertinent question “What if psychology had a revolution?” (Suinn, 1999). Suinn challenged psychologists to expand their horizon and widen the broad field of applied psychology. This challenge was taken up by psychologists resulting in the emergence of newer field of applied psychology such as Business Psychology. Wasylyshyn (2001) provided a comprehensive array of the practical applications of
psychology in the workplace. She identified ten trends that necessitate the application of psychology in business management. These ten trends are summarized below.

**Emotional intelligence in business management.** The application of emotional intelligence in business management has been a recent development. It was brought to limelight following the work of Goleman (1995) which stayed at the top of *New York Times* bestseller for many months. However, the term “emotional intelligence was coined by Salovey and Mayer (as cited by Cherniss, 2009) and they defined it as “a form of social intelligence that involves the ability to monitor one’s own and others’ feelings and emotions, to discriminate among them, and to use this information to guide one’s thinking and action” (p.4). There are five major areas of emotional intelligence, namely, self-awareness, self-regulation, motivation, empathy and social skills. The current best practices in business management requires what Wasylcshyn (2001) called “emotional literacy” or competences in the five areas of emotional intelligence (Goleman, 1998).

**Identification of talents.** This is one of the major issues in workplace staffing. This has been dubbed “talent war” and it provides challenges for business organizations to hire and retain the best talents. Wasylcshyn (2001) suggested the three-legged stool approach for tacking this challenge in business organizations. The approach involves paying attention to three important aspects of a job candidate’s profile, namely, pedigree, relevant experience and compatible personality. Psychological knowledge is required in the three areas.

**Leadership development.** Giber, Carter and Goldsmith (1999) identified five most valued psychological approaches to leadership in business organizations, namely, leadership development models involving behavioral competences; management involvement in leadership development initiatives; alignment of training with global best practices; action learning; and, creation of opportunities for senior executives to participate as faculty in the development programs.
Use of executive coaching. This refers to a situation in which executives in companies seek assistance from psychologists to tackle organizational challenges especially regarding labour issues. VanFleet (1999) identified some general psychological skills for successful executive coaching as excellent interpersonal skills; listening ability and fellow-feeling; patience and adaptability; analytical problem-solving skills; creativity; and, humor skills. As noted by Brotman, Liberi and Wasylyshyn (1998), executive psychological coaching was such a burgeoning trend in psychological practice in America that even non-psychologist consultants have dabbled into it. However, they warned that since the expected outcome of psychological executive coaching is “sustained behavior change” psychologists should be hired by business executives who desire value for their money. Maccoby (2000) affirmed the need for those in the helm of affairs in corporate organizations to have some knowledge of psychology. He maintained that “given the large number of narcissists at the helm of corporations today, the challenge facing the organizations is to ensure that such leaders do not self-destruct or lead the company to disaster” (p.71).

Change in employee psychological work orientation. Smart (1999) identified a new generation of employees in workplaces and he labeled it “Generation Xers” or “Gen-Xers”. They are the new generation of youths who do not cherish hard work but want the easy-way out always. They lack commitment to organizational goals and would rather put up a hit-and-go attitude. Wasylyshyn (2001, p.10) referred to them as “a more nomadic group of people with strong feelings of entitlement. They are not looking for lifetime employment. Many are not willing to work as hard as their parents did”. In this instance, also, application of knowledge of psychology in business management is essential.

Changes in demographics (Work-family balance concern). There is an ever changing demographics in the work place (people are getting married, more women are being employed, increase in dual-income
Research

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earner spouses; changes in retirement age, etc.). These come along with psychological complexities thereby requiring residual knowledge and skills of psychology to handle. Corporate organizations also need to respond with workers’ family-friendly policies that would motivate rather than disillusion the workforce.

**Increasing information and communication technology (ICT) applications in the workplace.** Application of ICT has its advantages and disadvantages but from the psychological perspective it has opened a new vista of social alienation in the workplace. Patterson, Lundmark, Kiesler and Mukopadhyay (1998) pointed to the fact that ICT especially the Internet “was associated with declines in participants’ communication with family members in the household, declines in the size of their social circle, and increase in depression and loneliness” (p.877). Application of psychological principles in the workplace should come to the rescue of such troubled workers especially as increased deployment of ICT facilities in business operations has exacerbated the psychological problems emanating from it.

**Globalization of business.** The world is now referred to as a global village. The advent of multinational corporations has increased the propensity for cross-cultural transfer of employees across continents and countries. These emerging scenarios carry along grave psychological dilemmas and challenges. Therefore, application of principles of psychology in the workplace has become increasingly important in today’s corporate world. Wasylyshyn (2001) put it succinctly thus “surely psychologists are especially equipped to help manage and normalize the dynamics of change for all employees - including senior level executives (p.13). It is also helpful for would be managers of businesses to be acquainted with the basic knowledge of stress coping strategies which the introductory course in psychology offers them during training for the BBA degree.
Increasing desire for creative retirement. The vicissitude of the present day economies in all countries of the world has made abrupt retirement, sometimes called downsizing or right-sizing, the order of the day. There are also increasing pressures from the younger generation of executive to take over from the older generation. All of these developments have led to greater job insecurity hence retrenchment or unplanned retirement could rear its ugly head at unexpected times. Psychology of the workplace will help workers to prepare for these untoward events and mitigate the emotional and social effects on those that may be untimely disengaged from work.

Spirituality in the workplace. Strange as it may sound, psychologists recognize the importance of spiritual well-being of workers as a correlate of the corporate well-being of organizations. For instance, Mitroff and Denton (1999) maintained that “no organization can survive for long without spirituality and soul…we need to integrate spirituality into management” (p.85). They used the word “interconnectedness” to describe the bond between workers’ spirituality and their work. Therefore, psychologists need to recognize and devise ways to include spirituality of workers as part of business psychology course content.

The highlights of the points discussed above show the importance of psychology in business management. Based on this premise, the present study sought to determine the level of awareness of the BBA students on the relevance of the psychology topics they were taught. The research questions and hypotheses stated below were, therefore, formulated to guide the study.

Research Questions
1. Do BBA students consider study of psychology relevant to Business Management?
2. Do BBA students’ perceptions of relevance of psychology differ on the basis of their gender?
3. Do BBA students’ perceptions of the relevance of psychology vary according to their majors?
4. What topics in psychology are considered more relevant to Business Management by BBA students?

Hypotheses
1. BBA students’ perceptions of the relevance of psychology to Business Management do not differ on the basis of gender and majors of the students.
2. There is no significant difference in the ranking of relevance of topics in psychology on the basis of gender and major of the students.

Methodology

The ex-post-facto survey design was used for the study. This design was adopted because perceptions of the subjects were involved hence it was not possible to manipulate either the outcome or the characteristics of the participants. Silva (2010) defined ex-post-facto study as “a category of research design in which the investigation starts after the fact has occurred without interference by the researcher” (p.1). The perceptions of 280 BBA year one students who enrolled for Introduction to Psychology Course (SSC101) in the Spring Semester 2013 at a Private University in Karachi were sought towards the end of the course about the 12th to 14th week by means of a questionnaire.

The questionnaire was titled “Perception of Psychology Questionnaire”. It consisted of three parts (A, B and C). Part A requested for demographic information, namely, gender, age, Section in SSC101 class and major. Section B consisted of 12 items which asked for subjects’ perception of the relevance of the concepts of psychology they were taught to business management using 4 point Likert scale (SA=4, A=3, D=2, SD=1). The psychological concepts were: research methods; theories of human development; psychological conditioning; sensation and perception; memory; motivation and emotions; stress, health and coping strategies;
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personality; intelligence testing; workers’ attitude; leadership patterns; and, principles of job satisfaction. Items 7 and 10 in this part were scored in reverse order because they were negatively directed. Therefore, a high mean score of an item in the questionnaire represents positive perception of relevance to business management and vice versa. In part C, subjects were requested to rank the relevance of the following topics that they studied in the course on a scale of 1-15 with 1 being the lowest and 15 the highest according to their perception of its relevance to business management: definition and goals of psychology; research methods in psychology; theories of human development; classical conditioning; operant conditioning; cognitive learning; observational learning; sensation and perception; memory; motivation and emotion; stress, health and coping; personality; intelligence and its assessment; attitudes, social influence and group behavior; and, leadership styles and job satisfaction. Cronbach alpha and Factor Analysis statistical methods were used to establish the reliability and validity of the questionnaire. The indices of the Cronbach alpha (0.60) as well as the factor-loading matrixes show that the instrument is moderately reliable and construct validity was significant.

The questionnaire was sent to all 280 first year students of BBA in the Spring Semester 2013 who enrolled for the course SSC101 through Google Drive online survey out of which 162 appropriate responses were received. The final sample of 162 was made up of 90 males and 72 females. Their responses were analyzed with SPSS version 17 using frequencies, mean, median, t-test and ANOVA statistics to answer the research questions and test the hypotheses.

Results
The data presented in the subsequent tables were used to answer the four research questions and test the two null hypotheses as appropriate.
Table 1: Respondents’ Perception of Relevance of Psychology to Business Management

<table>
<thead>
<tr>
<th>SN</th>
<th>Item</th>
<th>Mean*</th>
<th>Median</th>
<th>Std. Dev</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Psychological research methods could be used in business organizations.</td>
<td>1.63</td>
<td>2.00</td>
<td>0.51</td>
<td>0.04</td>
</tr>
<tr>
<td>2</td>
<td>Theories of human development could help in understanding human behaviour in business organizations</td>
<td>1.71</td>
<td>2.00</td>
<td>0.58</td>
<td>0.05</td>
</tr>
<tr>
<td>3</td>
<td>There are elements of psychological conditioning in product advertisements.</td>
<td>1.57</td>
<td>2.00</td>
<td>0.55</td>
<td>0.04</td>
</tr>
<tr>
<td>4</td>
<td>Concepts of Sensation and Perception help one understand individual differences in business organizations</td>
<td>2.05</td>
<td>2.00</td>
<td>0.58</td>
<td>0.05</td>
</tr>
<tr>
<td>5</td>
<td>Psychological aids for improving memory are applicable in business organizations.</td>
<td>2.06</td>
<td>2.00</td>
<td>0.59</td>
<td>0.05</td>
</tr>
<tr>
<td>6</td>
<td>Learning about motivation and emotion equips one to improve productivity of workers.</td>
<td>1.44</td>
<td>1.00</td>
<td>0.54</td>
<td>0.04</td>
</tr>
<tr>
<td>7</td>
<td>Knowledge of stress, health and coping strategies is not relevant to Business Managers.</td>
<td>3.10</td>
<td>3.00</td>
<td>0.84</td>
<td>0.07</td>
</tr>
<tr>
<td>8</td>
<td>Studying about personality is essential for prospective Business Managers.</td>
<td>1.72</td>
<td>2.00</td>
<td>0.56</td>
<td>0.05</td>
</tr>
<tr>
<td>9</td>
<td>Business Managers should be familiar with theories and processes of Intelligence testing.</td>
<td>1.97</td>
<td>2.00</td>
<td>0.56</td>
<td>0.05</td>
</tr>
<tr>
<td>10</td>
<td>Aside from Psychology, one can better understand workers’ attitude from other causes.</td>
<td>3.32</td>
<td>3.00</td>
<td>0.74</td>
<td>0.06</td>
</tr>
<tr>
<td>11</td>
<td>Learning about leadership patterns in Psychology is necessary for successful business management.</td>
<td>1.75</td>
<td>2.00</td>
<td>0.56</td>
<td>0.05</td>
</tr>
<tr>
<td>12</td>
<td>The best place to learn about principles of job satisfaction is Psychology class.</td>
<td>2.50</td>
<td>3.00</td>
<td>0.69</td>
<td>0.05</td>
</tr>
</tbody>
</table>

*Grand Mean = 1.99 < 2.50 cut off for 1-4 points Likert scale

Data in Table 1 show that BBA students do not consider study of Psychology as relevant to business management. The grand mean for all 12 items fell below the cut-off score of 2.50. Two items (7 and 12) out of the 12 were considered relevant to business management. The median scores compared to the mean scores also point to the fact that the BBA students do not consider most of the concepts studied in psychology as relevant to business management.

Table 2: t-Test for Gender Differences in Perception of Relevance of Psychology to Business Management

<table>
<thead>
<tr>
<th>Equal variances assumed</th>
<th>F</th>
<th>Sig.</th>
<th>T</th>
<th>df</th>
<th>d.f.</th>
<th>(2) Mean Difference</th>
<th>Std. Error</th>
<th>Lower</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assumed</td>
<td>817</td>
<td>.54</td>
<td>-7.65</td>
<td>160</td>
<td>4.45</td>
<td>-3.383</td>
<td>.501</td>
<td>-1.373</td>
<td>.606</td>
</tr>
</tbody>
</table>

*Not significant (p > 0.05)
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Data in Table 2 show that there is no significant difference in the perceptions of males and female BBA students on the relevance of psychology to business management. The t-test values (-.765; -.760) are not significant (p > 0.05).

### Table 3: Descriptive Statistics of BBA Majors

<table>
<thead>
<tr>
<th>Major</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
<th>Lower Bound</th>
<th>Upper Bound</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>30</td>
<td>24.03</td>
<td>2.371</td>
<td>.433</td>
<td>23.15</td>
<td>24.92</td>
<td>20</td>
<td>29</td>
</tr>
<tr>
<td>2.</td>
<td>27</td>
<td>24.13</td>
<td>3.666</td>
<td>.706</td>
<td>22.70</td>
<td>25.60</td>
<td>19</td>
<td>33</td>
</tr>
<tr>
<td>3.</td>
<td>52</td>
<td>23.94</td>
<td>3.127</td>
<td>.434</td>
<td>23.07</td>
<td>24.81</td>
<td>14</td>
<td>32</td>
</tr>
<tr>
<td>4.</td>
<td>28</td>
<td>23.33</td>
<td>3.407</td>
<td>.622</td>
<td>22.06</td>
<td>24.61</td>
<td>12</td>
<td>28</td>
</tr>
<tr>
<td>5.</td>
<td>20</td>
<td>22.90</td>
<td>2.400</td>
<td>1.144</td>
<td>19.71</td>
<td>25.89</td>
<td>19</td>
<td>33</td>
</tr>
<tr>
<td>6.</td>
<td>30</td>
<td>21.67</td>
<td>2.082</td>
<td>1.202</td>
<td>16.50</td>
<td>26.84</td>
<td>20</td>
<td>24</td>
</tr>
<tr>
<td>7.</td>
<td>27</td>
<td>21.50</td>
<td>5.745</td>
<td>.840</td>
<td>12.36</td>
<td>30.64</td>
<td>13</td>
<td>25</td>
</tr>
<tr>
<td>8.</td>
<td>11</td>
<td>24.18</td>
<td>2.786</td>
<td>.404</td>
<td>22.31</td>
<td>26.05</td>
<td>19</td>
<td>29</td>
</tr>
<tr>
<td>Total</td>
<td>162</td>
<td>23.76</td>
<td>3.164</td>
<td>.249</td>
<td>23.27</td>
<td>24.25</td>
<td>12</td>
<td>33</td>
</tr>
</tbody>
</table>

*1 = HR  2 = Finance  3 = NOT Decided  4 = Marketing  5 = Accounting  6 = Education Management  7 = Media Studies  8 = Computers

### Table 4: ANOVA for Differences in Perception on the Basis of BBA Students’ Majors

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>53.640</td>
<td>7</td>
<td>7.663</td>
<td>.757</td>
<td>.624*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>1557.971</td>
<td>154</td>
<td>10.117</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1611.611</td>
<td>161</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Not significant (p > 0.05)

*R Squared = .31 (Adjusted R Squared = -.37)

Data in Tables 3 & 4 show that BBA students’ perceptions of the relevance of Psychology to business management do not vary according to their majors (F [7,154] = .757,  p > 0.05).
Table 5: Descriptive Statistics of Ranking of Topics in Psychology on Relevance to Business Management

<table>
<thead>
<tr>
<th>Topics</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Analysis N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition and Goals of Psychology</td>
<td>7.51*</td>
<td>5.058</td>
<td>162</td>
</tr>
<tr>
<td>Research Methods in Psychology</td>
<td>9.11</td>
<td>4.221</td>
<td>162</td>
</tr>
<tr>
<td>Theories of Human Development</td>
<td>8.37</td>
<td>4.254</td>
<td>162</td>
</tr>
<tr>
<td>Classical Conditioning</td>
<td>8.64</td>
<td>3.899</td>
<td>162</td>
</tr>
<tr>
<td>Operant Conditioning</td>
<td>9.06</td>
<td>3.975</td>
<td>162</td>
</tr>
<tr>
<td>Cognitive Learning</td>
<td>9.06</td>
<td>3.947</td>
<td>162</td>
</tr>
<tr>
<td>Observational Learning</td>
<td>9.08</td>
<td>4.285</td>
<td>162</td>
</tr>
<tr>
<td>Sensation and Perception</td>
<td>8.90</td>
<td>3.833</td>
<td>162</td>
</tr>
<tr>
<td>Memory</td>
<td>8.83</td>
<td>4.349</td>
<td>162</td>
</tr>
<tr>
<td>Motivation and Emotion</td>
<td>8.15</td>
<td>5.351</td>
<td>162</td>
</tr>
<tr>
<td>Stress, Health and Coping</td>
<td>10.11</td>
<td>10.621</td>
<td>162</td>
</tr>
<tr>
<td>Personality</td>
<td>8.77</td>
<td>4.869</td>
<td>162</td>
</tr>
<tr>
<td>Intelligence and its Assessment</td>
<td>8.80</td>
<td>4.298</td>
<td>162</td>
</tr>
<tr>
<td>Attitudes, Social Influence and Group Behavior</td>
<td>9.09</td>
<td>4.860</td>
<td>162</td>
</tr>
<tr>
<td>Leadership Styles and Job Satisfaction</td>
<td>8.99</td>
<td>5.120</td>
<td>162</td>
</tr>
</tbody>
</table>

*15 = Highest rank and 1 = Lowest rank.

Data in Table 5 show that the topics considered more relevant to business management in descending order are: stress, health and coping; research methods in psychology; attitudes, social influence and group behavior; observational learning; cognitive learning, operant conditioning; leadership styles and job satisfaction; sensation and perception; classical conditioning; memory; intelligence and its assessment; personality; theories of human development; motivation and emotion; and, definition and goals of psychology.

Table 6 2-Way ANOVA for Differences in Perception of Psychology based on Gender and Majors

<table>
<thead>
<tr>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>model</td>
<td>70.04*</td>
<td>14</td>
<td>5.00</td>
<td>48</td>
<td>.00</td>
</tr>
<tr>
<td>Intercept</td>
<td></td>
<td>1</td>
<td>3330.58</td>
<td>317</td>
<td>.81</td>
</tr>
<tr>
<td>Major</td>
<td>8</td>
<td>7</td>
<td>5.88</td>
<td>5.96</td>
<td>.60</td>
</tr>
<tr>
<td>Gender</td>
<td>1</td>
<td></td>
<td></td>
<td>53</td>
<td>.96</td>
</tr>
<tr>
<td>Major*</td>
<td>38.69</td>
<td>6</td>
<td>5.53</td>
<td>53</td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>2.98</td>
<td>147</td>
<td>2.98</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Error</td>
<td>14.95</td>
<td>162</td>
<td>2.49</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1541.57</td>
<td>161</td>
<td>10.49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrected</td>
<td></td>
<td></td>
<td>93061.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1611.61</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*R Squared = .04 (Adjusted R Squared = .05)
From the data in Table 6, Ho1 is retained. BBA students’ perceptions of the relevance of psychology to business management do not differ on the basis of their gender and majors (F[6, 147] = 0.24, p > 0.05).

**Table 7: 2-Way ANOVA for Differences in Ranking of Topics in Psychology based on Gender and Majors**

<table>
<thead>
<tr>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected model</td>
<td>36091.33*</td>
<td>7</td>
<td>5155.01</td>
<td>.84</td>
<td>.00</td>
</tr>
<tr>
<td>Intercept</td>
<td>2.09</td>
<td>1</td>
<td>2.09</td>
<td>.68</td>
<td>.77</td>
</tr>
<tr>
<td>Major</td>
<td>26617.81</td>
<td>4</td>
<td>6654.45</td>
<td>.60</td>
<td>.76</td>
</tr>
<tr>
<td>Gender</td>
<td>1078.03</td>
<td>1</td>
<td>1078.03</td>
<td>.29</td>
<td>.68</td>
</tr>
<tr>
<td>Major* Gender</td>
<td>11298.86</td>
<td>7</td>
<td>1685.24</td>
<td>.10</td>
<td>.77</td>
</tr>
<tr>
<td>Gender Error</td>
<td>3268.49</td>
<td>15</td>
<td>218.59</td>
<td>.46</td>
<td>.77</td>
</tr>
<tr>
<td>Total Corrected</td>
<td>6536.97</td>
<td>14</td>
<td>466.92</td>
<td>.00</td>
<td>.68</td>
</tr>
<tr>
<td>Total Total</td>
<td>79092.00</td>
<td>14</td>
<td>5585.22</td>
<td>3.09</td>
<td>.00</td>
</tr>
</tbody>
</table>

Data in Table 7 show that there is no significant difference in the ranking of relevance of topics in psychology on the basis of gender and majors of the BBA students since F (2, 7 = .29, p > 0.05). Ho2 is retained.

**Discussion of Results**

The major findings of this study are: BBA students do not consider most of the concepts studied in psychology as relevant to business management; their perceptions of the relevance of psychology to business management do not vary according to their gender and majors; and, stress, health and coping was ranked as the most relevant topic to business management followed by research methods in psychology and attitudes, social influence and group behavior. These findings are consistent with those of Bartells, Hinds, Glass and Ryan (2009) who carried out a study to determine the perceptions of psychology as a science among university students. Their study examined “the relationship between the number of psychology courses students have taken and their perceptions of psychology as a science” (p.383).
They also examined the differences in perceptions of psychology on the basis of students’ majors (psychology, education and natural sciences). They found that “students who had taken four or more psychology courses had more favorable perceptions of psychology” compared to those who had taken one, two or three courses. Another finding of Bartells et al. (2009) was that no significant differences existed in perceptions of psychology among students on the basis of majors. Therefore, one explanation for students’ perception of psychology as not being relevant to business management could be because SSC101 was the first psychology course they had taken as freshmen. Perhaps, as they take more courses in psychology in subsequent semesters they might have a more positive perception of the relevance of psychology to business management.

The fact that the BBA students ranked the topic on stress, health and coping as the most relevant to business management is an indication that they still have the traditional mindset of psychology as a subject that deals with negativities or abnormalities in mental and behavioural issues which was the point raised by Cherry (2013) and Weaver (2013). Most individuals are yet to come to terms with the new idea of positive psychology. Psychology is still being viewed as a discipline that deals with how to handle cases of dysfunctional behavior or personality disorders. However, positive psychology finds application in all spheres of human endeavour. For instance, Williams (2011) observed that “business leaders seem to be reluctant to talk about the value of positive psychology in the workplace” (para.1), whereas it is very important to apply positive psychology now that the world is facing economic downturns. As far back as 1964, the misconceptions of students about introductory courses in psychology have attracted the attention of researchers. For example, Costin (1964) examined the effects of an introductory course on students’ perceptions of psychology and psychologists and arrived at the conclusion that reduction of entrenched stereotypes of students’ perceptions of
psychology would require emphasis on transfer of knowledge to a broader range of settings. Therefore, it is necessary for teachers of psychology courses to emphasize practical applications of the curricula content to the professional areas of their students.

**Pedagogical Implications**

The fact that the BBA students who participated in this study perceived many topics they studied in psychology to be of little relevance to business management implies that teachers of the subject should devise ways to portray the applications of the concepts learnt in psychology to business management. Case studies showing the application of topics learnt in psychology to the business world should be emphasized such as how elements of classical conditioning are apparent in product advertisements. For example, associating popular celebrities or music with certain products such as Coca Cola, deodorants, cosmetics, and so on, is a form of classical conditioning. The need to make learning of psychology applicable to the real world may have informed the introduction of special contents reflecting how this could be done in some psychology textbooks. One of such psychology textbooks is Feldman (2011) where every chapter includes a section titled “Applying Psychology in the 21st Century”. Teachers of introductory psychology courses to non-psychology major students should therefore make every effort to help students see the practical applications of the psychological concepts and theories in the real world relative to the students’ field of specialization.

Experiential Learning method could be used by psychology teachers to help students grasp the relevance of psychological topics to business management. Javed (2013) defined experiential learning as “learning by doing and making meaning from direct experiences”. It is noteworthy that it was a psychologist, David Kolb, who made this method of teaching come to lime light. Kolb (1984) described experiential learning as the process of creating knowledge through
the transformation of experience. Therefore, abstract concepts in psychology such as motivation, emotions, attitudes, cognitions, and so on, could become more meaningful to the students if they are engaged in experience in their discipline that makes the meaning and application of such concepts clear. Kolb also suggested that the following factors should be taken into consideration in designing experiential learning styles: personality type of students; educational specialization; career choice; and, adaptive competences. The challenge for the psychology teachers, therefore, is to be able to decipher these characteristics in their students and assign experiential projects that could enhance applicability of psychology concepts. This challenge could be fully tackled and surmounted if the curriculum is designed with experiential learning in view. Ryerson University (2013) suggested that experiential learning curriculum should be iterative, intentional, integrative and engaging. Adequate opportunities should be provided in the curriculum for students to be engaged in what UNESCO (2010,) described as “critical thinking, problem solving and decision making in contexts that are personally relevant to them [students]” (p.1). The importance of using experiential learning to change students’ hitherto entrenched mindset in subject disciplines was further supported by UNESCO in the following words: “this approach to learning also involves making opportunities for debriefing and consolidation of ideas and skills through feedback, reflection, and the application of the ideas and skills to new situations” (p.1). Therefore, special efforts should be made by management and faculty to revise existing psychology curriculum in business schools to incorporate greater percentage of experiential learning teaching methodology.

Kusto, Afful and Mattingly (2010) in their study of students’ perceptions of and preferences for professors, identified some qualities and teaching styles that students desired in psychology teachers. In their study involving undergraduate psychology students in St. Louis University, they found that students rated psychologists high on
being funny, availability outside of class, respectfulness, eye contact, relationship with students, management of class time, hand gestures, sharing personal information, expressiveness and self-improving. On the other hand, psychology teachers were rated poorly on make-up exam policy; inclusion or reference to other subjects; class discussions and professionalism. All of these characteristics of the teacher help the students to evaluate the relevance of the course content to their discipline. Therefore, psychology teachers should strive to improve in their teaching behavior if students’ attention and engagement are to be sustained. Research studies such as Buskist, Sikorski, Buckley and Saville (2002); Jensen and Fischer (2006), suggested that students’ perception of teachers’ personality and styles of teaching are valuable to learning. Efforts should, therefore, be made by psychology teachers to make learning of the subject interesting and valuable to students.

Conclusion
BBA first year students who took the Introduction to Psychology Course in the Spring Semester 2013 did not perceive most of the topics in the course as relevant to business management. This could be due to the fact that they have not had enough exposure to the field of psychology and its application in business management hence their perceptions are at variance with the tenets of positive psychology which is in vogue today. It is expected that the negative perception of these freshmen on the relevance of psychology to business management will serve as an eye opener to teachers of the subject to adopt more experiential learning techniques in making the subject real and meaningful with regards to the students’ major disciplines. Moreover, teachers’ personal qualities and teaching styles also determine the perception of the subject by the students. Therefore, effort should be made by teachers of psychology to make the subject interesting and appealing to students while simultaneously using case studies to demonstrate the relevance of the subject to business management.
Limitations

The major limitations of this research study are those associated with the restricted sample size and category. The sample consisted of first year BBA students in a particular university business institute who were taking their first psychology course. It is possible that a different result may be obtained with a different set of students taught by other teachers and herein lays the pedagogical implications. It is therefore suggested that the study be replicated with a larger sample of university students that may cut across different levels and institutions as this will provide opportunity for comparism of students' perceptions on the basis of number of psychology courses taken as well as pedigree of lecturers and methodology of instruction.
References


EMPLOYEE ENGAGEMENT IN KARACHI BASED PHARMACEUTICAL INDUSTRY

Shiraz Ahmed

Abstract:
Employee engagement is today’s buzz word. It is not much practiced in Pakistani organizations especially in Pharma industry. Even local leading and Multinationals do not take Employee Engagement into consideration. Earlier literature reviewed indicates that there are three types of employee engagement: Engaged-employees who work with passion and feel happy, Not Engaged-employees who are just passing their time, Disengaged-employees who are unhappy and undermine work. This study highlights the level of employee engagement and tries to explore ‘how engaged are Pharma employees’ i.e. how they feel about their work. A survey of 300 employees of local and multinational pharmaceuticals was conducted. Gallup engagement questionnaire Q12 was used to assess the level of engagement. The study shows that only 20% i.e. less than one fourth of the Karachi based pharma employees are engaged, 22% are not engaged while 58% i.e. more than half of the employees are disengaged.

Keywords: Employee engagement, meaningful work, organizational commitment, job satisfaction, human resource development

JEL Classification: Z000

1- Dept of Management and HR, Institute of Business Management, IoBM Karachi, Pakistan
Introduction

Employee engagement is today’s ringing word. Recent study by Gallup indicated that Singaporean employers lose $30 billion dollars every year. Employee engagement is about involving of employee in the job with his/her heart and soul. It is about the ‘passion for work’. The degree to which employees commit something to someone and also the result of that commitment. Corporate Executive Board, (2004) view engagement as the situation in which employees are connected to organization cognitively and passionately. It can be measured by 3 behaviors: Say, Stay and Strive. (Richard S. Wellins, 2004) defines engagement as the extent to which people enjoy and believe in what they do and feel valued for doing it. This definition gives us three dimensions to take a closer look at; enjoyment, belief and value. In straight forward words, employees are the back-bone of an organization and thus organizations should prioritize them at the work place. Employee engagement refers to a state where the employees are fully immersed in their work and are psychologically attached to their organization and work. According to Baldwin, (2006) change is being one of the constants in this world. According to her it is the signal for rebirth. Stamm, (2012) stated that several research studies across countries and industries show that the group of employees, who is passionate about their jobs and the organizations in which they working in, are a minor percentage. According to Wellins, (2004) only 19% employees are highly engaged.

If we talk in simple context employee engagement can be taken as the feeling of employees that they are related to what they believe in and are valued for it. There are multiple definitions of employee engagement in relation to several dimensions of the vast concept. Zeal Solutions Ltd, (2012) stated that organizations have evolved from the concept of ‘personnel management’ past decades have been the key to realizations in regard to benefits of empowerment, people development, recognition, team work and most importantly employee engagement culture in any organization.
According to Wellins, (2004) engagement is not a onetime thing. For the achievement of actually sustainable competitive advantage any organization has to find a way to create and maintain the level of energy and passion. They need to consider the organizational culture. Answer questions like how to footer a culture that gives birth to high frequencies of employee engagement and last but not the least, what should be done in order to promote a culture that is critical for achieving competitive advantage and linking it with the engaged culture (William H. Macey, 2011).

Commitment & Satisfaction Is Not Equal To Engagement

An employee who is satisfied with his job profile would mostly think of staying away from doing anything which would bring a bad name to his team as well as his business. He would prefer working rather than wasting his valuable time in fruitless tasks. Engaged and satisfied employees always try their level best to work hard and justify their remunerations. It has further been observed that an employee engaged in work tends to avoid combating with others and thus enjoys a congenial relationship with his colleagues.

Both the two terms; employee engagement and employee relationship have a direct correlation with each other. In the real sense, employee engagement is directly proportional to employee relationship. The more the employees are engaged in their work; the better the relation among them. (Employee Engagement and Employee Relationship, 2013)

Disregarding the general understanding that employee satisfaction is employee engagement, author Sarah Cook discusses the typical questions that organizations and employers raise. Firstly, the difference between employee engagement, commitment and satisfaction, and secondly, employee satisfaction and loyalty is already measured, so what else is new? (Cook, 2008)
Sarah’s concern remains with the concept that a loyal and satisfied employee is not necessarily engaged and will offer discretionary effort. She refers to Gallup’s research stating that regardless of level of employee’s satisfaction in the job and their stay period in the organization; only about 29% are fully engaged employees. Furthermore, non-engaged employees do not demonstrate pride, energy and passion which are the essence of employee engagement. (Engagement versus satisfaction and loyalty, 2008)

Jack Welch, CEO of GE said: “Real communication is an attitude, it is an environment, it involves more listening than talking. It is a constant interactive process aimed at consensus.” Three levels of involvement have been identified and discussed by Sarah Cook. These levels are- with an employee’s direct line manager, with other teams and groups, With the organization as a whole (Cook, 2008)

**Components of Engagement**

There are plenty of research reports which identify and explore the essential components of engagement, but there are two principal factors that drive employee engagement. 1-employees’ confidence on their senior managers or top management, particularly their fairness, values, respect and how they treat with them on different occasions. 2- behavior of direct supervisors i.e. receiving feedback, coaching and mentoring, support at crucial times, respect and working relationships. (Customer Insight)

Engagement across the globe-The global recession has taken its toll on employees as benefit cuts, pay freezes, and layoffs seep into the workforce, making it more complicated to maintain high levels of engagement. Against this environment, it is more imperative than ever for employers to develop and maintain a highly engaged workforce. Engaged employees deliver enhanced performance, which is significant for business success. They understand their role in the corporate strategy, have a strong connection and dedication to the company, are more involved, and strive to go above and beyond in their jobs.
The bottom line is that employee engagement matters—now more than ever. (Aon Hewitt, 2012)

**Global Trends**

2008 economic depression forced business organizations to take challenging and unwilling decisions! The decisions made by the top management have long term consequences. Ultimately it has also impacted employee engagement. Similarly new emerging markets such as China, India, Brazil and sub-Saharan African countries have deployed different decisions and techniques for attracting and retaining the talent. The study also shows that: Engagement levels are stabilizing globally but shifting across regions- Despite the economic recession, engagement levels have remained comparatively stable at 58% in 2011, up 2% points from 56% in 2010. We see the largest upward movement in Asia Pacific, a slim increase in Europe, small descending movement in Latin America, with North America staying unchanged. Engagement gains slight recovery in 2010 and it can be seen across the globe. Engagement was found to be more stable in the emerging markets. It is found that four employees out of ten are not engaged, globally. It varies from region to region.

**Employee engagement and HR Practices** HR practices have a huge impact on engagement. Employees feel motivated and exert energy when they find opportunities for advancement, meaningful work and work tied to the reward. Learning and development has a vital role in this regard. The shift of training and to learning by the organizations and HR practices has found to be crucial in this regard. The emerging markets have adopted the best HR practices to engage employees. Career opportunities, recognition, and organization reputation are consistently top engagement drivers. Companies should focus their efforts on improving these areas in order to have the most immediate positive impact on overall engagement scores. However, engagement drivers vary by region. (Aon Hewitt, 2012)
Engagement Model

Aon Hewitt defines engagement as the condition of emotional and intellectual attachment that motivates employees to do their finest work. The Aon Hewitt model examines both the individual’s state of engagement as well as organizational antecedents. This employee engagement model has been hardened and validated by over 15 years of investigation on millions of employees across a variety of companies and industries, and across Asia Pacific, Europe, Latin America, and North America. The model is supported by years of research in the area of organizational psychology.

Research has shown that there are typically six major categories (and 22 organizational antecedents), shown in the diagram below, known as “Engagement Drivers”—factors that can potentially drive an individual’s engagement.
By identifying these drivers, employers can recognize how to meet the needs of their employees and center on the specific areas of development that have the major impact on engagement and company results. (Aon Hewitt, 2012)

**Cultural Perspective**

Every organization has a culture. It may be a culture of innovation, quality service, operational efficiency, etc. An organization with a culture for employee engagement, the main factor for employees to actually experience this is through the level of trust they have in the organization and its management. Clearly put, engagement, without trust, cannot exist. However building of trust is never so simple. Another important point for consideration is that culture in an organization do not just come out of the blue but actually emerge overtime based on several factors. However, primarily in the business, it comes through the personality and values of the founder. And then overtime this culture is reinforced by leaders in the future. (William H. Macey, 2011)

**Measuring Engagements**

Employee engagement is normally measured using an employee engagement survey that has been developed particularly for this purpose. Employee engagement surveys must be validated and benchmarked against other organizations if they are going to
provide valuable results. Without these things, it is tricky to know what you are measuring and whether the results are positive or negative. (Customer Insight, 2013)

Measuring engagement properly is beyond asking a few questions in yearly survey. For a useful measurement, organization has to consider at least the following points:

- Positive and negative drivers of engagement
- Systems and processed which will help in the improvement of the organizations
- Attitudes and behaviors that represents the level of engagement types
- The actual outcomes of employee engagement (Zeal Solutions Ltd, 2012)

Research Objective

The objective of this study is to explore, how engaged Karachi’s pharmaceutical employees are?

Limitation

The scope of this study is limited to Karachi only and due to constraint of resources and availability of employees the convenience of respondents methodology is adopted. This study can be more effective if it is taken at national level.

Methodology

Sample

A sample of 300 participants was reviewed; the basis for choosing this sample is to access the pharmaceutical organizations near the korangi vicinity. Also due to time, money, respondents’ availability and other resources limitations this convenient sampling method was adopted. It includes both locals and multinational
pharmaceuticals. The participants are permanent employees based in Karachi and employed in different functions. Further these employees are involved in managerial work from junior to mid positions. With regards to demographics, the ages of the respondents’ were from 28 to 40. Females were 45% and males were 55%.

Measure

The questionnaire was derived from Gallup engagement questionnaire (Q12; 1993-98 Gallup Inc.) Q12 comprises of 12 questions related to motivation, reward, meaningful work, supervisor support, and performance planning, learning and development opportunity. It is used to measure employee engagement. Participants rated their responses on a scale (highly disagree=1, to highly agree=5); here highly disagree means minimum and zero agreement with research question and highly agree means maximum or 100% agreement with the research question. The following structure was adopted when designing the questionnaire:

- Closed, structures questions
- 5-point and 4-point Likert scale summated rated question

Procedure

All participants were given a brief introduction regarding the purpose of the research and questionnaire and consent was taken. Participation was voluntary. The questionnaire was completed manually and they were ensured that their data and information would be kept confidential and will be used for research purpose only. The data was collected individually.

Analysis

This is a quantitative study which uses the basic percentage and graph presentations for data analysis. It aims at exploring the engagement of karachi’s pharmaceutical employees by asking questions related to cognitive, emotional and physical engagement. The employee engagement is related with employee performance. The employee engagement is measured by asking questions related
to meaningful work and work-life balance. The performance of employee is measured by asking questions related to leaves availed and leaving current job. The researcher extracted information through pie-charts and analyzed the provided information qualitatively.

Results

This study shows that employees of Karachi pharmaceutical organizations aren’t engaged! Only 20% employees i.e. less than one fourth of the employees are engaged, 22% not engaged and 58% i.e. more than half of the employees are disengaged.

Employee engagement has three dimensions: Emotional engagement- how much an individual is involved with the work; Cognitive engagement-how much an individual is focused with his/her work; Physical engagement-how much an individual is willing to go ‘for extra mile’

There are 3 types of employees:

1. Engaged Employees – employees who work with passion and feel happy. In this research, the comments marked as ‘Highly agree’ and ‘Agree’ are placed in this category
2. Not engaged employees – employees who are just passing their time. Here the comment marked as ‘Neither agree nor disagree’ are placed
3. Disengaged Employees – employees who are unhappy and undermine work, the comments marked as ‘Disagree and Highly Disagree’ are placed in this category

Emotional engagement

When the respondents were asked the question, ‘I am excited when I am performing my job’; only 17% of employees said agree and 4% said ‘highly agree’ which shows that 21% employees are ‘Engaged’. On the other side 45% respondents showed ‘disagree’ and 13% showed ‘highly disagree’ which shows that 58% employees are emotionally disengaged. Also, 21% employees are Not Engaged.
Cognitive Engagement

When the respondents were asked the question, ‘I can easily focus on the tasks and assignments when I perform my job’; only 16% of employees said agree and 5% said ‘highly agree’ which shows that 21% employees are ‘Engaged’. On the other side 48% respondents showed ‘disagree’ and 10% showed ‘highly disagree’ which shows that 58% employees are cognitively disengaged. Also, 21% employees are Not Engaged.
Employee Engagement in Karachi’s Pharmaceutical Industry

Physical Engagement

When the respondents were asked the question, ‘I put my full energy when I perform my job’; only 17% of employees said agree and 3% said ‘highly agree’ which shows that 20% employees are ‘Engaged’. On the other side 47% respondents showed ‘disagree’ and 11% showed ‘highly disagree’ which shows that 58% employees are physically disengaged. Also, 22% employees are Not Engaged.

Engaged, Not engaged and Disengaged

Adding all three components of engagement and getting the average, this research indicates that only 16% of employees said agree and 3% said ‘highly agree’ which shows that 20% employees are ‘Engaged’. On the other side 47% respondents showed ‘disagree’ and 11% showed ‘highly disagree’ which shows that 58% employees are disengaged. Also, 22% employees are Not Engaged.
Cumulative Employee Engagement

If we add agree with highly agree and disagree with highly disagree, then this research shows that 20% employees are engaged, 22% not engaged and 58% employees are disengaged. It can be stated that one-fourth of pharmaceutical employees based in Karachi are engaged with their jobs and the 60% of the employees are disengaged with their work!

Reasons for engagement and disengagement: the researcher tried to find out the reasons for engaged and disengaged employees. Based on earlier researches one of the significant component for engagement is work-life balance and meaningful work. In this study the focus is kept on these two factors.
Work-Life Balance

When the respondents were asked the question, ‘My organization provides work-life balance to’; 13% of employees said agree and only 1% said ‘highly agree’. On the other side 49% respondents showed ‘disagree’ and 11% showed ‘highly disagree’; 26% employees showed ‘neither agree nor disagree’.

Meaningful work

When the respondents were asked the question, ‘My job activities are significant to me’; 17% of employees said agree and only 2% said ‘highly agree’. On the other side 58% respondents showed ‘disagree’ and 8% showed ‘highly disagree’; 16% employees showed ‘neither agree nor disagree’.
Outcomes of engagement and disengagement: the researcher tried to find out the most common and important benefit associated with employee engagement. Two factors were chosen for this category: i) employees intention for leaving the job; ii) how much sick or casual leaves are availed by employees in the current year.

Leaving the job

When the respondents were asked the question, ‘I have never thought about leaving my job’, 17% of employees said agree and only 1% said ‘highly agree’. On the other side 67% respondents showed ‘disagree’ and 10% showed ‘highly disagree’; 5% employees showed ‘neither agree nor disagree’.
Sick/Causal leaves

When the respondents were asked the question, ‘Last year I availed my _______ leaves’; 16% of employees said full, only 9% said nil, 8% said quarter, and 67% said half.

Discussion

This study aims at exploring the engagement of Karachi’s pharmaceutical employees by asking questions related to cognitive, emotional and physical engagement. The employee engagement is related with employee performance. The employee engagement is measured by asking questions related to meaningful work and work-life balance.
The performance of employee is measured by asking questions related to leaves availed and leaving current job.

**Engagement**

Among the three engagement types, level of emotional engagement is the highest among all. Nearly two in ten pharma-employees are emotionally engaged, less than 2 in ten are cognitively and physically engaged. Moreover, nearly two-third employees are emotionally, cognitively and physically disengaged with their present work. One of the important reasons for employee engagement is found to be associated with work-life balance and meaningful work. The absence of these two important factors leads to employee disengagement. These findings are consistent with previous researches such as (Neil Chalofsky, Vijay Kumar, 2009), (CIPD, 2006) who reported that employee engagement is associated with meaningful work and work-life balance. Engaged employees found to have more significant work and balance in their lives.

**Work-Life Balance:**

Almost or more than 50% employees feel that they do not have work-life balance and less than quarter employees feel to have balance in their work-life. This is one of the important reasons for engaging or disengaging employees. Engaged employees are more likely to have work-life balance than disengaged employees. These findings are similar with the annual report of (CIPD, 2006), which showed that work-life balance is associated with employee engagement, the more the employees have work-life balance in the workplace the more they are engaged.

**Meaningful work:**

Less than two-third employees reported that their work is not significant or meaningful to them and less than one-quarter employees just feel that their work is meaningful to them. Engaged employees feel to have more significant work than disengaged or not engaged employees. These findings are consistent with previous
researches such as (Neil Chalofsky, Vijay Kumar, 2009) who reported that meaningful work is one of the important factors for employee engagement.

**Leaving the job**

More than two-third employees showed disagreement to the question that they never thought to leave their present job, which is an extremely high number! Disengaged employees feel their job boring hence they are either looking for another job or in the process of leaving. The result agrees with Paul Fairlie, (2011), who reported that engaged employees are less likely to quit their organization and stay longer, hence the retention is high on those organizations where employees are more engaged.

**Sick/Causal leaves**

More than two-third employees availed full and half sick/casual leaves, which shows that employees are disengaged with their work. Less than one-third employees availed zero or minimum leaves. One of the main reasons for these people to avail less leaves is their engagement with the work. This finding is consistent with the previous researches such as Paul Fairlie,( 2011),

**Implications for managers**

Levels of engagement appear to have considerable benefits for employees and employers. Since it is positively associated with job satisfaction, therefore employees prefer those organizations where engagement levels are high and engagement opportunities are provided. For managers and employers – to retain competent and high performing employees, you need to raise the level of engagement at workplace. This is a fact that the lesser the level of engagement, the lesser the employees are engaged and the more is the level of disengagement.

This research shows that 58% of Karachi’s pharma employees are disengaged. Earlier in the literature review it is discussed that
disengaged employees are those who just spend their time in organizations.

This is a fact that most people feel that they do not have work-life balance and the research findings shows that two-third of pharma-employees do not have work-life balance. One of the main reasons is long working hours i.e. employees know the time for ‘check-in’ and do not know the time for ‘check-out’. Only a small portion of pharma-employees have work-life balance which suggests that to have engaged workforce, managers and employers need to provide or introduce work-life programs and trainings to their employees.

The vast majority of the employees seem not having a meaningful or significant work at workplace which makes them unhappy and dissatisfied. It bring the notion to them that they are involved in a work which is not meaningful to them. It may be the fact that employees feel that they are not using their capabilities to full extent. One of the reasons for this is employees feel that they are not involved in a valuable work.

Majority of the employees seem to leave the current job and they are either looking for another one or are in the planning phase. One of the basic reasons is job dissatisfaction and disengagement. Managers can increase the retention rate by looking not the ways through which employees can be engaged.

This is a fact that when people are motivated and engaged then they take lesser sick and annual leaves. The findings of this shows that disengaged employees availed nearly full or half leaves, which ultimately increases medical and other cost associated with it. Therefore if managers want to reduce absenteeism rate, maximize productivity, reduce cost, they need to find ways to raise the level of engagement.
REFERENCES


THE ROLES OF EXTRINSIC AND INTRINSIC FACTORS IN SHAPING ORGANIZATIONAL CLIMATE

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Abstract:

Through survey research method data were collected from 200 employees of Multinational Engineering Services Company based in the U.A.E. through ‘The Corporate Climate Survey’. The results of the study indicate that there is a positive correlation between extrinsic organizational factors such as performance feedback and rewards, employee-manager relationship, team work and task support, training and development and the Learning Climate. There is a positive correlation between intrinsic organizational factors i.e., role clarity, commitment and morale, innovation and Learning Climate, with both significant at 0.01 level.

Keywords: organizational climate, learning climate, intrinsic factors, extrinsic factors, assessing, reshaping

JEL Classification: Z000

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Introduction:

Organizational climate refers to employees’ perceptions of organizational features such as decision making, leadership, and norms about work and workplace. Organizational culture refers more broadly to the norms, values, beliefs, and assumptions shared by employees of an organization or a distinguishing subculture within an organization. Organizational climate impersonates employees’ shared beliefs and the psychological meanings they give to the environment so that they can justify it (Reichers and Schneider 1990). So, organizational climate is directly related with the performance of employees working in any organization.

Considering Employee-Manager Relationship, a manager can significantly affect the development of his/her workforce and performance of his/her employees. This impact of relationship between employees and his/her managers is either positive or negative which is many times, the direct outcome of this communication management and employee-manager understanding of each other’s work habits and working styles. Managers who do not interact regularly with their employees become the reason of low productivity, declining morale, and high turnover. On the contrary, a strong connection and bonding between employees and their manager is always observed to be highly productive and engaging for employees. The mutual understanding eventually produces more healthy, beneficial and positive working relationship. Manager-Employee communication is significant to influence performance and become more effective and productive when provided to them on the job. (Employee Relationship Management is Key Towards Achieving Balance, 2012).

The employee may be rewarded with one or multiple rewards at the same time. In today’s corporate world, two kinds of Reward Systems exist leading to different type of organizational climate and culture. All that matters is that how strongly the reward system is connected with the organization’s strategy. These reward systems are:

1. The corporate hierarchy system in which employees’ performance is evaluated both on quantitative as well as qualitative parameters.
2. The performance based reward system which is completely quantity based, and employee is rewarded on the basis of individual’s performance. The qualitative aspects of performance are usually ignored in this type of reward system.

*Teamwork and Task Support* may be defined as ‘Group of employees delegated with some collective tasks and where the team members are authorized to mutually control and standardize the implementation and finishing of these collective tasks’ (Delarue, Stijn and Van Hootegem, 2003).

*Training and Development* has been considered of huge importance to organizations which are seeking to gain a competitive advantage. One school of thought argues that training helps organizations to retain their high performing individuals (Colarelli and Montei, 1996; Becker, 1993).

Hickson (1966) points out that the concepts of *Role Clarity* or role ambiguity can be set out in an organization by referring to the presence or absence of sufficient role related information which may be because of the control of this information or due to various levels of the quality of the information that would provide functionality of objective role clarity. In the most wide-ranging study of role ambiguity, Kahn, Wolfe, Quinn, Snoek and Rosenthal (1964) established that ambiguous role expectations (subjective) were linked with more tension and reduced job satisfaction versus clear role expectations. Also, ambiguous role evaluation was linked with increased tension, which may not be the same with job satisfaction.

For gaining competitive advantage, an organization needs to promote and assist rather than restrain *Innovative* and creative practices in order to implement original and new ideas. Innovative Work Behavior (IWB) is explained as the planned creation, introduction and execution of fresh and creative ideas by people or group of people performing different roles or by the organization itself, in order to elevate performance (Janssen, 2000).
Morale is defined as the state of the spirits of an individual or group as shown in the willingness to perform assigned tasks (Morris and Sherman 1981). Organizational morale refers to the way people feel about their jobs and the organization they work for. It includes the atmosphere of the workplace, the way people work together as a team, and their general level of confidence and satisfaction. If the employees receive fair treatment from their supervisor and get recognition from his organization for the hard work, he/she would be on a high note in case of workplace morality.

Organizational commitment is considered to be as an emotional dependency with a positive attitude for the organization. An employee identifies himself with it by actively making contribution towards benefitting the company, within a continuous process through which the interests of people focus on the organization as they take part and contribute in the decision making process. Commitment to organization is a tendency of social agents to give their labor/work/efforts and show loyalty to social systems within the organization (Sarooghi, 1996).

Literature Review:

Significance of Organizational Climate

Organizational climate is defined as the shared perception of an organization (Reichers and Schneider, 1990). Employees’ perceptions and opinions about organizational climate, or internal environment, are pivotal because climate sets the forum/platform for efficient performance outcomes in the organization. It is found to be strongly correlated with employee performance (Spruill, 2008). Healthy internal climate in the organization not only stimulates employee productivity but also other significant factors such as innovation and creativity. Organization’s unrelenting and nonstop success heavily depends on it, as an organization’s future performance depends on its ability to learn and adapt (Senge, 1990). Additionally, employees are motivated to higher levels of achievement provided the internal culture of an organization is positive, while their effectiveness is distracted by a negative culture. Additionally, the behavior of the supervisor is the most powerful determinant of the employees’ organizational climate (Stringer, 2002).
Organizational Climate

Denison (1996) highlighted that the organizations ensure their financial success when they take employees input and encourage their involvement in critical decisions and empower them to make their own decisions on the job. Schneider (1996) discovered that customer satisfaction is ensured by the organizations which promote service and performance climates.

Patterson, Warr and West (2004) identified that those organizations in the manufacturing industry which pay attention to a positive organizational climate, explicitly take initiatives for employee well-being, flexibility, learning, and performance, and so grow with faster pace generating better output than those that emphasize less on these areas. Potosky and Ramakrishna (2001) found that organizational performance has a significant relation with employee learning and skill development.

Ekvall (1996) identified a positive relationship between organizational climate which stressed on creativity and innovation and the profits of the organization. Thompson (1996) found that organizations which employ developmental and supportive human resource practices affecting climate outperformed those with a lesser amount of focus on such practices. Hellriegel, Slocum and Woodman (1998) elucidate that organizations may take initiatives to establish a healthy climate which should be employee-focused, through communication, values, expectations, norms, policies and rules, programs and leadership.

Isaksen and Lauer, (1999) defined organizational climate as the recurrent models and patterns of behavior, attitudes and feelings, which are demonstrated within the routine atmosphere of the organization and the employees in the organization experience and understand it. Parker, et al. (2003) described organizational climate as construct comprising of four dimensions that is autonomy and control, degree of structure, rewards and consideration, and warmth and support.
Employee-Manager Relationship

Great managers always welcome two-way feedback conversations where the employee is given the opportunity to provide their honest feedback about processes, goals, and their relationship. An organization will fail to deliver and achieve results when managers will not provide feedback which will eventually disengage their team; on the contrary if two-way feedback is offered regularly then managers will ascertain a strong connection based on trust (Employee Relationship Management: Improving Performance by Understanding Your employees, 2012).

Reward Systems and Feedback

Performance related pay (PRP) is considered to be as an individual reward policy, where reward is linked with the volume of output. Then there are ‘Growth rewards’ which organizations offer to their employees for enhancing their learning or building their capacities further; bringing innovation, development and/or enhancement in their work. Therefore the key to handling and managing performances through rewards is linking the desired performance with the appropriate reward. (Performance Measurement, 2012).

Training and Development

The Cambridge Business English Dictionary (2012) defines training and development as an activity of teaching employees new skills and knowledge through training, mentoring, support and advice given by those with more experience. Training refers to the attainment of skills and knowledge directly needed for the enactment of a specific role in the organization; such as on-the-job training, by way of workshops, seminars and conferences. Workforce development largely refers to the job enrichment that has an inherent system to motivate an employee to acknowledge and achieve exigent organizational tasks. Distinctively, Caroline and Charles (1997) disputed that such an activity would improve employees’ capabilities to smartly and easily carry out their tasks.

Robinson and Robinson (1995) restated that the most important direct benefits of training and manpower development are
visible when it enhances employees’ role clarity in terms of their job responsibilities in the organization as well as when it enhances employees competence. According to Aina (1992) training makes an employee able to be more productive and makes him ready for the future bigger roles (advancement), improves his sense of worth and respect and elevates his feeling of security and financial independence amongst others. Woolcut and Rose (1979) discussed that the organization by providing training and development, would distinguish the gains in competence, wellbeing, high quality, better job satisfaction and performance. They observed a positive correlation between investment in training and development of staff and their attitude to work. In addition, Bradley, Petrescu and Simmons (2004) explained the relationship between job satisfaction and training that by creating an unending learning atmosphere, organizations create highly significant effect on job satisfaction which in turn increases employee motivation and commitment.

### Teamwork and Task Support

Scholtes (1998) discussed teams, their dynamics, formation and effectiveness in the organizations. Teamwork is vital to the success of an organization. As “no man is an island,” productive teamwork can invigorate the whole organization, just as the lack of teamwork can weaken an organization. A fundamental element to strong teamwork is attracting and retaining the right team members. If organizations do not have the right people for the job, it does not matter how much effort they put to the task, the team will eventually fail and will not be able to perform at all. Teamwork is critical for both as a team leader or a team member.

Katzenbach and Douglas mentioned, teams hugely affect the effectiveness at the individual, group, and organizational levels. Internal factors (team norms, ground rules, interpersonal and other skills, knowledge and attributes etc.) decide the functioning of single teams, whereas the external factors (i.e., organizational culture, systems, and structures) within which all teams perform decide the level of teamwork within an organization. (*The Discipline of Teams*, 1993)
Role Clarity

The consequences of lower specificity of organizational roles are increased motivation and satisfaction (Argyris, 1958). According to Banton (1978), a “role” can be defined as a set of norms or expectations applied to the incumbent of a particular position by the role incumbent and the various other role players (role senders) with whom the incumbent must deal to fulfill the obligations of their position. Kahn et al. (1964) further clarify the role model by stating that to adequately perform his or her role, a person must know (a) what the expectations of the role set are (e.g., the rights, duties, and responsibilities), (b) what activities will fulfill the role responsibilities, and (c) what the consequences of role performance are to self, others, and the organization.

Innovation

In organizational perspective, the conditions that sustain creative performances of employees are organizational culture, resource factors and organizational climate (Sundgern et. al., 2005). Solomon et al. (2004) discovered that organizational climate affects the individual’s innovative behavior.

Current organizations run into an environment affected by unique challenges like technology, reduced product life cycles, globalization and modern competition. The other factors given emphasis are price, quality and customer satisfaction; designing a competitive strategy and holding an increased focus on innovation (Leifer et. al., 2001).

Thomas (2006) additionally included that the ideas are usually generated by employees or teams in the organization that are imperative for the success of organization. These ideas are treasured by creative thinking, and are formed of four steps:

1. Preparation (assembling information, analyzing, and exploring solutions);
2. Incubation (Allowing the mind work sub-consciously to continue the process);
3. Illumination (stimulation and motivation; when an individual is stress-free and not essentially thinking about the problem, however it is at the same time expected that the problem may arise in individual’s mind); and
4. Verification (it is about assessing the ideas, solutions, hindrances and insights for their execution).
Employee Commitment and Morale
Mowday, Porter and Steers (1981) define organizational commitment as founded on a generic force of identification (recognition of identity) and individual’s taking part in organization. According to this perspective, the commitment results from three aspects:
1- Taking in organization’s values and goals.
2- Inclining towards work together with the organization to attain its goals.
3- Employee’s longing to stay in the company.

Multiple definitions of organizational commitment are available. Bateman and Strasser (1984) affirm that organizational commitment has been operationally defined as “multidimensional in nature, engaging an employee’s loyalty to the organization, readiness to apply effort on behalf of the organization, degree of goal and value alignment with the organization, and desire to uphold organizational membership” (p.95).

Meyer and Allen (1991) identified three types of commitment: 1) Normative commitment, which reflects assumed duty to remain in the organization as “a feeling of obligation” (Allen and Meyer, 1990). 2) Affective commitment described as the emotional attachment, identification, and involvement the employee believes he has with his organization and its goals and 3) Continuance commitment as the employee’s readiness to stay in the organization because of the “non-transferable” investments employees feel they have made. Nontransferable investments take account of things such as retirement, relationships with other employees, or those factors or feelings that are unique for example years of employment, types of benefits employees receive which they feel are unique about the organization.

Meyer and Allen (1997) present a summary of hypothesized links between the three components of commitment and variables considered to be their antecedents, correlates, and consequences, in figure 1 below; On the left side are the general variables that presumably play the roles in the development of affective, continuance, and normative commitment. On the right side are variables that are hypothesized to be the consequences of commitment.
Fig. 1. Meyer and Allen (1997): A Three-Component Model of Organizational Commitment.
Research Methodology

The research method is through Survey and the research strategy is quantitative as well as qualitative. Based on the previous relevant research studies intrinsic and extrinsic factors have been identified to assess organizational climate and an online questionnaire is modified to suit the local needs of the ‘selected organization’ which is a Multinational Engineering Services company based in U.A.E. The Organizational Climate Survey (2012) has been shared with the entire employees of the organization and 200 responses are collected via emails, and analyzed to investigate and prove/reject the hypotheses. The staff headcount in the U.A.E. is 200. No other information regarding the survey author/company and year in which it was designed, is available. The survey used in this study has been modified to suit the requirements of the present research, researcher and the targeted audience.

The survey questionnaire has been shared in an excel file and administered via email. The Organizational Climate Survey (2012) questionnaire has 51 items out of which 18 items are assessing intrinsic factors impacting organizational climate, and 32 items are investigating the impact of extrinsic factors on the organizational climate. After collecting and analyzing the responses, the results have been extracted and analyzed through SPSS (statistical package for social sciences) for quantitative analysis. The results have been shared with the management staff of the organization and their recommendations have been gathered through online interviews and some have been used in the conclusion and recommendations part of the research report. The results have now been shared with the Managing Director of the organization to help them improve and reshape the climate, where necessary.

Research Analysis

After conducting the research analysis using SPSS quantitative software, the study reveals that the responses of the 200 employees of the Multinational Engineering Company based in the U.A.E. are showing that overall the climate of the organization is good and employees are not facing any major job dissatisfaction
issues which means that employees are overall satisfied with the climate of their organization.

The following chart is showing range, mean, standard deviation, variance, skewness and kurtosis readings for both intrinsic and extrinsic individual factors of the respondents and the results indicate that all response values are around the mean value of each intrinsic and extrinsic factor so the precision of the research findings and conclusion is dependable.

The values of all standard deviations of intrinsic and extrinsic factors are close and majority of the responses don’t show extreme values of the responses so the organization seems to be having a consistent climate with stable environment which encourages role clarity, innovation, healthy relationships between management and employees, provides training and development opportunities, performance based rewards and feedback, encourages teamwork and provides task support.

If we interpret Skewness (indicator used in distribution analysis as a sign of asymmetry and deviation from a normal distribution) from the following chart then we can say that:

The responses for the only extrinsic factor, training and development are showing right skewed distribution i.e. most values for this extrinsic factor are concentrated on left of the mean, with extreme values to the right which means that most of the ratings are between 1, Strongly Disagree and 2 Disagree which means that this area needs to be taken care of by the organization and training and developmental opportunities must be provided to the employees in order to improve employees’ perspective on this. However since the data is not huge so we cannot absolutely rely on these values.

The responses for all three intrinsic factors i.e. role clarity, innovation, commitment and morale, as well as three extrinsic factors i.e. employee-manager relationship, performance feedback and rewards and teamwork and task support are showing Left skewed distribution i.e. most values for these intrinsic and extrinsic factors are concentrated on the right of the mean, with extreme values to the left which means that most of the ratings are between 3, Agree and 4 Strongly agree.
This indicates that most of the responses agree or strongly agree that the organization climate is healthy and organization is providing employees with the opportunities for gaining role clarity, performance feedback and rewards as well as support to work with freedom, clarity while maintaining good relationships with the management.

The above chart is showing range, mean, standard deviation, variance, skewness and kurtosis readings for the intrinsic factors of the respondents and the results seem very normal that is we can see that the values for standard deviation on the basis of age and service tenure are very low which indicate that the responses are not varying greatly on the basis of these demographic factors and that these demographic factors are not influencing the intrinsic factors of organizational climate. We can also say that age and service tenure are not influencing employees’ preferences and intrinsic needs for a healthy organizational climate; this can be implied that the organization is looking well after the extrinsic needs of its employees.

The above chart is showing range, mean, standard deviation, variance, skewness and kurtosis readings for the extrinsic factors on the basis of ‘age and service tenure’ of the respondents and the results seem very normal that is we can see that the values for standard deviation on the basis of age and service tenure are very low which indicate that the responses are not varying greatly on the basis of these demographic factors and that these demographic factors are not influencing the extrinsic factors of organizational climate. We can also say that age and service tenure are not influencing employees’ preferences and extrinsic needs for a healthy organizational climate;
this can be implied that the organization is looking after the extrinsic needs of its employees very well.

The overall Responses for climate are showing Left skewed distribution i.e. most values are concentrated on the right of the mean, with extreme values to the left which means that most of the ratings are between 3, Agree and 4 Strongly Agree. This indicates that most of the responses agree or strongly agree that the organizational climate is healthy and organization is providing employees with the opportunities to work with freedom, enhance their morale and commitment and grow within the organization while possessing their role clarity and importance of their contributions towards their organization as well as while maintaining good relationships with the management.

Kurtosis > 3 – the responses for role clarity, training and development, commitment and morale and teamwork and task support have the Leptokurtic distribution which means sharper than a normal distribution, with values concentrated around the mean and thicker tails. This means high probability for extreme values.

Kurtosis < 3 - the responses for innovation, employee-manager relationship and performance feedback and rewards have the Platykurtic distribution, which means flatter than a normal distribution with a wider peak. The probability for extreme values is less than for a normal distribution, and the values are wider spread around the mean.

Kurtosis = 3 – None of the responses in the following chart show the Mesokurtic distribution which means the normal distribution and scores are dispersed well around the mean value.

The above chart is showing range, mean, standard deviation, variance, skewness and kurtosis readings for both the intrinsic and extrinsic factors and the results seem very normal again, that is we can see that the values for standard deviation of both the organizational factors are very low and close to each other which indicate that the responses are not varying greatly from each other; this shows that employees find that both the factors are present in their organizational climate and that their organization has a very healthy climate. The
results are stable and consistent across different age brackets as well as service tenure so the research findings make this evident that other factors such as demographic are not influencing the extrinsic and/or intrinsic factors of organizational climate. We can also say that age and service tenure are not influencing employees’ preferences and intrinsic or extrinsic needs for a healthy organizational climate; this can be implied that the organization is looking after the extrinsic needs of its employees very well. However the results show that extrinsic factors are paid a little more attention by the organization as these scores are comparably high from the intrinsic scores.

The responses for intrinsic factors and extrinsic factors overall are showing Left skewed distributions i.e. most values for these intrinsic and extrinsic factors are concentrated on the right of the mean, with extreme values to the left which means that most of the ratings are between 3, Agree and 4 Strongly agree. This indicates that most of the responses agree or strongly agree that the organization climate is healthy and organization is providing employees with the opportunities for training and development, role clarity, performance feedback and rewards as well as support to work with freedom, clarity while maintaining good relationships with the management.

While conducting analyses of the impact of individual and group of intrinsic and extrinsic factors, the research has indicated that employees in the organization feel that the extrinsic motivation has a great role to play in contributing towards a healthy organization climate and organization is providing extrinsic motivation quite extensively however it really needs to pay attention to providing the intrinsic motivation.

**Results and Discussion**

**Hypothesis 1:** There is a higher positive correlation between intrinsic organizational factors and organizational Climate as compared to the extrinsic organizational factors. Employees motivated through intrinsic factors promote better Organizational Climate and vice versa.

The survey findings show that despite the fact that the organization is fulfilling extrinsic motivational needs of the employees
yet employees have highlighted the need for fulfilling their intrinsic motivational needs; i.e. although of course intrinsic factors are taken care of but still employees felt that they are still lacking their management focus. This shows that intrinsic factors have a deeper impact on employees’ needs as these are the internal needs which impact the external needs and the organizational climate more deeply. So this proves that intrinsic organizational factors have a higher positive correlation with the organizational climate than the extrinsic organizational factors.

*Correlation is significant at the 0.01 level (2-tailed)* i.e. 99% correlation is found between extrinsic as well as intrinsic factors and organizational climate. For intrinsic the correlation score is showing as 0.866 and for extrinsic it is showing 0.799.

Hypothesis 2: There is a positive correlation between extrinsic organizational factors and Climate. The more opportunities provided in the Organization, the better the Organizational Climate and vice versa.

The survey findings show that organization has been looking after to provide the extrinsic factors and overall employees feel satisfied and happy with their jobs and with the climate of the organization. *Correlation is significant at the 0.01 level (2-tailed)* i.e. 99% correlation is found between extrinsic factors and organizational climate.
Extrinsic and Intrinsic Factors

### Correlation

<table>
<thead>
<tr>
<th></th>
<th>Extrinsic factors</th>
<th>Climate Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extrinsic factors</td>
<td>Pearson Correlation</td>
<td>.799**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed) N = 200</td>
<td>.000</td>
</tr>
<tr>
<td>Climate Total</td>
<td>Pearson Correlation</td>
<td>.799**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed) N = 200</td>
<td>.000</td>
</tr>
</tbody>
</table>

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

### Employee-Manager Relationship

Hypothesis 2.1: There is a positive correlation between Employee-Manager Relationship and organizational Climate. Stronger relationship will support the Organizational Learning Climate positively and improves it and make it healthier and vice versa. The survey findings show that overall the relationships between the management and employees are strong and healthy.

*Correlation is significant at the 0.01 level (2-tailed) i.e. 99% correlation is found between Employee-Manager relationship and organizational climate.*

### Performance & Reward Systems and Feedback

Hypothesis 2.2: There is a positive correlation between Performance & Reward Systems and Climate. Fair Performance & Reward Systems will support the Organizational Learning Climate positively and vice versa. More equitable performance rewards and compensation will enhance organizational climate’s health. The survey findings show that overall the organization sets accountabilities for
employees to achieve their goals and perform better and provides them with the equitable rewards and motivational feedback frequently.

*Correlation is significant at the 0.01 level (2-tailed) i.e. 99% correlation is found between performance, rewards & feedback and organizational climate.*

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Performance &amp; Rewards</th>
<th>Climate Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance &amp; Rewards</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>200</td>
</tr>
<tr>
<td>Climate Total</td>
<td>Pearson Correlation</td>
<td>.188**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.008</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>200</td>
</tr>
</tbody>
</table>

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

**Training & Development**

Hypothesis 2.3: There is a positive correlation between Training & Development and organizational Climate. Better TND opportunities in the Organization will support the healthier Organizational Climate and vice versa. The survey findings show that the organization provides training and developmental opportunities to the employees from time to time, and that the employees find it easier to grow in their careers and enhance their employability.

*Correlation is significant at the 0.01 level (2-tailed) i.e. 99% correlation is found between training & development and organizational climate.*

<table>
<thead>
<tr>
<th>Correlations</th>
<th>TandD</th>
<th>ClimateTotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training &amp; Development</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>200</td>
</tr>
<tr>
<td>Climate Total</td>
<td>Pearson Correlation</td>
<td>.231**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.001</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>200</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
Teamwork and Task Support

Hypothesis 2.4: There is a positive correlation between Teamwork/Task Support and organizational Climate. Strong teamwork in the Organization will support the Organizational Learning Climate and vice versa. The survey findings show that the organization has strong teamwork amongst employees who are cohesive as teams and they support each other in setting and achieving each others’ professional goals.

Correlation is significant at the 0.01 level (2-tailed) i.e. 99% correlation is found between teamwork & task-support and organizational climate.

Correlations

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Teamwork &amp; Task support</th>
<th>Climate Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teamwork &amp; Task support</td>
<td>Pearson Correlation</td>
<td>.602**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>200</td>
</tr>
<tr>
<td>Climate Total</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>200</td>
</tr>
</tbody>
</table>

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

Hypothesis 3: There is a positive correlation between intrinsic organizational factors and organizational Climate. Higher levels of intrinsic forces will help make the Organizational Climate suitable for the employees’ learning needs and vice versa. Intrinsic organizational factors are related to employees’ job satisfaction and internal locus of control and therefore if organization will make efforts to improve these, the impact will be more visible and quick and prominent on their overall commitment and morale, their job performances and productivity. The survey findings show that organization has been keen on providing the extrinsic factors and overall employees feel satisfied and happy with their jobs and with the climate of the organization.

Correlation is significant at the 0.01 level (2-tailed) i.e. 99% correlation is found between intrinsic factors and organizational climate.
### Correlations

<table>
<thead>
<tr>
<th>Intrinsic factors</th>
<th>Climate Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>.866**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>200</td>
</tr>
</tbody>
</table>

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

### Clarity of Jobs

Hypothesis 3.1: There is a positive correlation between Clarity of Jobs and organizational Climate. Higher clarity amongst employees will help make the Organizational Climate suitable for the employees’ learning needs and vice versa. The survey findings show that employees have the Role clarity in their jobs which is enhancing awareness amongst employees in terms of their role and contribution in the achievement of their organizational goals.

*Correlation is significant at the 0.01 level (2-tailed) i.e. 99% correlation is found between role clarity and organizational climate.*

<table>
<thead>
<tr>
<th>Role clarity</th>
<th>Climate Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>.895**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>200</td>
</tr>
</tbody>
</table>

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

Hypothesis 3.2: There is a positive correlation between Innovation and organizational Climate. Higher levels of employees’ innovation will help make the Organizational Climate suitable for the employees’ learning needs and vice versa. The survey findings show that employees have freedom to work in their own ways ‘sometimes’ and are allowed to bring creativity in their jobs which is eventually enhancing their work productivity, thereby increasing their internal locus of control which in the long run, will enhance their self-regulatory behavior to contribute more towards their organization’s vision and goals. So the climate will become healthier eventually.

Correlation is significant at the 0.01 level (2-tailed) i.e. 99% correlation is found between innovation and organizational climate.

<table>
<thead>
<tr>
<th>Correlation</th>
<th>Innovation</th>
<th>Climate Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>200</td>
</tr>
<tr>
<td>Climate Total</td>
<td>Pearson Correlation</td>
<td>.828**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>200</td>
</tr>
</tbody>
</table>

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

Commitment & Morale

Hypothesis 3.3: There is a positive correlation between Employee Commitment/ Morale and organizational Climate. Higher levels of Commitment and Morale will help make the Organizational Climate suitable for the employees’ learning needs and vice versa. The survey findings show that employees have “high” morale and are finding the climate motivating for them to perform well and stay in the organization. The commitment is also very strong as suggested by the findings of the survey.

Correlation is significant at the 0.01 level (2-tailed) i.e. 99% correlation is found between commitment & morale and organizational climate.
**Correlations**

<table>
<thead>
<tr>
<th></th>
<th>Employee Commitment &amp; Morale</th>
<th>Climate Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Commitment &amp; Morale Pearson Correlation</td>
<td>1</td>
<td>.674**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Climate Total</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.674**</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>200</td>
<td>200</td>
</tr>
</tbody>
</table>

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

**Conclusion:**

The survey findings show that the following organizational factors must be taken care of by the organization; overall intrinsic factors are not paid considerable attention to, which means that employees’ self-regulatory behavior needs to be triggered and directed for job satisfaction and motivation. The management is of the view that the following recommendations will be considered seriously and highlighted areas will be improved in the earliest possible timeframe:

- Management now intends to share the feedback with the employees across the board in the group sessions; they plan to conduct brainstorming sessions, focus groups with all the staff and also call a department heads meeting where the highlighted areas will be discussed in detail and future strategies will be decided to improve upon these areas.

- The management has decided a timeframe of 6 months to design strategies to tackle these issues effectively so that employee commitment and morale is looked after and enhanced within the shortest timeframe.

- Role clarity, Innovation as well as Employee-Manager Relationship will have to be addressed at the earliest because this may impact employee productivity in the long run which will hamper organization’s performance and impact its goal achieving ability and causes serious damages to its business volumes and revenues.
• Management is concerned about the results that the relationships are suffering in the organization and they have been relying on the overall impression that the relationships have been strong; at the same time innovation is something which can be addressed ‘asap’. Department heads need to look after this issue and start taking initiatives to address the concerns pertaining to this area within the present week.
References


http://deepblue.lib.umich.edu/bitstream/handle/2027.42/33731/0000245.pdf?sequence=1


The Roles of Extrinsic and Intrinsic Factors...


THE FEAR OF TERRORISM AND ITS PSYCHOLOGICAL IMPACT IN PAKISTAN

Nadia Ayub¹
Shahid Iqbal²

Abstract:

The purpose of the current study was to explore the relationship between the fear of terrorism and its effects on the mental health of people in Pakistan. Based on literature review it was hypothesized that fear of terrorism positively correlates with depression, anxiety and stress. A survey of 300 participants (200 males and 100 females) of different cities of Pakistan was conducted. The Terrorism Catastrophizing Scales (TCS; Sinclair, & LoCicero, 2007) was used to assess catastrophizing of terrorism, and “The Depression, Anxiety, and Stress Scale” (DASS21; Lovibond & Lovibond; 1995) was administered to assess levels of depression, anxiety, and stress among the participants. Results support that terrorism catastrophizing effects the mental health of people indicated through high levels of stress, anxiety, and depression in sufferers.

Keywords: Terrorism, anxiety, depression, stress
JEL Classification: Z 000

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Terrorism, a term that has become synonymous with mass murder, suicide bombings, massive fatalities and mutilated human bodies in the modern world. According to Charles Townshend (2002), “Terrorism is the calculated use or threat of violence to inculcate fear, intended to coerce or intimidate governments or societies”. Undoubtedly, the rising surge in terrorist attacks all across the world has instilled great fear, even in the most secure societies, making terrorism a reality for everyone. Strangely, the modern mindset has stopped questioning the pervasive role of the unsanctioned arms and ammunition distribution in the world and has also become desensitized to the outcomes of the deadliest uses of those weapons—terrorism. In fact, in the modern world a news tiding becomes a cover story only if human fatalities are counted in scores in an incident. Amidst such callous settings, the distressing psychological impact of terrorism upon direct victims or members of the larger society remains an unexplored and uninvestigated area. As a result, mental health workers around the world are concerned about both transitional and long-standing psychological effects of terrorism on direct and indirect victims.

Human mental health manifests itself through internalization of diverse external influences by individuals. Merriam Webster’s Collegiate Dictionary defines mental health as “a state of emotional and psychological well-being in which an individual is able to use his or her cognitive and emotional capabilities, function in society, and meet the ordinary demands of everyday life.” The question is whether mental health of individuals is affected by becoming direct or indirect victims of terrorism. Studies suggest that terrorist attacks have multiple adverse consequences upon mental health of sufferers. Terrorism affects individuals’ well-being as they feel restricted in making independent daily choices for instance, feeling fearful in public and religious places and preferring not to travel by airplanes and avoiding public transport etc. At the individual levels, people feel insecure and show signs of emotional stress, agitation, hopelessness and isolation. At the community level, “there are increased stress levels, heightened perceptions of threat and behavioral changes in communities and decreased feelings of safety following terrorist incidents (Schuster et. al, 2001; Huddy et. al, 2002; Bleich et. al, 2003)”. 
To analyze the individual and communal behavioral patterns in response to a trauma, the question that arises is this: how does trauma manifest itself on the indirect victims of terrorism? The direct or indirect victims of traumatic events which can generate psychological disorders can be classified as: suicide bomber attack survivors, eyewitnesses to attacks, grieving families of the victims or maimed survivors and people terrorized by media coverage of terrorist incidents. Literature suggests that many people suffer from psychological problems like post-traumatic stress disorder, depression and anxiety as a result of terrorist attacks. Studies also indicate that people who have experienced the greatest exposure of traumatic incidents, such as suicidal attacks, are at a higher risk of Post-Traumatic Stress Disorder (PTSD), anxiety, and depression.

According to Bates (2001), post-traumatic stress disorder (PTSD) is the fifth most common psychiatric disorder. It is diagnosed among sufferers who are exposed to any shocking, horrific or life threatening event, and it is important to note that it can be particularly severe or long lasting when the traumatic event is “of human design” as in the case of terrorism (Breslau, et al.,1991; Solomon & Canino, 1990). According to Silver et al., (2002), “individuals who were survivors and/or lost a close family member, friend, or co-worker were the most impacted”. After 9/11 attacks several studies were conducted on the psychological effect of those attacks on the mental health of the people. Several post 9/11 studies reveal that after 3-5 days of the attacks 44% of Americans experienced at least one symptom of post-traumatic stress disorder (Schuster, et.al. 2002). According to Grieger, et al., (2003), “higher prevalence of PTSD were reported for those closer to the disaster (14-20%), and people in the building or injured 30% (Galea, et al., 2003). In addition Gidron (2002) reports that, “the prevalence of post-traumatic stress disorder (PTSD) after terrorist attacks worldwide is estimated to be approximately 28%”. Yehuda, (2002) estimates that up to 35% of individuals exposed to the September 11 terrorist attacks may be at risk for developing PTSD. Horrific statistics notwithstanding, Schnurr et al., (2004) suggests that variables related to the type and severities of the traumatic incidents are important in order to predict the occurrence of post-traumatic stress disorder (PTSD).
Another mental disorder that can find roots in terrorism is depression. Depression has a high prevalence all across the world and has multiple causes that may include financial loss, chronic illness, problems in emotional and familial relationships or any unwelcome change in life. Relating depression to threat to security through terrorism, Sprang (1999) posits that, “45% of the survivors directly exposed to the Oklahoma City bombing received DSM-III-R diagnoses of anxiety, depression, and alcohol within six months after the bombing, and 34% of these survivors reported PTSD”. Another survey conducted by Bossolo et al. (2002) reports that 16% of Americans still experience a depressed or anxious mood directly related to September 11.

The physical proximity to the traumatic incidents also contributes to a heightened stress, anxiety and depression level among the victims. A study by North, et al., (1994) shows that the likelihood of developing Post Traumatic Stress Disorder (PTSD) after a mass shooting or a plane crash increased with the proximity to the event. Another study conducted by Galea et al., (2002) shows that, “the terrorist attacks led to considerable traumatization of those living in the immediate vicinity of the attacks.”

The literature reviewed indicates that terrorist attacks affect mental health of the survivors and the community members at large. Among the psychological problems experienced, posttraumatic stress disorder (PTSD), depression, and anxiety are more common. At present, due to a rise in the number of terrorist attacks in Pakistan, it is important to explore the effect of suicide terrorist attacks on mental health of people in Pakistan who have been directly or indirectly exposed to these attacks. Therefore, this study aims to explore, identify and/or establish a correlation between terrorism and the deleterious effects of it on the mental health of the people of Pakistan.

**Methodology**

**Sample**

A random convenient sampling procedure was employed for sample selection. The sample of the study consisted 300 participants (200 males; 100 females) from different cities of Pakistan including Karachi (20%); Islamabad (21%), Lahore (21%), Peshawar (16.7%), and Multan (20.7%). Their age ranged from 18 to 59 years, 94.3% was
married, and 5.7% were unmarried and education levels ranged from Matriculation/O levels (3.3%), Intermediate/ A levels (11.7%), Bachelors (60%) up to Masters (2.5%). 73.4% of participants were employed, and 26.7% were unemployed. Monthly income ranged between 10,000 Pkr to 10,000 Pkr. (See Table 1)

**Measures**

A demographic form was used to obtain information about gender, age, academic qualification, marital status, monthly income, and employment status.

*The Terrorism Catastrophising Scale (TCS; Sinclair, S. J., & LoCicero, A., 2007)* was used to measure stressors related to terrorism. Terrorism catastrophising is subdivided into three main components i.e. Magnification, Rumination, and Helplessness. The whole TCS scale consists of 13-items to be rated on a 5-point scale from “Strongly disagree” to “Strongly agree.” The TCS has an internal consistency coefficient of $= .628$ for both male and female participants.

*The Depression Anxiety Stress Scales (DASS21; Lovibond, S. H., & Lovibond, P. F., 1995):* DASS consists of 21-items and it measures depression, anxiety and stress. Participants responded on a 4-point Likert scale rate items. The response categories are phrased as (Did not apply to me at all; Applied to me to some degree, or some of the time; Applied to me to a considerable degree, or a good part of time; Applied to me very much, or most of the time). In the present study, DASS found to be internally consistent at the level of $= .887$

**Procedure**

The participants were provided with consent form, demographic sheet, “The terrorism Catastrophizing Scale” (TCS; Sinclair, & LoCicero, 2007); and “The Depression Anxiety, and Stress Scale” (DASS21; Lovibond & Lovibond, 1995). Instructions to complete these forms were given by researcher and information on these forms was obtained through self-report method. Consent to participate in research was taken from participants beforehand. Participation was voluntary and the responses were anonymous. Participants were informed about purpose of research and confidentiality was assured.
Statistical Analysis

TCS and DASS21 were scored according to the instructions given in the manual. Then, the data was tabulated on Microsoft Excel sheet. Statistical Package for Social Sciences (SPSS), version 16.0 was used for all statistical analyses. Descriptive statistics for demographic information and Pearson Product Moment Correlation Coefficient was performed in order to find the correlation between terrorism and its effect on mental health (i.e. stress, anxiety, and depression).

Results

Table 1:
Frequency table for respondents' demographic information

<table>
<thead>
<tr>
<th>Demographic Variables</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>200</td>
<td>66.7%</td>
</tr>
<tr>
<td>Female</td>
<td>100</td>
<td>33.3%</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 20 years</td>
<td>63</td>
<td>21%</td>
</tr>
<tr>
<td>20-29</td>
<td>46</td>
<td>15.4%</td>
</tr>
<tr>
<td>30-39</td>
<td>110</td>
<td>36.7%</td>
</tr>
<tr>
<td>40-49</td>
<td>80</td>
<td>26.7%</td>
</tr>
<tr>
<td>50-above</td>
<td>01</td>
<td>0.3%</td>
</tr>
<tr>
<td>City of Resident</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lahore</td>
<td>63</td>
<td>21.0%</td>
</tr>
<tr>
<td>Islamabad</td>
<td>65</td>
<td>21.7%</td>
</tr>
<tr>
<td>Karachi</td>
<td>60</td>
<td>20.0%</td>
</tr>
<tr>
<td>Multan</td>
<td>62</td>
<td>20.7%</td>
</tr>
<tr>
<td>Peshawar</td>
<td>50</td>
<td>16.7%</td>
</tr>
<tr>
<td>Academic Qualification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matriculation/ O levels</td>
<td>10</td>
<td>3.3%</td>
</tr>
<tr>
<td>Intermediate/ A levels</td>
<td>35</td>
<td>11.7%</td>
</tr>
<tr>
<td>Bachelors</td>
<td>180</td>
<td>60%</td>
</tr>
<tr>
<td>Masters</td>
<td>75</td>
<td>25%</td>
</tr>
<tr>
<td>Marital Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>283</td>
<td>94.3%</td>
</tr>
<tr>
<td>Unmarried</td>
<td>17</td>
<td>5.7%</td>
</tr>
<tr>
<td>Employment Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employed</td>
<td>220</td>
<td>73.4%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>80</td>
<td>26.7%</td>
</tr>
<tr>
<td>Monthly Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 10,000 Pkr</td>
<td>04</td>
<td>1.3%</td>
</tr>
<tr>
<td>10,000-25,000 Pkr</td>
<td>63</td>
<td>21.0%</td>
</tr>
<tr>
<td>26,000-40,000 Pkr</td>
<td>101</td>
<td>33.7%</td>
</tr>
<tr>
<td>41,000-55,000 Pkr</td>
<td>64</td>
<td>21.3%</td>
</tr>
<tr>
<td>56,000-70,000 Pkr</td>
<td>44</td>
<td>14.7%</td>
</tr>
<tr>
<td>71,000-85,000 Pkr</td>
<td>11</td>
<td>3.7%</td>
</tr>
<tr>
<td>86,000-10,0000 Pkr</td>
<td>05</td>
<td>1.7%</td>
</tr>
<tr>
<td>Above 10,0000 Pkr</td>
<td>08</td>
<td>2.7%</td>
</tr>
</tbody>
</table>
Table 1 indicated frequencies and percentages for demographic information i.e. age, gender, status, city of residence, academic qualification, marital status, employment status, and monthly income.

Table 2: 
A Correlation between Terrorism and Stress, Depression, and Anxiety

| Anxiety | 0.562** | 0.01 |
| Stress  | 0.623** | 0.01 |
| Depression | 0.676** | 0.01 |

Table 2 shows the correlation between terrorism catastrophizing and stress, anxiety, depression. Consistent with previous findings stress, anxiety, and depression were significant predictors of terrorism catastrophizing.

Discussion

In Pakistan, the number of terrorist attacks are on the rise since the last few years and this is bound to have an impact on the psychological health of victims who have been directly exposed to it as well as the psychological well-being of people who have indirect exposure to terrorism acts either through media or newspapers. According to Tyrer (2005), suicide terrorism has been shown to have substantial effects on the psychological and physical health of survivors. The aim of this study was to explore the relationship between terrorism catastrophizing and its effects on mental health i.e. stress, anxiety, and depression.

A bivariate analysis of the results have shown significant positive correlation between terrorism and stress (n=300; r=0.623;
p<0.01). This demonstrates that increasing level of terrorism has influenced residents of these cities (i.e. Lahore, Karachi, Peshawar, Multan, and Islamabad) in Pakistan. People reported experiencing helplessness, intense fear and they preferred to avoid going in public places. In one item (I think that I am completely helpless in protecting myself from future terrorism) 85% respondents agreed strongly to this item which depicts that fear of terrorism has developed the feeling of helplessness among participants. The presence (indication) of association between terrorism and stress is in accordance with the findings of a study by Lee et.al, (2002) who reported that more than 40% of people across the USA experienced substantial symptoms of stress after the attacks of 9/11. According to the findings of Schuster et al., (2001) study after 11 September 2001, about 90% of the residents of New York City and Washington DC reported symptoms of stress, with 44% reporting substantial symptoms. The victim of suicidal bombing attacks experience higher level of post traumatic stress disorder. According to the findings of Abenhaim et al., (1992), “The prevalence of PTSD was higher than the 18.1% prevalence rate in a study of victims of bombings between 1982 and 1987 in France.

Similarly, findings of the study have shown a significant positive correlation of terrorism with anxiety and depression. This is also in accordance with the previous literature as Lee et al, (2002) demonstrated that, “Post-traumatic stress disorder (PTSD) and depression among residents of Lower Manhattan, New York, were twice the borderline rates 5–8 weeks after the attack”. A possible explanation of this finding is that increasing terrorist attacks in different major cities of Pakistan effect economy and financial stability of the country that causes financial problems, which is one of the major causes of depression. According to Lee et al, (2002), Silver et al., (2002) found that during the second month after the US attacks, about 12% of the US population experienced significant distress, with 30% of individuals nationally reporting symptoms of anxiety, and 27% reporting avoiding situations that reminded them of 9/11.

There are some limitations of the present study. First, the afore-mentioned findings derived from a random convenient sampling process; therefore, the generalizability of the findings is limited. Another limitation is that this study did not include victims or people who were directly exposed to terrorist attacks, relatives of victims
who are an important source of data for comparison of terrorism effect. Finally, in this study self-reported data was used which according to Smith and Glass (1987) is always a risk of being biased and selective recall when using self-report data. Future investigations should include this variable and residents of other cities of Pakistan.

Conclusion

To conclude, the results of the study showed that terrorism has an impact on people’s lives. This study can serve as a starting point for further research, which would study the influence of ongoing terrorism and its effect on the psychological well-being of the Pakistan people.
References

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Research The Fear of Terrorism and Its Psychological Impact in Pakistan


PARENTAL PRESSURE ON STUDENT’S ATTAINMENT OF HIGH GRADES IN KARACHI BASED UNIVERSITIES

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Nasreen Hussain2

Abstract:
We investigated the causes of parental pressure on students to attain high grades and students’ levels of anxiety and stress. This research was carried out through a mixed method research design. For quantitative data, 100 male and 100 female undergraduate business programs’ students from one public and three private sector universities were randomly selected. An instrument, the Depression, Anxiety, Stress Scale (DASS42) was used for survey which is available free at the web site of the psychology department of the University of New South Wales. For qualitative data, 4 male and 4 female students were randomly selected and interviewed. The results demonstrated that male students are pressurized more than female students but female students’ levels of anxiety and stress were found to be higher. Students are pressurized by their parents to attain high grades in academics for different reasons i.e. social respect, scholarship, parents’ future and parents’ investment on children’s education etc. This study will be helpful for educational policy makers, curriculum designers, writers, teachers, parents, students, educational counselors, psychiatrists and psychologists.

Keywords: Parental pressure, anxiety, stress, academic achievement
JEL Classification: Z000

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PAKISTAN BUSINESS REVIEW APRIL 2014
Introduction

Examinations are very significant for testing students abilities. Students, specially high school, undergraduate and graduate students, perceive that their success in future depends mainly on their high grades. Research has shown that testing can produce anxiety in students and can lower students’ self esteem, and increases their fear of failure (Hardy, 2003). The situation may be more difficult for students when their families pressurise them to attain higher grades in their exams. Many high school students feel pressured by their parents, teachers and colleagues (Rothman, 1995). Students may also be retained at a grade level until a certain score is met, or they may be prevented from graduating (Jones, Jones & Hargrove, 2003).

Test anxiety is a well studied psychological variable (Poham, 2003). Anxiety can be defined as a condition of intense agitation, apprehension, tension, fear and worry, occurring from a real or intuited threat of imminenent danger, which causes instantaneous mind-body reaction and its effects are felt behaviorally, psychologically and physiologically, often at the same time (Mayer, 2008). Symptoms of anxiety range from mild to severe (Mayer, 2008). Parents of students pressurise them to attain high grades and consequently many undergraduate students suffer very high level of stress and anxiety. The role of parent in the academic achievements of children is very evident and it has been an interesting area for many researchers in the whole world. The problem arises when different parents pressurize their children to get higher grades. This increases the level of anxiety and stress which is evident worldwide. Pakistan is a developing country and parents want their children to get higher grades. Business programmes are considered very lucrative as students may get a higher position and a better future.

The purpose of this study was to investigate to what extent male and female students are stressed out at the time of examination to attain high grades. Moreover, it investigated the reasons for which parents pressurise their children to attain high grades. Hence, to guide the investigation, the following questions were raised:
1. To what extent students of undergraduate business programmes face anxiety and stress at the time of examination?

2. To what extent female students of undergraduate business programmes face more anxiety and stress than male students to attain high grades in their academics?

3. To what extent parental pressure to attain high grades in academics cause anxiety and stress in undergraduate programme students?

4. Why do parents pressurise their children to attain high grades?

Hypotheses

Hypothesis 1: Students of undergraduate business programme face anxiety and stress at the time of examination to attain high grades in academics.

Hypothesis 2: Female students of undergraduate business programme face more anxiety and stress than male students to attain high grades in their academics.

Hypothesis 3: Parental pressure to attain high grades in academics causes anxiety and stress in undergraduate programme students.

Parental Pressure

Stephan Leff and Rick Hoyle (as cited in Anderson et al.) define parental pressure as “behavior perceived by children as indicating expectations of unlikely, even unattainable heights of accomplishment.” Leff and Hoyle explain that oppositely, with parental support, “the emphasis is on the perception of the child, not the objective behavior of the parents.” Parental involvement would fall into one of these two categories. When involvement has a negative effect on the child it becomes pressure, when it has a positive effect it is viewed as support (Anderson, 2003).

According to Lupton (1984), often high achievers belong to higher socioeconomic status (SES) than average or lower achievers because their parents regularly provide better learning atmosphere and appear to exert delicate but efficient pressure on their children. The study of Schaefer and Edgerton (1985) revealed that too much parental pressure may affect students’ results negatively. According to
their study, parents with more progressive parenting styles want to see their children more active, more independent higher achievers in ability tests.

**Anxiety**

Cambridge Advanced Learner Dictionary 4th Edition (2011) defines anxiety as an uncomfortable feeling or worry about something that is happening or might happen in the future.

According to Mayer (2008) anxiety is a condition of intense agitation, apprehension, tension, fear and worry, occurring from a real or intuited threat of imminent danger, which causes instantaneous mind-body reaction and its effects are felt behaviorally, psychologically and physiologically, often at the same time.

Anxiety is understood by its symptoms that may range from mild to severe (Mayer, 2008). Intense rush of adrenaline and other stress hormones, shallow breathing and hyperventilation, pounding heartbeat, shaky limbs and trembling, heart palpitations and sweating, dry mouth, body and muscle tension, diarrhea and or vomiting and nausea, hives and rashes, fatigue, skin eruptions, and sleeping and eating disorders are its different physical symptoms (Mayer, 2008). The emotional and mental symptoms of anxiety may include loss of concentration, a sense of hopelessness, anger, shame and helplessness (Hancock, 2001).

**Stress**

Stress is a mental or physical phenomenon formed through one’s cognitive appraisal of the stimulation and is a result of one’s interaction with the environment. The existence of stress depends on the existence of the stressor (Lazarus and Folkman, 1984). Feng (1992) and Volpe (2000) defined stressor as anything that challenges an individual’s adaptability or stimulates an individual’s body or mentality.

Lan (2003) mentioned that some physiological symptoms such as headache is a symptom of a mental overload. Other signals are depression, anxiety, dissatisfaction with certain interpersonal relations, change of the current habit and a drastic gain or loss of
body weight. Feng (1992) pointed out that setting high goals, being a perfectionist, and comparing the self with others, and self-degradation may all cause stress and result in depression.

**Parental Pressure for Academic Achievement of Students**

Parental pressure on students to attain high grades has already been proved by different studies. Parents pressurize their children for different reasons. According to Vernal, Campbell, & Beasley (1997), parents pressurize their children to attain higher grade that causes anxiety and stress among them.

Parents pressurize their children in different ways. Some parents verbally express their wish to their children for higher grades. Some other types of parents physically punish children whereas some pressurize silently in the form of disappointment. Fogel and Melson (1988) discussed different parenting styles. They consider them different traditions to behave in regular manner in controlling their children. According to Darling and Steinberg (1993), parenting style is a kind of basic environment in the family, comprising a set of attitude and values rather than a set of specific parenting behaviours.

Parents belonging to higher socioeconomic class usually have stronger desire for their children to achieve higher education, higher grades and higher level jobs. In their children, parental pressure’s effects are found even at early stage of their school. Male students are more pressurized than female students but the stress and anxiety levels are found higher among female students. (Vernal, Campbell, & Beasley, 1997)

**Parental Pressure Leading to Anxiety and Stress in Students**

Many parents remain very much concerned about their children’s grades. They pressurize for it as well. Parental pressure
can come in different ways: verbally expressing their desire for good grades, yelling or punishing, or silent pressure in the form of disappointment.

In 2008, the Horatio Alger Association of Distinguished Americans, a non-profit education group, surveyed 1,006 13 to 19-year-olds in its 10th annual State of Our Nation’s Youth report. The study found that throughout all demographics 80 percent of high school students feel pressure to get good grades and 38 percent of those said that it was the biggest stress in their lives. The study also found that “three-quarters of teenagers say that their parents would be more proud of them for receiving straight A’s on their report cards than for receiving a community service award” (Horatio Alger, 2008). Ironically, as parental pressure has increased since the 2005 report, students have still stayed at a B average. Again, the question presents itself: when is pressure too much? Students are pressurized by their parents, peers and teachers to attain high grades.

Another study from Penn State University showed that out of 421 students, (227 females and 194 males) 19.4%, contemplated committing suicide due to the enormous pressure from their parents to produce exceptional grades. Females are four times more likely to attempt suicide or a form of self-harm (Nutrition Health Review, 1999).

The students are facing parental pressure to attain high grades and different levels of anxiety and stress are found in them in the whole world. In Pakistan as well, parents want their children to get higher grades in almost all their classes and even all subjects. Business programmes are considered very lucrative as students may get a higher position and a better future. Business education is expensive due to its return. Parents pressurize their children to get high grades in all their subjects.
Method

Research Design

For better and in-depth knowledge of the issue, mix method research design was determined and hence qualitative and quantitative research techniques were used for data collection. The research design, used in this study, was survey and interviews. A survey method is oriented towards the present or current state of a particular area of study whereas interviews are conducted to get in-depth knowledge of an issue.

Participants

The participants of the study were 200 students from undergraduate business programmes of public and private sector universities of Karachi. Two students (one male and one female) were selected from each of the four universities for interviews bringing it to 8 students for individual interviews. Random sampling technique was employed for the collection of qualitative and quantitative data.

Instrument

For the survey, Depression, Anxiety, Stress Scale (DASS42) questionnaire was used to gather data from undergraduate students of business programme. DASS42 was specially designed to measure depression anxiety and stress in students. DASS42 is available from the psychology department of the University of New South Wales and is also available via their website. DASS42 has 14 items each to check levels of depression, anxiety and stress and 42 items altogether. For this study, only stress and anxiety were measured. There were two sections of questionnaire. The first section is about demographic and background questions like, gender, grade level/programme, CGPA and parental education and income moreover the participants were asked a question whether they were pressurized by their parents. The second section of the questionnaire focuses on items regarding their depression, anxiety and stress level. The participants’ responses based on a Likert-type scale; they had choice of selecting one of the four
Parental Pressure on Student’s Attainment of High Grades . . . Research

answers for each: (1) Never, (2) Sometimes, (3) Often, (4) Almost Always.

Anxiety: The anxiety levels are from normal to very severe.

Levels of Anxiety

<table>
<thead>
<tr>
<th>Normal</th>
<th>Mild</th>
<th>Moderate</th>
<th>Severe</th>
<th>Very Severe</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–7</td>
<td>8–9</td>
<td>10–14</td>
<td>15–19</td>
<td>20+</td>
</tr>
</tbody>
</table>

Stress: The levels of stress also range from normal to very severe.

Levels of Stress

<table>
<thead>
<tr>
<th>Normal</th>
<th>Mild</th>
<th>Moderate</th>
<th>Severe</th>
<th>Very Severe</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14</td>
<td>15–18</td>
<td>19–25</td>
<td>26–33</td>
<td>34+</td>
</tr>
</tbody>
</table>

Results

Qualitative and quantitative data was collected and analysed in different ways. Quantitative data was collected using instrument DASS42. The instrument was distributed among 200 students of four different universities. Quantitative data was analyzed using the software Statistical Package for Social Sciences, (SPSS17). Mean, percentages and standard deviations were calculated and result was analysed.

Findings and Discussion of Quantitative Study:

Quantitative data was taken through DASS42 to find out the anxiety and stress level of undergraduate business programme students. The findings of the data collected from the students of undergraduate business programme were as follows:

1. Anxiety and Stress in Students to Attain High Grades:

   Hypothesis 1: Students of undergraduate business programme face anxiety and stress at the time of examination to attain high grades in academics
As for the stress level analysis, the results revealed that 45.5% of students fall under normal category, whereas 27.5% of them fall under mild, 10% under moderate, 9% under severe and 8% under very severe category. This means that the general trends of students stress level are not very high and fall under normal ranges under an impartial state.

Table 2: Anxiety Level Status

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORMAL</td>
<td>90</td>
<td>45</td>
</tr>
<tr>
<td>MILD</td>
<td>55</td>
<td>27.5</td>
</tr>
<tr>
<td>MODERATE</td>
<td>22</td>
<td>11</td>
</tr>
<tr>
<td>SEVERE</td>
<td>19</td>
<td>9.5</td>
</tr>
<tr>
<td>VERY SEVERE</td>
<td>14</td>
<td>7</td>
</tr>
</tbody>
</table>

As for the anxiety level 45% of the sample participants fall under normal ranges, 27.5% under mild, 11% under moderate, 9.5% under severe and 7% under very severe. This also means that the anxiety level is normal in the population as a stand-alone variable. Hence, we can conclude that although the students of undergraduate business programme have different levels of anxiety and stress, the majority of the population lies in normal and mild ranges.

1. Anxiety and Stress in Male and Female Students:

   Hypothesis 2: Female students face more anxiety and stress than male students to attain high grades in academics.
Table 3: The Mean Difference between Male and Female Students on the Variable of Anxiety

<table>
<thead>
<tr>
<th>Gender</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Std. Error</th>
<th>t</th>
<th>df</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anxiety Level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>100</td>
<td>9.11</td>
<td>6.132</td>
<td>0.613</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>100</td>
<td>9.41</td>
<td>4.786</td>
<td>0.479</td>
<td>-0.386</td>
<td>198</td>
<td>0.700</td>
</tr>
</tbody>
</table>

Table 3 shows the levels of anxiety among female and male students. It shows mean of anxiety level 9.11, standard deviation 6.132 in female students. Male students’ mean is 9.41 and standard deviation is 4.786. The two tailed significance of hypothesis revealed p value of 0.7 which is more than the desired type I error of 0.05. According to the results anxiety level is not statistically significant (t=-0.386, df=198, p>0.05). Hence, the anxiety level of female students of undergraduate business programme is not significantly different from male students of such programmes.

Table 4: The Mean Difference between Male and Female on the Variable of Stress

<table>
<thead>
<tr>
<th>Gender</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Std. Error</th>
<th>t</th>
<th>df</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stress Level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>100</td>
<td>16.02</td>
<td>9.860</td>
<td>0.986</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>100</td>
<td>15.48</td>
<td>8.699</td>
<td>0.870</td>
<td>-.411</td>
<td>198</td>
<td>.682</td>
</tr>
</tbody>
</table>

Table 4 shows the levels of stress among female and male students. It shows mean of stress level 16.02, standard deviation 9.860 in female students. In male students mean is 15.48 and standard deviation is 8.699. According to the results anxiety level is not statistically significant (t=-0.411, df=198, p>0.05). Hence, the stress level of female students of undergraduate business programme is not significantly different from male students of such programmes.

Thus, we can conclude that there is no significant difference between anxiety and stress levels of male and female students.

Hypothesis 3: Parental pressure to attain high grades in academics causes anxiety and stress in undergraduate programme students.
Table 5: Analysis of Variance for Linear Regression with Parental Pressure as predictor of Stress among undergraduate programme students

<table>
<thead>
<tr>
<th>Model</th>
<th>SS</th>
<th>Df</th>
<th>MS</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stress</td>
<td>Regression</td>
<td>414.720</td>
<td>1</td>
<td>414.720</td>
<td>4.913</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>16714.780</td>
<td>198</td>
<td>84.418</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>17129.500</td>
<td>199</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant): Parental Pressure
b. Dependent Variable: Stress

Table 6: Analysis of Variance for Linear Regression with Parental Pressure as predictor of Anxiety among undergraduate business programme students

<table>
<thead>
<tr>
<th>Model</th>
<th>SS</th>
<th>Df</th>
<th>MS</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anxiety</td>
<td>Regression</td>
<td>90.569</td>
<td>1</td>
<td>90.569</td>
<td>3.03</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>5903.911</td>
<td>198</td>
<td>29.818</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>5994.480</td>
<td>199</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant): Parental Pressure
b. Dependent Variable: Anxiety

Table 5 and table 6 present the results of analysis of variance for linear regression with parental pressure as predictor of anxiety among undergraduate business programme students. Parental pressure is found a significant predictor for anxiety among undergraduate business programme students as Sig is 0.083 as one way ANOVA model is significant at 0.05 level whereas parental pressure is not a significant predictor for stress among undergraduate business programme students as its Sig is 0.028.

Hence, it can be concluded that parental pressure is a predictor for anxiety among undergraduate business programme students whereas it is not a predictor for stress among undergraduate business programme students.
Table 7: Coefficients for linear regression with parental pressure as predictor of stress among undergraduate business programme students.

<table>
<thead>
<tr>
<th>Model</th>
<th>Un-standardized Coefficient</th>
<th>Standardized Coefficient</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>B</td>
<td>B</td>
<td>9.990</td>
<td>.000</td>
</tr>
<tr>
<td>Parental Pressure</td>
<td>19.931</td>
<td>1.995</td>
<td>-0.156</td>
<td>-2.216</td>
</tr>
<tr>
<td>Pressure</td>
<td>-3.372</td>
<td>1.521</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Stress Level

Table 8: Coefficients for linear regression with parental pressure as predictor of anxiety among undergraduate business programme students.

<table>
<thead>
<tr>
<th>Model</th>
<th>Un-standardized Coefficient</th>
<th>Standardized Coefficient</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>B</td>
<td>B</td>
<td>9.458</td>
<td>.000</td>
</tr>
<tr>
<td>Parental Pressure</td>
<td>11.214</td>
<td>1.186</td>
<td>-0.123</td>
<td>-1.743</td>
</tr>
<tr>
<td>Pressure</td>
<td>-1.576</td>
<td>0.904</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Anxiety Level

Table 7 and table 8 present coefficients for linear regression with parental pressure as predictor of anxiety and stress among undergraduate business programme students. To test whether the parental pressure influence stress and anxiety level, linear regression analysis were applied and the data analysis revealed that, parental pressure significantly predict \( \beta = -0.156, t(198) = -2.216, p < 0.05 \). Parental pressure also explained a significant proportion of variance in stress scores, \( R^2 = 0.024, F(1,199) = 4.91, P < 0.05 \). However, parental pressure does not significantly predict anxiety in students \( \beta = -0.123, t(198) = -1.743, p > 0.05 \). Parental pressure also explained a non significant
proportion of variance in stress scores, $R^2 = 0.015$, $F(1\text{-}199) = 3.03$, $P > 0.05$.

The objectives of the quantitative part of study were: firstly, to what extent students of undergraduate business programmes face anxiety and stress at the time of examination, secondly, to find out whether female students face more anxiety and stress than male students and to what extent; and thirdly, to examine whether parental pressure causes anxiety and stress in undergraduate programme students to attain high grades in academics and to what extent. The results revealed that girls have more anxiety and stress than boys and why parents pressurize their children to attain high grades. The results show that students face parental pressure to attain high grades in academics. The female students face less pressure from parents to attain high grades than male students. The result revealed that female students’ anxiety and stress levels are higher than male students but not significant.

The first level is normal stress that ranges from 0 to 14. The second level of stress is mild that ranges from 15 to 18. The third level of stress is moderate from 19 to 25. The statistics of 200 participants for different levels of stress show that severe level of stress falls in between 26 to 33 whereas very severe level of stress ranges from 34 to 42. Out of 200 participants 93 showed a normal level of anxiety. In this way only in 46% participants a normal level of stress was found. It means 54% participants showed different levels of stress at the time of examination. 9.5% participants showed severe and 7% showed very severe anxiety levels in students that are not negligible numbers. Mean of anxiety in students is 9.26 and standard deviation was 5.48.

This fact cannot be ignored that students face anxiety and stress at the time of examination. There may be multiple reasons for it but there are different studies that support our findings; for example, Verma & Gupta (1990) presented the fact that parents pressurize their children to perform better in academics that causes anxiety, stress and depression in them.
Findings and Discussion of Quantitative Study:

Qualitative study aimed to investigate the reasons for which parents pressurize their children to attain high grades. The interviews of the students were conducted to find out the answers of the following question:

**Question 1:** Why do parents pressurize their children to attain high grades?

To find out the reasons, an in-depth study was needed and therefore, interviews were suitable for the collection of qualitative data. Eight students of undergraduate business programme from four different universities of Karachi Pakistan were interviewed and the following themes came out:

**Theme 1 – Investment and return:**

Like different countries, in Pakistan family system is very strong. Most of the students have support of their parents to complete their education. From the interviews, the theme came out that the parents consider their financial support and the time given as an investment into their children. They think that their investment in their children’s education must have some better return. The students said that their parents made them realize repeatedly that they earn money with much hard work and they spend it on their children’s education for better return. They consider it as their lives’ biggest investment. They believe that better score, in exam, is the guarantee of a better job and of a better financial condition in future. Therefore, parents pressurize their children to attain high grades mostly for better financial return from their children. The studies of Asher (2002), Liu (1998), Kim (1993), Schneider & Lee (1990) support our finding as from their studies it is evident that educational and professional achievement is a highly valued mode of success, and expectations for children’s performance are high because educational achievement is considered to afford upward mobility. The parents take so much interest in the studies of their children and many parents consider it very important as they feel their future depends upon their children’s success.
Theme 2—Social Respect:

In many countries, literacy rate is not appreciable. People struggle to provide their children basic education and because of high expenses on quality education they consider higher education a luxury. The educated class enjoys high respect in society. For all relationship, the educated people are respected and preferred. As materialistic approach is at its swing, the relatives want to strengthen their relationship with educated and financially sound people. The relatives who are less educated or uneducated are not respected at all. The students revealed that their parents consider education important for all relationships as their relatives discuss and blame parents for the failure of their children. On the other hand, the parents are appreciated and highly regarded for the achievement of their children.

Moreover, sometime parents feel that they may face difficulty if their children are not among high achievers when parents try to find out better match for marriages of their children. Our finding is supported by different studies such as Eccles et al. (1982) Value-Expectancy Model indicates that parents may also influence their child’s education indirectly by being expectancy socializers. They expect better performance from their children so that they can get better social respect and position in the society.

Theme 3—Siblings, Cousins or Friends Achievement:

Many students are pressurized by their parents as their siblings achieve high grades. Some parents pressurize their children as the cousins or friends of their children were high achievers. The friends, cousins or siblings’ achievements or success in examination with flying colors become hard targets for many students. The students told that their parents expect that they should attain high grades because their siblings are high achievers and they are not. Their parents pressurize them to attain high grades as their siblings do. One of the interviewee started weeping when answering the question related to the pressure to attain high grades. She said that her parents pressurize her to get positions as her brother does. Rao (2008) also
pointed out the parental pressure on Indian children due to better academic performance of their siblings.

**Theme 4 – Scholarship:**

Merit based scholarships are offered by universities to high achievers. The parents, who cannot bear the high fees of universities, pressurize their children to get it. Two students said that their parents want them to understand their financial condition and should try to get scholarships. A student revealed that his father wished that he should also get scholarship as his two children had received education on scholarships and he expected the same from him. He asked him many times to get scholarship as it is a great financial support as well as an honor. The students revealed that many students remain tense to get high CGPA or to maintain it so they can get scholarship in the next semesters.

**Theme 5 – Parent Future:**

Parents spend their time and money to provide a better future to their children. In Pakistan, many parents support their children in getting education from early stage to the highest. They believe in the values to give a better education to the children and they expect that their children will take care of them when they will grow old and weak. This can only be done well when their children will be successful in their lives and education is the best mean of it. A student said that his parents always ask him to get better marks in exam so that they could spend their peaceful old age and it is only possible if their children get better position through high education. Different studies support our finding as a study on East Asian immigrants reveals the fact that children, like their parents, believe that studying and performing well on examinations is very important to their future (Kim, 1993).

The results of qualitative data show that parents pressurize their children for different reasons that caused anxiety and stress in their children. Such parental pressure may lead to severe level of anxiety, stress and depression. More parents pressurize their children for their better academic performance as they perceive that their children’s better performance can justify their investment on their education. Some parents who belong to middle or lower classes want...
their children to get scholarships so they pressurize them. Due to strong family system in Pakistan, parents support their children till they are able to earn better and live an independent life. Similarly, the cultural and religious values demand from children to take care of their parents in their old age therefore, parents see their future with their children and hope for a better care from them.

**Limitation of the Study**

This study is limited to the investigation of parental pressure on undergraduate business programme’s students to attain high grades in academics and anxiety and stress among them. This study is limited to Karachi’s four public and private universities therefore, the data and result from other universities may vary. Other researchers may investigate anxiety and stress among students of other programmes such as engineering or medical etc. or students of other grades such as grade 10 or 12 etc.

**Recommendation**

Parental pressure is a serious issue as in different parts of the world children try to commit suicide or harm themselves in different ways due to it. Therefore, it should be given proper attention. Parental pressure is not being considered a problem therefore neither the governments nor educational institutions have prepared any effective strategy for it. Where there is no law against it, governments should make some laws to stop or decrease the pressure of parents on students to attain high grades. The educational researchers should conduct some more studies to find the ways to overcome this problem. The administrations of educational institutions should identify and talk to such parents and children. They may arrange some workshops for the parents. Electronic and print media can play a positive role in spreading awareness. The educational institutions should hire councilors for their students. Much more can be done to overcome the problem if civil society and NGOs take serious notice of it.
Conclusion

To conclude, the result of the study showed that parental pressure has its effects on students in the form of anxiety and stress. It has different levels from normal to very severe. Female students face more anxiety and stress than male students but this difference is not significant. Students are pressurized by their parents for different reasons such as social respect, scholarship, parents’ future and parents’ investment on children’s education or siblings or friends’ achievements etc.
References


Parental Pressure on Student’s Attainment of High Grades


TRANSLATION AND ADAPTION OF SUBJECTIVE JOB STRESS SCALE INTO URDU

Khalida Rauf¹
Asim Farooq²

Abstract:
The aim of the present study was to translate and validate subjective job stress scale (SJSS) into Urdu, by providing an Urdu version of the said scale which has been validated upon the indigenous population. For this purpose ITC (2010) guidelines were followed in translating the scale (forward & backward translations) and the resultant scale after pilot testing was validated by administration on 597 working adults, including 391 males and 206 females belonging to three cities, Karachi, Multan and Lahore. Out of the total respondents, 50 were later reached for test-retest reliability. For validation and determination of psychometric properties, different measures of Reliability & Validity Analysis were carried out. The latter was carried out by assessing Cronbach’s Alpha coefficient (.82), Split-half (Gutman) coefficient (.86), and Test-retest reliability (.70). For validity analysis scores on SJSS translation were correlated with scores of Perceived Stress Scale, (r = .86, p<.01), Rosenberg’s Self-Esteem scale (r = -.72, p<.01), and Job Satisfaction Survey (r = -.69, p<.01), which proved adequate convergent validity. Hence the instrument was found to be an adequate measure of Job Stress to be used with local Pakistani workforce.

Keywords: Occupational stress, job stress, stress, urdu translation
JEL Classification: Z000

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Introduction

In organizational literature, terms such as job stress, occupational stress, and work-related stress are commonly used to identify the psychological, emotional, physiological, and social effects of stress arising from work/job related activities, which negatively affects employee’s well-being and performance. In present times job stress has become a challenging global phenomenon, across all employment and organizational sectors, levels and occupations. It has also been acknowledged as the most severe work-related “threat”, both in developed and industrialized countries (Dollard & Winefield, 1996). Organizations have to encounter stress related issues at workplace on regular basis, as it significantly affects employee’s efficacy and efficiency. It has been found that effects of occupational stress are more prominent in developed nations, where the expenditures for neutralizing such effects of work related stress have now been raised manifolds (Siu & Cooper, 1998). This increase is widely attributed to the stress-related health issues (Beehr, 1989; Daley & Parfitt, 1996), susceptibility to injury or harm (Enough Workplace Stress: Organizing for Change, 2003), underachievers (Siu & Cooper, 1998), and an array of different stress related problems (Donatelle & Hawkins, 1989). Current researches have also shown that job stress has now been emerged as a significant problem in developing countries as well, mainly focusing on negative emotional aspects (Jamal & Preena, 1998; Jamal, 1999; Jamal, 2010).

From a psychological perspective, Job stress is the negative psychological and emotional response which manifests itself when job requirements do not match the skills, capabilities, or resources of the worker, and taxes his coping resources (McGrath, 1976; Cox, 1985; Williams & Huber, 1986; Sauter et al., 1999). According to Greiner, Krause, Ragland, and Fisher (1998), “Work-related stress occurs due to poor technical or organizational work design due to which job requirements are unsuited or inequitable with the mental regulation processes, such as information processing, evaluations, scheduling, and implementations”. Those conditions or aspects of work
environment which cause or have the potential to cause stress, while serving as its predictors are referred to as “stressors”. This stressor may be physical, psychological or social in nature, and can act simultaneously (Cox, & Griffiths, 1995; Cox, Griffiths, & Rial-Gonzalez, 2000). Conditions arose as a reaction to stress are known as “Strain”, which may be short-term or long-term, and depending on the nature of stress may vary accordingly (Sauter, Murphy, & Hurrell, 1990). Nonetheless, major concerns are those harmful effects which leave a mark on an employee’s behavior, personality and performance. These include absenteeism, turnover, theft, deviance and aggression (counterproductive work behaviors), withdrawal and disengagement in decision making, indifference, lack of creativity, apathy, and demoralization, burnouts and low job satisfaction and commitment. (Coetzee & Rothmann, 2005; Kahn & Boysiere, 1992; Grobler, Wärnich, Carrell, Elbert & Hatfield, 2002; Jackson & Rothmann, 2006; Tubre & Collins, 2000). Psychological and health related effects may include impaired memory and cognitive functioning, psychosomatic illnesses, anxiety and depression, anger, frustration, exhaustion, low mood (Smith, 1990; van der Linden, Keijser, Eling & van Schaijk, 2005) high blood-pressure (Schnall, et al., 2001), Cardiac problems, smoking and alcoholism, substance and drug abuse, and ergonomic injuries (Van der Doef & Maes, 1999; Leitner & Resch, 2005; Wiesner, Windle & Freeman, 2005).

**Literature Review**

As the concept of stress has been progressed and refined in the theoretical literature, the occupational/job stress theories have also been developed alongside, providing us with four basic models of examining and explaining the phenomenon of job related stress. These models include, Job Demand Control Model (Karasek, 1979), Person Environment Model (French, Caplan, & Van-Harrison, 1982), General Work Stress Model (Tetrick & La Rocco, 1987), and Transactional Model (Lazarus & Folkman, 1984). The transactional model has not been developed as an occupational model; rather it
serves to bridge the gaps, left unaddressed by previous models, pertaining to the role of cognitive appraisal in perceiving and coping with stress.

According to Job Demand Control Model (Karasek, 1979), diverse altitudes of job strains are produced as a function of working environments, which are in turn products of interaction between two situational forces, namely job demand and job control. This theory states that when work environment presents higher levels of job demands with lower levels of control, job strains are produced, and vice versa.

The Person Environment Model (French, Caplan, & Van-Harrison, 1982) is based on the theory of motivation and states that individuals in an organization strive to achieve some specific goals necessary for enhancing their well-being. During this process they will face either analogy or dissonance among their goals, capabilities, and environmental factors. It proposes two fits to explain job strain. According to this model, organizational strain develops when individual’s capabilities are mismatched with job demands, and individual strain arises when work outcome does not support or strengthen individual goals.

The General Work Stress Model (Tetrick & La Rocco, 1987) takes into consideration the subjective perception of stress by an individual, which in reality is based on the objective characteristics and aspects of work environment, job demands, and activities. The strength of this model is that it integrates psychological and psychosocial factors along with environmental factors in determining moderators for job stress.

The Transactional Model (Lazarus & Folkman, 1984) has not been developed as an occupational stress model; rather it is included due to its significance, which results from its emphasis on interaction between cognitive processes, stressors and strains. This model proposes that stress is produced by both personal as well as environmental factors, and the main determinant in perceiving stress is the role played by cognitive appraisal, whether an individual faces stress from the outcome of an event depends on how that particular
individual reacts towards that stressor and interprets (situation appraisal) it as a threat or not, to his well-being.

**Job Stress & Perceived Stress**

Occurrence of job stress, its level and effects have been monitored and measured by researchers in several ways. Traditionally, prior to the development of specific occupational stress scales, this job was done by utilizing measures of perceived stress on the employees. Here, perceived stress was used as an indicator for job stress. Underlying methodology was that by following a casual pattern, there will be causation present among stressors, strains, and the actual experience of stress (DiTecco, Cwitco, Arsenault, & Andre, 1992; Rhee, 2010). This perceived stress was defined in terms of employee’s perceived stressors, for example, work load and control, higher work demands, decision making, authority disputes, job instability, group and interpersonal conflicts at workplace, unsafe working conditions, insufficient pay plan or benefits, etc. Another basis for relating perceived stress with job stress comes from transactional theory which states that different stress reactions are produced as a result of cognitive appraisal (Lazarus & Folkman, 1984), which points out the ripple effects of job stressors on the individual’s global (whole) perception of stress; stress spreads to other areas of his life.

**Job Stress & Self-Esteem**

Self-esteem is defined as the overall (negative or positive) emotional evaluation of an individual about his or her own worth” (Hewitt, 2009). This construct has gained widespread acceptance in psychological literature, and is linked with many aspects of an individual’s personality like emotional intelligence and stability, conscientiousness, and numerous other personality traits (Campbell, 1981). It has also been studied exclusively within the context of Industrial/Organizational Psychology. Numerous studies have pointed out relations of self-esteem with other variables in workplace environments, such as on job performance, self-efficacy, and job stress (Robins, Trzesniewski, Potter, & Gossling, 2001). Studies have shown
that self-esteem has an inverse relation with indicators of stress and strain, mainly to those which are psychological in nature (Kivimäki & Kalimo, 1996). Particularly, self-esteem functions as a coping resource in dealing with stressors, having a negative correlation with perceived stress in general, and occupational stress in this particular context (Kahn, & Byosiere, 1992).

**Job Stress & Job Satisfaction**

Job satisfaction is the degree to which an individual is content and satisfied with his or her current job. It involves affective components (pleasurable feelings and emotional attachments), and cognitive components (relating to specific aspects of work like pay, pension, bonuses, working hours, number of leaves, etc.) (Moorman, 1993). Job satisfaction has been found to correlate positively with desired and positive work behaviors, such as higher productivity and profits, lower risks of absenteeism and turnovers, organizational citizenship behavior and many more, and negatively with occupational stress, and counterproductive work behaviors (Carsten & Spector, 1987; Organ, & Konovosky, 1989; Mikkelsen, Ogaard, & Lovrich, 2000). Effects of job stress on job satisfaction are manifolds and may be persistent. Researchers have found that job stress tends to lower the overall job satisfaction of an employee, resulting from various stressors present in the work environment such as higher levels of workloads, adverse job conditions, performance pressure, role ambiguity, etc. These factors are found to impact job satisfaction in a very negative way, by lowering job satisfaction and vice versa (Nolan, Cushway, & Tyler, 1995).

**The Job Stress Scale**

With the passage of time, different instruments have been developed to measure the amount of perceived job stress in employees. Among such, is a four item scale, the Subjective Job Stress Scale (Motowidlo, Packard, & Manning, 1986), which has been utilized in many studies, both in Western as well as in Pakistani culture (English version). The main features of this scale are its comprehensiveness and good internal reliability (consistency) which provides us with a
measure which could be run alongside other organizational based instruments in research studies. The main drawback was unavailability of this scale in Urdu, to be administered on local working population. Hence, the present paper reports the translation and validation of this scale into Urdu, based on local normative sample. In the light of literature review, the following hypotheses were framed:

1. Scores obtained on Urdu version of the Subjective Job Stress Scale (SJSS) will correlate positively with scores obtained on Perceived Stress Scale (PSS-10).
2. Scores obtained on Urdu version of the Subjective Job Stress Scale (SJSS) will correlate negatively with scores obtained on Rosenberg’s Self Esteem Scale (RSES).
3. Scores obtained on Urdu version of the Subjective Job Stress Scale (SJSS) will correlate negatively with scores obtained on Job Satisfaction Survey (JSS).

**Method**

**Translations**

For translation procedure, the standard guidelines put forward by international test commission for translating and adapting tests (2010) were followed. For translations, forward and backward translation methods were adopted. First four professional bilingual translators were approached for forward translation in Urdu. These four translations were reviewed by a committee of experts consisting of two psychologists and one bilingual expert, to minimize the chances of errors. Translations for all items were reviewed and a composite (consensus) form was selected for backward translation. This was again submitted to four (different) bilingual translators who translated back this composite version into English. This backward translated version was presented before the committee and was used to screen out semantic and cultural discrepancies for arriving at a contextually equivalent translated version (ITC, 2010). After revision necessary adjustments were made and a final Urdu version of the scale for pilot testing was compiled.
Pilot Testing
For pilot testing 30 volunteers were recruited who possessed bilingual capabilities, in Urdu and English. They were administered the Source and Target language versions of SJSS. Correlations were assessed among the scores of items on both language versions. These results were again presented in front of the committee to assess any discrepancies regarding language, item difficulty, clarity or ambiguity, and semantic and contextual equivalence. Expert’s suggestions were utilized in arriving at a consensus, a final translated version of SJSS, to be put through psychometric analysis.

Participants
For determining the psychometric properties of SJSS, a sample of 597 working individuals, of both genders (Males = 391, Females = 206), were recruited from different institutions, belonging to three different cities of Pakistan (Karachi, Multan & Lahore). They were included in the study after gaining formal permissions from the concerned authorities (management), and participant’s informed consent. Age ranged from 22 to 58 years (M = 32.64, SD = 3.13), and educational level ranged from matric (10th grade) to doctorate (Ph.D.). A cross-sectional study design was adapted with convenient sampling strategy, for data collection.

Instruments
For data collection procedures, the following instruments were used;

Demographic Form: Information regarding demographic and background variables was obtained with the help of items aimed at acquiring about gender, age, institution, length of service, designation, and educational level.

Subjective Job Stress Scale (SJSS): Subjective Job Stress Scale (Motowidlo, Packard, & Manning, 1986) is a four item scale aimed at measuring the amount of perceived job stress in employees and work force. There are four items out of which two (item # 2 & 4) are reverse scored. Responses for each item are recorded on a five point likert-
type scale, which range from *Strongly disagree* (coded as 1), to *Strongly Agree* (coded as 5). High scores on this scale indicate high amount of perceived occupational stress. This scale has shown good internal reliability (consistency) in studies.

**Perceived Stress Scale (PSS-10):** Perceived Stress Scale (Cohen & Williamson, 1988) is a ten item scale aimed at measuring the degree of perceived stress and how an individual appraised the situation. Out of ten, four items (item # 4, 5, 7, & 8) are reverse scored. Responses are obtained on five point likert-type scale, options ranging from Never (coded as 0) to Vary Often (coded as 4). High scores reflect high amounts of perceived stress and vice versa. Alpha coefficient reported for this scale is 0.78. For this study its Urdu translation was used (Mariam, Sarwar, Maqsood, Bashir, & Aamir, 2011). Reported Internal consistency of the translated version is .78.

**Rosenberg’s Self Esteem Scale (RSES):** The Rosenberg’s Self Esteem Scale (Rosenberg, 1965) is a ten item scale aimed at measuring respondent’s global feelings of self-worth. There are ten items, out of which five (item # 3, 5, 8, 9, & 10) are reverse scored. Responses for each item are recorded on a four point likert-type scale, which range from *Strongly disagree* (coded as 0), to *Strongly Agree* (coded as 3). Scores are kept on a continuous scale, higher scores showing higher self-esteem, and vice versa. For this study Urdu translated version of RSES was utilized (Sardar, 1998), which showed good internal consistency of .71.

**Job Satisfaction Survey (JSS):** Job Satisfaction Survey (Spector, 1985), is a 36 item questionnaire consisting of nine subscales, relating to different aspects of working conditions producing job satisfaction in an employee. Each of the nine subscales has four items, which are scored on six point likert-type scale, ranging from strongly disagree to strongly agree. This scale has demonstrated good reliability and validity. Internal validity for the whole scale (JSS total) is .91, having moderate to good consistencies among subscales ranging from .60 to
.91. In this study Urdu translation of JSS was used (Shahzad & Begum, 2011). This translation has been validated on Pakistani population, and has shown good psychometric properties, making it a valid instrument to be used with local population. For this translation, Cronbach’s alpha values are .76 for JSS total and .70-.82, for subscales.

Operational Definitions

The following concepts are operationally defined in the literature:

**Stress:** It is defined as “a transactional relationship between the person and the environment appraised by the person as taxing or exceeding his or her resources and endangering his or her well-being” (Lazarus & Folkman, 1984, p. 33).

**Occupational (job related) stress:** It is defined as the work-related environmental characteristics or events which are perceived by employees to impact their health and well-being (Hurrell, Nelson, and Simmons, 1998).

**Self Esteem:** It is the “overall emotional evaluation of an individual about his or her own worth” (Hewitt, 2009).

**Job Satisfaction:** It is the degree to which an individual is content and satisfied with his or her current job. It involves affective components (pleasurable feelings and emotional attachments), and cognitive components (relating to specific aspects of work, like pay, pension, bonuses, working hours, number of leaves, etc.) (Moorman, 1993).

Results

The present study was aimed at assessing the psychometric properties of Urdu translated version of Subjective Job Stress Scale, based on indigenous sample. In this study statistical analysis were conducted on the obtained data to find out its descriptive properties and to examine the validity of hypotheses formulated. These analyses were performed by the aid of a statistical package, IBM SPSS v.20.
Descriptive analysis is related to the background variables of the sample included. A total of 147 working professionals were included (Mean age = 32.64, SD = 3.13), with educational level ranging from matric (10th grade) to doctorate (Ph.D.). Furthermore, the sample consisted of 391 males (Mean age = 35.25, SD = 3.64) and 206 females (Mean age = 31.49, SD = 2.28). Mean score of total sample for perceived stress scale was 12.89 (SD=2.92), for men 13.83 (SD=3.26), and for females 12.29 (SD=2.32).

Table 1: Descriptive Statistics for Age

<table>
<thead>
<tr>
<th>Gender</th>
<th>n</th>
<th>M</th>
<th>SD</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>391</td>
<td>35.25</td>
<td>3.64</td>
<td>13.83</td>
<td>3.26</td>
</tr>
<tr>
<td>Female</td>
<td>206</td>
<td>31.49</td>
<td>2.28</td>
<td>12.29</td>
<td>2.32</td>
</tr>
<tr>
<td>Total</td>
<td>597</td>
<td>32.64</td>
<td>3.13</td>
<td>12.89</td>
<td>2.92</td>
</tr>
</tbody>
</table>

For determining the reliability of the translated version, three basic procedures were utilized. Initially Cronbach’s Alpha coefficient of reliability was assessed to determine the internal consistency among the items. This coefficient is an indicator of how well items relate to one another, measuring the same construct. Values for Cronbach’s Alpha above .70 are said be valid indicators of internal consistency/reliability. In original study the value obtained by the authors is .83 (Motowidlo, Packard, & Manning, 1986), and for this present study, translated version also showed good internal consistency by having alpha value of .82 (Table # 2).

Table 2: Results of reliability analysis for Urdu translation of SJSS

<table>
<thead>
<tr>
<th>Scale</th>
<th>Cronbach’s Alpha</th>
<th>Test-Retest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Stress Scale</td>
<td>.82</td>
<td>.70**</td>
</tr>
</tbody>
</table>

**p<.01
Secondly, the Split half reliability test was used to determine internal consistency in terms of content relevance and sampling. For this purpose, scores obtained on the original test were divided into two halves based on odd-even method, then the resultant two halves were assessed to find their split-half reliability which was found to be .84 (Table # 3).

<table>
<thead>
<tr>
<th>Split-Half Reliability</th>
<th>Value</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach’s Alpha Part 1</td>
<td>.74</td>
<td>2 *</td>
</tr>
<tr>
<td>Alpha Part 2</td>
<td>.77</td>
<td>2 **</td>
</tr>
<tr>
<td>Correlation Between Forms</td>
<td>.76</td>
<td></td>
</tr>
<tr>
<td>Spearman-Brown Coefficient</td>
<td>.84</td>
<td></td>
</tr>
<tr>
<td>Guttman Split-half Coefficient</td>
<td>.84</td>
<td></td>
</tr>
</tbody>
</table>

At the third stage of reliability assessment, test-retest reliability was used to assess the stability of obtained scores overtime. For this purpose, 50 individuals out of original sample were reached after the first administration of the questionnaire, and were presented with the translated version only. These results are then correlated with the results of the first administration of translated version. In this study, the translated version showed good test retest reliability, as the value obtained was .70 (Table # 2).

<table>
<thead>
<tr>
<th>Scale</th>
<th>Perceived Stress</th>
<th>Self Esteem</th>
<th>Job Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Stress</td>
<td>.86**</td>
<td>-.72**</td>
<td>-.69**</td>
</tr>
</tbody>
</table>

**p<.01

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For determining the validity of the translated version, convergent validity was assessed to determine the relation of Subjective Job Stress with other variables present in the work environment. For this purpose three hypotheses were formed on the basis of detailed literature review. First, to determine convergent validity, it was hypothesized that, “Scores obtained on Urdu version of the Subjective Job Stress Scale (SJSS) will correlate positively with scores obtained on Perceived Stress Scale (PSS-10)”. The results proved the hypothesis to be correct by showing a good positive correlation between both variables which is .86 (Table # 2). Likewise, two other hypotheses were formed, (1) Scores obtained on Urdu version of the Subjective Job Stress Scale (SJSS) will correlate negatively with scores obtained on Rosenberg’s Self Esteem Scale (RSES), & (2) Scores obtained on Urdu version of the Subjective Job Stress Scale (SJSS) will correlate negatively with scores obtained on Job Satisfaction Survey (JSS). The results obtained by the analysis were in line with the hypotheses as Job stress showed significant negative correlation of -.72 and -.69, with Rosenberg’s Self Esteem Scale, and Job Satisfaction Survey respectively (Table # 2).

Conclusion & Implication

In conclusion, it could be said that results obtained by this study have provided us with a reliable and valid measure of Job Stress, in Urdu language to be used with Pakistani workforce, for research and exploratory purposes. The present finding are in line with original findings and other researches in which the same scale has been used with different population, in different cultures. This comprehensive measure will be very useful to those researchers who wish to have an indicator of job stress along other variables, in their research.

Limitations & Future Directions

This study was aimed at translating the SJSS into Urdu Language and determining its psychometric properties. As a study of
social constructs comes with certain limitations, this study also faced some of them, which are mentioned as follows along with some recommendations from authors. First, the data collected for this study was only from three cities, which could hamper the generalization of results to all Pakistani population. Therefore, a more extended sample, including respondents from all major cities of Pakistan should be included. Secondly, to make the generalization even better, diverse work groups should be included separately to have their relevant norms. In spite of these limitations, the Urdu translation of SJSS has been found to be a valid and reliable measure of job stress among Pakistani work force.
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EDUCATION: FROM PRE-MODERN TO POST MODERN AND TO GLOBALIZATION – A BRIEF REVIEW

Shelina Bhamani1 and Zulfiqar Ali Mehar2

Education is considered to be the backbone of any country’s development. It is education that contributes most to human development indicators. Education has been viewed as the most crucial need of human beings. The definition and value of education has been changing since the beginning of its conception and education has been viewed differently in different eras. Education in the premodern era laid emphasis on teacher centered characteristics and orthodox education was primarily based on seeking knowledge from authoritative sources. It was assumed that education and knowledge is driven from ultimate truth and through revelation. The source of knowledge and its implementation was assumed to be driven from gods or a spiritual script. The classrooms were held under the dome of religious place or the house of religious and spiritually regarded person. Knowledge was considered to be divine and unchangeable. The students were given no authority to challenge or create knowledge on their own. Transitional method of teaching whereby, the knowledge if transferred to a student was the only teaching method that was apparent in this era. The learners were taught norms of the culture and were obliged to follow it and further disseminate it to the wider society (Dale, 2010; Grusin, 2002; Rinaldi, 2005; UNICEF, 2008)

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Education in the modern era was known for transferring knowledge that can be questioned, where teachers were co-creators of knowledge, with the right to question knowledge. The major goal of this era was to unify the society which resulted in discrimination and giving rise to cultural domination. Because, unity comes with majority and the majority ignores the minority. Likewise, all culture may not also have the same values but might consist of equal realities. The modernist therefore argue that students should be trained for adhering to universal values (Bolter & Grusin, 2002; Dimitriadis, 2005; Rinaldi, 2005). The purpose of education in this school of thought was to enable learners to construct diversified and personally used knowledge and information. They believed all individuals have innate abilities and education will facilitate them to explore their own identities and see the context it best fits in. It has given rise to harmony of teacher student interaction. The teaching methods used were mainly group discussions, etc.

Education in the postmodern era, believed the aim of education was to allow students to construct their own identities, to be responsible for their own knowledge, information and receive it at their own convenience (Banks, 2001; Dale, n.d.). This has given rise to experiential learning, active learning and student centered learning. In addition to it, the learner in the post modern era is given full autonomy to practice learning in the field. Postmodern education is all about experiencing, trying and constructing knowledge.

The colonial roots of education (as in the Pakistani context) have been driven from the British rule in India, whereby the British educational policy under the company rule brought correspondingly policy shifts in the Indian society (which was merely following ethnocentrism). Initially, after the British occupations, the companies were not interested in providing education to the Indian citizens and rejected the proposal of imparting education to them. On the other hand, minor attempts were made to facilitate learning of local languages and skills by establishing Madrassas and Sanskrit colleges in a few districts (Dale, 2010; UNICEF, 2008). These initiatives were taken for
ensuring supply of trained professionals to support companies in administrative and juridical affairs.

For the first twenty years in the colonial times, the company’s foci were oriental literature and science and this indeed was the first attempt where the company invested in education of the citizens. This too was done keeping in consideration the company's interest and well informed decisions that educating citizens on these two majors will not affect it. In addition, the company rejected British diffusions for Western sciences. The policy aggravated many educated Indians who highlighted the importance of western sciences (Cano-Garcia & Hughes, 2000; Rinaldi, 2005). In this process of educating the citizens in the British Empire in India, the training of the youth in medical and engineering fields were prominent so that they could act as a support mechanism for local health care and administration of infra structures. In this period, funds were also granted for the translation of Western sciences into Arabic and Sanskrit languages.

In the 1840’s, with the appointment of Lord Macaulay as the president of the committee of public instruction brought a policy shift in the company. He, being a believer of English as an international language, considered local languages to be useless and its users to be uncivilized. He argued that the Indian society cannot progress and become modernized if education was in the national language. So, he made English a compulsory medium of instruction. The aim of colonial education was to develop the labour capacity of the local natives so that they could serve the British Empire in India more professionally. It was not relevant to support natives to grow intellectually or progress. This rise of colonialism in India for 100 years resulted in the adoption of the English language (Bolter & Grusin, 2002; Brooker, 2008; Dimitriadis, 2005).

For the past two decades, during the postmodern and globalization era the influence of globalization on education is not standardized as implementation of globalization and its influence varies. The basic feature of globalization is neoliberalism which is
again a philosophical ideology of modern education. Education in the modern perspective calls for privatization, de-regularization, reduction in government expenditure and a limited role for the state in educational implementation. This concept transpires also with the imbedded educational philosophical foundations which belong to different cultures; it also originates with changes in policies and promotion of capitalist development (Bolter & Grusin, 2002; Dimitriadis, 2005; Rinaldi, 2005).

In the recent era globalization can be regarded as the byproduct of early twenty first century when the vociferous demands for well qualified and skilled labour raised and took hype in the capitalists market. Simultaneously, many international agencies and funding initiatives have defined universal goals which brought everyone onto a platform to set standards for global education development (Bolter & Grusin, 2002; Brooker, 2008; Dimitriadis, 2005). From these initiatives and global efforts, came a paradigm shift onto the conceptualization of education as a global and lifelong learning process.

The important aspect of the development of globalization and its impact on education is due to the fact that globalization resulted in a large percentage of international students in major universities worldwide. Developing international cooperation, secondary and higher education institutions provide for exchanges of students and teachers.

A new element of the modern education system in the era of globalization is the increasing focus on the expansion of application areas and market relations. It makes educational structures develop dynamically, respond to the needs and demands of practice. Specialized centers that are engaged in training for a particular profile, for example, computer science, management, etc., are created. Besides being more adapted to practical needs of education and training in such centers can form a sense of corporate community, a sense of loyalty to the firm and the ownership of its success for future employees (Bolter & Grusin, 2002; Brooker, 2008; Dimitriadis, 2005). As a result, corporate
education becomes an important tool for the formation of cross-border social communities within the framework of the transnational corporations. To comprehend, the internet and other new technologies have made educational development come a long way and have given rise to the process of continuous education (Dale, 2010; Grusin, 2002;
Rinaldi, 2005; UNICEF, 2008). The person, who was educated, replenishes its stock of knowledge for the rest of his life.

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EUROPE’S DEADLOCK:  
A BOOK REVIEW

Saqib Sharif


Abstract:
“Europe’s Deadlock” explores how the venture of monetary union, i.e., EURO, which was meant to improve Europe’s internal structure and effectiveness and its credibility as a world leader for the new millennium has gone off rails. The author structured the book in twenty chapters from the birth of a single currency to the current uncertainty about its future. David Marsh describes the design faults in the euro system established in 1999 to the more basic problems of incompatibility of different countries’ political, economic and social background. He concludes that Europe’s debt crisis can be cured in a sensible way and suggest some measures to promote lasting recovery.

“This is an undeclared war without generals or commanding officers, its course obscured by a welter of obfuscation, propaganda, misinformation, half-truths and lies.” (p. 3)

In his book “Europe’s Deadlock”, David Marsh explains how five years of crisis management since 2007-08 Global Financial Crisis (GFC) has not achieved the objective of resolving the problems of Euro zone, but has made things worse. While the Southern states of Europe enjoyed the benefits of joining euro and did not adhere to financial discipline, the creditor countries, such as Germany, fear that they are compelled to rehabilitate their weaker members for a long time. Euro crisis has engaged David Marsh, one of the acclaimed

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writers on European politics and money, who wanted to emphasize the inadequate policies and thinking on the part of policy makers and technocrats in charge of managing the single currency. The book discusses European treaty on monetary union agreed in the Netherlands in 1991; the dialogue among various stakeholders to revive the euro zone and concludes with a ten-point plan to strengthen the bloc for long term.

This book captures the attention as the arguments are straightforward and logical. The euro zone crisis is a concern for ordinary Europeans and the same is intensely felt by the author when he argues his agenda with a variety of events happening in the euro zone in order to address the euro crisis. Moreover, the South Asian Association for Regional Cooperation (SAARC) is also contemplating on monetary union. Although the single currency for SAARC states seems a distant dream due to the geo-political situation among member states, the euro-crisis generally and the reviewed book specially, provide many lessons to learn from the mistakes of the European monetary union. Further, similar to diverse economic standing of different nations at the time of joining euro, SAARC economies are also diverse in nature. Hence a well-grounded framework will be required to initiate the process of South Asian monetary union.

The introduction (pp. 1-3) is used by the author to set the tone of the book. In the author’s view the major reason why the euro crisis cannot be resolved is that “there is a hole in the heart of the currency. No one is in charge” (p. 2). The author believes that the euro crisis is a low-level hostility between debtors and creditors or past uncompromising adversaries, united only by the conviction that nobody will win or even survive unhurt. In a nutshell, the euro zone and its allied institutions have invested substantial financial and political capital to control the damage, but not to resolve it. However, the author has researched the various phases of the euro crisis based on facts and applied subjective judgments towards the troubles of euro. It would be an added advantage if some empirical studies be incorporated in the book. For example, Brown (2012) has written the
book on euro crash with more technical references, mentioning numbers to strengthen the case, but the theme is similar.

In Chapter one, the author explains the fault lines that start appearing in the euro bloc following the global financial crisis of 2007-08. To illustrate the widespread divergence of euro states, David Marsh provided some figures. While the German economy grew by 3 percent during this period, the hardest-hit Greece economy was down by almost 25 percent, and economies of Ireland, Portugal, Italy and Spain declined between 4 and 6 percent. In the end, the author makes the point that many people in many countries know about the socio-economic problems before and after the advent of the euro. However, little attention is being given to tackle possible lacunas. Hence, euro is haunted by past warnings that were not considered in true letter and spirit. The author glanced into history when monetary union was agreed in December 1991 by twelve government leaders of Europe. In chapter two he elaborates on different motivations of politicians behind the introduction of the euro; focusing on the political leaderships in Germany and France. France’s expectation was that the Europe’s common currency would reduce the aggressive vitality of Germany and would challenge the monopoly power of US dollar. Whereas, Germany’s intention was to promote financial stability by exerting pressure on unchecked US monetary and fiscal policies and heal the wounds of past wars with member states.

In Chapter three, the author talks about Germany’s conundrum. Although economically strong among the euro zone countries, Germany was happy to follow a common path towards fiscal and political union, as she wanted a greater role in a unified Europe. Besides, Germans want to see themselves as economic giants but political dwarfs; as David Marsh rightly suggest that “the Germans on the whole prefer to stay pygmies” (p. 21). Moreover, other European countries, such as France and Britain who always keep their strategic interests at the forefront, treat the post-war successes of Germany with admiration. The author expresses how the experiment of a single currency went wrong in chapter four. In the first group of euro zone
were countries with low inflation and low growth, the second group comprised of countries with high inflation and high growth. Both these group of countries have totally different economic environments. The second group only wants to reap benefits of the monetary union. Thus the international assets of the first group, led by Germany, increased gradually, as did the external debt and liabilities of the second group. The fault lines became more exposed after the collapse of Lehman Brothers in September 2008.

In chapter five, David Marsh explains the false optimism under which the political and economic leadership of European countries live. In June 2008, European Central Bank celebrated its tenth anniversary. The president of ECB proudly declared euro a success story and frequently asked the finance ministers to be designated as ‘Mr. Euro’. However, after the Summer of 2008, the inherent limitations of ECB came to light. The author believes that “a sustainable currency requires far more than a technically efficient central bank” (p.32).

The author points out the various irreparable errors made by policy makers since the birth of the euro in chapter six, and those shortcomings remained obscured around 2007-08 Global Financial Crisis (GFC) and 2010 Greek imbroglio. The finance managers ignored the fact that states joining single currency initially and during the enlargement phase of the euro were at different stages of development. Some countries had positive trade balances and reasonable budgets, while others had burgeoning fiscal and external deficits. The author emphasize that ‘one size fits all’ monetary policy was illusory. Subsequently, the countries that enjoyed lower interest rates and short-term expansion without seriously working on structural reforms have paid the price for the euro debt crisis.

David Marsh explains (chapter seven) the shortcomings of technocrats, policy makers and officials from varied backgrounds who want to stay away from past mistakes in order to bring some workable resolution. One of the fundamental problems was the lack of responsiveness towards growing balance of payments disequilibrium. Even during the peak of US financial crisis around 2008, the European Commission appeared very optimistic about the euro’s future.
cheaper financing availed by current distressed countries resulted in huge credit booms. But central bank governors in Ireland, Portugal, Greece, and Spain showed no concern towards ECB governing council. Following the euro debt crisis, these technocrats realized that something went seriously wrong.

The author pointed out the lack of a clear vision of European Central Bank President in chapter eight that caused lingering euro uncertainties. The statement by Mario Draghi, President of ECB, to support euro on the eve of the opening of London Olympic Games in 2012, created more ambiguities. Because unlike other central banks, the Bank of England or the Bank of Japan, ECB cannot intervene to stabilize the financial condition of any country. Since the monetary union is not dealing with a single country, but seventeen sovereign states, the problem lies with the ECB’s atypical structure.

In chapter nine, the author delves on the Cyprus meltdown in March 2013, where the ultimate losers were large depositors of Cypriot banks. The banks took advantage of the benevolent conditions of the monetary union since 2008 by overstretched disastrously their deposit-taking and loans operations. The author amply mentioned that “the Cyprus affair illustrates the inchoate state of decision making when nations share a common money, yet remain politically independent” (p. 53). The underlying message from disasters in Greece, Ireland, Portugal and Spain, is that unreliable southerners enjoyed benefits at Germany’s expense.

David Marsh has suggested some useful measures for the sustainability of the euro in chapter ten. To bring more financial discipline, the nations have to abandon their sovereignty. The member states have to submit their economic and budgetary systems to European control in order to avoid unnecessary operational risk to other member states of the euro bloc. This handing over of sovereignty will facilitate the euro to survive and grow.

In chapter eleven the author explained the tension among member states for the bailout measures taken for the survival of the euro and possible option of leaving the monetary bloc. The people of distressed
nations are opposed to austerity. While political parties with anti-euro stance are gaining popularity. But most of the policy makers are not oblivious of the fact that leaving euro at this critical juncture would have disastrous effects. Thus monetary union is kept going under fear.

In chapter twelve, David Marsh elaborates on Germany’s limitations as the strongest economy among euro bloc and the major contributor to support bankrupt southern states. First, ordinary Germans are not happy with the way their political leadership is providing funds to debt starved countries. Since Germany had a very small share of overall trade and commerce with hard hit European countries, extending large amount of money will result in smaller relief.

In chapter thirteen David Marsh talks about the French connection in the euro saga. Fundamental disagreements and key differences existed between Germany and France prior to the introduction of the single currency. However, following the euro debt crisis, these cracks have further intensified and are openly displayed. Although, Germany and France have fifty percent of shares in the 17 member states, during the last decade Germany’s growth rate outstripped France’s. The robust economic indicators observed in Germany have enhanced France’s feelings of dissatisfaction and inferiority. Similarly, France and Germany have totally different ideas on institutional revival of the euro bloc.

The author in Chapter fourteen explores the strengths of Jens Weidmann, the president of Bundesbank (German Central Bank) since 2011. Being central bank’s chief, Weidmann can influence his decisions in the ECB. Although it is one country one vote policy, there is always a risk of being outvoted for many policy initiatives. However, Weidmann through his greater negotiation skills can turn the tables around and bring the Bundesbank policy ideas into ECB policy framework. Weidmann has remodeled Bundesbank into a more vibrant, visionary institution. Hence, Bundesbank has to use its influence in ECB decisions with care.

The author focused his attention on Italy in chapter fifteen, one of the founder members of European Six. Italy witnessed sub-standard growth continuously since joining the monetary union. The Italian
central bank chief was the only European who was against the idea of joining the monetary union on the pretext that fixed exchange rate will reduce the competitiveness of Italy. Besides, a protest vote in February 2013 was a setback for the advocates of euro. The ordinary citizens of Italy were fed-up with austerity measures, political class and yearn for new faces.

David Marsh hints at the idea of a banking union in Europe with caveats in chapter sixteen. The author is of the view that efficient European banking system facilitates the prosperity of Europe’s citizens in a dignified way. In mid-2012, European governments initiated the process of banking union, but the moves were disrupted by conflicts of interests. Similarly, many central banks of the euro bloc are of the view that uniform regulation and supervision of European banking system could result in a moral hazard.

In chapter seventeen, the author describes the uneasy relationship between IMF and Europe on the euro rescue operations. Moreover, developing countries have shown serious reservations on the way European debt crisis has been managed by the IMF, depicting double standards; more money is provided with less stringent conditions. IMF being the watchdog of countries’ balance of payments has never hinted at the looming crisis of the euro. Further, the involvement of IMF to bailout Greece and other southern states has been seen with suspicion by ECB, for taking either tough or soft policy measures at various phases of euro sovereign debt crises due to internal rivalries within the IMF.

The author highlights the deep US and British conflict towards single European currency in chapter eighteen. On the one hand, the US asks Europe to enact rules to deal with the euro crisis as it might hurt the financial and business interests of the US. On the other hand, the US does not have any radical solutions to resolve the euro crisis. The persistent euro crisis means that dollar’s privilege as the leading reserve currency remains intact to finance their deficits by attracting inflows from foreigners. Whereas, the high value of the British pound could negatively affect the exports of the UK, but the UK can issue a big chunk of government bonds at a relatively lower
Europe’s Deadlock: A Book Review

David Marsh has beautifully touched upon the changing perception of Asia towards European economies following the euro crisis in chapter nineteen. The author has rightly pointed out the emerging Asian economies understanding of developed European states that “the European experience has shown the acute dangers of putting the monetary cart before the political horse” (p. 110). Asia eulogized Europe for enhanced economic and political integration but now the European project designed to secure their future is seen with disappointment. Asians realize the fact, that they would be better off investing in developing markets rather than investing in high-tech European economies. For the time being, Europe’s star descends, while Asia’s shines brilliantly.

In the last chapter of the book, the author has suggested a ten-point plan for the euro member states. If members commit to those points, then European bloc countries will not see such a crisis in future. However, some points look less realistic and more demanding. The plan includes learning from past mistakes and pushing the reforms that the author thinks are crucial for getting out of the present mess.

The lesson that the author provides in this book is that the policy makers in the European bloc have to resolve their differences in a meaningful manner by putting aside their political interests for a single monetary union. The technocrats have to redesign the structure of euro by looking at their past policy mistakes and not repeating them. Focus on effective regulation and supervision of European banks and their possible union. Europe can only regain its lost ground in economic terms by swallowing a bitter pill, following the strict terms and stick to those terms in the long-term. For this, the euro states have to surrender their sovereignty to pave way for a more stable and efficient single currency. The euro crisis extends lessons for those economic blocs
who are considering adopting a single currency, such as the SAARC region.

References


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