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DO CAPITAL STRUCTURE HAS AN EFFECT ON AGENCY COSTS? EVIDENCE FROM KENYAN LISTED FIRMS

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Abstract

The main purpose of the article was to determine whether the capital structure has an effect on agency costs. The agency theory was used as the central theoretical analysis of the research. The study used 34 listed firms in the Nairobi Securities Exchange being firms that revealed consistency in the market during the period 2006-2012 giving a total of 238 firm-year observation. The study used a linear regression model to analyze data with the support of SPSS software. The results indicated that capital structure was negatively and significantly correlated to agency cost ($r = -0.464$; $p < 0.01$) at a 1% confidence interval level. The study findings will be of valuable assistance to shareholders of listed firms in the Nairobi Securities Exchange in maintaining the leverage at a controlled level.

Keywords: Capital Structure, Agency Cost, Agency Theory

Suggested Citation:

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1. Introduction

Agency problems are increasingly inherent in the modern-day corporation, owing to the widening separation of ownership and control responsibilities, growing business diversification and segmentation across industry and business lines. Agency costs manifest in various circumstances including self-serving behaviors on the part of managers focused on empire-building objectives, excessive perquisite consumption, non-optimal investment decision making and or acts of accounting mismanagement (Henry, 2004).

According to Ang *et al.*, (2000) they argued that higher leverage may reduce agency costs through the monitoring activities by debt holders however the threat of liquidation may cause managers to lose reputation, salaries, etc. As the proportion of debt in the capital structure increases beyond a certain point, the opposite effect of leverage on agency costs may occur (Altman, 1984). Three reasons are

identified in the literature which can cause this opposite effect: The first reason is the increase in bankruptcy costs (Titman, 1984). The second reason is that managers may reduce their effort to control risk which results in higher expected costs of financial distress, bankruptcy, or liquidation (Berger and Udell, 2005). Finally, inefficient use of excessive cash used by managers for empire-building would also increase agency costs (Jensen, 1986)

The agency costs associated with debt consist of the opportunity wealth loss, which is caused by the impact of debt on investment decisions of the firm, bankruptcy costs and monitoring and bonding expenditures (Jensen and Meckling, 1976). Debt holders do not only share profits and earnings with equity holders but also have a fixed claim on cash flows, which is the interest of the debt. This conflict between equity holders and debt holders may affect a firm's decisions on three dimensions: investment, financing strategy and dividend distribution (De Marzo and Fishman, 2007). Debt holders may restrict the manager's investment on risky projects even though they may bring high returns (Kalcheva and Lins, 2007).

Zheng. M. (2013) postulates that capital structure plays important role in determining the agency costs arising from the conflicts of interest between debt holders and shareholders, a role which has not been extensively analyzed previously in the academic literature. He also states that the use of debt could reduce the agency cost under an effective debt policy. Because too much debt will lead to bankruptcy risk of a firm, so with paying the initial payment and interest cost at the due time could reduce the risk of managers using the cash flow to finance other things that are not aligned with the maximization of shareholder value. Managers will be forced to fulfill the duty of paying the debt, so it will reduce the cash flow and also the agency cost.

Listed firms can only achieve their objectives and effectively discharge their responsibilities if they are led by quality and effective capital structure decisions. Listed firms' failures have been attributed to the bad corporate decision. Conflicting results are observed in regards to the relationship between firm size and agency costs, although different factors are found to impact on the level of agency costs for small and large firms. This paper, therefore, seeks to establish the effect of capital structure on agency cost among listed firms in the Nairobi Securities Exchange in addressing the research problem.

2. Literature Review

2.1 Theory development

In agency theory, Jensen and Meckling (1976) identify agency costs derived from conflicts between equity holders and owner-managers as residual loss which means that agents consume various

pecuniary and non-pecuniary benefits from the firm to maximize his own utility. Related to this, Childs *et al.* (2005) and Lee *et al.* (2004) argued that managers always want to continue the firm's current operations even if liquidation of the firm is preferred by investors. Also, Alvarez *et al.*, (2006) and Kent *et al.*, (2004) suggested that managers always want to invest all available funds even if paying out cash is better for outside shareholders, and conflict between the manager and equity holders cannot be resolved through contracts based on cash flows and investment expenditures.

Agency theory becomes more complicated when debt holders' interest is considered. As a financing strategy, debt is widely discussed in capital structure literature. Modigliani and Miller (1963) demonstrate that in order to raise the value of a firm, the amount of debt financing should be as big as possible for a tax subsidy. However, their theory ignores the agency costs of debt. Theoretically, Jensen and Meckling (1976) point out that the optimal utilization of debt is when the debt is utilized to the point where marginal wealth benefits of the tax subsidy are just equal to the marginal wealth effects of agency

2.2 Empirical reviews

According to Cao (2006), findings revealed that the total asset turnover has a negative relationship toward agency cost. More findings by Ellul (2005), Wang (2010) and Wellalage (2012) found that the debt ratio has a positive relationship with agency cost. They further found that the use of debt is intended to expand the company's operational activity which may lead to an increased operational expense. However, the choice of debt financing will lead to another conflict between shareholders and bondholders. Sanvicente and Bortoluzzo (2013) found in their study that there was no significant relationship between debt ratio and agency cost. Khan *et al.* (2012) also found that long term debt ratio has no significant effect on agency cost

Zheng, M, (2013) found in his research that long term debt ratio has a negative correlation with agency cost. The use of long-term debt potentially reduces agency costs because the managers will just focus on generating profit for the company to pay the long term liabilities of the company. However, Ellul (2005) and Lin (2006) found that long term debt ratio has a positive correlation with the agency cost.

3. Research Methodology

This study adopted an explanatory research design that establishes causal relationships. The design was best for ascertaining the effect of capital structure on agency cost among listed firms at the Nairobi Securities Exchange in Kenya. Secondary data through documentary guide analysis was used to

facilitate data collection among selected listed firms. The target population was the published financial statements of the listed firms in Kenya. There were 34 listed firms in the Nairobi Securities Exchange being firms that have shown consistency in the market during the seven-year period between 2006 to 2012 giving a total of 238 firm-year observations.

3.1 Measurement of Variables

Dependent Variable: Agency cost was measured using two proxies: First, Asset utilization which was measured as the ratio of annual total revenue to annual total assets as used by Ang *et al.*, (2000) and Singh and Davidson III (2003). This provides the relative quantitative measure of the effectiveness of firm investment decisions and the ability of the firm's management to direct assets to the most productive use. The second proxy was discretionary expenditure ratio measured as annual selling, general and administrative expenditure divided by annual total revenue to establish relative expenditure on items over which management has discretionary authority Singh and Davison III (2003). Further, a composite measure of the two variables was computed to measures the overall agency cost.

Independent variable: The capital structure was measured as the ratio of debt to equity (Rafique, 2010).

4. Results

The study utilized a quantitative technique to analyzed data using descriptive inferential statistics. Descriptive statistics include the mean, mode, and standard deviation while inferential statistics include the Pearson Correlation. The data collected was analyzed using linear regression and correlation analysis and the significance of the independent variable was tested at a confidence level of 95%.

4.1 Descriptive statistics

The descriptive statistics are presented in Table 4.1 which indicated that the mean value of agency cost is 1.3124 and that of capital structure is 0.6107. The highest and lowest values for agency costs are 0 and 5.66 and that of capital structure is 0 and 3.19. Further, both Skewness and Kurtosis approaches zero hence normal distribution, so the farther away from zero, the more non-normal the distribution. Also using the rule of thumb which states that a variable is reasonably close to normal if its skewness and kurtosis have values between -1.0 and +1.0, thus the study variables are normally distributed.

Table 4.1 Descriptive Statistics

	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
Agency cost	0	5.66	1.3124	1.34069	0.104	0.27
Capital structure	0	3.19	0.6107	0.61399	0.375	0.479

Source: Author

4.2 Correlation Results

The main purpose of the correlation matrix is to assess whether the relation between capital structure and agency cost is statistically significant. As evidenced in Table 4.2, capital structure was negatively correlated to agency cost ($r = -.464$). Correlation between capital structure and agency cost was indicated to be significant at 0.01 confidence interval level, hence it is inferred that there was a negative significant relationship between capital structure and agency cost.

Table 4.2 Correlation Matrix

	Agency cost	Capital structure
Agency cost	1	
Capital structure	-.464**	1

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

Source: Author

Model Summary

The findings in Table 4.3 revealed capital structure explains 21.5 % of the variation in agency cost as represented by the $R^2=0.215$ which means that the suggested model is able to predict about 21.5% of the change in agency cost. This means that the variables in the linear equation possess relatively weak predictive power and that the model itself has less predictive capability. Durbin Watson test showed that there was no autocorrelation among the variable as indicated by value 1.43 which was less than 2 thumb rule.

Table 4.3 Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.464a	0.215	0.211	1.19078	1.43

a Predictors: (Constant), capital structure

b Dependent Variable: agency cost

Source: Author

ANOVA Model

The study used Analysis of Variance (ANOVA) to test the relationships since ANOVA removes some of the random variability so that significant differences can be found more easily and also helps to look at interactions between factors. The results in Table 4.4 indicated that F value 56.4, with $p < 0.05$ significant at 0.05 implying that the model is statistically significant in predicting agency cost.

Table 4.4 ANOVA Model

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	79.973	1	79.973	56.4	.000b
Residual	292.099	206	1.418		
Total	372.072	207			

a Dependent Variable: Agency cost

b Predictors: (Constant), Capitals structure

Source: Author

4.3 Hypothesis testing

The results in table 4.5 below showed that the standardized coefficient beta and p-value of capital structure were negative and significant ($\beta = -0.464$, $p < 0.05$). This implies that for each unit increase in capital structure, there is a 0.464 unit decrease in agency costs. The effect of capital structure is shown by the t-test value of -7.51 which implies that the effect of capital structure surpasses that of the error by over seven times. The findings were in conformity with Cao (2006) assertion that the total asset turnover is negatively associated with agency costs. Similarly, Zheng M (2013) found in his research that long term debt ratio is negatively correlated with agency cost though Ellul (2005) and Lin (2006) were of the contrary. Nonetheless, the use of debt with an intention to expand a firm's operational activity results in conflict between debt ratio and agency cost (Wellalage, 2012). In this light, Wellalage (2012) found a positive relationship between debt ratio and agency cost.

Table 4.5 Coefficient of Estimate

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	1.931	0.117		16.559	0.000
Capital structure	-1.012	0.135	-0.464	-7.51	0.000

a Dependent Variable: Agency cost

Source: Author

5. Conclusion and Recommendation for Further Research

In light of the findings, the negative relation between capital structure and agency costs was confirmed. The results clearly indicated that the use of debt reduces agency costs since managers are able to dedicate their attention to generating profit in order to meet the long term liabilities and obligations of the firm. However, debt financing leads to conflicts between shareholders and bondholders. More so an increase in leverage results in a decline in agency costs. This is as a result of monitoring activities by debt holders. As such, there is a need for listed firms in the Nairobi Securities Exchange to maintain the leverage at a controlled level since when it becomes relatively high, it may switch to the opposite relation. Also, the company's cash that has increased due to debt needs to be drained in order to prevent managers from acting in defiance to shareholders by maximizing their own interest. Areas of further research that were identified include a similar study to be carried out but increase the number of firms and period of study. Also, including moderator factors can also be made by scholars in the future. This way, future scholars can complement this result to obtain further insight into this research area.

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Effect of Prospecting Bias on Investment Decision Making among Small and Medium Enterprise in Nairobi County

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Abstract

Investment decisions made by Small and Micro enterprises are crucial for economic development. It involves high capital outlay that provides economic benefit to the SMEs. Despite the risky decisions made by both Small and Micro Enterprises, this sector remains the largest employer and a source of revenue to the Kenyan government. Investment decision is an important part of strategic decision-making in every enterprise because new investment projects essentially affect future economic results and the enterprise's prosperity. This study thus sought to determine the effect of prospect bias on investment decisions among small and micro enterprises in Nairobi County. The specific objectives of the study were to: determine the effect of overconfidence, anchoring, prospecting and herding on investment decision making as well as to investigate the moderating effect of financial literacy on the relationship between overconfidence, anchoring, prospecting, herding and investment decisions among Small and Micro Enterprises. The study was premised prospects theory. Positivism paradigm was deployed. The study adopts explanatory research design. The target population were 102,821 firm owners. A sample of 383 respondents was selected using stratified random sampling technique. The findings from regression model showed results revealed that prospect factors had a positive and significant influence on investment decision ($\beta = 0.288, p < 0.05$). Therefore, entrepreneurs should consider carefully before making investment decisions though they should not care too much about the prior loss for their later investment decisions.

Keywords: Prospect Bias, Investment Decisions, Small And Micro Enterprises

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1. Introduction

Investment decision is the process of making a choice from alternatives which involves capital outlay for future cash flows in long term growth of a business. Most investment decisions are risky thus these decisions involve a high degree of risk. It is a part of strategic decision-making in every enterprise because new investment projects essentially affect future economic results and the enterprise's prosperity. Success of new projects contributes to growth of an enterprise's efficiency. On the other hand, unsuccessfulness can lead not only to a considerable decline in efficiency but also jeopardize its future existence. Thus, Success or unsuccessfulness of projects considerably depends on the quality of the process of preparation, evaluation and selection of these projects (Schwab, 2017).

The relationship between prudent investment decision making capability of a firm's managers and its advantage in analyzing a target investments financial performance is vital. Managers are perceived to have more information than other investors regarding an investment, thus, managers are vital in making prudent investment decision that can lead to better performance of a company in both financial and non-financial parameters (Akintoye & Olowolaju, 2008). Investment decisions regarding the various forms of capital input have also been positively linked to financial performance; the stochastic outcome of a firm's own investments in aspects such as, physical capital, human capital, research and development expenditure increases firm's production capacity hence boosting its financial performance (Levasseur, 2002). Kengatharan and Kengatharan (2014) alluded that investment decision is influenced by behavioural factor based on a research in Sri Lanka. Market, prospect, heuristics and herding had significant effect with anchoring leading on investment decision, hence, choice of stock made was negatively affected by herding, just like overconfidence. Anchoring positively affected the investment performance. From this finding some behavioural factor contribute positively and others negatively.

Kahneman and Tversky cited in Velumoni (2017) argued in their prospect theory describes prospect as how individuals evaluate losses and gains. Investor value system in prospect theory are regret aversion, mental accounting and loss aversion (Waweru *et al* cited in Velumoni, 2017). Regret aversion is a cognitive event in investment decision where investors hold onto losing positions too long in order to avoid admitting error and realizing losses. On the other hand, loss

aversion is the tendency where investors dislike loss more than gain. Mental accounting as aspect of prospect describes tendency to code categorize and evaluate outcome by grouping their assets into any number of non-interchangeable mental accounts. The three component explains who prospect factors.

Small and Micro Enterprises have a significant change the economy through employment, source of revenue, sources of goods and services as well as source of market for local goods. Despite the success stories there are numerous of business who either failed at starting or growth stage. Recently 2019 the fail of the giant business ventures Nakumatt and Uchumi supermarket (Wainaina, 2020) that started as SMEs has rob a lot of jobs to youth. Such fails of enterprises not only affect employee who benefit from salary but creditors from suppliers and loan providers. Investment decision is crucial and wrong decision may lead to a loss in an organization. Most Small and Micro Enterprises (SMEs) have high rate of failure based on investment decisions they make where three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). SMEs face various challenges when it comes to rational decision making such as limited managerial skills, experiences, challenges in academic ability and sometime personal behavior influence judgement. However numerous paradigm investment decisions can be positively or negatively linked to financial performance or business success depending on whether these decisions are made with or without biasness. Hence there is need to investigate on prospect bias that affects the success of Small and Micro Enterprises. The following hypotheses are tested;

H₁: Prospecting has significant effect on investment decision making among SMEs in Nairobi County.

2. Theoretical and Literature Review

The prospect theory was proposed by Kahneman and Tversky in 1979 (as cited in Fulfer & Maille, 2018). The important aspect of prospect theory is an S-shaped value function which is concave (risk averse) in the domain of gains and convex (risk loving) in the domain of losses. Both these points are rated relatively to a reference point. Mental accounting gives a basis for the way decision makers set reference points for the statements that determine gains and losses (Thaler, 2008). The main foundation is that decision makers separate different types of gambles into various accounts

and then use prospect theory to each account by disregarding possible interactions (Marchand, 2012).

Prospect theory describes how people frame and value a decision involving uncertainty and therefore they look at choices in terms of potential gains or losses in relation to a specific reference point, which is often the purchase price. This theory also outlines the way economic agents put a result or transaction in their mind and influence the utility they receive. Framing and economic theory has been used in a wide range of situations which don't rhyme with standard economic objectivity (Wang, Yang, Li, and Zhang, 2016). Jagullice (2013) opined that the prospect theory adopts a consequentialist approach to choose, suggesting that in making financing decisions people are assumed to be concerned with the likely outcomes of their actions. A key operation in decision making according to prospect theory is the coding of outcomes into gains and losses; this represents one of the most important characteristics of the decision maker: that outcomes are perceived in terms of gains and losses relative to some reference point, which might be the status quo, or the framing of the problem; or the expectations or history of the decision maker.

Prospect theory has been utilized to explain financing decisions. Ljungqvist and Wilhelm (2005) investigated whether prospect theory can explain the behavior of managers in the Initial Public Offering (IPO) and Search Engine Optimization (SEO) market. This theory is relevant to the study since it informs the basis for the independent variables; overconfidence bias, prospect, anchoring and herding. The theory is applied in this study to explain how SMEs financial managers' behaviors affect the way they make financial decisions in terms of perceived gains and losses. A manager who is regret averse will make financial decisions based on how much gains it would result in and not how much loss it would result in. A conservative manager will make financial decisions based on the loss or gain experienced in the past investments.

2.1. Empirical Review

Velumoni (2017) did an analysis of prospect theory on equity investment decision making. The research adopted prospect theory which examined on the mental accounting, loss aversion and regret aversion. It used primary data that were collected from 303 respondents who are equity shares investors. Linear regression, t-test and ANOVA were used as inferential tools. The study

found no significant difference between behavioural factors and socio demographic variables. Behavioural factors based on prospect theory had significant influence on the investment decision.

Duclos (2015) study on psychology of investment behaviour focussed on the biasing financial decision making one graph at a time. The research investigates on the behaviour associated with the way manager develop graphical displays for financial information where they need to project the future trends and make investment decision based on the information. Duclos (2015) considered five investors as an experiment and found that the last trading day of stock provided excessively information that was important to the investor known as end-anchoring. Considerably investors would treat stock closing upward would focus upwards forecasts in the following day likewise to downward focus. Investment asymmetries indicated that stock-price distributions were produced randomly to simulate times and hence market conjuncture is hesitant hence no real upward or downward trend is identified.

A study by Chetankumar and Hiral (2018) showed that investment decision making was significantly influenced by behavioral factors. The study was conducted in South Gujarat region in India. The study was based on testing whether behavioral model which segment the behavioral factor into heuristic theory (representativeness, gamblers fallacy, anchoring, overconfidence and availability), prospect theory (regret aversion, loss aversion and mental accounting), Market factors and herding factors. The current study will focus on anchoring, overconfidence, prospect and herding factors. A similar research by Sochi (2018) investigated on behavioral factors influencing investment decision in Dhaka Stock Exchange based on an empirical study, found significant influence of behavioral biasness on investment decision.

Luu, (2014) conducted a study on behavioral factors influencing the decisions of individual investors at the securities companies in Vietnam. The study assessed the effect of five behavioral factors; herding, market, prospect, overconfidence and anchoring. The study sampled 300 individual investors selected randomly from the investment companies. The questionnaires were used to collect data, from the 300 questionnaires given, 188 were returned duly filled. The data were analysed using descriptive statistics; mean and standard deviations. The current study will be done in Kenya focusing on the four behavioral factors which include herding, prospect, overconfidence and anchoring avoiding market which is not a heuristic behaviour rather than an

external factor. This study adopts descriptive research design and the use of questionnaires. In Luu (2014) findings indicated a positive influence of behavioral factors on the performance of the organization.

3. Material and methods

The study employed explanatory research design in positivist paradigm, this paradigm was selected since the study employed the quantitative data to establish direct and moderating effect of the variables under study. The concept of Positivism is directly associated with the idea of objectivism. This prompt for structured questionnaires and a larger number of sample as compare to its counterpart paradigm. The study used explanatory research design to assess and establish the effect of behavioral factors, financial literacy on SME investment decisions in Nairobi County. A target population of 102,821 registered SMEs within Nairobi County were considered (Nairobi County, Ministry of Trade, 2016). Managers were selected purposively on the grounds that they are in a superior position to comprehend investment decision issues of SMEs and in a position to give the correct data. Based on hyper-geometric distribution formulae, the study used stratified and random sampling technique to select a sample size of 383. Similar studies (Morris, 2014) have adopted the hyper-geometric distribution due to its ability to estimate sample sizes from large populations accurately. The study used questionnaires to collect primary data. The study adopted primary data collected from firms, or entrepreneurs through structured and unstructured questionnaires. Snapshots or cross-section method was used since data extracted only with the collection period. It employed quantitative approach where quantitative techniques were utilized. Data collected were using 5 point Likert scale which was coded to numerical data using ordinal scales.

3.1 Measurement of Variables

The 5-point Likert scales, which are rating scales widely used for asking respondents' opinions and attitudes (Fisher, 2010), were utilized to ask the individual investors to evaluate the degrees of their agreement with the impacts of behavioral factors on their investment decision as well as with the statements of investment behavior. The 5 points in the scale are respectively from 1 to 5: strongly disagree, disagree, no opinion, agree, and strongly agree.

Dependent variable

Investment Decision was measured using a proxy of 1 items on five point Likert scale (ordinal level) adopted and modified from Luu, 2014; Nyakundi (2017); Omery, 2014; Awais, Laber, Rasheed & Khursheed 2016; Kengatharaan and Kengatharaan (2014); Garang (2016); Ojwang (2015).

Independent variable

Prospect Factors was a proxy of 5 items adopted from Dervishaj (2018); Velumoni (2017) and Herding Factors was measured using 7 items (Lin (2011; Ghalandari & Ghahremanpour , 2013).

4. Data Analysis and model specification

Analysis involved the interpretation of survey data. Once completed the study data was analyzed, that is the data collected from questionnaires using both descriptive and inferential statistics. Descriptive statistics such as frequencies, percentages, mean and standard deviation was used mainly to summarize the data. Scale reliability and validity was assessed using Cronbach's coefficient alpha and factor analysis. Further, the study employed inferential statistics in form of multiple regression and Pearson correlations analyses.

$$\text{InvDec} = \beta_0 + \beta_1 X_1 + \varepsilon \dots\dots\dots$$

X_1 = prospect

Where:

InvDec- Investment Decision

X_1 -prospect

β_0 -is a constant

ε -is Error term (unexplained variation due to other unmeasured factors).

5. Findings

This section provides findings of the empirical research on the direct relationship between prospect bias with investment decisions among small and micro enterprises in Nairobi County. The data also was checked for reliability which assisted to ensure that all the questions were reliable. A total of 383 questionnaires were given to SMEs within Nairobi. After data collection and screen completely filled questionnaires were 375 which represent 97.9% about 5 questionnaires were

scantly answered and could not be used in data analysis which was not include in the 375 completed questionnaires, remaining with 370.

Descriptive statistics were obtained using mean and standard deviation. These were used for interpreting the findings and come up with conclusion about the study. The data was expressed in terms of, mean, standard deviation, skewness and kurtosis for each overconfident, anchoring factor, prospect factors, herding factors, financial literacy and investment decision. Prospect is a situation whereby a business decision is made basing on the perceived facts about a given phenomenon. Waweru et al, (2003) described prospect as some state of mind affecting an individual's decision-making processes including regret aversion, loss aversion and mental accounting. The study therefore sought to establish the effect of prospecting on investment decision making among SMEs in Nairobi County. Table 1 highlights the results. Prospect factors summed up to a mean of 4.033, standard deviation of 0.5908, skewness -1.167 and kurtosis 1.393. Factor analysis was carried out on prospect factors. The criterion for communality was fulfilled by making decision is based on high returns of an investment, most business ideas are pouched from successful stories in business, business ideas comes from experienced business entrepreneurs, most business venture are tried and proven concept with the locality and market information is important for your investment. Additionally, prospect factors cumulatively explained 43.081% of the total variance. The KMO Measure is an index for comparing the magnitude of the observed correlation coefficients to the magnitude of the partial correlation coefficients. As shown in table 1, KMO was greater than .5, and Bartlett's Test was significant

Table 1: Prospect Factors

n=366	Mean	Std. Deviation	Skewness	loadings
Making decision is based on high returns of an investment	4.09	0.62	-1.05	0.71
Most business ideas are pouched from successful stories in business	4.24	0.74	-1.04	0.74
Business ideas come from experienced business entrepreneurs.	4.37	0.77	-1.28	0.65
Most business venture are tried and proven concept with the locality	4.31	0.82	-1.56	0.66
Prospect Factors	4.03	0.59	-1.17	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.66			
Bartlett's Test of SphericityApprox. Chi-Square	274.61			
df	10			
Sig.	0.00			
Total Variance Explained				
Initial Eigenvalues	2.154			
% of Variance	43.081			
Cumulative %	43.081			
Cronbach's Alpha	.717			

Extraction Method: Principal Component Analysis.

Source: Research data (2020)

Investment decision is the process of making a choice from alternatives which involves capital outlay for future cash flows in long term growth of a business. This section of the analysis highlights the findings on investment decision. As shown in table 1, the findings on investment decision summed up to a mean of 3.82, standard deviation of 0.69, skewness -0.58 and kurtosis 0.26. Table 4.9 shows that the factor loadings for most of the investment decision items were above 0.5. Investment decision factors notably, To sum up, the first factor accounted for 18.34% of the total variance, second factor accounted for 32.44% and the third factor 45.95% of the total variance. The Kaiser-Meyer-Olkin Measure value (0.616) was above 0.5 hence acceptable. Also, the Bartlett's Test was significant.

Table 2. Investment Decision

n=366	Mean	Std. Dev	Skewness	loadings
In general, the SME satisfied with the way of making investment decisions	4.24	0.69	-0.96	0.55
SME decision-making helps the enterprise to achieve its investment objectives	4.39	0.72	-1.35	0.78
SME investments decisions can mostly earn higher than average return in the market	4.21	0.76	-0.82	0.77
SME make all investment decisions on its own	4.19	0.77	-0.85	0.59
SME has increased the amount to be invested asset category	3.70	0.98	-0.09	0.72
SME has been able to open many branches in other part of the country	3.88	1.05	-0.44	0.52
SME has been able to diversify its business in other sectors	3.89	1.06	-0.43	0.68
The SME able to borrow more loans which have increased its business stock	4.11	0.76	-0.72	0.64
Investment Decision	3.82	0.69	-0.58	
KMO and Bartlett's Test				
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.616		
Bartlett's Test of Sphericity, Approx. Chi-Square		283.737		
Df		45		
Sig.		0.000		
Total Variance Explained: Rotation Sums of Squared Loadings				
Total	1.83	1.41		
% of Variance	18.34	14.11		
Cumulative %	18.34	32.44		

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Assumption of regression model

Prior to performing inferential analyses, statistical assumptions were tested to establish if the data met the normality, linearity, heteroscedasticity, multicollinearity and autocorrelation assumptions. It was on the basis of these results, that the tests of associations and prediction were performed. The results of tests of linearity depicts that that there is a linear relationship between investment decision and prospect factors ($F = 342.821$, ρ - value = 0.000). Normality was checked with a goodness of fit test (that is, the Kolmogorov-Smirnov test or Shapiro-Wilk test), though this test must be conducted on the residuals themselves where that all the variables do not violate the

normality assumption, $p\text{-value} > .05$. Heteroscedasticity was measured by Levene's test which revealed that basing on Levene statistic, homoscedasticity is not a problem for all the variables, $p\text{-value} > .05$. This essentially means that there is a linear relationship and there is no need to have a non-linear data transformation or quadratic term to fix. VIF values higher than 10 indicate that multicollinearity is a problem. In addition, tolerance values of less than .1 indicate the presence of multicollinearity. The findings in Table 4.26 revealed that the VIF values for all the independent variables were below 10. This means that for all the independent variables, there was no presence of multicollinearity. The Durbin-Watson test was used to test autocorrelation. Findings in showed a Durbin-Watson 2.068 which is between 1.5-2.5, indicating minimal autocorrelation which does not influence the outcome of regression results. Hence, the assumption was met.

Multivariate analysis

The study used regression and correlation analysis to test for both relationship and causal effect relationship between prospect bias and investment decisions. Table 3 found that prospect factors had significant positive relationship with investment decisions $R = .698$ $q \leq .05$.

Hypothesis postulated that prospecting has significant effect on investment decision making among SMEs in Nairobi County. Findings showed that prospecting had coefficients of estimate which was significant basing on $\beta_3 = 0.288$ ($p\text{-value} = 0.000$ which is less than $\alpha = 0.05$) implying that the null hypothesis accepted and it was concluded that prospecting has a positive and significant effect on investment decision making among SMEs in Nairobi County. This indicated that for each unit increase in prospecting, there was up to 0.288 unit increase in investment decision making. The effect of prospecting was stated by the $t\text{-test value} = 6.129$ which indicated that the effect of prospecting was 6 times that of the error associated with it. Table 1 further illustrates the model summary of multiple regression model, the results showed that all the predictors explained 68.6 percent variation of investment decision. This showed that considering the study variables of independent variables, there is a probability of predicting investment decision by 68.6% ($R\text{ squared} = 0.686$). Finally, study findings in the table indicated that the above discussed coefficient of determination was significant as evidence of $F\text{ ratio of } 86.456$ with $p\text{ value } 0.000 < 0.05$ (level of significance). Thus, the model was fit to predict investment decision using prospect factors. Making decision using prospect factors were based on market information,

investment return, reputable and successful business ideas. Similar results were found by Duclos (2015) who focus investors experience and ability of utilizing information system in making decision. Incorporation of ICT that show market information of stock-distribution assisted in investment decision. Prospect theory on the other had based on Chetankumar and Hiral (2018) result had similar results that indicated significant influence of behavioural biasness on investment decision.

Table 3. Multiple Regression Results

	Unstandardized		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	-0.743	0.222		-3.344	0.001
Prospect Factors	0.337	0.055	0.288	6.129	0.000
Firm Size	0.198	0.067	0.100	2.960	0.003
Business Age	0.035	0.054	0.037	0.646	0.519
Experience	-0.100	0.053	-0.105	-1.877	0.061
Education	-0.016	0.039	-0.016	-0.406	0.685
Origin of Business	0.235	0.153	0.047	1.537	0.125
Model Summary					
R	0.828				
R Square	0.686				
Adjusted R Square	0.678				
Std. Error of the Estimate	0.39265				
Durbin-Watson	2.072				
Goodness of fit					
ANOVAa					
F	86.456				
Sig.	0.000				
Correlation	.698**				

a Dependent Variable: Investment Decision

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

6. Conclusion and Recommendation

The study has established that prospect factors positively influence investment decision among SMEs in Nairobi County. Emphasis is on loss avoidance since the entrepreneur engage in business that have been tried and proven. Also, decision making is based on high returns of an investment

to ensure that maximum benefits are reaped from the risks taken. Prospect theory is highly linked with prospect factors where the findings showed that prospect factors had significant effect on investment decision. Despite, financial literacy not affecting the interactive effect on prospect factors. The study strongly related the theory to investment decision and showed that people frame and value a decision involving uncertainty and therefore they look at choices in terms of potential gains or losses in relation to a specific reference point, which is often the purchase price. There exists a connection between prospect factors and financial literacy which the theory explained that prospect theory explain how prospect factor relates to financial decision which is contributed by the prospect factor. This explain the insignificant interactive effect between financial literacy on prospect factors and investment decision. Therefore, entrepreneurs should consider carefully before making investment decisions though they should not care too much about the prior loss for their later investment decisions. Furthermore, decision making needs to be based on high returns of an investment. Besides, to avoid loss making, entrepreneurs should emphasize on businesses that have been tried and proven.

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Economic Aspects of Literacy on Humans in District Nowshera

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Abstract

Development of a nation is measured by its literacy rate. In Pakistan different literacy programs are underway but still we are far away from the desired destination. The study entitled "Economic aspects of literacy on the lives of humans in District Nowshera" was to find out the blessings and areas of development by literacy and the hurdles that are being created by illiteracy. It was a survey type study and the population was divided into four zones. For convenience a sample size of 256 households were selected for survey. The total population from 256 households was 1551 persons in which 1115 persons were aged 10-59 years. The desired literates were 288 out of which 215 participated in the survey. The collected data was administered using statistical procedures like sum, mean and t-test. The results of the study were identified considerable development in the standard of the literate lives and found out significance disparity between male and female and rural and urban. It was suggested that government and NGOs should give priority to literacy by keeping strict check and balance policy and give incentives to literates.

Keywords: Economics, Development, Literacy

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1. Introduction

Literacy can be defined in several thinkable denotations; it is the capability of persons how to manage with communications living in their customs and traditions (Strassman, 1983). Literacy is just like collection of skills together with the capacity to accomplish undeveloped understanding and mathematical responsibilities essential for the fitness maintenance situations. Reading, writing and numeracy are expected to be the base line for literacy. Reading 30 words per minute, writing 7 words per minute and writing and reading numerals from 1 to 100 are the basic abilities of a literate person (Mitra, 2007).

In the worldwide perception, Literacy can be defined in Bangladesh as the capability to read and write in any local or foreign language while grade 9th passed is counted as literate in Canada. In India, an individual reading approximately 40 words in a minute, having writing speed of 10 words in a minute and yielding a dictation of 7 words in a minute in any language is measured literate. The one aged 10 or more and has been admitted in school is considered as literate in Malaysia. An individual who can only read and write is counted as literate in Tajikistan. UNESCO (2008) defines literate internationally as “a person reading and writing with comprehension a simple statement in any linguistic and can perform simple daily life arithmetic.”

In Pakistani National context, literacy definitions have been changed from time to time. In the census of 1951 literacy was defined as “an individual who can read from a printing material in any language”. After 10 years in 1961 the definition was enhanced as literate is a person who can read with comprehension a simple letter in any verbal communication. In the 1972 census writing was also included with reading. According to 1972 census a literate person is the one who can read and write with understanding in any language. In the era of Marshal Law in 1981 a literate individual was the one who has the ability in reading newspaper and to writing an artless letter. In 1998 the previous definition of literacy was modified as a literate person is expected to recite newspaper and carve a letter in any dialectal (Government of Pakistan, 2006).

Beyond reading and writing, literacy is the capacity to behave like a well-educated individual. Among reading, writing and numeracy, writing is considered the most crucial for children. All these require a guided instructions and practices (Wallace, 2004). The role of literacy in developing countries is very important (Lara, 2007). Literacy offers all types of education like political, leadership skills, vocational and social awareness. Literacy is considered to be the backbone of the progress. Literate manpower proves vital for the progress of the country. Literate people have social awareness and know the worth of the resources.

They can easily utilize and convert limited resources in a much better way. They can adjust themselves in any circumstances. Literate people are considered to be the most democratic. They can solve their problems without interfering others and make a prosperous society. The previous aspect of literacy has been changed. In the present circumstances literacy is considered to be the best tool of life (Hall, 2003).

2. Review of Related Literature

Literacy is important in the context of developing social interaction among the public. Literate people cooperate and communicate with each other in a better way. History shows that the countries with strong political will for literacy have achieved their goals efficiently. These countries have strongly opposed the illiteracy and tried all their best to use the available resources for the eradication of illiteracy. Primary education became compulsory. In the result, developed society has been formed (Rashid, 2009). Children may have impact on economic development after ten or more years. Adults have direct impact on the economic development. Their attitude must be positively changed. So it is necessary to educate the adults first through literacy programs (Benson, 2009).

In literacy programs, learners do not attend the school regularly. It is a part time education. The curriculum is embedded and skills generating. Literacy is a short and sharp program in which the learners learn all the basic abilities in a short interval of time. Literacy brings changes in the information, knowledge and understanding of the learners and skills of life are learned. Literacy is connected with the socio economic conditions of the people. It has often showed a positive relationship with budget of the families (Justice et al., 2003).

Less developed countries have seriously felt the importance of literacy and folding their objectives in a productive way. They are bringing their mass population towards the functional literacy. Most of the adults have not passed through the formal mode of education and reluctant to adjust themselves in the formal system of education. Workers and farmers are the main target of literacy as they are in the field, so they may be given priority in the literacy programs. Pakistan saw many fluctuations in the year 2011. Due to high growth rate and low level of investment Pakistan remained behind the Millennium Development Goals (PAKISTAN One UN Program Report 2011).

Pakistan is a country which has seen many ups and downs in the field of education. Several experiences have been done to cope with the illiteracy but no program has been fully successful. In the last two decades

Pakistan has steadily showed increase in the economic development. In the field of education the achievement rate is significantly low.

In Pakistan, the organized adult literacy had been initiated for the first time in 1985 under the name of "NaiRoshni." This project drew the people towards the literacy education. But unfortunately the project was soon abounded due to several constraints. A World Bank report 2010 shows that Pakistan is extremely behind the target. In Dakkar conference declaration Pakistan expected 100% literacy by 2015. Pakistan hardly reached the 52% mark by 2010. The said report has found several causes of not achieving the target such as high dropout, urban/rural location, school mapping, shortage of well trained and dedicated teachers and lack of teaching materials. Political leaders and bureaucracy did not take any interest in uplifting of literacy programmes on urgency level. Budget allocations remained inadequate. According to the partially conducted census 2008 the literacy rate of Pakistan is very low i.e. 52% with wide range variation in urban/rural and male/female basis. Literacy rate for urban population was 63% as compared to rural literacy rate of 34%. There was a huge gender. Male literacy rate in urban areas was 70% against female literacy rate of 55%. Similarly in rural literacy rate of males was 46% against the female literacy rate of 20%. Funds were taken from the donor agencies to enhance literacy. All these efforts failed due to its sustainability (Qureshi, 2002).

Literateness proportion of Pakistan as 52.5% which is composed 63 percent of males and 38 percent of females. This indicates a wider gender gap. As far as female literateness proportion is concerned, two out of every three females are illiterate. A huge hole is present in the rural urban location. Rural literacy 39 percent is lower than urban literacy of 70 percent. In Pakistan several schools are used for different functions and self uses of the people rather than literacy. People used these schools for their animals (Saleem, 2002).

Feudal system of Pakistan is the main barrier in the uplifting of literacy. The southern Punjab, Sindh and Balochistan are main privileged areas. The current literacy position of Pakistan is not satisfactory. Several steps will be taken to enhance the status of literacy of the country. Different programs will be introduced to raise the literacy rate to 86% by 2015 (Rasheed, 2004).

3. Objectives of the Study

- a) Identification of literates using a household survey sheet in the population of district Nowshera.
- b) To find out the economic aspects of literacy of the population.
- c) Application of literacy benefits to the families of participants in district Nowshera.

4. Research Methodology

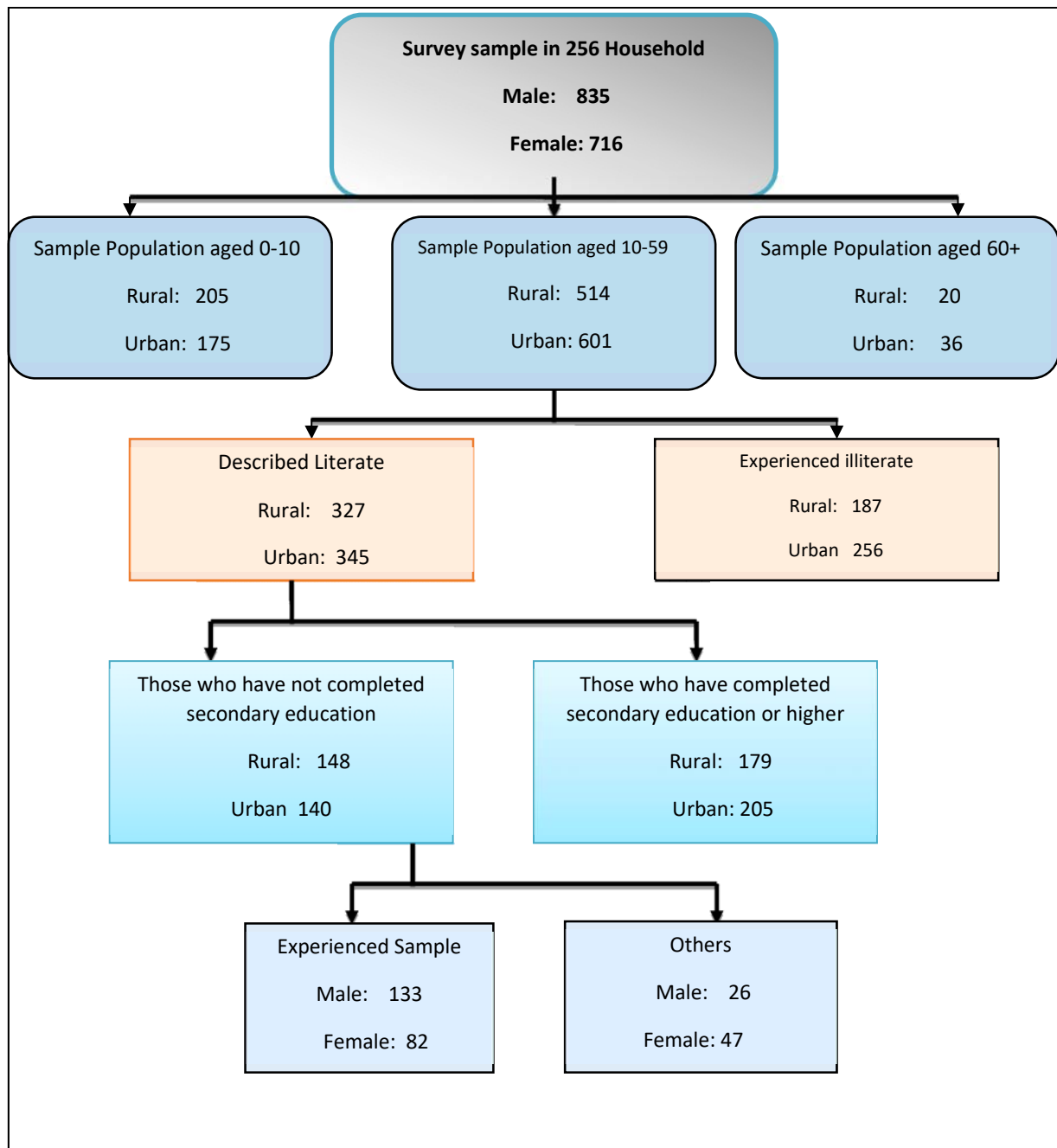
This was descriptive type survey research, which was engrossed on the economics aspects of literacy on humans in the selected urban and rural areas of District Nowshera. In such type of survey generally two tactics i.e. de-jure and de-facto are used to collect data from the population. De-jure technique counts the people in their usual place of living while de-facto technique is used to count the people in any place of their findings during the data collection period. In the current study de-jure technique has been used to collect the data from population. The collected data was tabulated on the basis of de-jure techniques. To find out the economic aspects of literates of age range of 10-59 tests was organized. De-jure and de-facto techniques and test are mostly in social sciences.

4.1. Population of the Study

Population of the study involves of the males and females in the age group 10-59. The respondents belong to urban and rural areas of District Nowshera who have have passed 5th grade examination and left over before completing 8th grade level.

4.2. Sample of the Study

Large size of sample is usually assumed for accurate survey still the researcher preferred small size of sample since it was easy to achieve, visible and small cost convoluted. To collect the data the sample was stratified in 4 zones. Each zone was divided in two parts i.e. urban and rural part. 4 villages and 4 towns from each Zone of District Nowshera were unsystematically selected. Equal numbers of houses were selected from urban and rural areas. To get estimate of literates 8 houses from each village or town were randomly selected. A total of 16 villages and 16 towns were selected from the district Nowshera. Hence the number of total houses was 256. The study was instigated using the method of stratified cluster sampling. Every Zone was measured one stratum and inside each Zone the study followed the sampling method used 4 strata, each village/town was considered as cluster, so in each stratum 8 clusters were measured. Henceforth, the study comprised of a total 4 strata (4 Zones), 32 clusters from 4 Zones. Picture of sample is as below:



4.3. Instrument of the Study

To check the literacy rate of the respondents a questionnaire was constructed in two parts. First part was about the basic information and characteristics of the respondents while second part was about the role of

literacy. Expert opinions were obtained to make the instrument valid. It was further refined through pilot testing. The reliability coefficient of the first part was 0.94, while that of the test part was 0.85.

4.4. Data Collection and Analysis

Data assemblage is a complex process. The researcher made plans to reach the respondents. The researcher visited and met the native leaders, prominent people, prayer's leaders and social workers to aware the respondents in the data gathering process. Introductory sessions were conducted to aware the respondents about the importance of the study and their role in the process of response. These sessions were very fruitful in establishing a good connection among the respondents and researcher. Convenient timing schedule for survey was drawn for the data gathering. As female respondents were also included in the study, so female health workers were haired for this purpose. In the first phase all the targeted respondents of age group 10-59 were recognized. After recognizing the targeted population, the respondents who have completed primary education but left before completing the elementary level were detached. In the second phase a questionnaire was distributed and filled with the help of Lady Health Workers (LHWs) who were already trained for this purpose. The data collected via questionnaire was encoded and analyzed through simple means and frequencies through SPSS package.

5. Findings

Table 1. Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	133	61.9	61.9	61.9
	Female	82	38.1	38.1	100.0
	Total	215	100.0	100.0	

Table 1 shows that 133 males and 82 females participated in the survey.

Table 2. Zone

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Pabbi	48	22.3	22.3	22.3
	Nowshera	67	31.2	31.2	53.5
	Akora Khattak	53	24.7	24.7	78.1
	Nizampur	47	21.9	21.9	100.0
	Total	215	100.0	100.0	

Table 2 shows zone-wise participant. Most participants belong to Nowshera while least participants belong to Nizampur.

Table 3. Location

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Urban	112	52.1	52.1	52.1
	Rural	103	47.9	47.9	100.0
	Total	215	100.0	100.0	

Table 3 shows urban/rural location of the participants. Urban participants are more than rural participants.

Table 4. Literacy brought change in your life

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agreed	173	80.5	80.5	80.5
	Agreed	35	16.3	16.3	96.7
	Uncertain	4	1.9	1.9	98.6
	Disagreed	3	1.4	1.4	100.0
	Total	215	100.0	100.0	

Table 4 shows that most of the participants (80.5%) were strongly agreed that literacy changed their life.

Table 5. Literacy changed your attitude

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agreed	189	87.9	87.9	87.9
	Agreed	20	9.3	9.3	97.2
	Uncertain	4	1.9	1.9	99.1
	Disagreed	2	.9	.9	100.0
	Total	215	100.0	100.0	

Table 5 shows that most of the participants (87.9%) were agreed that literacy changed their attitude.

Table 6. Literacy improved your temperament

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agreed	188	87.4	87.4	87.4
	Agreed	21	9.8	9.8	97.2
	Uncertain	4	1.9	1.9	99.1
	Disagreed	2	.9	.9	100.0
	Total	215	100.0	100.0	

Table 6 shows that most of the participants (87.4%) were strongly agreed that literacy improved their temperament.

Table 7. Literacy helped you in employment opportunities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agreed	149	69.3	69.3	69.3
	Agreed	35	16.3	16.3	85.6
	Uncertain	14	6.5	6.5	92.1
	Disagreed	17	7.9	7.9	100.0
	Total	215	100.0	100.0	

Table 7 shows that most of the participants (69.3%) were strongly agreed that literacy helped them in finding jobs.

Table 8. Literacy programs improved your skills

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agreed	154	71.6	71.6	71.6
	Agreed	37	17.2	17.2	88.8
	Uncertain	21	9.8	9.8	98.6
	Disagreed	3	1.4	1.4	100.0
	Total	215	100.0	100.0	

Table shows that most of the participants (71.6%) were strongly agreed that literacy improved the internal skills of the participants.

Table 9. You are getting more earning after getting literate

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agreed	181	84.2	84.2	84.2
	Agreed	26	12.1	12.1	96.3
	Uncertain	5	2.3	2.3	98.6
	Disagreed	3	1.4	1.4	100.0
	Total	215	100.0	100.0	

Table 9 shows that most of the participants (84.2) were strongly agreed that literacy had increased their earnings.

Table 10. Literacy enabled you socially empowered

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agreed	155	72.1	72.1	72.1
	Agreed	56	26.0	26.0	98.1
	Uncertain	2	.9	.9	99.1
	Disagreed	2	.9	.9	100.0
	Total	215	100.0	100.0	

Table 10 shows that most of the participants (72.1%) were strongly agreed that literacy had made them socially empowered.

Table 11. Literacy increased your decision power

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agreed	190	88.4	88.4	88.4
	Agreed	17	7.9	7.9	96.3
	Uncertain	7	3.3	3.3	99.5
	Disagreed	1	.5	.5	100.0
	Total	215	100.0	100.0	

Table 11 shows that most of the participants (88.4%) were strongly agreed that their decision power was enhanced by literacy.

Table 12. Literacy increased your purchasing power

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agreed	167	77.7	77.7	77.7
	Agreed	34	15.8	15.8	93.5
	Uncertain	13	6.0	6.0	99.5
	Disagreed	1	.5	.5	100.0
	Total	215	100.0	100.0	

Table 12 shows that most of the participants (77.7%) were strongly agreed that their purchasing power was increased by literacy.

Table 13. Literacy. Increased your saving power

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agreed	181	84.2	84.2	84.2
	Agreed	24	11.2	11.2	95.3
	Uncertain	7	3.3	3.3	98.6
	Disagreed	3	1.4	1.4	100.0
	Total	215	100.0	100.0	

Table 13 shows that most of the participants (84.2%) were strongly agreed that their saving power was increased by literacy.

Table 14. Your economic position upgraded in the society with literacy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agreed	158	73.5	73.5	73.5
	Agreed	51	23.7	23.7	97.2
	Uncertain	4	1.9	1.9	99.1
	Disagreed	1	.5	.5	99.5
	11.00	1	.5	.5	100.0
	Total	215	100.0	100.0	

Table 14 shows that most of the participants (73.5%) were strongly agreed that literacy had upgraded their economic position in the society.

Table 15. Your family educational status improved with your literacy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agreed	140	65.1	65.1	65.1
	Agreed	68	31.6	31.6	96.7
	Uncertain	4	1.9	1.9	98.6
	Disagreed	3	1.4	1.4	100.0
	Total	215	100.0	100.0	

Table 15 shows that most of the participants (65.1%) were strongly agreed that literacy had improved the educational status of their children.

Table 16. Your standard of life improved with literacy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agreed	175	81.4	81.4	81.4
	Agreed	32	14.9	14.9	96.3
	Uncertain	6	2.8	2.8	99.1
	Disagreed	2	.9	.9	100.0
	Total	215	100.0	100.0	

Table 16 shows that most of the participants (81.4%) were strongly agreed that literacy had improved their standard of life.

6. Discussions

It has been observed that literacy had brought a tremendous change in the lives of participants. Literate people are playing a remarkable role in the society. A simple literate person considers education a necessary tool against the poverty. They are spending on family education although they got literate in the last stage of their lives. Literate people have increased their purchasing and saving powers. Literacy helped them in finding their jobs and they are earning more and more.

7. Recommendations

It is necessary that there must be a strong communication between the literacy establishments and noteworthy inhabitants of the community. Improved incentives for literacy instructors and learners may be reserved in provisions. Further, rooted and profession oriented curriculum for literacy may be developed. And the process of valuation and observation must be reinforced. Furthermore, technical and vocational programs may be embedded in the literacy programs. Along this, female enrolment ratio may be enhanced through incentive programs. Last but not the least; a well-adjusted methodology is to be developed in order to improve the reading, writing, numeracy and visual skills of learners.

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Effect of Employee Political Skills on Employee Performance in Kenyan Universities

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Abstract

The objective of this study was to determine effect of employee political skill on employee performance in Kenyan universities. The study was grounded by social exchange theory in positivism study and adopted explanatory research design. Data was collected using questionnaire from a sample size of 567 academic and non-academic staff that were randomly selected from target population of 6147 employees in Kenya. The reliability of the data collection instrument was presented using Cronbach Alpha while factor analysis was used to validate the instrument. The study findings revealed that Employee Political skill had a positive and significant effect on employee performance ($\beta=.467$, $p<.05$). This finding implies that universities that equip employees with political skills are likely to experience high job performance. The study recommends leaders in institutions to instil the resource of employee political skill so as to enrich performance among employees.

Keywords; Political Skills, Employee Performance, Universities

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1. Introduction

Employee's performance can be considered as backbone of organization as it leads to its development effectively. Currently organizations are compelled to contend and behave in a competent way in such a tough era; as such, it is very crucial to have a qualified team that are reliable in generating competitive edge (Sofijanov & Chatleska, 2013). To remain in competitive market environment there

is high need for firms to consider enhancing employee's performance which is also an important tool for firm performance (Herman, 2014). Above all, firms are discovering that people really are the most important assets hence the need to make them participate in issues related to their welfare (David, 2015). Kuvaas (2018) asserts that native organizations maintain unparalleled traditional methods by managing employees as a clerical function generating significant distinctions on HRM practices such as political skills causing variance in employees' performance.

Employee Political skill is considered to be a complete design with reasonable perception, operative and good work ethics that reflect upon one's conduct when it comes to interconnection. People with political skills take note of how others are behaving and get to know how to correctly communicate, conduct themselves and others. They are also aware of their personality and are strongly accustomed to different public settings. According to Sharma and Hussain (2013), workers that practice political behaviour go through a lot of feelings to meet requirements of a job though this connection works in various ways when it comes to political skills. Staff with little political skills experience emotional labour as an aftermath though moving responses from political conduct were nullified for people with high political skills. A staff dedication is caused by expressive affection for the company. As proven by Ferris *et al.*, (2017) and Semadar *et al.*, (2016), political skill shows someone's capability to become a better person through changing their actions, understand other people's conduct and have an impact on their action in a safe and honest way.

Employees' performance level in 2015 in sub-Saharan Africa economies was the lowest among all regions. Organizational specialists see this fact as a persistent problem for the organization (Yin-Fah *et al.*, 2010). This is believed to be a stern problem due to its harmful effects on the organization mainly when the high performing employees quit from the organization. Precisely, Universities in Kenya are faced with uncertain deviations in employee political skill, commitment and organizational citizenship behaviour. There are no empirical studies in Kenya that show the effect of employee political skill on employee performance in universities and other sectors which this study strived to achieve.

2. Literature Review

As attested by Ferris, Treadway *et al.*, (2005) employee political skills have been described as the capacity to successfully comprehend the rest at the work place, as well as putting this know how to use in impacting the rest to behave in ways that improve individual as well as firm rationales. Therefore, politically apt persons put together social intelligence and their ability to cope with dynamic situational requirements in a way that seems to be genuine, stimulates trust and support and sufficiently impacts and regulates the reaction of others. Political skills, therefore, is based on proficiencies that are revealed

in job related scenarios, which shines light on situation volatility as well as attitudinal determinants. On the other hand, the variance due to attitudes is stronger; the variance due to situations can be influenced.

Political skills can assist in counteracting responses to job stressors. Perrewé *et al.*, (2004) and Perrewé *et al.*, (2005) contend so whereas Ferris, Treadway *et al.*, (2007) asserts that persons with elevated political skills portray a subtle self-belief due to feelings of control in addition to their personal sense of safety which allows them to keep up balance and outlook. Ferris *et al.*, (2005) later suggests that individuals with superior political proficiency are less likely to find surrounding pressures as terrifying.

Individuals with weak political skills are more inclined to capitalise on institutional response practices for instance coming back or engaging in defamatory behaviour given their inferior understanding in making use of alternative influence techniques for instance being civil. Harrell-Cook Ferris and Dulebohn (1999) earlier discovered that those well versed with political skills employ tactics such as flattery to attain their objectives, which in this instance would be to ensure just treatment. Indeed Treadway, Ferris, Duke, Adams and Thatcher (2007) realised that managers who perceived staff with superior political skills employing persuasive techniques and found it to be a sincere attempt while those who have low political skills using persuasive techniques as an outright attempt to coerce for self-serving intentions and thus have fewer odds at attaining their objectives.

Employee politics was incorporated into management publications thirty years ago. Ferris & Treadway, 2012; Vigoda-Gadot & Drory, (2006) contends that the importance of institutional politics for the public and private industries has been affirmed by a vast amount on studies carried out worldwide regarding its linkages and results. In the past few years, studies on institutional politics at the job has been centred on the paradigms of political skills (Blickle, *et al.*, 2012; Silvester, 2008 ;). Ferris, Treadway, (2012), in a short description cite that political skills can be viewed as a complex sequence of social astuteness, with psychological, affective and practise revelations.

Blickle, Oerder *et al.*, (2010) conducted an analysis of the political skills of German work ambassadors as well as its probability of their culmination in career. This analysis estimated these works ambassadors political skills and established that is essentially played a role in the eminence of their careers (for instance. a case of analysing career based on triumph in elections), when age, sex and fraternity affiliation are regulated. The concept of career eminence has in several instances been widely studied for an extended period of time and discovered to be influenced by conventional elements such as, job linked skills and individual performance record, in addition to political techniques, proficiencies in social skills and networking capacities. (Ng *et al.*, 2005).

It seemed fitting then, to analyse the part played by political skills in career eminence and commitment. When viewed from the outlook of institutional politics, careers can be referred to as political campaigns, (Inkson, 2004), entailing searching for contacts, expanding networks, (Treadway, Breland, Adams, Duke, & Williams, 2010), impression management (Bolino & Turnley, 2003), self-promotion (Higgins, Judge, & Ferris, 2003) and use of influence techniques. As such career eminence is essentially dependent on personal skills like political skills (Blickle, Oerder, & Summers, 2010), that allow for the successful sustenance of good impressions across different work set ups, more so for pictures that contribute to the examination of performance and career prospects. In addition, given that politically apt persons are more likely to effectively attain the career objectives they wish, they are more probable to achieve satiety with their careers.

Vigoda-Gadot, Vinarski-Peretz, and Ben-Zion (2003) proclaimed "outlook on politics more often than not views about the degree of sovereignty and authority employed by other institutional members to achieve benefits and protect their interests in situations of conflict." Valle and Witt (2001) stated "Organizational politics can assume both positive and negative meaning. "Institutional performance is negatively impacted by the outlook of politics (Byrne, 2005). According to Harrell-Cook and Dulebohn (2000) statement concerning perception of institutional politics "it entails a personal assignment to habits of self-serving causes and is defined as an individual's bias assessment of the degree to which the job surrounding is represented by fellow staff and managers who portray such self-benefiting habits.

3. Hypothesis Development

Proactive personality has been related to extrinsic job-related outcomes such as employee performance which leads to extrinsic career success, or actual advancements in salary and position (Seibert, Kraimer, & Crant, 2001). In an effort to assess the category validity of the Proactive Personality Scale, they discovered that proactive personality accounted for 8 % of the variance in unbiased estimates of employee performance as in the case of real estate dealers. Furthermore, proactive personality has been linked with other non-bias estimates for instance remuneration and promotion (Seibert, Crant, & Kraimer, 1999). Proactive personality was also discovered to be fundamentally linked to bias performance reviews by direct managers in different surroundings (Thompson, 2015) as they tend to set high standards, and harness all available resources into achieving those standards.

Bowling, Beehr, (2005) argued that proactive persons actively initiate development within their surroundings, while less proactive individuals take up a more reactive outlook towards their work. As such, proactive personality make intentional trials to stir up development in their surroundings, and

is essential in today's institutions depicted by fast changes and reduced supervision due to the great levels of performance created. Proactive personality leads people to a specific degree of effectiveness (Wagner, & Libkuman, 2005). As a matter of fact, two significant analyses discovered that proactive personalities, which happen to influence job satiety, may be responsible for upto 30% of the variance in employee performance. Proactive personality may have a precise effect on employee commitment and may impact the way in which employees view their work which in turn influences the results of the firm (Bowling *et al.*, 2005). Proactive personality will most likely influence job commitment as proactive individuals will be more satisfied with their jobs because they will remove obstacles preventing satisfaction hence performance (Erdogan & Bauer, 2005).thus, the study hypothesized that;

H1: proactive personality positively affect employee performance

Under high perceptions of a victimizing environment, the politically skilled will succeed in utilizing their social astuteness by adjusting their interpersonal influence practise for a short time to facilitate performance related resource transactions without exposing themselves to risk and in the long haul as well to collect reinforcements to dissolve existing and rising risks. In line with (Treadway *et al.*, 2013) task performance can assist people to attain the rewards and results needed to promote their social resources, and is positively associated with increased political skills (Ferris *et al.*, 2005; Jawahar *et al.*, 2018).

Judging from current scientific and theoretical work, McAllister *et al.*, (2016) contended that political skills improve the social influence procedure in three levels: recognition of opportunity, prospect evaluation and prospect capitalization. The social astuteness and interactive capacity of politically skilled workers helps them become more socially embedded, which in- turn leads to more opportunities to influence co-workers towards performance and other organizational benefits.

The main purpose of organizational social astuteness is to instigate the employee an active member of the organization. While a successful socialization of an individual increases organizational commitment, solidarity and success rate (Balci 2000), admission of a person to the institution to begin a career and their career growth is contingent on the fraternizing program enacted by companies as well as the individual's performance in the program. Socialization does not only encourage staff to gain organisational commitment, it also smoothens their integration into the institutional guiding principles, codes, techniques, norms and social linkages. In cases where an employee is not able to get socialized into the system, they may be forced to leave the institution and this scenario negatively affects both the employee and the organization in terms of loss of job and performance respectively. Hence our second hypothesis stated below.

H₂: Social Astuteness positively affect employee performance

Individuals with greater political skills are well versed with creating and taking advantage of different networks of people. Individuals in such networks tend to hold resources viewed as priceless and requisite for efficient operation of the institution as well as the individual. Due to their general refined fashion, politically skilled people find it easy to build associations and foster robust confederations and coalitions. Moreover, since social networks are intentionally built systems, people with superior connecting capacities see to it that they are well placed to both generate and take advantage of opportunities, Baron & Markman, (2000). Masters of the quid pro quo, they are often highly skilled negotiators and deal makers, and adept at conflict management.

A study on networking ability of German work ambassadors and its probability of their career thrive was assessed by Oerder *et al.*, (2010). This analysis assessed these works ambassador's political skills and established that it played a fundamental role in their career development when age, union affiliation and sex are held at constant. The concept of career thrive has continuously been investigated for a prolonged period and discovered to be influenced by conventional attributes, for example work linked skills and one's performance record, and also by networking abilities, political tactics, and social skills competencies (Ng *et al.*, 2005).

The role of networking ability in the supervisor-employee association dynamics playing a part in career opportunities, using several sources of information in Chinese companies as analysed by Wei *et al.*, (2010). An aggregate of 343 workers, their 343 direct superintendents and 662 contemporaries filled in surveys to investigate a framework that implying that low level employees make use of their networking ability in a bid to impact their association with their immediate bosses which eventually plays a card in unlocking better career opportunities and development. Also, a meta-analysis (Eby, Sorensen, & Feldman, 2005) concludes that political expertise and social capital for example, quantity or quality of accumulated contacts can act as dominant predictors of career success.

Networking ability gradually turned into the third fundamental determinant of employee's success in their job. On the basis of publications, the politically skilled are well averse in exploiting their circles by making sure that they are linked to impact others and that they are well placed to gain and create prospects. Furthermore, Blickle *et al.*, (2009), in their extensive researched ascertained that networking ability speculated fulfilment in one's career, stratified status and earnings. Only when employees are strong with networking ability, are they able to navigate the political environment at workplace thereby optimizing resources and power, can exercise influence, and are able to gain personal and organizational goals.

H₃: Networking Ability positively affect employee performance

Self-monitoring is also another psychological variable described as critical and computable personal variances and behavioural attributes (Becker, 2004). Various researches have analysed the influence of self-monitoring at work and have deduced that persons with optimum self-monitoring have superior social skill. Furthermore, most scholars discovered that males are more self-monitored as compared to females. Pasha, (2009) cites that high or low self-monitoring in people is contingent on practices, beliefs and disposition. While Rachlin (1999) is of the opinion that individual with high self-monitoring has higher employee performance within the organization in which they work for.

In his study, Zaki (2003) claims the existence of a linkage between organizational commitment and self-monitoring. In his analysis, Dobrin also touches on the linkage between individual attributes and employee commitment; he discovered that individual attributes enhance the likelihood of an individual to seek an attachment. In their analysis, Sharifi and Salami (2010) established that frameworks of neuroticism, introspectiveness, compatibility and dutifulness could predict employee performance. One of the cognitive characteristics that has cognitive source is locus of control that affects many of job aspects of managers and employees.

Concerning a study suggesting self-monitoring and locus of control affect organizational performance, findings expressed that variables of self-monitoring and essence of control do not bear impacts by themselves, but when integrated. In line with the first part of the hypothesis brought forward implying the influence self-monitoring has on organizational commitment, the findings of the current study were inconclusive. It is Rachlin's (1999) perception that persons with superior self-monitoring tendencies have elevated commitment. In elucidating the findings of this study, Boswell (2001) attests that high or low self-monitoring in individuals depends on the difference in attitudes, behaviours and beliefs.

On the other hand, self-monitoring is a distinct individual attribute unique to each person, in simpler terms, persons with high self-monitoring exude unique responses and tendencies depending on the degree of self-monitoring. High or low self-monitoring demonstrates cultural superiority, social norms, values, individual attributes and moral fabric of individuals. Other results also indicate that religion and its teachings are effective in creating self-monitoring in individuals.

In line with the above findings concerning the impacts of some criteria for instances culture, values, attitudes, religion individual diversity and gender on persons with low or high self-monitoring and given that the education system is among the institutions where a cluster of individuals are imparted with several perceptions, values and diversity among individuals that are not computed in the analysis, certify our failure to attain conclusive results in the investigation.

H₄: Self-monitoring positively affect employee performance

According to DePasquale and Geller (1999), high level of interpersonal influence is advantageous for institutional operation. In his study, McAllister (1995) broke down interpersonal trust into two forms, affect-based and cognitive interpersonal trust. Trust that is cognitive in a firm environment entails. Reliability, dependability, proficiency, and responsibility, on the contrary, affect-based trust involves fervent attachments between teammates (McAllister, 1995). McAllister, (1995) conducted an interview involving 194 supervisors and experts, his findings showed that supervisors with optimum affect-based trust in their co-workers tend to pursue opportunities to fulfil the needs of colleagues that are work-affiliated in addition to participating in constructive intervention. This study builds path for future research on how trust among managers in organizations influence their behaviour and performance.

Trust is affective; in line with fervent attachments between persons. People invest in such sort of trust relationship by showing sincere concern for the wellbeing of other members, stand by the natural virtue of such associations and that such feelings are returned. Affective trust is proximally linked to the idea that a fellow's actions are congenitally inspired and represented by feelings of safety and recognized tenacity of the relationship. So the emotional ties that link individuals are accepted to be the basic antecedent for trust.

According to the study of Baker, (2007) in a commitment system, employees and the institution are seen as holding each other in high respect and incentives encourage social practices such knowledge exchanges, peer guidance and reinforcement. His research brought forward that social support attained from peers has an explicit definitive linkage to commitment which impacts employee performance as a whole. In line with the findings of this research, Chen, (2002) stated that peer support has an additive effect performance in the organization.

H₅: interpersonal influence positively affects employee performance

4. Material and Methods

The study adopted positivism approach. In this study positivism was an applicable perspective because effect of employee political skills on performance of staff was assessed without bias through the use of existing theoretical models as well as structured tools to measure and investigate it, after which conception was done from the discoveries. Explanatory research design is centred on situational analysis or a particular issue to elaborate the sequence of linkages between variables. The study targeted 6147 academic and non-academic staff from two top public universities (University of Nairobi and Kenyatta University) and two Private (Strathmore university and United States International

University), (University HR records, 2018;www.4icu.org/ke). Systematic sampling was used to select employees in each university to constitute the sample. Primary data was obtained from the universities employees using questionnaires.

4.1. Measurement and Operationalization of Variables

4.1.1. Dependent variable

The questionnaire was applied to know the performance of employees in universities. It was developed and validated by Pradhan *et al.*, (2017). Responses were recorded on 5-likert scale, 1=strongly disagree and 5=strongly agree. It had 23 items in all types of employee performance they included (Task performance-6 items), (Adaptive performance-7 items) and (Contextual performance-10 items) the high score showed high employee performance and low score showed low employee performance.

4.1.2. Independent Variables

The study adopted items for the political scale dimensions from Political Skill Inventory (PSI) Ferris, Treadway *et al.*, (2005) which were; proactive personality (nine items), social astuteness (eight items), interpersonal influence (eight items), networking ability (eight items), and self-monitoring (eight items). The PSI consisted of forty one items which participants answered by indicating to what extent they agreed or disagreed with each statement about themselves in the workplace on a one (strongly disagree) to five (strongly agree) Likert scale. A sample item was, "I am good at getting people to like me." Each PSI item related to one of the five dimensions of political skills (i.e. proactive personality, social astuteness, interpersonal influence, networking ability, and self-monitoring). The mean score of all items within a dimension indicates the participant's proficiency in that specific dimension of political skills. The mean score of all forty one PSI items indicated the participant's total political skills proficiency. Individual political skills within a dimension and overall were defined by Ferris, Davidson, and Perrewe (2005).

4.2. Model specification

Collected data was analysed using multiple regressions and correlation analysis, the importance of every independent variable was measured at an accurate level of 95%. The research's regression equation was applied as depicted below; the coefficients beta (β) for each independent variable was formulated from the model, subjected to a t –test, in order to test each of the hypotheses under study. The regression model that was used to test is shown below;

$$y = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \varepsilon$$

Where, Y = Employee performance

α = Constant

$\beta_1 \dots \beta_5$ = the slope representing degree of change in independent variable by one unit variable.

X_1 = Proactive personality

X_2 = Social astuteness

X_3 = Networking ability

X_4 = Self- monitoring

X_5 = Interpersonal influence

ε = error term

5. Findings

This section discusses the research findings for quantitative. SPSS version 24 was employed to highlight any errors of perceived variables in the information file. Kurtosis and Skewness on every one variable were investigated for univariate anomalies. In the event (s) that anomalies were identified from the sample, distant and influence studies were carried out to determine individual case(s) as outliers at the multivariate level.

5.1. Sample characteristics

Most of the employees are between 36-45 years in Kenyan Universities being the youth. employees possess the requisite experience to perform their duties effectively. As such, the employees' job experience is part of the organisations' human capital. There was an almost equal representation of both male and female employees though male employees comprise the majority. Since both male and female individuals are given a chance to share their knowledge, the outcome for the organisation is likely to be greater.

Table 1. Demographic Characteristics

		Frequency	Percent
age bracket	35 years and below	106	24.8
	36-45 years	157	36.8
	46-55 years	151	35.4
	Over 55 years	13	3
job tenure	1-10 years	29	6.8
	11-20 years	120	28.1
	21-30 years	196	45.9
	Over 31 years	82	19.2
highest Educational Level	Undergraduate	94	22
	Post graduate	145	34
	Doctorate	188	44
Gender	Male	216	5.6
	Female	211	49.4

5.2. Univariate analysis

Finding's in table 2 below show that universities employees are willing to perform their duties regardless of the situation ($M=4.26$). Proactive personality ($M=4.44$) shows that universities employees are willing to actively commit their personality to the university. social astuteness ($M=3.77$) shows that university employees offer most of their social astuteness to the achievement of the university's objectives. Finally, the results indicate that most of the respondents employees introduce people to each other who might have a common strategic work interest ($M=3.71$, $SD=.75$). Self-monitoring ($M=3.94$) shows that universities employees use most of their self-monitoring traits to the achievement of the university's objectives. The Pearson's correlation coefficient assesses the degree to which quantitative constructs are linearly related in a sample (Nikolić *et al.*, 2012). From the results in table 2, there is a positive and significant correlation between the independent variables and employee performance. Proactive personality positively correlate with employee performance ($r=.807$, $q<.01$). Moreover, results indicate that social astuteness positively relates to employee performance ($r=.497$, $q<.01$). From the results, networking ability was positively and significantly correlated to employee performance ($r=.459$, $q<.01$). The correlation results showed that self-monitoring has a positive and significant relationship with employee performance ($r=.500$, $q<.01$). Interpersonal influence positively correlate with employee performance ($r=.571$, $q<.01$).

Table 2. Univariate Analysis

		Mean	Std. Dev	1	2	3	4	5	6
1	EP	4.84	4.26	1					
2	Proactive Personality	4.35	0.41	.807**	1				
3	Social Astuteness	3.77	0.54	.497**	.486**	1			
4	Networking Ability	3.23	0.74	.459**	.399**	.369**	1		
5	Self-Monitoring	3.94	0.42	.500**	.437**	.378**	.472**	1	
6	Interpersonal Influence	3.77	0.6	.571**	.521**	.454**	.582**	.700**	1

* Correlation is significant at the .05 level (2-tailed).

** Correlation is significant at the .01 level (2-tailed).

Source; (Field data, 2019)

5.3. Testing For Hypotheses

A multiple linear regression analysis was performed to calculate the coefficients of independent variables with employee performance. The combined prediction of all the variables accounted for approximately 69.6% of the total variation in employee performance ($R^2 = .696$, Adjusted $R^2 = .692$). The ANOVA model showed that the joint prediction of all the independent variables as depicted in Table 3

below was statistically significant ($F = 192.360, p=.000$). Thus, the model was fit to predict employee performance using employee political skills.

The results presented in Table 3 below shows a positive and significant association between employee political skills (Proactive, Astuteness, networking, monitoring and Interpersonal) and employee performance as indicated by all the positive Betas (β) and significance values of less than 0.05 ($p<.05$). Therefore, the hypotheses supported

Results on proactive personality showed that proactive personality have a positive and significant effect on employee's performance in Kenyan Universities. Their performance was also found to be positively correlated with proactive personality. This finding was supported by Thompson, (2005), people with high proactive personality tend to be relatively unconstrained by situational forces and have a great effect on changing the environment. Additionally, they identify opportunities and show initiative to create meaningful changes in their environment. Those abilities have an influence on the variable of Employee performance, where employees identify with an organization, get involved in it, pursuing its goals and feel a strong bond towards it. Proactive people have been shown to engage in active surveying of their environment, maintaining vigilance, and enacting behaviours intended to bring about desired outcomes. Proactive people actively seek out new information and practices in order to improve their performance (Crant, 2000).

Social astuteness was found to have a positive and significant effect on employees' performance in Kenyan Universities. The results also showed that there is a strong positive significant correlation between social astuteness and employee's performance. The results were backed up by Balci (2000)successful socialization of an individual increases organizational commitment, harmony and success rate, joining of the individual to the organization to start a career and his/her progress in this career depends on the socialization program implemented by organizations and individual's success of this program. Not only socialization enables employees to have organizational commitment it also eases their adaptation to organizational values, rules, norms, methods and social relationship. Failure of an employee to socialize may lead the employee to leave the organization and this situation causes harm to both the employee and the organization. Also Eisenberger and others, (2001)supported the findings, with the satisfaction of social emotional needs like affiliation and emotional support a stronger identification with the organization improves their affective organizational commitment and thus improve performance which is felt by employees by getting involved in an exchange with the same actor again and again.

Networking ability was found to have positive and significant influence on employees' performance in Kenyan Universities. These findings tallied with Baron & Markman, (2000) who argued that individuals who are high in networking ability ensure they are well positioned in order to both create and take advantage of opportunities. Moreover, Blickle *et al.* (2009), in their longitudinal study proved that networking ability predicted career satisfaction, hierarchical position, and income. Only when employees are strong with networking ability, are they able to navigate the political environment at workplace thereby optimizing resources and power, can exercise influence, and are able to gain personal and company goals through organizational commitment.

Self-monitoring was found to have a positive and significant affecting employees' performance in Kenyan Universities. Rachlin (1999) supported the results, believes that individual with high self-monitoring has higher employee performance within the organization in which they work for. Haland (2004) also backed up the result by suggesting that self-monitoring and locus of control have better organizational performance and, results showed that variables of self-monitoring and locus of control do not affect alone, but the combination of the two variables affect employee performance.

Interpersonal Influence correlated positively with casual employees' performance. McAllister (1995) supported the finding by interviewing 194 managers and professionals and his results demonstrate that managers with high affect-based trust in their colleagues are more inclined to look for opportunities to meet co-workers' work-related needs and to engage in productive intervention. This study builds path for future research on how trust among managers in organizations influence their behaviour and performance. Affective trust is closely related to the perception that a partner's actions are intrinsically motivated and characterized by feelings of security and perceived strength of the relationship. So the emotional ties that link individuals are accepted to be the basic antecedent for trust that leads to better performance in an Organization.

Table 3. Multiple Regression

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	0.462	0.125		3.707	0.000
Proactive	0.640	0.033	0.654	19.447	0.000
Astuteness	0.067	0.028	0.077	2.388	0.017
Networking	0.054	0.024	0.075	2.237	0.026
Monitoring	0.072	0.032	0.086	2.243	0.025
Interpersonal	0.079	0.037	0.092	2.136	0.033
Model Summary statistics					
R Square	0.696				
Adjusted R Square	0.692				
Std. Error of the Estimate	0.311				
Model Fitness Statistics					
ANOVA(F stat)	192.360				
ANOVA(F prob)	0.000				

a Dependent Variable: performance

6. Conclusion and Recommendation

This section attempts to investigate a study of employee political skills on employee performance. Employee political skills positively impacts on employee performance. It can therefore be said that political skilled employees are an asset to the organization since politically skilled are more likely than less skilled employees to understand the social implications of resource expenditures, discern the present and potential value of social resources, and understand how they fit into others' functioning in the social environment for better performance. As well, they are effective in identifying opportunities within the work environment and persist until there is notable change in the organization.

The study also concludes that there is a significant statistical association between employees' personal attributes and employee performance in Kenyan universities. It is evident that where employees have competent skills, well trained, advanced career development, highly motivated, positive attitude among other attributes, the level of their production tends to be higher than organizations where employees do not possess these attributes. This implies that the employees' level of performance is significantly affected by personal attributes. Thus, there is need for organizations to improve personal attributes among employees, more especially on political skills in order to achieve the organization goals.

The study recommends that to improve on their productivity, Kenyan universities should consider encouraging and promoting all political skill. Since, political skills are a major predictor of employee

performance. Employees who are politically skilled leverage their networks by ensuring that they are connected to influence others. The politically skilled also are more likely than less skilled employees to understand the social implications of resource expenditures, discern the present and potential value of social resources, and understand how they fit into others' functioning in the social environment. Failure also for an employee to socialize may lead the employee to leave the organization and this situation causes harm to both the employee and the organization. As a result, it is essential for organizations to have employees with high political skills since they stand a better chance at taking advantage of opportunities that are beneficial to the organization.

Considering the foregoing, there is need also for organizations to focus on whether their employees are satisfied with their job because they are at a risk of losing dissatisfied employees that possess valuable set of skills. Also, it is of vital importance to assure employees that they will progress in their career within the organization. Kenyan university management should promote conducive work environments for their employees as this will enhance positive performance. Work environment as a sum of the interrelationship of various factors that exist among the employees and the employers need to be enhanced to moderate the constructs of political skills for positive performance.

7. References

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