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Abstract
In Malaysia, construction companies have played a great role in the growth of the country’s economy over the years. The poor motivation for the implementation of the construction on-site waste reduction, insufficient waste management skills, the shortage of appropriately designed and decently handled landfill system, lack of teamwork, unequal workload and task distribution among the divisions are the result of poor organizational structure among construction firms. Lack of frequent staff training, management performance, and human resource management practices and the problems of waste management regulations have also resulted in improper enforcement of waste management policy and planning framework for waste management. To address the aforementioned issue, this paper aims to 1) investigate the significant relationship between specialization and construction waste management (waste reduction) in Kota Bharu construction industry, 2) investigate the significant relationship between standardization and construction waste management (waste reduction) in Kota Bharu construction industry. 95 construction companies that are registered under the CIDB Malaysia among Kota Bharu, Malaysia construction companies were surveyed. PLS-SEM technique was used in this research to assess both the measurement and structural models. The results showed that specialization played a significant positive role in construction waste management (waste reduction) among construction companies operating in Kelantan, Malaysia.

Keywords: Construction industry, Organizational structure, Construction waste management.

Suggested Citation:
1. Introduction.

Construction wastes are the waste generated from construction activities. It includes different materials that come from different activities such as earth materials, for example; vegetation, soil, and rocks as a result of excavation work, leveling of land, clearance of the site, among others. On the other hand, wastes could be defined as unwanted things or unusable things. For this reason, waste is regarded as materials that are unwanted because they are considered to have no value. For example, the wastes that could be produced in building construction are wood, glass, concrete, steel, brick soil, gravels, metals, and other element (Rahman & Adeleke, 2018).

Issues related to construction waste management were also put into consideration by other researchers. For example, Wang and Yuan, (2008) made efforts in treating the on-site complexity of waste management through the use of a system dynamics approach. Furthermore, the use of traditional construction techniques and the lack of sufficient Waste Management skills are the problems associated with waste management. In another study, Wang and Yuan, (2006) revealed that lack of motivation resulted in poor execution of construction and demolition of waste on-site. Therefore, the need for government rules on waste management relatively with low charges of the landfill in China was suggested (Adeleke et al., 2019; Taofeeq et al., 2019).

An organizational structure is a framework in which communication and effective work processes are facilitated. Fredrickson (1986), stated that organizational structure is an equal workload, poor organizational structure and the lack of teamwork lead to unequal distribution of tasks among departments or divisions. Standardization is a dimension of the organizational structure that can reduce costs and also have a positive effect on processes. Besides, specialization plays a key role in the area of the operations’ management evolution. The large-scale operations caused by the industrial revolution, require the need to categorize means of simplifying the complex processes which involved breaking down a task, optimization of the component steps, thereby encouraging workers to focus on repetitive task (Abulhakim & Adeleke, 2019; Hassan et al., 2019; Taylor, 1911). Standardization means that a measure of quantity, weight, scope, value, or quality was set up and set by an authority, as a rule, or norm (Merriam-Webster Dictionary 2014).

Construction projects are built only once because they are unique (Fazlina, 2018). This research focuses on the construction companies in Kelantan, especially in Kota Bharu area. In Kelantan, most of the construction projects are carried out in Kota Bharu; so, this study will be conducted in Kota Bharu because it is the capital city of Kelantan. Usually, the main office is located in the city of the construction companies so that it will be easy to approach the construction companies that are located in Kota Bharu,
Kelantan. This study will be beneficial to researchers and construction companies (employers and employees) in the Malaysian construction industry. So, this research aims to investigate the relationship between specialization, standardization, and construction waste management among the Kelantan Malaysia construction industry. Adekunle (2011) reiterated that the inability of the government to set clear roles and responsibilities among the three tiers of government for the construction organizations for the attainment of effective and efficient construction waste management practice led to the inefficiency of construction waste management (Adeleke et al., 2015).

2. Literature Review

2.1 Overview of the Malaysian Construction Industry.

The Malaysian construction industry is regarded as one of the driving forces of its economy. This industry plays a significant role in producing wealth together with making an improvement in the quality of life for Malaysians. The construction industry provides job opportunities and in this way contributes to the economy of the country (Razak Bin Ibrahim et al., 2010). Building projects are important responsibility being performed by the construction industry in improving the economic growth of the country and the standard of living of the citizen (Azman & Adeleke, 2018; Hanapi et al., 2013). The waste management approach is important to achieve and maintain the acceptable quality of the environment and support sustainable development is a complete, integrated and rational system approach (Minks, 1994). Any leftover materials from any excavation or development of land, civil or constructive, road building, construction, remodeling or demolition, may be considered to be waste from construction & demolition. (EPD, 2004). Furthermore, Waste management as a means of managing construction waste management is not cost-effective and examining other alternative waste disposal methods such as recycling. Recycling, and reduction of waste from source are waste management strategies. (Taofeeq et al., 2019; Bamgbade et al., 2019; Minks, 1994).

Specialization plays a key role in the area of the operations’ management evolution. Quick completion of the main tasks by workers is achieved through specialization (Newell & Rosen Bloom, 1981; Argote 1999; Schultz, McClain & Thomas, 2003).

In relation to an individual worker, there is a great benefit in the specialization because where individual staffs remain in the same task over time, knowledge related to the job or gain can help improve his or her performance (Huckman & Pisano, 2006; Humphrey, Nahrgang, & Morgeson, 2007). Standardization is how far employees work within the organization in accordance with standard procedures and rules (Hsie and Hsieh, 2001). It ensures the employees complete their tasks and functions in a necessary manner so that the actions and conduct of an employee are routine and predictable (Jones, 2013) and the work is carried out at all locations in a common way (Daft, 1995;
Adeleke et al., 2019). Standardization is a mechanism to control the behaviour of workers in an organization in order to achieve the set objectives.

The mechanistic structured organization where the employees operate separately and specialize on a single function and also a well-defined hierarchy of authority, focuses on the individual specialization. The organizational efficiency of the management of construction residue can be a key subject in the study of organizations when identifying the effectiveness of an organization, and which is one of the concepts of organizational theory. The effective management of construction waste would sometime be aided by organizational structure. This is a consequence of the flexibility of this kind of structure, through the innovative ideas and support from members of the organization. Standardization is linked to the organizing efficiency of waste management in construction (Taofeeq et al., 2020; Sabodin & Adeleke, 2018).

2.2 Conceptual Framework

This study will be conducted by utilizing a specific model which is the conceptual model of the study and which clearly shows the independent and dependent variables that are used. As shown in the conceptual framework (Figure 1), the dependent variable of this study is Construction Waste Management (waste reduction) and the independent variables are Organizational Structure (specialization and standardization). The framework of the study is to depict the connection between independent and dependent variables of the study.

![Figure 1: Research Framework](image-url)
2.3 Relationship between Specialization and Construction Waste Management (Waste Reduction).

Subramanian & Nilakanta (1996) considering that specialization is also defined as an employee’s written commitment and willingness to move between different departments in an organization. The numerous components of the structure affect the efficiency of the organization. The structure is therefore classified into different categories as follows: (1) the mechanistic organizational structure (2) organic structure. Organic structure is the structure of an organization in which an integrated specialization exists, while the staff works together to foster coordination and work as a primary integration mechanism for teams (Subani & Adeleke, 2020; Bamgbade et al., 2019; Katz & Allen, 2004). Meanwhile, the mechanistic structured organization, where the employees operate separately and specialize on a single function and also a well-defined hierarchy of authority, focuses on the individual specialization. In addition, Duncan (1976) also proposes to enhance construction waste management in an organic structure, while the mechanistic structured type of organization represents a new aspect. The role of specialization is very significant and should be considered to reduce the waste for the construction industry. Therefore, they showed that there is a positive relationship between specialization and construction waste management (waste reduction). Thus it is hypothesized as follows:

**Hypothesis 1:** There is a significant relationship between specialization and construction waste management (waste reduction).

2.4 Relationship between Standardization and Construction Waste Management (Waste Reduction).

Standardization, according to Hsieh and Hsieh (2001), is the extent to which employees operate in an organization in accordance with standard procedures and rules. Standardization is linked to the organizing efficiency of waste management in construction. Therefore, standardization also affects the efficiency of construction firms. The effective management of construction waste sometime would assist by organizational structure. This is a consequence of the flexibility of this kind of structure, through the innovative ideas and support from members of the organization (Adeleke et al., 2018). Therefore, they showed that there is a negative relationship between standardization and construction waste management (waste reduction). Thus it is hypothesized as follow:

**Hypothesis 2:** There is a significant relationship between standardization and construction waste management (waste reduction).
3. Methodology

The data were collected at single-point-in-time, so this research is a cross-sectional research design (Adeleke et al., 2019; Bamgbade et al., 2019; Sekaran & Bougie, 2013). The research instrument is a questionnaire. This method is chosen as it is one of the most widely used and accepted instruments for social science researches (Adeleke et al., 2016; Sekaran, 2006; Bamgbade et al., 2015). The items from the existing literature were adopted and adapted to construct the questionnaire items in order to make sure that all the important points are covered during measurement. The total number of 90 copies of the questionnaire returned from the sampled construction companies. So, the sample size for this research was 90 companies in Kota Bharu, Kelantan.

3.1 Instrument Design

The quantitative method was used in this research as it is more structured than the qualitative method of data collection. Hence, the data was collected using the questionnaire. As stated above, the method used in this research for the data collection process was the questionnaire as it is found to be easier for the collection of data from the respondents. Five-point Likert scale was adopted to measure the independent and dependent variables which range from (1) very low, (2) low, (3) medium, (4) high, and (5) very high, following (Adeleke et al., 2018). According to Sekaran (2003) and Sekaran & Bougie (2009), to compute the standard deviation and the mean feedback on the variables and the mid-point of the scale a researcher must adopt the rating scale. In analyzing the data, SPSS software version 22.0 was used for respondents’ demographic characteristics such as position, company years of existence, gender, company’s prime location, company’s ownership, work experience, number of full-time employees and company ownership (Hassan & Adeleke, 2019; Bamgbade et al., 2016). The data analysis adopted for both independent and dependent variables was Smart PLS version 3.0. All the variables in this research are multidimensional as presented in Table 1:

<table>
<thead>
<tr>
<th>S/N</th>
<th>Constructs</th>
<th>Dimension</th>
<th>Source</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Organizational Structure</td>
<td>Specialization Standardization</td>
<td>Adeyoyin (2013)</td>
<td>Adapted</td>
</tr>
</tbody>
</table>
4. **Result and Discussions**

4.1 **Data Collection and Sample**

In Kota Bharu Kelantan, construction companies were given about 95 copies of the questionnaire. 90 questionnaires were filled and returned, thereby making the sample size for this research to be 90 respondents. Table 2 shows a summary of the demographic characteristics of respondents for this research.

| Table 2: Summary of Demographic Scales of Respondents |
|-----------------------------------|---------------|
| **Type**                          | **Items**     | **Percentage (%)** |
| Position                          | Contract manager | 10          |
|                                   | Safety officer | 22.22       |
|                                   | Project manager | 7.78        |
|                                   | Worker         | 34.44       |
|                                   | Others         | 25.55       |
| Working experience                | 1-3 years      | 32.22       |
|                                   | 4-6 years      | 48.89       |
|                                   | 7-9 years      | 12.22       |
|                                   | >10 years      | 6.64        |
| Gender                            | Male           | 56.67       |
|                                   | Female         | 43.33       |
| Type of project                   | Residential building | 52.22     |
|                                   | Commercial building | 33.33    |
|                                   | Educational building | 8.89     |
|                                   | Others         | 5.56        |
| Company ownership                 | Local          | 90.00       |
|                                   | National       | 10.00       |
| Company prime location            | Local market areas | 51.11     |
|                                   | Across Malaysia | 20.00       |
|                                   | Within a few states | 26.67    |
|                                   | International markets | 2.22    |
| Company existence                 | 1-3 years      | 4.44        |
|                                   | 4-6 years      | 10.00       |
|                                   | 7-9 years      | 38.89       |
|                                   | >10 years      | 46.67       |
4.2 Measurement Model

Before examining the hypothesis, the technique that was used to test and measure the inner and outer model is Partial Least Square Structure Equation Modelling (PLS-SEM). Figure 2 shows the model of this research with the structural dimensions (Malik & Adeleke, 2018; Bamgbade et al., 2015).

![Figure 2: Measurement model](image)

The measured content validity (Table 3) was explained in two different manners. The first way was through high loading in the items on their corresponding constructs in relation to other constructs. The second way was through the loading of items that were significantly loading on their corresponding constructs by confirming the content validity of the measures utilized in the study (Taofeek & Adeleke, 2019; Chow and Chan, 2008). The following three (3) criteria were adopted for the purpose of establishing the convergent analysis: Composite Reliability (CR), Average Variance Extracted (AVE), and Factor Loadings (FL). The loadings of all items were tested and those that their values were more than 0.5 were accepted. CR is the degree to which a group of items shows latent constructs of the model (Hair et al, 2011). Barclay et. al (1995), stated that when the AVE value is at least 0.5, then a set of items
have enough convergence to measure the concerned construct (Ismayana & Adeleke, 2020; Omer & Adeleke, 2019; Bamgbade et al., 2019).

Table 3: Factor Analysis and Loading of the items (Cross Loading)

<table>
<thead>
<tr>
<th></th>
<th>RW</th>
<th>SP</th>
<th>ST</th>
</tr>
</thead>
<tbody>
<tr>
<td>RW1</td>
<td>0.778</td>
<td>0.735</td>
<td>0.320</td>
</tr>
<tr>
<td>RW10</td>
<td>0.700</td>
<td>0.467</td>
<td>0.206</td>
</tr>
<tr>
<td>RW11</td>
<td>0.752</td>
<td>0.549</td>
<td>0.115</td>
</tr>
<tr>
<td>RW12</td>
<td>0.810</td>
<td>0.644</td>
<td>0.296</td>
</tr>
<tr>
<td>RW13</td>
<td>0.887</td>
<td>0.694</td>
<td>0.299</td>
</tr>
<tr>
<td>RW2</td>
<td>0.630</td>
<td>0.396</td>
<td>0.147</td>
</tr>
<tr>
<td>RW8</td>
<td>0.564</td>
<td>0.441</td>
<td>0.242</td>
</tr>
<tr>
<td>RW9</td>
<td>0.811</td>
<td>0.609</td>
<td>0.337</td>
</tr>
<tr>
<td>SP1</td>
<td>0.714</td>
<td>0.866</td>
<td>0.316</td>
</tr>
<tr>
<td>SP2</td>
<td>0.656</td>
<td>0.823</td>
<td>0.347</td>
</tr>
<tr>
<td>SP3</td>
<td>0.502</td>
<td>0.742</td>
<td>0.411</td>
</tr>
<tr>
<td>ST1</td>
<td>0.264</td>
<td>0.333</td>
<td>0.619</td>
</tr>
<tr>
<td>ST10</td>
<td>0.307</td>
<td>0.359</td>
<td>0.824</td>
</tr>
<tr>
<td>ST5</td>
<td>0.115</td>
<td>0.236</td>
<td>0.654</td>
</tr>
<tr>
<td>ST8</td>
<td>0.144</td>
<td>0.165</td>
<td>0.764</td>
</tr>
<tr>
<td>ST9</td>
<td>0.298</td>
<td>0.389</td>
<td>0.824</td>
</tr>
</tbody>
</table>

Converge validity can be explained as the degree to which a bunch of variables is converged to measure a particular concept. The loadings of all items were tested and those that their values were more than 0.5 were accepted. CR is the degree to which a group of items shows latent constructs of the model (Taofeeq et al., 2019; Adeleke et al., 2015; Hari, 2010). The value of CR and AVE are presented in Table 4:
Table 4: The Convergent Validity Analysis

<table>
<thead>
<tr>
<th>Construct dimensions</th>
<th>Items</th>
<th>Loading</th>
<th>Composite Reliability</th>
<th>AVE</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced Waste</td>
<td>RW1</td>
<td>0.778</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RW10</td>
<td>0.700</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RW11</td>
<td>0.752</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RW12</td>
<td>0.810</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RW13</td>
<td>0.887</td>
<td>0.909</td>
<td>0.559</td>
<td>0.885</td>
</tr>
<tr>
<td></td>
<td>RW2</td>
<td>0.630</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RW8</td>
<td>0.564</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RW9</td>
<td>0.811</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specialization</td>
<td>SP1</td>
<td>0.866</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SP2</td>
<td>0.823</td>
<td>0.853</td>
<td>0.660</td>
<td>0.743</td>
</tr>
<tr>
<td></td>
<td>SP3</td>
<td>0.742</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standardization</td>
<td>ST1</td>
<td>0.619</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ST10</td>
<td>0.824</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ST5</td>
<td>0.654</td>
<td>0.858</td>
<td>0.550</td>
<td>0.803</td>
</tr>
<tr>
<td></td>
<td>ST8</td>
<td>0.764</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ST9</td>
<td>0.824</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The discriminant validity is necessary for the construct validity of the outer model. It is essential to be tested before examining the hypothesis through path analysis. It shows the extent to which items differ between constructs. Moreover, it indicates that items that are used in different constructs do not overlap. As shown in Table 5, the square root of AVE for all the constructs was used to replace the diagonal elements on the correlation matrix. The diagonal elements are higher than the other elements of the same row and column where they are placed in the table. Therefore, the outer model’s discriminant validity of this study was confirmed. As indicated in Table 5, a satisfactory discriminant validity was also achieved when the value representing the square root of the AVE (appearing bold on the diagonal) were all loaded above the recommended threshold value of 0.5 and greater than the off-diagonal correlations (Jamil & Adeleke, 2018).
After confirming the goodness of the outer model, the next step is to investigate the relationships that were hypothesized in the study. PLS Algorithm was run to investigate the hypothesized model through Smart PLS. The path coefficient was gained through running PLS Algorithm which is depicted in the Figure below. Table 6 below showed the hypothesis testing. The result showed that the Specialization variable has a significant positive relationship on reduced waste ($\beta = 0.777$, $t = 8.593$, $p = 0.000$). Therefore, H1: specialization had a positive relationship with reduced waste. Other hypothesis H2, standardization had negative relationship on reduced waste ($\beta = 0.003$, $t = 0.032$, $p = 0.487$), following (Adeleke et al., 2016).

As for effect size, when its value is less than 0.02 it is considered as small, less than 0.15 is considered as a medium effect while less than 0.35 is considered as high effect (Cohen, 1988; Samsudin et al., 2020). Based on Table 7 below, the effect size of equipment was small, the material’s effect size was small and finally workplace effect size was considered to be small as well.

Effect size is calculated using the below formula:

$$\text{Effect size (f)} = \frac{R^2 \text{ incl} - R^2 \text{ excl}}{1 - R^2 \text{ incl}}$$
Table 7: Direct Effect IV-DV

<table>
<thead>
<tr>
<th></th>
<th>R-squared</th>
<th>Included</th>
<th>Excluded</th>
<th>f-squared</th>
<th>Effect size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardization</td>
<td>0.597</td>
<td>0.115</td>
<td>1.196</td>
<td>Large</td>
<td></td>
</tr>
<tr>
<td>Specialization</td>
<td>0.597</td>
<td>0.602</td>
<td>-0.0124</td>
<td>None</td>
<td></td>
</tr>
</tbody>
</table>

5. Conclusion

This research is focused on organizational structure as an element to reduce construction waste management in the Kota Bharu Malaysian construction industry. Therefore, future researches can be explored to investigate government policy on construction waste and empirically validate the proposed model in this research.

Thus, this research will not only be of benefit to those in the academic world but also to those in construction industries as well and other sectors of the economy that are involved in the generation of higher waste and to improve waste management in the workplace.

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7. References


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**Abstract**

The purpose of this study was to establish effect of healthcare financing strategies on the delivery of service quality in Kenya. The study was informed by Capital Structure Theories, specifically the Pecking Order Theory. The study adopted an explanatory survey design with a target population being senior management and the clients drawn from 535 level 4 to 6 hospitals in Kenya. Random sampling was used to select a sample size of 242. Data was collected using questionnaires and was analyzed descriptively and inferentially. Findings from multiple regression model revealed that equity (β=.45, p<0.05) and network financing (β=.29, p<0.05) had significant and positive effect on delivery of quality service in hospitals while debt financing had significant and negative effect on delivery of quality service in hospitals (β=-.35, p<0.05). Thus, the study concludes that equity and network financing enhances delivery of quality service in hospital while debt financing hinders delivery of quality service in hospital. Further, government owned hospital with high bed capacity increase use of equity, network and debt financing strategies in improving service delivery. The study provides unique knowledge on hospital financing in relationship to service quality. In addition, the study has contributed to new knowledge by indicating significant moderating effect of hospital characteristics on financing strategies-service quality relationship.

**Keywords:** Network Financing, Equity, Delivery, Debt Financing, Service Quality.

**Suggested Citation:**

1. Introduction

Provision of service quality in healthcare has significant relationship with customer satisfaction customer retention, loyalty, costs, service guarantees and growth of organization. According to Mosadeghrad, (2014) quality in healthcare is a production of cooperation between the patient and the healthcare provider in a supportive environment. Personal factors of the provider and the patient, and factors pertaining to the healthcare organization, healthcare system, and the broader environment affect healthcare service quality. Service quality has been defined as the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Al-Damen, 2017). ‘Provision of care that exceeds patient expectations and achieves the highest possible clinical outcomes with the resources available.’

Healthcare service quality is affected by a number of other factors including finances and the environment in which the services are offered. Given that healthcare service providers serve patients with different needs and also the factors such as experience, individual abilities, personalities and varying availability of enough resource in different hospitals, there is a high likelihood of the service quality inconsistency. This situation is further worsened by the patients or customers perception of functional issues which they perceive and interact with during the course of seeking treatment such as physical facilities, internal process; interactions with doctors, nurses and other support staff which could be poor and unresponsive. To corroborate this argument, Njoki, (2018) study on Health Financing, states that health sector relies on several sources of funding: public (government), private firms, households and donors (including faith based organizations and NGOs) as well as health insurance schemes which can as well affect service quality. The study established limitations in implementing an overall healthcare financing strategy which hinders effective planning, budgeting and provision of health services. The study further pointed out that health system has also struggled with stagnant or declining budgets for health, system inefficiencies, persistently poor service quality and lack of equity. Acemoglu and Robinson, (2013) established that many countries in sub-Saharan Africa are unable to provide adequate quality and coverage of health services because of economic factors and dwindling resources. A high level of demand, made effective by purchasing power, will induce the provision of quality care.

According to Wanjiru J.K, (2014), Healthcare in Kenya is fragmented by coverage scheme, while the poor and vulnerable are largely excluded. The fragmentation of health financing schemes also brings inefficiencies in service provision and investments. Key among them are the lack of an effective quality
assurance mechanism and ineffective corporate governance and accountability mechanisms, which has led to a trust-deficit in Kenyan health financing institutions. Due to the challenges Kenya is facing in Healthcare financing, the increase in the share of government spending on the ministry of health (MoH) from Kes 26 billion in 2015 to Kes 50.37 billion in 2012, were efforts by the government of Kenya (GOK) to ensure equitable provision of quality public health services but are still yet to have an impact (Word Bank, 2013). Service quality has further been affected by the fact that providers have incentive for unnecessary referrals if costs can be avoided by referring patients to another “budget”. For example County facilities may refer patients to tertiary national hospitals which, are financed by the MOH hence avoiding the cost. Varying payment mechanisms may compound this issue. The more fragmented the financing system, the more difficult it is to avoid negative effects Tam (2014). It is also possible that some areas in need may fall between the gaps of different funders (especially if the areas are poor and providers are motivated by profits). On the other hand, some areas may be oversupplied with care, especially high-cost technologies. As a result, investments into disadvantaged area is reduced and recurrent costs are increased. A study by Kimani, (2012) pointed out the case for diagnostic devices, where providers can induce its demand diverting the funding while quality of care may suffer.

Faced with difficulties in funding health services, some governments have granted greater autonomy to some hospitals to facilitate management improvements, which are expected to lead to better quality of care, increased revenue generation, and/or reduced cost. An example of this was Kenya’s conversion of Kenyatta National Hospital (KNH), the government’s large national referral and teaching hospital to a state corporation (Legal Notice, 1987). While public spending on health is insufficient, and international donor funding is looking shakier in the current global economic climate (Acharya, et al, 2017), there is need to go beyond the adequacy of funding and explore the impact of different financing strategies in healthcare service quality with the aim of getting the appropriate mix. While a number of studies have explored the factors that directly affect service quality which includes financial adequacy, this study explores the relationship between service quality and financing strategies.

2. Theoretical Framework

The capital structure theories entail the Modigliani Miller Theory (MM Theory), The Tradeoff Theory, Pecking Order Theory and Agency Cost Theory. These theories have general assumptions and specific assumptions to each of the theories. The general assumptions of these theories are that: There are only two sources of funds: debt and equity, the total assets of the company are given and do not change, the total
financing remains constant, the firm can change the degree of leverage either by selling the shares and retiring debt or by issuing debt and redeeming equity, operating profits (EBIT) are not expected to grow, all the investors are assumed to have the same expectation about the future profits, business risk is constant over time and assumed to be independent of its capital structure and financial risk, corporate tax does not exit, the company has infinite life and that dividend payout ratio = 100% (Milton & Raviv, 1991)

The celebrated Modigliani-Miller (hereafter MM) proposition that the value of the firm depends on its profitability and not on its capital structure (Modigliani and Miller, 1958) is avowedly an application to the field of finance of the doctrine that money is neutral Glickman, (2001). It is a cornerstone of modern corporate finance. At its heart, the theorem is an irrelevance proposition: The Modigliani-Miller Theorem provides conditions under which a firm’s financial decisions do not affect its value. What is currently understood as the Modigliani-Miller Theorem comprises four distinct results from a series of papers (1958, 1961, and 1963).

It further stated that while most recent papers about capital structure theory, such as Ishikawa (2012), just mention the theory briefly in their introduction, Murray (2015) actually examines the implications in his literature review and concluded that the first M&M proposition implies that the total value of a firm and the shareholder wealth - no matter whether the firm had a leverage of 99% or 1% - are constant and cannot be improved through financing decisions.

The Trade-off Theory recognizes that capital raised by firms constitute both debts and equity, the theory states that there is an advantage of financing through debts due to tax benefit of the debts, however some costs arises as a result of debt costs and bankrupt costs and non-bankrupt costs. The theory further states that the marginal benefit of debts declines as the level of debts and at the same time the marginal cost of debts increases as debts increase, therefore a rational firm will optimize by the trade off point to determine the level of debts and equity to finance its operations Chen (2015).

In corporate finance, pecking order theory (or pecking order model) postulates that the cost of financing increases with asymmetric information. Financing comes from three sources, internal funds, debt and new equity. Companies prioritize their sources of financing, first preferring internal financing, and then debt, lastly raising equity as a “last resort”. Hence: internal financing is used first; when that is depleted, then debt is issued; and when it is no longer sensible to issue any more debt, equity is issued.
This theory maintains that businesses adhere to a hierarchy of financing sources and prefer internal financing when available, and debt is preferred over equity if external financing is required (equity would mean issuing shares which meant 'bringing external ownership' into the company). Thus, the form of debt a firm chooses can act as a signal of its need for external finance.

3. Hypotheses Development (Literature Review)

Financing strategies is the appropriate mix of funds for a particular provision or project. It consists of different sources of funding. The different sources of healthcare financing are managed by so-called financing agents, which are institutions that receive funds to pay for or purchase health goods or services (Kimani et al., 2012). Examples of financing agents are the MoH and other ministries, NHIF, private insurance companies, donors, NGOs and households through out-of-pocket payments.

The remaining 43 percent was channeled through the public sector, with the MOH as the largest agent controlling 34 percent of the total resources. The beneficiaries receiving financing through the financing agents consist of a wide range of facilities, both private and public. Poor coordination and a lack of transparency between the financing providers, financing agents and beneficiaries, have posed challenges to the GoK’s implementation of integrated healthcare that are aligned to prioritize healthcare needs. According to the MoH, poor management of available health funding is one of the main limitations towards reaching the Sustainable Development Goals (SDGs) for healthcare.

The World Health Organization challenges countries that the way health systems are financed are a critical determinant for reaching universal coverage. In Kenya, a study by Chuma, and Okungu, (2016) showed that the current Kenya health financing system does not meet the key requirements for universal coverage including income and risk cross-subsidization. The study also shows that the sector is largely underfunded and healthcare contributions are regressive (i.e. the poor contribute a larger proportion of their income to healthcare than the rich).

Healthcare financing is becoming an important function in health systems as inequities inside and between countries with respect to access increase because of financial barriers and lack of appropriate social protection (Kimani et al., 2013). An important indicator of government’s commitment to health is the proportion of government’s budget allocated to the sector. In 2016, African heads of states met in Abuja and committed to allocating at least 15% of annual budgets to the health sector. Government spending on health in Kenya is less than half the Abuja target and has been declining, in addition to being the lowest in
East and Southern Africa. Although very few African countries have achieved the Abuja target, most countries are slowly increasing their allocation to the health sector, with the exception of Kenya (Jacobs et al., 2017). Thus financial strategies play a critical role in shaping the provision of quality health care services in any hospital. This study explored how equity financing, debt financing and financial networks affect hospital service quality. An understanding of these financing strategies is key.

The literature above indicates that though service quality is a serious concern in the health sector and there is a lot of concentration on financials and how health sector acquire funding as main characteristic of hospital. Service provision in hospital is not only based to finance condition and sources of finance. Amid rising health care costs and the political debate over health reform, excessive utilization of health care is an important topic. Public hospitals in Kenya are in dire need of funding to rehabilitate, redesign, equip and staff them to ensure effective and efficient service delivery to Kenyans (RoK, 2014). Low funding for Community Health Workers programme in the country has adversely affected the delivery of health services especially at the grass-roots (Chen, 2015). Most of the public hospitals in Kenya especially rural areas are in a sad state that has incapacitated them from offering efficient services to patients and to alleviate the deplorable condition proper measures must be taken into consideration (Chen, 2015). However, the provided finances may have not yielded quality services in the health facilities. This study, therefore, assesses the effect of specific healthcare financing strategies in the provision of quality healthcare services in the hospitals. Thus, the study hypothesized that;

H0: Equity financing strategies do not significantly affect the quality of health care services provided by hospitals in Kenya.

H1: Debt financing strategies do not significantly affect the quality of health care services provided by hospitals in Kenya.

H2: Network financing strategies do not significantly affect the quality of health care services provided by hospitals in Kenya.

4. Material and Methods

The study was guided by post positivism paradigm since it was associated with experiments and surveys where quantitative data is the norm (Yin, 2003). Analysis methods using statistical and mathematical procedures were used and conclusions drawn to help answer the research questions. An explanatory survey research was adopted for this study. It is the initial research into a hypothetical or theoretical idea.
The design is usually applicable in settings where a researcher has an idea or has observed something and seeks to understand more about it. The design was appropriate for this study and was helpful in laying the groundwork that will lead to future studies (Comoço & Tromp, 2006). With 4 respondents drawn from each of the 242 hospitals, a total of 968 respondents were expected. The targeted hospitals comprised of public, private and faith-based across the country falling between level 4 and level 6. Using above formula, a sample size of 242 hospitals was selected from a population 535 level 4 to 6 hospitals in Kenya. The inflation of the numbers from 233 to 242 was meant to take care of the non-responses. This represented 3.9% more hospitals in Kenya and a sample size inflation of 4% and as recommended by Stoop (2005), the inclusion of extra number of hospitals is always critical in maximizing the contact in this case, number of hospitals. Primary data was collected through a SERVEQUAL objectively structured questionnaires. The questionnaire was self-administered but with research assistants available to assist patients who were unable to fill them on their own.

4.1. Measurement, Reliability and Validity of Variables

All measurement items for the variables were developed in this study and measured using five point likert scale questionnaires. From the results generated, the Cronbach alpha for each variable based on the average of inter-item correlation was above 0.70. Therefore, any Cronbach alpha value of more than 0.70 is regarded as a reliable measure for the construct under consideration. Thus, the results met the required threshold for further analysis as presented in Table 1. The principal component analysis with Varimax rotation was performed to identify the underlying factors of service quality of healthcare services in Kenya. The results depicted that the high factor loading scores showed that all the items explained financing strategies and service quality of healthcare services in Kenya as all items used to measure service quality of healthcare services in Kenya were all above the minimum recommended value of 0.50 (Hair et al., 2014. The EFA extracted all factor with cumulative extracted variance of more than 50% thus, indicating that all items were appropriate to explain the variables. Moreover, from the Table 1 below, Bartlett’s Test of Sphericity for produced a significant Chi-Square ($\chi^2$) ($p<.05$) and Kaiser – Meyer - Olkin measure of sampling adequacy was above the acceptable value of .50 (Field, 2005), showing that it was appropriate to subject data for factor analysis on this variable of service quality of healthcare services (Leech et al., 2013).
Table 1: Measurement, Reliability and Validity of Variables

<table>
<thead>
<tr>
<th>N of Items</th>
<th>Reliability Statistics</th>
<th>Cronbach’s Alpha</th>
<th>Loadings</th>
<th>KMO</th>
<th>%CV</th>
<th>AVE</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Financing</td>
<td>46</td>
<td>0.92</td>
<td>0.5&gt;</td>
<td>0.83</td>
<td>72.67</td>
<td>0.52</td>
<td>0.77</td>
</tr>
<tr>
<td>Debt Financing</td>
<td>9</td>
<td>0.92</td>
<td>0.5&gt;</td>
<td>0.87</td>
<td>75.28</td>
<td>0.57</td>
<td>0.89</td>
</tr>
<tr>
<td>Networking</td>
<td>14</td>
<td>0.90</td>
<td>0.5&gt;</td>
<td>0.86</td>
<td>73.01</td>
<td>0.55</td>
<td>0.70</td>
</tr>
<tr>
<td>Expected service quality</td>
<td>22</td>
<td>0.95</td>
<td>0.5&gt;</td>
<td>0.92</td>
<td>64.43</td>
<td>0.51</td>
<td>0.85</td>
</tr>
<tr>
<td>Perceived service quality</td>
<td>22</td>
<td>0.95</td>
<td>0.5&gt;</td>
<td>0.93</td>
<td>65.23</td>
<td>0.52</td>
<td>0.86</td>
</tr>
</tbody>
</table>

4.2. Analytic Model

The study direct effect was tested using multiple regression model. Multiple regression model used in this study is given as:

\[ Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \varepsilon, \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots (1) \]

\( y = \) Service Quality (composite variable derived from average of gap scores across all dimensions of service quality)

\( \alpha = \) constant;

\( \beta_1, \ldots \beta_3 = \) the slope

\( x_1 = \) equity financing, \( x_2 = \) debt financing, \( x_3 = \) networking financing, \( \varepsilon_i = \) error term

5. Results and Discussions

This section opens with a section on the demographic description of participants who were involved in data collection. This was followed by reporting of data pertaining to the research objectives posed in this study and regression analysis.

5.1. Descriptive Statistics

The study adopted an ‘average score approach’ to calculate respondents’ total score (Osborne, 2013). This approach aggregates and calculates only those items answered by the respondents (e.g., if five items are used to measure a scale and one item is missing, the syntax calculates the average of the four items.
answered). Therefore, it provides an accurate total score for each construct by eliminating the missing responses. The syntax used was “MEAN#.X (a,b,c…)” where X is the minimum number of items with a valid score. In order to use this method, a majority of items must be answered (Osborne, 2013). Table 2 shows the results on data transformation. From the findings, service quality had the highest mean (3.95) followed by networking financing (3.57), followed by equity financing (3.22) followed by debt financing (2.97), Hospital bed capacity had mean of (2.33) while facility type had the lowest (1.35). The standard deviations for the variables were less than 1 except Hospital bed capacity indicating less variation in the responses. Finally, all independent variables and the dependent variables were normally distributed as shown in Table 2 below. From the results in table 2, there is a positive and significant correlation between the independent variables and service quality. Particularly, the correlation results showed that equity financing has a positive and significant relationship with service quality (r =0.619, ρ<0.01). Debt financing negatively correlate with service quality (r = -0.255, ρ<0.01). Moreover, results indicate that a network financing positively relates to service quality (r =0.574, ρ<0.01).

Table 2: Descriptive and Correlation Statistics

<table>
<thead>
<tr>
<th>n=216</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness</th>
<th>Kurtosis</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3.73</td>
<td>0.63</td>
<td>-1.98</td>
<td>5.23</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>3.22</td>
<td>0.59</td>
<td>-1.38</td>
<td>2.87</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>2.97</td>
<td>0.78</td>
<td>-0.61</td>
<td>-0.08</td>
<td>-255**</td>
<td>0.122</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>3.57</td>
<td>0.68</td>
<td>-1.67</td>
<td>3.39</td>
<td>.574**</td>
<td>.745**</td>
<td>0.13</td>
<td>1</td>
</tr>
</tbody>
</table>

1 = Service Quality  
2 = Equity Financing  
3 = Debt Financing  
4 = Network Finance

5.2. Regression Assumptions

Statistical assumptions were tested to establish if the data met the normality, heteroscedasticity, linearity, multicollinearity and autocorrelation assumptions. It was on the basis of these results, that the tests of associations and prediction were performed. For the purposes of this study, normality tests were performed by utilizing the commonly used methods namely the Kolmogorov-Smirnov and Shapiro-Wilk tests (Ghasemi & Zahediasi, 2012). Evidently, the results confirmed that normality of the data was not a problem because tests of K-S and S-W of all the variables were not significant. Hence, the data distribution
in the study was reliable for multivariate analysis. Heteroscedasticity was measured by Levene’s test. The findings revealed that basing on Levene statistic, homoscedasticity is not a problem for all the variables, p-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. To conduct the heteroskedasticity test, this study uses Breusch-Pagan and Koenker test. The findings indicated that Chi2 (1) was 6.60 which was less than p value of 0.16 and Koenker test indicated that Chi2 (1) was 6.22 which was less than p value of 0.18 revealing that null hypothesis was not rejected suggesting that assumption of constant variance was not violated. Normally, tests of linearity are done using scatter plots and analysis of Variance (ANOVA). When ANOVA is employed in testing the assumption of linearity, the rule of thumb is that if the ρ – value is less than 0.05, then the relationship between independent and dependent variables is said to be linear and deviation from linearity have a ρ – value greater than 0.05 (Hair et al., 2010; Garson, 2012). Evidently, all the relationships indicated that they are linear, thus, can be considered reliable for regression analysis in the study. Multicollinearity was tested using Variance Inflation Factor (VIF), The findings 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 (DW) statistic is used test for autocorrelation in the residuals from a statistical regression analysis. The results indicated a significant autocorrelated relationship between all the independent variables and service quality. This implied non-violation of the autocorrelation assumption.

5.3. Hypothesis Testing (Direct Effect, Hypothesis 1, 2, 3)

A multiple linear regression analysis was performed to calculate the coefficients of independent variables with service quality. The combined prediction of all the variables accounted for approximately 53% of the total variation in service quality ($R^2 = .53$). The ANOVA model showed that the prediction of the independent variable as depicted in Table 2 was statistically significant ($F = 79.739, \rho = .000$). Thus, the model was fit to predict service quality using financing strategies.

Hypothesis 1(H1) predicted that Equity financing strategies do not significantly affect the quality of health care services provided by hospitals in Kenya. However, the results presented in Table 4.25 showed a positive and significant association between equity financing strategies and service quality as indicated by all the positive $\beta = .48$ and significance value of less than .05 ($\rho < .05$). Therefore, based on these results, the hypothesis was rejected. These results were backed up by Kimani et al., 2013 who found that equity financing is the less burden of paying debts providing opportunities to channel more money to grow the
hospital, forgotten credit issues, and opportunities to learn and gain from partners. Some of the well-known and well-researched equity financing strategies include funding through ex-chequer and cost sharing mechanisms. Ministries of health are entrusted to protect equity in access by improving financial risk protection, by reducing financial barriers to access particularly to the poor and to vulnerable populations, and by ensuring that health care financing by all income groups is fair. This is consistent with the findings of Jordan et al. (2005) and Fu et al. (2002) who reported similar findings. However this finding contrasts with the findings of Jung et al. (1996), Mohamad Khan (1994) and Ahmad Farid (1980) who report significant negative relationship between equity financing and business performance. However, the findings of this study is in accordance with the review of Myers and Majluf (1984) who propose that use of equity financing to improve the performance of the business as the cost of debt financing is high. According to them again, the organization’ use of high debt financing would have to incur additional premium costs and thus affects the profitability of the firm.

**Hypothesis 2(H2a)** Debt financing strategies do not significantly affect the quality of health care services provided by hospitals in Kenya. Findings showed that debt financing had coefficients of estimate which was significant basing on $\beta_3 = -0.28$ (p-value = 0.00 which is less than $\alpha = 0.05$ hence it was concluded that debt financing had a negative and significant effect on service quality. Therefore, based on these results, the hypothesis was rejected. The findings tally with Khari and Khan (2013) findings that there is a negative relationship between total debt and Return on Assets (ROA) and Return on Equity (ROE). In contrast, Kebewar and Shah’s (2012) establishes that debt has no significant influence on profitability measured by ROA, as is the case with Ebaid’s (2009). Yet, Tauseef, Lohano, and Khan (2013) examine the effect of debt financing on firm’s financial performance, measured as ROE. Empirical results show a nonlinear relationship between return on equity and total debt ratio. Although ROE initially increases as the total debt ratio increases, once an optimal debt level is reached, ROE begins to decrease. This result differs from a comparative analysis study by Valnova (1988) which concluded that the use of debt in the capital structure of the hospital has a positive influence on quality of care. The evidence is consistent with the notion that public hospitals can take advantage of their borrowing capacity stemming from the benefits of tax-exempt bonds.

**Hypothesis 3(H3a)** Network financing strategies do not significantly affect the quality of health care services provided by hospitals in Kenya. However, the results presented in Table 2 showed a positive and significant association between equity financing strategies and service quality as indicated by all the
positive $\beta=.26$ and significance value of less than .05 ($p<.05$). Therefore, based on these results, the hypothesis was rejected.

### Table 3: Hypothesis Testing (Direct effect, Hypothesis 2, 3, 4)

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.07</td>
<td>0.20</td>
</tr>
<tr>
<td>Equity Financing</td>
<td>0.48</td>
<td>0.08</td>
</tr>
<tr>
<td>Debt Financing</td>
<td>-0.28</td>
<td>0.04</td>
</tr>
<tr>
<td>Network Finance</td>
<td>0.26</td>
<td>0.07</td>
</tr>
<tr>
<td>Model Summary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R</td>
<td>0.73</td>
<td></td>
</tr>
<tr>
<td>R Square</td>
<td>0.53</td>
<td></td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>0.52</td>
<td></td>
</tr>
<tr>
<td>Std. Error of the Estimate</td>
<td>0.43</td>
<td></td>
</tr>
<tr>
<td><strong>Model Fitness</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>79.739</td>
<td></td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

a Dependent Variable: Service Quality

### 6. Conclusion and Recommendations

In conclusion the three financing strategies (equity, debt and network) have significant effect on health service quality delivery. However, each financing strategies differently affect health service quality delivery. For example, both networking and equity financing improves on health service quality delivery, while debt financing reduces health quality service delivery. The study also concluded that efficient financing strategies is very important and also one that generates a relatively large amount of funding and thus obviates the need for multiple funding strategies, with each generating only a limited amount of funds. In addition, the costs of fund collection and administration will be low with an efficient financing strategies, leaving as much revenue as possible for actual health service provision. An important point is the extent to which a healthcare financing strategies fosters both allocative efficiency (“doing the right thing”) and technical efficiency (“doing it the right way”) in the use of resources. From the findings the study, it is recommended that the government should improve financial management in service organizations in order to promote other functions that contribute to service quality delivery, reduce the bureaucracy in financial management and offer funds for purchase of high quality health equipment and generally
influence delivery of health service quality so as to enhance patient satisfaction, patient retention, loyalty, health service guarantees and growth and development of health institution in public sectors. It should enhance insurance cover policies to ensure that the poor are not disadvantage in accessing service quality healthcare,

The study has identified efficient health care financing strategies to be used if Kenya is to achieve universal health coverage: (i) Replacement of Out of Pockets with more equitable modes of financing; (ii) articulate clear policies on Primary health care financing; (iii) there is currently a lack of clarity as to the roles of different levels of government in financing Primary health, and which components are to be financed by each level of government; (iv) governments should give higher priority to health in their budget allocations; (v) pass the national health bill and implement it; (vi) explore innovative ways of mobilizing funds and financing health.

The study also recommends that Hospitals management should ensure that financing strategies is for long-term stability and potential for generating revenue. If the revenue generated by a financing strategies is subject to considerable and frequent fluctuations, the strategies cannot be regarded as reliable and is likely to be replaced by financing strategies that are more predictable in the medium to long term. The study recommends to Hospitals management that its financing strategies should be able to maintain its level of funding in the long term and to expand its level of funding over time as the need for health care grows.

7. Theoretical Implication

Based on review of literature and a look at previous studies, this study provides a unique contribution on financing strategies on service quality in hospitals. The study contribute to theory on how different financing strategies (equity, debt and network financing) and service quality in hospitals. The findings that equity and networking financing positively enhance service delivery in hospitals support financing theories such as Modigliani Miller Theory, The Tradeoff Theory, Pecking Order Theory and Finance Models which most of them indicate that financing decision impact on firm operation performance which affect quality of service offered.
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Analysis of Challenges and Opportunities for Vietnamese SMEs in the Globalization

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Abstract

SMEs play a vital role in Vietnam’s economy and society development. However, when wanting to operate within the global market, there are many advantages and disadvantages not only for the larger corporations as well as Vietnamese SMEs. When conducting business in Vietnam there is high competition for the Vietnamese SMEs with other international corporations. Vietnamese SMEs have to change/innovate their thinking towards the business and management capacity to catch up and maintain their competitiveness in the global market. Therefore, this empirical study will analysis of the challenges and opportunities to Vietnamese SMEs. The methods to conduct this empirical study are based on the secondary data to analysis and give some key solutions to support the Vietnamese SMEs to survive and develop sustainably in the international integration stage.

Keywords: SMEs, global integration, competitive advantage, opportunities, challenges, Vietnam.

JEL Classification: M1, M10, M16

Suggested Citation:

1. Introduction

Nowadays, the business environment is changing rapidly. These changes affect the large corporations and SMEs not only in Vietnam but also in other countries. Globalization and its processes within the markets will give large and small firms many challenges (Ocloo et al., 2014). Additionally, when Vietnam promotes itself into the International Market, Vietnam’s market is then viewed by International
firms as a lucrative market, thus creating a more competitive market for the local SME’S here in Vietnam. In the stage of international integration, there is tremendous competition among the local enterprises with multinational corporations. SMEs have to develop and initiate the correct strategies to embrace the changing circumstances in the world market place (Ocloo et al., 2014). Therefore, Vietnamese enterprises should change and innovate to adapt to the new era.

According to Mwika et al., (2018), it is evidenced that in most emerging markets that SMEs have been the key drivers of the overall economic growth structure of the country with both negative and positive outcomes. In the era of economic globalization, SMEs are presented as an engine of sustainable economic advancement in both the developed and developing countries (Prasanna et al., 2019). In recent years, Vietnamese SMEs have played a vital role in socio-economic development, making significant contributions to GDP, creating jobs and stabilizing the economy (Phung, 2019). According to Phung (2019), on average, from 2012 to 2017, the number of SMEs increased by 8.8%, higher than the average growth of large enterprises of 5.4%. Therefore, the role of SMEs is crucial to support the Vietnamese economy and make a stronger society. The development of SMEs is a vital role to maintain their competitive advantage to compete with international corporations (Nguyen, 2019).

On the other hand, many studies have highlighted many challenges facing SMEs in a globalized context (Abu et al., 2006; Aris, 2007; Samad, 2007; Subhan et al., 2013; Mwika et al., 2018). The challenges that SMEs face such as; lack of finances, low productivity, heavy regulatory burden and the limitation of human capital development (Tran, 2019). In the emerging market, the limitation of managerial capabilities and the issues in accessing quality management and technology are the challenges facing SMEs (Wafa, et al., 2005; Mwika et al., 2018; Nguyen, 2019). Like other emerging and developing countries, the SME’s within Vietnam also have some limitations in the stage of international integration. According to Nguyen, (2019), SME’s need to focus on the importance of their management competence to ensure their success, if not the SME will fail. Vietnamese SMEs have further limitations, such as; low capital, low level of management, use of manual laborer, outdated production technology lines and or lack of competitiveness (Tran, 2019).

Additionally, the strength and quality of cash flow management within the setting of the budget process in Vietnamese SMEs are limited and sufficient to support the SME’s success (Nguyen, 2019). Besides, According to Phung, (2019), Compared with other countries in the region and the world, Vietnamese SMEs have many limitations in terms of advantages within the global market due to overall scale, level
of contribution and cannot realize their full potential. Hence, to survive and develop in the new era, Vietnamese SMEs should change their overall approach and implementation to management thus improving their ability to manage and for the business to compete against their rivals in the global market. Therefore, due to the above issues, this article will analyze the challenges and opportunities thus giving the solutions to support the Vietnamese SMEs to adapt, change and innovate in the period of international integration.

2. Literature Review

2.1. Globalization

There are many alternate views on the concept of globalization by different people and in different contexts. “The concept of globalization now cuts across the entire spectrum of academic thinking as it is being defined differently by various scholars” (Ocloo et al., 2014). Globalization is the concept used to describe the changes in society and the world economy, created by the growing linkages and exchanges among nations, organizations or individuals in the corner such as cultural, economic, etc on a global scale.

“Globalization describes the process in which national and regional economies have become integrated and inter-dependent through global network trade, immigration, communication and transportation” (Samad, 2007). Globalization is a social change, a growing interconnection between societies and its elements due to cross-culturalization; the explosion of traffic and communication technologies has contributed to international cultural and economic exchanges. This term can be used in different social, cultural, commercial and economic contexts. Economic globalization is recognized as an opportunity for both developed and developing countries to enhance their economic prosperity by improving their participation in global trade (World Trade Report, 2016).

According to Mwika et al., (2018), globalization has brought about some advantages and disadvantages. For example, globalization can support the laborers to share skills in the working environment, or globalization reduces monopoly profits and globalization can allow enterprises to do business internationally, etc. On the other hand, where there is more competitiveness when globalization happens in the market. Globalization has led to vulnerability if the small enterprises where they are lacking in technology and management capacity, etc. Therefore, there are many advantages and
disadvantages for the large corporations and SMEs face in the globalization; they must adopt change to adapt to survive and develop.

Globalization, international economic integration, and trade liberalization have been a prominent trend in the contemporary world economy and also in Vietnam. In line with that trend, from 1986 up to now, Vietnam has carried out the renovation and accelerated international economic integration. In the case of Vietnam, there are many Word Organizations and agreements that Vietnam has participated in the below table.

<table>
<thead>
<tr>
<th>No</th>
<th>Event</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ASEAN Free Trade Agreement (AFTA)</td>
<td>1996</td>
</tr>
<tr>
<td>2</td>
<td>ASEAN- China (ACFTA)</td>
<td>2002</td>
</tr>
<tr>
<td>3</td>
<td>ASEAN- Korea (AKTIG)</td>
<td>2006</td>
</tr>
<tr>
<td>4</td>
<td>Vietnam’s participation into WTO</td>
<td>2007</td>
</tr>
<tr>
<td>5</td>
<td>ASEAN- Japan</td>
<td>2008</td>
</tr>
<tr>
<td>6</td>
<td>ASEAN- Australia- New Zealand</td>
<td>2009</td>
</tr>
<tr>
<td>7</td>
<td>ASEAN- India</td>
<td>2009</td>
</tr>
<tr>
<td>8</td>
<td>Vietnam- Japan (VJIEPA)</td>
<td>2009</td>
</tr>
<tr>
<td>9</td>
<td>Vietnam- Chile (VCFTA)</td>
<td>2014</td>
</tr>
<tr>
<td>10</td>
<td>Vietnam Korea (VKFTA)</td>
<td>2015</td>
</tr>
<tr>
<td>11</td>
<td>Vietnam- Eurasian Economic Union (EAEU)</td>
<td>2015</td>
</tr>
<tr>
<td>12</td>
<td>TPP</td>
<td>2015</td>
</tr>
</tbody>
</table>

Source: Ngo (2016).

Vietnam consistently implements the external policy of independence, peace, cooperation, and development; Foreign policy is open, multilateral, diversifies international relations, proactively and actively integrates into the international economy, and expands international cooperation in many fields. Evidenced in table 1 above, Vietnam is a friend and reliable partner of countries in the international community, actively participating in the international and regional cooperation process. Therefore, from the above analysis, there are many challenges and opportunities for Vietnamese enterprises as well as SMEs have to change to reduce the disadvantages and to get the opportunities in the global market.

3. The definition of SMEs

According to Mwika et al., (2018), there is no formal definition of SMEs, the definition depends on the country. Each country has different definitions of SMEs. Vietnamese SMEs are classified on the basis of
the total workforce and total capital of the firm. The definition on SME which is specified in Decree 56/2009/ND-CP: Small and medium-sized enterprises are business establishments that have registered their business according to law and are divided into three levels: very small, small, and medium according to the sizes of their total capital investment (equivalent to the total assets identified in an enterprise’s accounting balance sheet) or the average annual number of employees. Table 1 below shows the definition of SMEs in Vietnam by the Vietnamese Government’s Decree No.56/2009/ND-CP.

Table 2. The definition of SMEs in Vietnam

<table>
<thead>
<tr>
<th>Sector</th>
<th>Micro enterprises</th>
<th>Small-sized enterprises</th>
<th>Medium-sized enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of laborers</td>
<td>Total capital</td>
<td>Number of laborers</td>
</tr>
<tr>
<td>I. Agriculture, forestry and fishery</td>
<td>10 persons or fewer</td>
<td>VND 20 billion or less</td>
<td>Between over 10 persons and 200 persons</td>
</tr>
<tr>
<td>II. Industry and construction</td>
<td>10 persons or fewer</td>
<td>VND 20 billion or less</td>
<td>Between over 10 persons and 200 persons</td>
</tr>
<tr>
<td>III. Trade and service</td>
<td>10 persons or fewer</td>
<td>VND 10 billion or less</td>
<td>Between over 10 persons and 50 persons</td>
</tr>
</tbody>
</table>

Source: Decree No.56/2009/ND-CP.

The purpose of small and medium-sized enterprises’ classification is to implement the main guidelines to help develop SMEs; on the other hand, to strengthen the Vietnamese Government to manage and support the development of small and medium enterprises in the country. The classification given by the government demonstrates the importance of the role and position that the SMEs play within the National Economy.
4. The growth of SMEs

4.1. Number of SMEs in Vietnam, 2006-2015

In the period of ten years (from 2006 to 2015) the number of SMEs in Vietnam has increased rapidly. This rapid growth generated by the SMEs is a major contributor to economical growth and stronger society in Vietnam.

4.2. Total employment of SMEs in Vietnam, 2006-2015

An increase in the number of employment within SMEs has strengthened. It means that SMEs contributed to providing employment for citizens and increased stability in society.

4.3. Total capital of SMEs in Vietnam, 2006-2015

There was a strengthened upward trend in the capital for SMEs. Specifically, in 2007, the SMEs’ capital was below VND2,000 billion. This figure continued to increase to VND16,000 billion in 2015.

In general, there is a significant increase in the number of SMEs and the employees who worked within SMEs from 2006-2015 and this figure has increased in the current year. The development of SMEs takes a vital role to develop the Vietnamese economy and stronger society.

4.4. The contribution of SMEs in Vietnam

Small businesses cannot consider themselves as strict domestic businesses in the current competitive global environment (Sitharam and Hoque, 2016). SMEs are significantly key drivers of economic development in most developing countries (Mazanai & Fatoki, 2011; Chu, 2015; Mwika et al., 2018; Nguyen, 2019). For enterprises, that want to survive in a globalized and dynamic world, they have to be able to adjust swiftly and effectively to new conditions (Mailu et al., 2018). Thus, in the globalized era, large enterprises and SMEs have to cope with both opportunities and challenges where they must be familiar and ready for the change. The number of SMEs develop significantly in many countries at present. The role of SMEs is very important to support the national economy and support for social
development such as providing the job for employees. Additionally, in Vietnam, the number of micros/small and medium-sized-enterprises has increased significantly. The data is shown in the below figure:

![Image](attachment:image.png)

**Figure 4. Number of Vietnamese enterprises by types of enterprises.**

*Source: GSO*

According to the results of the Economic Census in 2017 by the General Statistics Office of Vietnam (GSO), the number of Micro-sized enterprises and SMEs in Vietnam accounted for around 98%. Therefore, the role of Micro-sized enterprises and SMEs is very important to support Vietnamese economics and society.

<table>
<thead>
<tr>
<th>SMEs in Vietnam compared to OECD average</th>
<th>Vietnam (2018)</th>
<th>SMEs as % of total (Vietnam)</th>
<th>SMEs as of total (OECD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered companies</td>
<td>517,924</td>
<td>98.06%</td>
<td>99%</td>
</tr>
<tr>
<td>Workforce</td>
<td>14,081,327</td>
<td>44.48%</td>
<td>45%</td>
</tr>
<tr>
<td>GDP contribution</td>
<td>100%</td>
<td>40%</td>
<td>33%</td>
</tr>
<tr>
<td>Export contribution</td>
<td>100%</td>
<td>30%</td>
<td>40%</td>
</tr>
</tbody>
</table>

*Source: GSO, VINASME, WTO, OECD*

According to the above table, SMEs contribute around 44% of the workforce and 40% of GDP for Vietnam while 30% of the export contribution. The data has revealed, the role of SMEs in Vietnam is essential for economic development and society stable. Therefore, it is crucial to research the field of SMEs to support their management, to adapt and develop in the period where there is high completion among enterprises in the global economy.
SME policy index scores for Viet Nam

According to OECD/ERIA (2018), SME policy index scores for Viet Nam, namely: productivity, technology, and innovation; green SMEs; access to finance; access to market and internationalization; institutional framework; legislation, regulation, and tax; entrepreneurial education and skills; social enterprises and inclusive SMEs.

From the statistics of OECD/ERIA (2018), Vietnam has a stronger institutional framework, (Dimensions 5), The country’s scores of 4.05 for the institutional framework. Vietnam attains a score with a 3.32 for legislation, regulation and tax reflect (Dimensions 6). Facilitating SME access to finance (Dimension 3), the country’s score of around 4. Vietnam access to markets and internationalization (Dimension 4); The country’s score of 4.15 for this dimension reflects its mid-stage level of policy development. The evidence shows Vietnam’s ability to be successful in these markets. Significant improvement in productivity, innovation, and adoption of new technologies (Dimension 1 and 2); Vietnams score of 3.48 for Dimension 1 places it at a mid-stage of policy development, while its score of 3.63 for Dimension 2 on Green SME places it an early stage of policy development. Stimulating entrepreneurship and human capital development (Dimensions 7 and 8). Vietnam is still to develop a policy framework for the promotion of skills and education’s enterprises as well as for inclusive and social SMEs. In comparison with ASEAN’s position, Vietnam needs to provide improvement in the following area;
entrepreneurship and human capital development. This focus will realize Vietnam a better position overall.

5. The challenge of Vietnamese SMEs at the present

Along with the trend of globalization, Vietnam is increasingly integrating deeply into the world economy. Along with the opportunities brought about by international economic integration, Vietnamese enterprises in general and SMEs in particular also face many difficulties and challenges (Nguyen, 2019; Tran, 2019). The resources of Vietnamese SMEs such as capital, quality of labor resources, management capacity and technology application, etc are still limited. Since then, the management and operations of many SMEs have not achieved the expected efficiency, making the productivity and competitiveness of Vietnamese enterprises in general still low.

Additionally, according to Chu, (2015); Nguyen, (2019), The role of the SME sector is very crucial in developing the society such as providing more jobs, reducing poverty and a much stronger economy. The SME sector takes a vital role not only to develop the Vietnamese economy but also to provide additional support creating stability society. However, in the international integration stage, Vietnamese SMEs still have some challenges that they need to tackle to survive and adapt to the market. According to Mwika et al., (2018), SMEs are more effective now in the face of globalization which has become more influential within the global trading market. SMEs have benefits from the international integration but they also have many disadvantages as below mentioned:

Firstly, the challenge of Vietnamese SMEs is highly competitive in international markets (Ngo, 2016; Dang and Nguyen, 2017; Nguyen, 2019). According to Tran, (2019), Vietnamese SMEs lack of competitiveness in the global market. Therefore, SMEs should improve their competitive advantages in the market such as they have to innovate their products/services to complete with their rivals in the market; improving their technology and overall restructure within SMEs.

Secondly, Vietnamese SMEs have many limitations in management skills and methods of operating enterprises in the international integration (Chu, 2015; Nguyen (2017); Dang and Nguyen, 2017; Vu et al., 2019; Nguyen, 2019; Tran, 2019). Additionally, according to the Vietnam Institute for Economic and Policy Research, despite SMEs development in past decades, there is nearly 56 percent of SMEs that do not have sufficient knowledge in business and corporate management, financial management, and business law (Nguyen, 2019). So that they can survive in the global market, Vietnamese SMEs should
improve the management capacity to complete with international corporations (Nguyen, 2019). Therefore, to survive and adapt to the global market, Vietnamese SMEs should change their management process and they need to find out which management factors that support their firm performance to catch up with the trend of the global market.

Thirdly, Vietnamese SME’s have a financial limitation within the management of their cash flow incorporated in the overall budget process development and implementation (Chu, 2015; Tran (2015); Vu et al., 2019; Nguyen, 2019). SMEs faces many challenges in the globalization era including; absence of adequate and timely finances, limited capital as well as access to international market and knowledge (Anand, 2015; Mwika et al., (2018). The limitation in financial resources is one of the major barriers for SMEs in terms of integration (Chu, 2015; Dang and Nguyen, 2017; Nguyen, 2019). Additionally, according to Nguyen, 2019, Vietnamese SME need to adopt the world best practices in developing budget process for their enterprises, giving added support to the performance of business and management. Budget setting in SMEs is not linked to reality and it affects the overall business and management (Chu, 2015). If the budget process is not linked to reality or the mistakes come from the budget process, these activities of the business will generate waste to the budget (Doan et al., 2015). Additionally, there is asymmetric information between the management and employees to set up the overall budget for business and management within SMEs. Therefore, to improve the quality of the budget setting, SMEs should improve the overall budget process adapting it for suitability to better planning and implementation of all the activities of the business, management, operation, and manufacturing, etc.

Fourthly, according to Nguyen, (2019), It is evident that SMEs need to improve their skills to enable them to develop and implement the systems and procedures for better business planning and increase their capacity for managerial control. The functions of planning and controlling take a vital role to support the goals and objectives for the SME’s development. Therefore, SMEs have a limitation in developing and implementing capacity that should be improved. There are many areas that SMEs need to improve overall to their business planning: market analysis, competitor analysis, developing and implementing a good corporate vision and mission statements to their enterprises” (Chu, 2015, Nguyen, 2019). SMEs are aware of the importance of business planning. However, they have not focused on making a complete business plan in its own right to bring optimal efficiency, but often give sketchy plans due to lack of resources, human resources and time. If SMEs do not have a good business plan, no matter how great their business ideas are, it will be difficult to succeed to any degree. A good
business plan not only determines the success of making SME’s original business idea a reality but provides continued success for the SMEs. Therefore, to adapt to the highly competitive global market, SMEs should prepare a good business plan to support them to survive and develop.

Fifthly, according to Nguyen, (2019), The limitations that face the SME’s management is the lack of financial performance and its management. The core values of the firm are not only the measurement of the financial performance but also the non-financial performance. The financial indicators can only reflect the performance of organizations in the past and do not reflect the firm’s future operating conditions (Okoye, et al., 2017). Therefore, Vietnamese SMEs should consider focusing both financial and non-financial indicators on their business, management, operation, and manufacturing, etc.

6. Opportunities for Vietnamese SMEs

The first one is the opportunities to access the international market: In the international integration stage, Vietnamese SMEs have a chance to widen their scope to do business (Ngo, 2016; Nguyen, 2019). There are many opportunities for Vietnamese SMEs in expanding into the export market, Vietnam is currently focused on attracting Foreign Direct Investment (FDI) and actively participating in Free Trade Agreements (FTA). This has shown strong commitments on improving the investment environment and protecting intellectual property rights. When large international corporations invest in Vietnam, SMEs have the opportunity to participate in the flow-on benefits in the global value chain. Vietnam now has access to the international market for goods and services in all member countries attracting reduced import tariffs and non-discriminatory service sectors.

Secondly, opportunities to access advanced production technologies (Ngo, 2016). Participating in large markets with investment from bilateral and multilateral trade agreements, SMEs will have the opportunity to innovate systems and technologies to produce products that meet the quality of the markets.

Thirdly, there is an opportunity to improve the quality of the workforce (Ngo, 2016), due to the higher quality and volume requirements of the international market. SMEs should not only consider the improvement of their technology but also they should improve the quality of the workforce to meet the requirement of a higher international standard. Therefore, SMEs should focus on their understanding of the market plus investing in employee training, fostering, developing and implementing strategies for their workforce. Running concurrently with the training and development of SME’s human
resources. They should focus more attention on the upgrading of the employees' development and training within the corporate culture of the SMEs. Human resource is a core factor within the business is vital for the continued development and ongoing success.

The fourth opportunity is access to financial capital from international investment (Ngo, 2016). When Vietnam participates in the global market, there are many chances for SMEs to attract more investment because there is a large pool of investors that come to Vietnam seeking to do business. Therefore, if the SMEs have an attractive business with great opportunities seeking investment, the international investors will seek to support their financing requirements enabling them to widen their scale of business.

7. Conclusions and Recommendations

Conclusions: As noted in the analysis above, the SME sector are faced with many challenges but there are also many opportunities available to do business in the global market. To adapt in the international integration, SMEs need to focus on promoting the opportunities and look to reduce the challenges faced. To gain the outcomes from the benefits of the global market, SMEs need to be innovative and adopt the new methods, this will see an improvement in the businesses such as; quality management, leaner operations and higher productivity in manufacturing. SME need to promote the talent within their employees with targeted and concise training, adjust and restructure their overall management capacity and seek current innovative technology to gain a higher market share to equal the fast changing market.

Moreover, given the important role and position of the SME sector in the Vietnamese economy, It is necessary to synchronously implement solutions and policies thus encouraging SMEs to develop this internally, in conjunction with assistance from their Government. Government support will create opportunities for SMEs to access the resources and market to develop in the global integration. The Government can offer incentives such as; tax exemption, technology support, legal and taxation incentive advice and providing advice in market opportunities, etc. These supports will allow SMEs to have a better advantage over its rivals and to reduce the many challenges in the global market. Besides that, SMEs need to upgrade their management capacity and innovation in the strategies to get opportunities and reducing risks in the highly competitive market.

Additionally, most of the challenges facing businesses stems internally from the SMEs, due to the lack of appropriate management capacity as well as understanding the methods to exploit and optimize
existing resources in the enterprises. The process of international economic integration requires SMEs to change business planning, corporate culture, strategy implementation, and managerial control, etc, that will support SMEs to meet its development requirements. To complete in the global market, SMEs should review and adopt a new vision, mission, management structure and process to adapt to the new market. The changes needed by the SMEs will improve their business, its management, operation, and manufacturing to catch up and maintain the level of commitment with the progressive international corporations around the world.

Recommendations: Noted within the analysis above; there are many changes that SMEs should do to catch up with the change of the global market. The role of SMEs and the Vietnamese government are crucial to support SME’s development in the new era. There are many solutions to support SMEs development as noted:

Firstly, Human Resources are the decisive factor for the success or failure of a business, so for long-term and sustainable development, investing in human resources in SMEs is critical in the success. Therefore, SMEs should have a decisive plan to acquire the required talent with clear and defined levels of training. The combined talent developed and generated when the foreign enterprises enter the Vietnamese market with a progressive approach and professional attitude toward talent management with a good remuneration structure. This combined leads to a good overall team to do business and develop long-term sustainably.

Secondly, build a system of financial institutions to serve the capital needs SMEs, enabling SMEs to access capital sources with low-interest finance through Government policies and decrees. The Government should promote financing through the avenue of accelerated interest rate reduction.

Thirdly, it is necessary to raise awareness to the SME community on the critical importance of information technology, the application of the information in production and business activities. This is a vital step to keep up the demand for information technology application development in socio-economic development and international economic integration of the whole country.

Fourthly, business planning provides the underpinning basis of the business. Development and the implementation of each critical step by the business management from its initiation and continuing through the business life-cycle. The plan incorporates; know what your business is and can provide and what are its goals, implement strategies financial, management, sales/ marketing, manufacturing, etc. With good planning, the SMEs will attain a good/better outcome in the Global market.
Fifthly, SMEs should improve the managerial controlling process. In an ever-changing environment, the implementation of the control system and its function is mandatory for the management. Implementing the control function, managers will get information on the performance of employees, capture changes in the reality compared to the plan and thereby make appropriate adjustments. On the other hand, the implementation of the control function provides an effective avenue to; motivate the employees, the implementation of the proposed plans and the setting of targets and goals. The management function of the control activity is to monitor, measure, review and rectify its implemented path in order to ensure the achievement of the defined goals. Managerial control will take a key place within the management process of SMEs. Managerial control is the key factor to be utilized by Vietnamese SMEs in discovering the errors and making adjustments to suit. On the other hand, the improvement of control will be performed better and reduce errors that may arise within SMEs.

Sixthly, Corporate culture plays a crucial role in the development of both the large corporations and SMEs alike. Corporate culture is all the core values created during the development and existence of any SME. The culture of the company has a makeup of core values, concepts, practices and traditions ingrained within the enterprises activities and govern the sentiments, thoughts and behaviors of every SME member pursuant to its implementation and goals. As with culture in general, corporate culture building for SME has specific characteristics. First of all, corporate culture is the product of employees who implementing and attaining the needs for sustainable values. It establishes a system of values which are accepted, shared, promoted and creates the most desirable culture for the SMEs. Corporate culture will promote the difference between SMEs and is evidenced through employee retention and external jealousy from rival SME and their employees. Therefore, there are a need to build a great corporate culture and identity within SMEs, this provides a good environment, increases the commitment from both management and employees, with a flow on creating substantial values over time gaining a higher share in the global market.

Seventhly, it is difficult for a small and medium-sized enterprise to penetrate into the international markets, secure contracts and gain a dominant share of the market. Businesses need to network within the available sectors and link-up through similar players with the industries. SMEs need to review and reassess the markets, analysis and consider the new competitive landscape in Vietnam and Internationally, prepare in readiness for the transition into the new era. Develop a strategy to improve their competitiveness, identify the core values and to select products/services and their target markets.
Finally, it is the SMEs in Vietnam that need to be proactive and innovative in the strategy of implementation when entering the global market. They should improve overall core elements such as governance of management capacity, productivity, quality management, promote competitiveness of their products and services within the market. Additionally, standardize and create lean production of the business to meet the requirements and criteria of international markets. Furthermore, promote and enhance innovation, research and development in applied technology for manufacturing. When adopting these core principals and applying the noted systems, technologies and providing core training to all levels of employees the SME’s will gain greater sustainable success into the future. Flowing on from this adoption is the added promotion of the national spirit, a united focus in building a greater Vietnamese brand for products and services within the international market.

8. References


Mediating Effect of Investment Decisions between Overconfidence Heuristic and Financial-Performance of Small, and Medium Enterprises in Nairobi, Kenya

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Abstract
Investors’ thinking and feeling have emotional impact on their behavior when making investment decisions. These impacts are identified as behavioral heuristics. They affect all investors and vary subject to the investor’s nature. This, in turn, affects the financial-performance of the SME. Heuristic behavior is an essential part of the decision-making process which profoundly influences the investor’s financial performance. Heuristic factors play an undeniable role in influencing persons’ decisions, which includes investment decisions. The study seeks to scrutinize the outcome of the Overconfidence heuristic on financial-performance and also analyze the mediational effect of investment decisions on the link concerning the Overconfidence heuristic and financial-performance of the SMEs in the County of Nairobi. The heuristic theory guided this study. Anchoring on Explanatory research design, the study targeted 64,443 SMEs, with sample size being 382 SMEs. This research used a stratified sampling design. Data were collected using structured questionnaires and items were anchored on a five-point Likert scale. Descriptive and inferential statistics were used as analysis tools. The test for hypotheses was done using multiple regression models and Hayes process macro for mediation. The regression results presented that Overconfidence heuristic had positively significantly affect financial-performance ($\beta = .156, p < .05$). Besides, Investment Decision had a positively and significantly mediating effect on the relation between Overconfidence Heuristic and Financial-Performance ($\beta = .289, p < .05, CI=0.001, 0.076$). This study contributes new knowledge to the theories. There is a need for SME owners/ managers to understand and effectively how to use investment decisions to improve their financial-performance. Furthermore, researchers need to undertake comparative studies covering other geographical locations to make generalizations from this study.

Keywords: Heuristic behavior, Overconfidence, Investment decisions, Financial performance.

Suggested Citation:
1. Introduction

Financial performance is the practice of determining the outcomes of a firm’s policies and processes in monetary terms over a certain time (Jayawardhana, 2016). It pinpoints the financial prowess and weakness of a firm by creating relationships amongst the items of the financial position and income statement as noted by Jayawardhana, (2016), profitability; return on equity; and liquidity ratios among others provide valuable tools or measures to stakeholders to assess the past and current financial-performance of a firm. Profitability is an indicator of how a company’s financial performance is relative to its total cost assets.

Small and Medium Enterprises play a role in most economies through the world which measures their financial-performance (Kinyua, 2014). Eniola & Entebang (2016) found out that unfavorable government policies influence negatively SMEs financial-performance with decreasing issuance of total credit by both commercial and merchant banks to SMEs. Profit is a proxy to measure the financial-performance of SMEs. According to Tambunan et al., (2011), SMEs are an important driver for economic development and the empowerment of local communities. Even though SMEs provide a solution to various economic problems, they also face challenges from other dimensions that dissuade their financial-performance and therefore inhibit their growth.

Overconfidence heuristic is the propensity of investors to either overestimate their abilities or underestimate other abilities or difficulty of the task (Rasheed et al, 2018). It is a cognitive heuristic where people have an superfluous faith in their instinctual reasoning; judgments; and cognitive abilities (Pompian and Wood, 2006).

2. Theoretical review.

This research was informed by Heuristic theory; it is a tenet, which an individual use in an uncertain situation to make decisions easy and resourceful (Ritter, 2003). Kahneman and Tverskys, (1979) detected that irrational individuals used heuristics in their decision-making since they fail to judge the impeccable probability. Heuristics are beneficial when the period for decision is limited and there is incomplete information (Waweru et al., 2008). John M. Keynes, (1936) and Irving Fisher, (1930), reasoned that investments are made till the present value of predictable future returns, at the margin, and the opportunity cost of capital are equal. This means that investment is done until the net present value is comparable to zero. An investment is anticipated to produce a river of future cash flows.
3. Conceptual framework

This is an arrangement which the study trusts can best describe the natural development of the phenomenon to be studied (Osanloo, & Grant, C. 2016). It’s the researcher’s explanation of how the research problem would be explored. The framework defines the connection between the main concepts of a study. This study seeks to establish the mediational effect of investment decisions to that link between heuristic behavioral factors and the financial-performance of SMEs in the County of Nairobi.

![Conceptual Framework]

**Figure 1: Conceptual Framework**

*Source: Author (2020)*

4. Hypotheses

During the study, it was hypothesized that:

- **H₀** Overconfidence heuristic has no significant effect on the financial-performance of SMEs in Nairobi County, Kenya.’

- **H₁** Investment decisions do not mediate the association between overconfidence heuristic and the financial-performance of SMEs in Nairobi County, Kenya.

5. Methodology
This study is in line with the positivism approach of paradigm, which pursues to use existing theory to deduce and formulate variables. The study adapted explanatory design of research of a cross-sectional nature which analyses the cause effect association between variables (Creswell & Creswell, 2017). The design was suitable to the study since it sought to investigate a cause-effect relationship of the three constraints, which are, Financial-Performance, Overconfidence Heuristic and Investment Decision.

The study target population constituted 64,443 SMEs as registered and licensed by the County government of Nairobi. The researcher targeted the owner/ manager in each of the SMEs as its unit of observation therefore the sample size being 382 SMEs. Stratified sampling and simple random techniques were used to choose the sample. The study used structured questionnaires to collect data for dependent, mediating and independent variables, where each of the items was subjected to Five-point Likert scale, from 1=Strongly Disagree to 5=Strongly Agree. The entire scales of the study had been authenticated in previous literature. However, while all scales were adopted, they were amended to suit the setting of this research study. Financial performance was measured following previously developed methods by (Al-Matari, et al., 2014).

Furthermore, Overconfidence heuristic was measured using items developed by (Babajide and Adetiloye, 2012), and (Luong and Thu Ha, 2011). Also, Investment Decision measurements were selected from Pachur, et al., (2008) and Scott and Bruce, (1995). Finally, Firm age was measured as the sum of years the firm has been in existence that is the ordinal scale from 1 to 4 (Chun. et al., 2016).

The reliability of the instruments was tested using the internal stability technique by employing a Cronbach Alpha rate of 0.7. Internal and external validity was assessed to establish whether the instrument truly measures what it is projected to measure (Taber, 2018). Descriptive and inferential statistic tools were used to analyze data. Descriptives were the mean; standard deviation; Skewness; and Kurtosis, while inferential statistics was the Pearson correlation coefficient testing the relationship and strength between the variables. Multiple regression models were used to check the hypotheses for the study.

**The regression model:**

**Direct Effect.**

\[
FP = \beta_0 + C + OVC + \beta_3 IND + \varepsilon \quad \text{...} \quad 1
\]

**Mediation model (indirect effect).**

\[
IND = \beta_0 + C + \beta_1 OVC + \varepsilon \quad \text{...} \quad 2
\]

\[
FP = \beta_0 + C + \beta_1 OVC + \beta_2 IND + \varepsilon \quad \text{...} \quad 3
\]

**Direct Effect:** \( B_2 (C') \)
Indirect Effect: $\beta_1 \times \beta_3(a \times b)$

Total effect: $\beta_2 + (\beta_1 \times \beta_3)$

6. Results

Table 1 below shows the alpha coefficient for reliability tests.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Performance</td>
<td>0.815</td>
<td>7</td>
</tr>
<tr>
<td>Overconfidence Heuristic</td>
<td>0.837</td>
<td>8</td>
</tr>
<tr>
<td>Investment Decision</td>
<td>0.893</td>
<td>6</td>
</tr>
</tbody>
</table>

**Source**: Research Data, (2020)

The outcomes demonstrate that Investment Decision recorded the highest reliability ($\alpha = 0.893$), followed by Overconfidence heuristic, with a coefficient of ($\alpha = 0.837$) and finally, Financial performance had a reliability score of ($\alpha = 0.815$). The reliability coefficients were above the recommended value (0.7) showing consistency in measuring the constructs as per (Taber, 2018).

The study conducted Pearson correlation analysis to establish the link between the variables. Correlation coefficient value ($r$) ranging from 0.10 to 0.299 was considered weak, from 0.3 to 0.49 was considered average and from 0.5 to 1.0 were considered strong (Wong and Hiew, 2005). According to Field, (2005), the correlation-coefficient should not be in excess of 0.8 to avoid multi-collinearity. In this test, the null hypothesis was zero for the correlation-coefficient (no relation). Consequently, the null-hypothesis will be rejected if the level of a significance test is below 0.05.

The regression test for both control and independent-variables (direct effect) was done. The hypotheses tested the effect of Overconfidence Heuristic on financial-performance (DV) of Small; and Medium Enterprises in Nairobi County, Kenya. The results in Table 2 below show that all the predictors explain 51.7% of the variation on financial performance, where ($R^2$ = 0.517, Adjusted $R^2$ = 0.508). The findings also showed that the coefficient of determination was significant as shown by $F = 103.79$, $p <0.001$. For the control variables, the firm size was non-significant but the industry ($\beta = 0.591$, $p< 0.05$) the results showed that it significantly influence the financial-performance.
The 1st hypothesis (H₀₁) states that Overconfidence Heuristic has no significance on the Financial-Performance of SMEs in Nairobi County, Kenya and from the findings in table 2 below, the null hypothesis is rejected. The findings reveal that Overconfidence Heuristic has positively and significantly effected Financial-Performance, $\beta = 0.156$, $p < 0.001$, where ($p$-value = 0.000 which is below $\alpha = 0.05$). Since there is the low $p$-value associated with the $t$ ratio, the null hypothesis is rejected.

**Table 2: Coefficients of estimates**

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>Constant</td>
<td>2.368</td>
<td>.136</td>
<td></td>
</tr>
<tr>
<td>Operational years</td>
<td>.060</td>
<td>.032</td>
<td>.084</td>
</tr>
<tr>
<td>Industry</td>
<td>.400</td>
<td>.030</td>
<td>.591</td>
</tr>
<tr>
<td>OVCAVE</td>
<td>.182</td>
<td>.050</td>
<td>.156</td>
</tr>
</tbody>
</table>

**Summary statistics**

- R: .719
- R Square: .517
- Adjusted R Square: .508
- Std. Error of the Estimate: .424
- Durbin- Watson: 1.996
- ANOVA (F stat): 103.79
- Sig: .000

Dependent Variable: Financial Performance

**Source:** Research Data, (2020)

The study established the Mediational Effect of Investment decisions on the relation between Overconfidence Heuristic and the financial-performance of the SMEs in Nairobi County. The study used Hayes 4 model to achieve the mediational effect and performed regression analysis on the Overconfidence variable using PROCESS macro version 3.2 (Hayes, 2018). MacKinnon’s (2012) four-steps were followed to study the mediation effect. The study pursued to determine:

1. The power of Overconfidence Heuristic on Investment-decision indicated as path “a” (Figure 1)

2. The influence of Investment Decisions on Financial-performance, path “b” (Figure 1).

3. The effect of Overconfidence Heuristic on Financial-performance while controlling for Investment Decisions, path $C’$ (Figure 1).
4. Lastly, the indirect path between Overconfidence Heuristic and Financial-performance via Investment Decisions (a\times b). The bias-revised percentile bootstrap method decides whether the last condition is satisfied. Covariates (Firm Age, Firm Industry) were all included in the analysis.

Step 1, indicated as Table 3 (Model 1), established that Overconfidence Heuristic significantly affected performance with $\beta = .165, p < .05$. In step two, presented as (Model 2), Investment-Decisions were found to statistically and significantly affect performance with $\beta = .194, p < .05$. Moreover, in the same Model 2, the third step was tested while regulating for Investment-decisions. The study postulated that Overconfidence Heuristic was statistically found to have a significantly positive effect on performance with, $\beta = .289, p < .05$. The firm age and industry covariates were found to be significant with $\beta = .058, \beta = .353, p < .05$ respectively.

Finally, results for the bias-revised percentile bootstrap method indicate (Table 3, Model 3) that the indirect outcome of Overconfidence heuristic on financial-performance via investment decision was significant (a\times b), $\beta = .032, CI = [.000, .076]$. The indirect effect model indicates a partial mediation between Overconfidence heuristic and financial-performance via investment decision. Furthermore, Model 4 (Table 3) reveals the total effect $[C' + (a\times b)]$ of the findings with Overconfidence heuristic having a $\beta = .321, p < .05$. Results further indicate that the nature of firm industry covariate affects financial-performance with $\beta = .376, p < .05$ while firm age did not show any significance. Based on the above results, the hypothesis of this research was supported by the study findings. The implication of the findings showed that there was a partial mediation effect because the confident level of the interval is a non-zero.

Table 3: Medialional Effect of Investment Decision on Overconfidence Heuristic and Financial-Performance link of SMEs in Nairobi County

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Model 1 (IND)</th>
<th>Model 2 (FP)</th>
<th>Model 3 $a_1\times b_1$</th>
<th>Model 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>PV</td>
<td>B</td>
<td>PV</td>
<td>$\beta$</td>
</tr>
<tr>
<td>Constant</td>
<td>3.087 (.000)</td>
<td>0.529 (.028)</td>
<td>1.128 (.000)</td>
<td></td>
</tr>
<tr>
<td>Firm age</td>
<td>-.083 (.069)</td>
<td>0.058 (.044)</td>
<td>.042 (.160)</td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>.115 (.007)</td>
<td>.353 (.000)</td>
<td>.376 (.000)</td>
<td></td>
</tr>
<tr>
<td>OVCAVE</td>
<td>.165 (.019)</td>
<td>.289 (.000)</td>
<td>.165 \times .194 = .032</td>
<td>.321</td>
</tr>
<tr>
<td>INDAVE</td>
<td>.194 (.000)</td>
<td>.194 (.000)</td>
<td></td>
<td>.675</td>
</tr>
<tr>
<td>R</td>
<td>.211</td>
<td>.707</td>
<td>1.128 (.000)</td>
<td>.455</td>
</tr>
<tr>
<td>R2</td>
<td>.045</td>
<td>.500</td>
<td>CI = .000 .076</td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>5.226</td>
<td>83.85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig.</td>
<td>(.002)</td>
<td>(.000)</td>
<td></td>
<td>(.000)</td>
</tr>
</tbody>
</table>
Level of confidence for the confidence intervals in the output: 95

The bootstrap samples number for percentile bootstrap confidence intervals: 5000.

Source: Research Data 2020.

7. Discussion

The current study provides an important research model in understanding the mediational part of Investment decisions on the association between the Overconfidence Heuristics and Financial-performance of SMEs in Nairobi County.

The outcomes of this research study indicate that Overconfidence Heuristic improved financial performance. The positive product of the relationship could be associated with the fact that many SMEs use psychological aspects in their investment-decisions and therefore positively affect the financial-performance of the firm.

The more self-confident investors are the more informed decision actions they can make. In business, decisiveness is very important to catch great opportunities. Confident investors probably utilize their skills and knowledge in certain circumstances to better the investment results. Barber and Odean (2001), argued that overconfidence is paramount for difficult tasks and predictions with low predictability. From the path coefficient, overconfidence heuristic is a robust predictor of Financial-Performance. The investment decision was positively allied to financial-performance. The indirect effect through Investment Decision has partial mediational relation between overconfidence; and financial-performance.

7.1. Theoretical and managerial implications.

Theoretically, this research confirms the theory used and contributes to the existing literature. The study first confirms what has already been established by other scholars that overconfidence heuristic has a significant direct effect on Financial-performance and Investment-decisions of Small; and Medium Enterprises. Additionally, the study brings in some new knowledge that the Investment-decisions mediate the connection between the Overconfidence heuristics and Financial-performance of the SMEs. Besides the individual investors who may benefit directly from the outcomes of this study, the small; and medium enterprises can use these findings as reference for their research and forecast of the trends of the investment market. Our results have significant hands-on implications for individual investors, securities organizations, and behavioral finance study. Specifically, our finding shows that the Overconfidence heuristics strongly affect Investment decisions hence affecting the financial performance. Decision-makers
should be acquainted to the heuristic behavioral biases. Investors can use the study to better understand the effect of Overconfidence heuristics on individual investment-decisions and to develop models that relate the critical factors of heuristics to have informed individual investment decisions. Moreover, both national and global financial regulatory authorities, the government and supervisory agencies are likely to have a superior understanding of the SMEs by appreciating the behavioral nature and investment decision patterns of the investors in this sector. Lastly, this paper is one of its kind in emerging economies, examining the meditational-role of Investment decisions on the link-between Overconfidence heuristic and financial-performance using the highly rigorous method of PROCESS macro for analysis.

8. Recommendations

This study pulls an overall picture of the impact of Overconfidence Heuristic on the financial performance and also the mediating effect of the investment decisions on the association between Overconfidence Heuristic and the financial performance within Nairobi County. The future researchers ought to focus on the challenges that the investors face in the process of making investment decisions. A study could also be done to assess the effect of other factors that could affect SME investment decisions apart from the heuristic factors reflected in this study.

9. Acknowledgment

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10. References


The Academic Curriculum in The Humanisation of Business Teaching: The Perception of University Professors

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Abstract

Purpose: underline the advantages of reconciling the objectives of teaching of economics and business sciences with the objectives of companies while observing their social responsibility.
Design/methodology/approach: the study uses the Focus Group methodology with content analysis. The study addressed a Portuguese public university.
Findings: The study highlights the disparity between university practices, still very focused on the results of academic research, and the requirements that companies expect from universities.
Research limitations/implications: the study should include more universities and courses. It should implement a reflection by themes and focus group focus through the dynamics of a methodology under discussion.
Practical implications: the study provides guidance to humanise business-oriented education through curricular innovation.
Social implications: the business teaching model should transcend a set of disciplines focused on technical and instrumental training because this sort of orientation dehumanises social relations.
Originality/value: the theme sensitises citizens and institutions to other ways of being, teaching and learning with a view to improve the performance of the companies and businesses and nurture more social well-being and every citizen's daily life.

Keywords: Education, business, humanisation, values, school curriculum.
JEL Codes: I 23; I 29; I 31; M 29

Suggested Citation:
1. Introduction

It is interesting to start with the notion that business training demand has grown dramatically (Ireland, 2015). In order to respond to this demand, and in order to meet the needs of an increasingly demanding labour market, both universities and polytechnic institutes have implemented business courses at various levels of undergraduate and specialisation programmes. Simultaneously, and in line with a more complex and competitive academic market, business schools have been pressured to publish their scientific research in indexed international journals, which has been considered as the route to greater visibility and reputation of their mission. This situation has led business schools to guide their efforts to publish the research with high ranking concerns and they seem to care much less on finding novel consistent responses to the actual needs of companies. On the other hand, this strategy has not been accompanied by the dissemination of research results within the companies or by the dissemination of information on students' performance in the classroom, nor on the search for new curricula more socially responsible (DeNisi and Pettigrew, 2012). This situation does not happen only in schools that are more business-oriented, but also in all scientific areas, associating the excellence of the university with competitive research, even if such practice implies some sacrifice of the pedagogical performance, which sometimes may neglect the importance of the student awareness and social attitude in the teaching of business.

Although schools are the largest social organisation of contemporary societies (Lai et al. 2015), students continue to be trained/educated to respond to demands from a market much more oriented toward competition rather than to social concerns. Such "training" and such a "competitive school" tend to care much less about the importance of the objectives of integrating training with the humanisation of society because such principles overlap and clash with the values of cooperation, tolerance, companionship, help and the values of sharing. Hence, the criticism that has arisen to business schools, in which it is emphasised that students should be prepared holistically and endowed with technical, instrumental, personal, cultural, relational and social skills to know how to respond to questions like “Who I am?”, “What do I care about?”, “What does success look like?”, “What does it take to lead well?” (Khurana and Snook, 2011). This is exactly what is not actually being done.

This study addresses the business teaching model, considering, on the one hand, a teaching methodology that mirrors the results of research in the business area and, on the other hand, what are the companies' expectations in what concerns this sort of teaching. It is emphasised that the humanisation of business is the link between the various purposes, both of the university and of companies and society in general.
As a methodology, the study is structured in two focus group. These were held at a Portuguese university and their actors are tenured professors in the area of economic and management sciences. The work is divided into six items. The second, third and fourth item relate to the literature review and the theoretical framework. This is where we excel in higher education and the humanisation processes of society, multiple intelligences are explored in the co-creation of humanity and the humanisation of higher education for the world of business. In the fifth item, we realise the empirical study, whereas the sixth presents a general discussion and the final remarks, which precedes the presentation of the references.

2. Higher education in the humanisation of society

Teaching is an exciting, complex and demanding profession. Its success depends on multiple variables and the combination of professional, personal and social skills (Orts, 2011). In his professional dynamics, in addition to the knowledge of the scientific area, a good teacher should enshrine knowledge of pedagogy, sociology and daily life, to entangle his attitudes, behaviours, along with ethical-moral and social-environmental commitments. This is the material the teacher resorts to help the building of more human, healthier and more committed relationships to society. As Orts (2011) considers the teacher contributes to a more just, more peaceful and supportive society in line with this perspective. He/she unveils his/her emotional competence to students because an emotionally competent teacher knows and lives the universal values of life. However, the success of teaching-learning is not in doing more, but in doing differently (Orts, 2011). This perspective values the qualitative aspect differently. In light of this, the person must be insightful in the way of seeing, acting and behaving in order to know how to discern teaching for life, because discerning is to perceive, accept, understand, evolve and love unconditionally (Portela, 2018), both from the vertical and the horizontal point of view. Notwithstanding, discernment rests on wisdom to know how to "stop", in order to think, internalise, see, meditate, reflect, act, listen, give an opinion and elucidate. Therefore, knowing how to stop is a gift from the universe that is available to all citizens and it is fundamental to the success of learning.

In their orthodox (traditional) learning process, young people learn a lot in isolation and, at the end of this process, there may be a sum of disconnected learning. Despite the importance of these learnings, because they are an integral part of multiple intelligences, learning still needs to make sense and interconnect them to allow the student to develop his/her various cognitive, affective, affective, relational and social domains. As society is deficient in social and moral balances, will the values of materiality, and very focused on the financial aspect, make the student a good professional in the
business area and a good citizen? His/her learning process embodies other dimensions of equal importance that are often ignored and that make it difficult to improve the student's social quality of life. In this manner, the teacher and the system also fail because they focus more on the increases in individual financial savings and less on the importance of the student's ethical and social heritage. To train holistically, it seems relevant to us to involve the student in community activities, to stimulate his/her ability to know how to accept and respect without judging differences and to assume a more open attitude to understand and cooperate with the "other". These characteristics are an integral part of the student's development because they help to blur the teaching individualistic and materialistic orientations, which are adverse features to the construction of a more balanced society. These foster the greed that grows and imprisons the person amputates freedom and shortens happiness. Tin this line of thought, Ghoshal (2005: 88) states: "I believe that as academics, we may have been guilty of overexploiting our freedom". In addition, the opportunistic behaviour of the human being tends to wax imperfections and social costs (Ghoshal: 2005). They tend to wane fraternal feelings and positive human emotions to resort to a more calculating and deterministic treatment, which dehumanises society. Therefore, it is necessary that human thought gravitates around the world and social organisation because it is time to show our responsibility if we believe that our work is relevant to the world (Hambrick, 1994).

In addition to venerating materiality, present-day society also "fails" when it does not underlines virtues. Therefore, Giacalone (2004) considers that education should be structured in line with five main objectives (i) empathy, (ii) generativity; (iii) mutuality, (iv) civil aspiration, (v) intolerance of ineffective humanity, because he understands that these are essential values for building a more intuitive/non-cognitive world. To this end, the school needs to devise another geopolitical organisation that works the inputs of cooperation, ethical commitments and awareness, while observing ecological, social and cultural criteria (Paymal, 2016). Such guidance leads the citizen to a more ecocentric, less self-centred society and more guided by the forces of the heart. As a result, tomorrow's schools should call themselves: "comprehensive school for the third millennium, educational community, bio-school, parallel school, alternative school, wisdom centre, integral development centre, schoolhouse, the school with a conscience" (Paymal, 2016: 233). As any system depends on the correlation of ecosystem forces, ignoring the social side of the human aspect is amputating the results of public policies because the teaching of business should be an open, interdependent and (co)responsible system for the good of citizens and for their quality of life. This is a path so the teaching of business embodies characteristics that help humanising society, which contributes to the economic and social balance and favours the economic activity within the real world (Maréchal, 2001).
3. Multiple Intelligences: an avenue for the co-creation of humanity

Multiple intelligences, as designated by Gardner (1995; 1999), are at the basis of potential human development. Each individual may have different levels of development of their abilities and skills because they focus on specific aspects of that multiplicity of intelligence. In this regard, we wonder about the performance of teaching for the holistic development of the individual. According to Gardner (1995; 1999) and Pereira and Costa (2017a; 2017b), teaching is liberating and co-creating provided it respects multiple intelligences. This approach has opened windows to the discussion of different bits of intelligence in the individuals’ global development. Paymal (2016) refreshes such bits of intelligence and presents the following set:

Table 1: Typification and nature of multiple types of intelligence

<table>
<thead>
<tr>
<th>Nº</th>
<th>Types of Intelligence</th>
<th>Nature</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Linguistic or verbal</td>
<td>Cognitive</td>
</tr>
<tr>
<td>2</td>
<td>Logical-mathematic</td>
<td>Cognitive</td>
</tr>
<tr>
<td>3</td>
<td>Spacial</td>
<td>Spacial, artistic and aesthetic</td>
</tr>
<tr>
<td>4</td>
<td>Body-Kinesthetic</td>
<td>Body</td>
</tr>
<tr>
<td>5</td>
<td>Musical</td>
<td>Musical</td>
</tr>
<tr>
<td>6</td>
<td>Interpersonal</td>
<td>Psychological, social, educational and multicultural</td>
</tr>
<tr>
<td>7</td>
<td>Intrapersonal</td>
<td>Psychological and aesthetic</td>
</tr>
<tr>
<td>8</td>
<td>Naturalistic</td>
<td>Ecological</td>
</tr>
<tr>
<td>9</td>
<td>Transcendent or Spiritual</td>
<td>Spiritual</td>
</tr>
<tr>
<td>10</td>
<td>Intuitive or Energetic</td>
<td>Psychic</td>
</tr>
<tr>
<td>11</td>
<td>Emotional</td>
<td>Emotional</td>
</tr>
<tr>
<td>12</td>
<td>Practical</td>
<td>Practical and productive</td>
</tr>
<tr>
<td>13</td>
<td>Co-creative</td>
<td>Multifaceted (heterogeneous)</td>
</tr>
</tbody>
</table>

Source: Paymal (2016: 138/9)

In addition to that typology of intelligence, literature indicates many others, such as digital intelligence, lateral intelligence, associative intelligence, love intelligence (or affective intelligence, or conciliatory intelligence), multidimensional intelligence or cosmic intelligence, humorous intelligence, planning intelligence, sexual intelligence, survival intelligence, emergency intelligence, ludic intelligence, collective intelligence (Paymal, 2016: 140). Thence, in view of the richness of multiple intelligences, we could ask, overall, what are the intelligences which, for each individual and in each situation, have greater relevance? How can the teaching process respond to this diversity of skills? Although these seem to be simple questions, they are actually difficult to answer. However, in view of this reality, in order to co-create a school that contemplates that diversity, it is indispensable to meet some levels, according to the various bits of intelligence, of which Paymal (2016) suggests:
(a) dream and design a school for the community that is everyone's, for all and inclusive;
(b) prepare emotionally stable individuals;
(c) prepare individuals to know each other, to listen, to participate and perform activities together;
(d) define educational processes and explore pedagogical tools;
(e) establish networks and accept/embody the local reality.

Paymal’s perspective is in line with a teaching process which embodies humanising characteristics. Nevertheless, in Giacalone’s opinion (2004), the teaching process is not yet focused on transcendence (transcendental or spiritual intelligence). Indeed, it is not statistically measurable and it does not stem from a process with linear results either. In addition, it seems to be an obstacle to the holistic development of the individual and the humanisation of society, with a direct influence on business and its management.

4. How to humanise higher education for the business world?

According to Pfeffer and Fong (2002), business education has become an opportunity that has flourished over the past few decades, given the employability that such courses outshine as it is the case of the Masters in Business Administration (MBA’s). Notwithstanding their attractiveness, these courses have been criticised for failing in preparing leaders for the real world of work and for not giving sufficient emphasis on the business ethics-related issues (Pfeffer and Fong, 2002; Bennis and O’Toole, 2005). Business courses (MBAs) have proliferated with very diverse typologies, such as late afternoon courses, evening courses, weekend courses, part-time courses, *inter alia* (Pfeffer and Fong, 2002). According to Rubin & Dierdorff (2009), students and stakeholders have also criticised these courses due to the gap between the skills taught and those that should actually be taught. In this regard, Bennis and O’Toole (2005) and Eberhardt et al. (1997) claim that business schools have lost track of their mission because their programmes should be more relevant to the real market. According to Bennis and O’Toole (2005), Ireland (2015) and DeNisi and Pettigrew (2012), another strand linked to failures of the programmes in the preparation of individuals in the art of doing business, is the obligation imposed on university professors for publishing their research in indexed journals. In the opinion of these authors, by emphasising scientific research in the academic activity, business schools are contributing to devaluing their most humanising, social and cross-cutting contents. This sort of behaviour conditions the full development of the student and hinders their future integration into the labour market due to the skills gap, particularly at the intrapersonal and interpersonal level (Krstić, 2012; 2014; Krstić and Krstić, 2016).
In this regard, Bennis and O'Toole (2005) also pinpoint the implications of the teachers’ dedication to research to the detriment of their dedication to students. They say that these professor-researchers can be extraordinary as scientists, but that this does not guarantee their pedagogical skills and that sometimes contributes to their discomfort in the classroom context. Bennis and O’Toole (2005) also say that one of the problems of business schools is that they use 95% of the contact time with students with technical skills and the remaining 5% with transferable skills. These ratios are indeed insightful, as they elucidate that MBA's do still fail to navigate the waters of multiple calibrated bits of intelligence. However, we recognise that in university education there have been efforts to integrate into the curricular plans other kinds of skills, the so-called soft skills, in order to balance the development of the student's skills/competencies.

MBA's must respond to real needs and prepare the student to perform the job. They should prepare the individual for organisational and social performance, without ignoring that the student is a living element of society. Therefore, according to Paymal (2016), to be faithful to their mission, MBA's and all teaching should allow students to be able to build their life project in line with the dynamics of society. It should also contemplate intrapersonal development so that the student can build his/her emotional, physical and spiritual balance because these are values that embody his relational balance. In this process, teaching should provide the basis for an autonomous, creative, researching and rich relationships, to make the student an element of change. Moreover, the school must work to enhance the student's self-esteem and help him/her be able to value, accept and respect his/her inner world. Similarly, respecting the others and the environment is the structural guidance to reverse the deficit cycle of democracy and of respect that takes place in society. At the same time, the school should lead the student to participate voluntarily in the community and to be an active and constructive citizen. Thus, preparing the student for ethical challenges in business and for the full respect of the different elements belonging to the network of contacts where the business is developed becomes a fundamental nexus in the training of the student.

In a humanised society "the human being feels the deep pleasure of synchronous vibration with nature" (Portela, 2018: 21). Therefore, in this humanised process, injustice is assumed as a social disease one should strive to heal. Moreover, citizens are more sensitive to see in hunger, misery, disrespect, humiliation and life without worthy conditions as being characteristics of the futility of matter that unveils flaws and deficits of societal, personal and relational development. A more humanised society practices and promotes social responsibility, which companies must cherish and develop to contribute to a more inclusive society and, thereby, gain competitive advantage. A more humanised society is more committed to things, people, nature and addresses citizens with respect and dignity. It cares about
everything and everyone. It gives importance to the quality of life in the workplace and respects the freedom of each citizen. It aims to mitigate differences and inequalities and seeks to enhance environmental, economic, social and human respect. This more humanised look at society and production institutions leads us to underline the need to adjust the curricular plans of the courses, in particular those related to business, by endowing them with human and social values that integrate the students in a more friendly society to all and everything else that exists in the universe.

5. Empirical Study

5.1 Methodology

The empirical study that we developed in this investigation is the result of the analysis of two debate groups with in-depth discussion and subsequent content analysis. We have resorted to the use of the Focus Group methodology. In this study, we understand Focus Group as a discussion among specialised individuals. The individuals belonging to the focus group are guided by seeking to innovate in their pedagogical practices aimed at the business area, seeking to link the theoretical orientations of the higher education courses with the current practices of business management in the search for processes aimed at humanising the relationships of business practices. This is an instrument of the qualitative methodology that resorts to small groups and should be moderated by one or more facilitators (Guerra, 2006). In this research, two Focus groups were held and moderated by two facilitators.

We have realised a lengthy in-depth discussion on what companies expect from business teaching and what is the university actually offering. In this sense, the main questions under analysis were (i) What perception do companies have about the business teaching-learning model? (ii) What kind of training should business schools provide students with? (iii) Should the training plan include the teaching of values? (iv) What is the role of the university in humanising business education? (v) Can leadership be taught? (vi) And what kind of leadership?

5.2 Content Analysis

Using Bardin’s methodology (1997), we pre-analysed the various meanings resulting from the frequency of expressions. The outcome of this analysis was the nine categories of contents:

(i) Characteristics of the university business education offer
For focus group participants, the great challenge posed to the university and, specifically to business schools, is to discuss the advantages of reconciling academic education objectives with business objectives. In this way, the University seeks to offer courses in the business area that are in line with the needs of companies and thus try to respond competitively to the demands of the labour market. However, this offer should bring together the skills that are considered fundamental and which should be embodied in the teaching-learning process throughout the course, especially autonomy and leadership.

(ii) Skills students should hold

All participants recognise that universities currently value research-related tasks more than the pedagogical ones. This practice has raised several difficulties in innovating the curriculum and introducing changes in the teaching-learning process, particularly in terms of the introduction of humanisation values, both in the programmatic contents and in the learning processes. However, it seems to raise consensus that, in addition to the scientific and technical skills of each curricular unit, the business school should promote the transversality of knowledge. In this light, the school should actually enhance interdisciplinarity procedures and the development of autonomy and group work skills. These will enable them to develop leadership and decision-making skills. However, insofar the teaching of business is concerned, companies seem to value more technical skills and the learning of the management tools needed for businesses. In the discussion, it was also mentioned the importance of the students' competence to know how to interact and develop work for the community. However, some participants reported that a high number of students per class has made such an objective difficult to achieve. In this regard, teaching should be monitored and personalised. Only in this way, according to the participants, teaching could be closer to the processes of humanisation and thus foster greater interaction with the community. Such cooperation would only be possible in classrooms of smaller size which would strengthen the University’s relations with the business community.

(iii) Development of student social awareness.

In general, the social awareness of university students has been developed, in a case-by-case basis, through volunteer actions in their communities of origin and in the classroom by means of their participation in discussions on economic sustainability often due to environmental reasons. However, the student’s daily life seems to be less tied to life in the community of the geographical area where they study and more linked to their student community. According to one of the participants of the focus group the student's social awareness is quite slim and states: "the feeling I have is that the student has no interaction with the local community. Basically, they stay in the university surroundings and this is
from where they go home over the weekend... and this is from where they go to other urban centres when they go to an internship or when they get a job...". Nonetheless, one of the participants raised the following question: "will it be a priority for companies that the student learns at the university to raise his/her social awareness? If so, how could this learning process be developed in the interests of the companies?"

(iv) Teaching-learning of values and leadership

With regard to the teaching of values at the university, the issue generated controversy and it is the opinion of some participants that society should play this role and not the university. According to one participant: "for me, teaching values is a problem. I think that role should be played by society. Moreover, society should be attentive to the needs of its citizens, teaching them and raising awareness of cooperation and sharing". In this sense, according to the participants, it is essentially up to society and less to the university, the concern to train good citizens. In this way, there would be a concern to establish a unique relationship between each citizen to the community. Whilst reinforcing this idea, another participant said: "in the classroom, I am afraid to teach values and all that entails. Students, when they get admission to the university are eighteen or older, do already have standards of behaviour. In this way, I am always very afraid to teach behavioural norms because teaching values have, for me, complex paths...". Another participant opened the discussion and said that, in the classroom, another order of values should be transmitted to students such as "rigour" and respect for norms, exemplifying with the fulfilment of academic activities. Another participant complemented this idea by focusing on the importance of ethical values: "teaching ethics is to reinforce its importance and signals the value that is attributed to these domains". In addition to values, and what is important to teach, both for companies and students, we addressed the students' perception on which skills seem to be important to acquire to enhance their edge in the labour market. Some participants mentioned leadership and that learning to be a leader seems to be a very important value for students. Nevertheless, on the other hand, can learning leadership be isolated from other social skills? Can a leader not care about the conditions for the success of his/her company? After all, are companies looking for leaders or bosses?

(v) The role of the university in bringing the student closer to society.

Should the university have a role in the process of bringing the student closer to society? How could the teaching-learning model incorporate this approach? For some participants, society should play this role and not the university, since it is essentially society that should prepare good citizens. It is worth mentioning that a participant in the focus group, despite considering that learning citizenship values
should be up to society, he considers that there is a role of bringing the student closer to society that arises from both society and university. As far as the role of the university is concerned, he says "there is a part which entails the awareness that there is a world out there and that we have to worry about this world because we live in it. The other part is the better the world the better it will be for everyone, including university performance. This seems to be an incentive that will lead the student to look at and behold the world around him/her." On the other hand, this role will also be up to society, as well as to develop efforts to facilitate the integration of students into society and to facilitate their access to university. The same participant adds "I think it is an important role... I no longer have so many present cases of integration success...; however, there was clear municipal support to this, with incentives to house rental for students to settle in the city centre. In fact, institutions are mainly outside the centres, especially when cities grow, as it is the case of Braga. Hence, policies with the objective of attracting and co-opting graduates – to fix human capital after the completion of graduation – is relevant, and the role of the municipality is very important in the process. In order to create these contexts of interaction with the local community, living in the city centre means taking half an hour on foot to the university campus. This relies on the premise that there exists transportation from the city centre to the campus, ..." However, this would only be the creation of integration facilities; nonetheless, it should be essentially up to the students to participate in their community integration process. In this regard, another participant adds "but in this case, it is not the students who decide something like this? This is not an individual decision, but local politics! These things arise from the initiative of the higher hierarchy, such as the Mayor, the municipality and the local government politicians that manage the City Hall. I do not think this has anything to do with the student's social awareness, although I understand this interaction would be fruitful." However, the participant enriched his reflection by self-questioning the importance given to the city culture, the students' social awareness and their lack of sensitivity to the problems of the city and added "I once asked students if they have ever been to the theatre or if they have ever participated in cultural programmes offered by the city. This process would be a way to link the university to the cultural portfolio of the city. For example, the welcoming session to the students at the beginning of the academic year which includes visits to museums free of charge. These activities draw the students' attention to the city. On the other hand, if students do not go downtown, they are not aware of the homeless sleeping on the streets and what kind of monuments there are in the city. If we do not stimulate them to know about city life within the framework of a curricular unit, students will not be able to recognise the different aspects of the city."

Why would the enrichment of both cultural and social awareness of the student not also be beneficial within the teaching-learning process in business management? How to look strategically at the role of
the university? As a matter of fact, "looking" at the city is "looking" at the whole where universities, institutions and companies have connecting roles indispensable to a convergent and sustainable socio-economic development.

(vi) Training through the lenses of leadership

For many participants, leadership is a cornerstone in the business area and it is associated with the issue of being entrepreneurial and the value of entrepreneurship in the process of the teaching-learning economy and business management. One of the participants stressed that "we are everywhere with this value of leadership and that it seems important to me, in such a way that it appears in various aspects of the teaching process." However, another participant claimed that being a leader is nothing more than perception and stated that "to what extent does what we convey lead the students to think that the important thing is to be a leader?" This participant invoked another competence which he considers more important and which consists of knowing how to work as a team at least as much as to be a leader. He wonders "if one is a good element of the team, will this not be as important as being a leader?" Another participant thinks this is probably also another leadership indicator. However, he also states that students are formatted in the role of leadership for good professional performance. As such, they would like the courses to develop leadership skills because they believe that this competence is highly valued in the labour market." However, he wonders "Is really the leadership capacity the most valued in the labour market? It seems to me that for the labour market is not always that most valued capacity; however, students think it is." Finally, another participant said that despite the importance of transversal skills, the most evident value of the student curriculum for a company is its final quantitative score (classification) and that only, exceptionally, includes other parameters in the student’s assessment. In this context, we wonder if there is once again no conflict between the meanings of leadership and manager because the values of both are different.

(vii) Training for autonomy

Although teaching is still centred on technical knowledge, non-technical and transversal skills gradually emerge with increased importance. These competencies embody values that foster and enhance the autonomy which teaching-learning should promote in university education, as it is the case with business teaching. Some participants question "if academic business education exhausts itself in the type of technical and vocational training, will the students lose other equally important skills that are part of the university teaching-learning objectives?" As autonomy is an important competency to be taught at the university and that will produce positive externalities on the companies, one participant reinforced this idea by saying that students "should be independent and know how to submit valid and consistent
proposals such as knowing how to argue and be autonomous.” However, another participant considered that there should be a balance between the needs of companies on what should be taught in universities and the objectives of academic-university education. Thence, it seems that autonomy is a strategic value for both the company and the university and it should be developed at the university and subsequently within the companies. At deferred moments, positive external effects will arise within companies and will be reflected in the university organisational models thereby improving new forms of autonomy development.

(viii) Characteristics of the demand for university education by companies: technical training, computer science and entrepreneurship

Notwithstanding the fact that many employers consider universities and that university education should promote student approach to society, on the other hand, they also understand that useful study plans for the companies should be more focused on technical curricula, on management instruments, entrepreneurship teaching and software instruments used in companies. Nevertheless, according to focus group participants, such purposes seem difficult to reconcile and to operationalise. One of the participants reinforced the idea by saying that many companies bring their training needs to the university, saying that “it is up to the university to bring students closer to society, teaching what is important to companies and to meet the needs of the labour market.” However, this participant expresses disagreement about a teaching mode only directed at the needs of companies, justifying “I do not think it should fit the university, or a university course, to teach someone to work on specific tasks of each company. One thing is to develop skills, where one can include the social awareness that can be included in specific curricular units. Another thing, however, is to make a university approach to society the way employers suggest”. Other participants have the perception that for companies the meeting of university education with society is limited to more technical than social concerns.

Under these circumstances, if on the one hand business training should involve the needs of companies and business processes, on the other, training for the companies is more comprehensive and cut-crosses the development of technical and instrumental areas with the scientific innovation/development which the corporate reality entails. This development, in turn, can lead to improvements in instrumental skills, with very significant positive effects on the level of the individual’s performance within the company.

(ix) University responses to the needs of companies: generating skills

The response that business schools seek to give to the needs of companies has raised some controversy and disagreement among participants. For some, the university would find itself more dedicated to knowledge than for its connection to society. In this respect, the contribution of scientific research would
be more important in the student learning training process than the development of social inclusion issues. Despite some objections, however, they consider that business schools have responded to these needs through training programmes called "generating skills" with more technical, professional and social statements. In this respect, sessions have been implemented aimed at students who promote the development of transversal skills and who have allowed students to meet with company managers, with community representatives in various areas of cultural and social performance and also with profit and non-profit institutions.

Synthesising the above-mentioned contents, as summarised in figure 1 below, we note that a curriculum aimed at humanising business education, in addition to conventional technical skills, should also cover other skills than the student’s approach to society, namely autonomy, student social awareness, leadership, entrepreneurial capacity, *inter alia*.

![Content association diagram](source)

**Figure 1. Content association diagram**

Source: Authors’ model
6. Discussion and Closing Comments

Business management involves feelings. These lead to greater efficiency in emotion management, in addition to traditional management of companies, respectively: assets, financial, logistical, commercial, human resources and social responsibility. Nonetheless, the management of a company is complex and involves a network of internal and external, intrapersonal and interpersonal relationships. Also, the objectives of stakeholders and shareholders are not always in line with this complexity, since, in the present societal context, maximising economic value requires a convergence of all the elements contributing to the production of economic value. Among these objectives, the satisfaction of the worker, both at work and in the family, is gaining prominence. His/her freedom of expression and access to information allows him/her to perform better, both individually and as a team, and an environment of creativity materialises and that is associated with his/her degree of internal freedom. This reality presupposes that university education in the business area must correspond to the interests of companies and workers, in a system in permanent transformation. However, in view of the results of our research, there is indeed a strong disparity between the interests of university practices, the requirements that companies expect from universities and the university organisational model in force. This model does not very often respond to the business world that is in great technological transformation. This metamorphosis should not isolate the company from its employees or employees from society. The paths to walk through to adjust that reality is not easy and they are still a challenge for both universities and companies. Hence, one may understand the feelings of insecurity presented by the professors participating in this research and the ambiguity of purposes expressed both by teachers and the training requirements requested by companies to the university. Therefore, we believe that this whole process of humanisation, in teaching, in companies and in society in general, implies a permanent dialogue between all participants, seeking a convergence of action in the university and in the company, with a view to the co-creation of humanisation. This objective does not seem to be contradictory to the competitive environment of companies and university education, but it is rather an important tool for its dynamism because it can foster cooperation without trampling competitiveness objectives, which underlines that ethical behaviour is the foundation for building the responsible competitive world. Therefore, ethics should be present in all business teaching-learning processes. Its importance outshines at deferred times, when the student assumes responsible conduct, both in his/her workplace and in the community.

The value of leadership must be a reference value, both in business teaching and the demands of the labour market. However, leadership is not synonymous with leadership, as leadership promotes freedom, cooperation, empathy, responsibility, values that are strategic for corporate creativity.
Leadership does not imply that the employee assumes a traditional and hierarchical role in the organisation. All employees have such a role in the current context of the organisational and social transformation. Even silently, not being a "leader", an employee may have a leading role in his organisation and be more productive for the company. Therefore, the paths of leadership should not be subordinate to the criterion of "obedience", because obedience does not promote creativity and prevents the search for novel solutions to face new challenges. Is this not the most important value to strive for competitiveness?

The training of a student is the responsibility of everyone – family, social relations, support institutions, society, universities and companies. Therefore, the teaching model for business cannot be exhausted in a set of disciplines focused on technical and instrumental training. This aspect must integrate emotional, relational and spiritual variables to form a balance in the students' education, leading them to contribute to improving the performance of companies, society and their relationships. These competencies are the distinctive additive in competitiveness and enable performance gains with positive impacts on the company and the employee, stakeholders and society in general. In this way, one should not isolate each of these variables, but to stimulate their interaction and synergies because they are part of a whole. For this reason, business education should include these guidelines because they humanise society and render companies aware of citizenship behaviours, as it does about students. Thence, we understand that training "good citizens" is not only the responsibility of society but also of educational institutions, as it is the case with higher education for business.

7. References


Influence of Project Triple Constraint on Residential Building Project among Kuantan Malaysian Construction Industry

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Abstract

The main goal was to examine a series of hindrances that are related to the construction projects, most of which were caused by delay in time, cost overrun and poor quality of the projects. Aside from these, the lack of proper planning regarding cost estimation may sometimes lead to overestimation or underestimation, thus resulting in the delay of construction projects or incompletion of the task. To address these issues above, this research paper aims to: 1) To investigate the significant relationship between time and construction project among Kuantan, Malaysia construction industry; 2) To investigate the significant relationship between cost and construction project among Kuantan, Malaysia construction industry; and 3) To investigate the significant relationship between quality and construction project among Kuantan, Malaysia construction industry. The data were collected from 89 respondents among Kuantan construction companies. In this research, PLS-SEM technique was used to assess both the measurement and structural models. The result shows that there is a significant relationship between the quality and construction projects of residential building in Kuantan, Malaysia. The relationship of quality in triple constraints and the residential buildings was also found to be positively correlated in this study.

Keywords: Construction industry, time, cost, quality, residual building project.

Suggested Citation:


1. Introduction

Construction projects had clearly become a central activity in most organizations and companies and they are rapidly increasing their investment resources in projects especially on housing projects. The construction industry is vital to the economic growth of Malaysia and still remains one of the major contributors to the Gross Domestic Product (GDP) of Malaysia despite the financial recession (Egerer,
Langmantel, and Zimmer 2016). The construction industry had been consistently contributing an average of 3.8% to the Malaysian GDP for over three decades (CIDB, 2006). Therefore, the economy of a country has a close relationship with the construction outputs (United Nations Department of Economic and Social Affairs, 2015).

According to Wang (1994) and Abanda et al. (2013), as construction activities are becoming more complex, a more sophisticated approach is necessary to deal with initiating, planning, financing, designing, approving, implementing and completing a project. Therefore, the main aim of this research is to see how the triple constraints (time, cost and quality) affect the housing construction project in Kuantan, Malaysia (Hassan & Adeleke, 2019; Bamgbade et al., 2019).

The main aim of this study is to address problems been faced by project managers concerning the elements of the triple constraint (time, cost and quality) in the construction projects activities (Michael, 2004). In order to achieve this and successful completion of any project, the project team must understand the importance of the constraint quality (Pretorius, 2012).

Besides, projects have a strategy and clear objectives for easier completion based on project management (Adeleke et al., 2019; Fred, 2015). Previous studies have given a list of the requirements needed by the project management in order to have successful completion of building projects. There must be a proper schedule which must be well suited to stakeholders’ expectation, management of project activities, task-related works, and ability of project manager to meet the objectives of the projects.

Also, the quality of performance in project management will help in identifying and overcoming challenges during the project execution. Building risk may result from unsuitable timing, budget, and quality. In addition, improper cost of material sometimes occurs during project management which may affect the completion of the project (Abulhakim & Adeleke, 2019; Darrel, 2010).

2. Literature Review

2.1. Overview of the Malaysian Construction Industry

According to (Department Of Statistics Malaysia 2018), the total population of Malaysia is 31.62 million populaces in the final quarter of 2017 consists of 13 states and three federal territories, separated by the South China Sea into two similarly sized regions, Peninsular Malaysia and East Malaysia (Malaysian Borneo). The country is multi-ethnic and multi-cultural. About half the population is ethnically Malay, with large minorities of Malaysian Chinese, Malaysian Indians, and indigenous peoples (Azman & Adeleke, 2018; Taofeeq et al., 2019; Bamgbade et al., 2019).
The government of Malaysia has drawn a roadmap to transform the economy of the country in order to be recognized as a developed nation. Since its independence, the Malaysian economy has observed strategic plans with five-year thrusts. The strategic thrusts are in line with the goal to become a high-income nation by 2020. Looking towards the 2020 target, the challenge is to sustain the impetus of healthy growth which requires an average and consistent growth of 6.0 % in GDP per annum during the Eleventh Plan Period. To achieve this target, the economic sectors are to play significant roles in which the construction industry is active and features prominently in terms of policy formulation and implementations.

The construction industry is an economic investment and its relationship with economic development is well theorized. Many studies have emphasized the important contribution of the construction industry to national economic development (Myers 2013). Nation-building necessitates participation in and contribution to the efficiency, productivity, cost competitiveness, and environment in the construction industry in order to develop the industry and make use of its resources more efficiently (Adeleke et al., 2019; Badawi, 2007).

The construction industry has assumed a vital role in creating wealth and improving the standard of living of citizenry through government’s socio-economic policies and infrastructural development; it further creates a multiplier effect on other industries, in manufacturing, financial services, and professional services (Robby, 2015).

Quality in the construction industry will have to involve more than contractors alone. Architects and engineers will need to be involved as well using the three contributing factors (material, construction and design faults). About 50% of the failures of construction projects can be attributed to design faults while 40% are due to construction faults and 10% are as a result of material faults (CIDM, 2015). The strategies and the action plans implemented by CIMP covered 10 years (2006 to 2015). This has been adopted for the growth of the construction industry in Malaysia (Jamil and Adeleke et al., 2018; Najib, 2015).

2.2. Conceptual Framework

This research is conducted using the specified model with clearly defined independent and dependent variables. Based on the conceptual framework, the independent variables in this research project triple constraints (time, cost and quality), and the dependent variable is building construction project (residential building project) delivery. Thus, the framework shows the relationships between these variables, which the findings will indicate whether they are significant or not (Hassan et al., 2019; Adeleke et al., 2015).
Figure 1 shows the conceptual framework for project triple constraints for residential building projects.

2.2. Relationship between Triple Constraints and Construction Projects (Residential Building Projects)

It has been given many names, the project management triangle, the iron triangle, and the project triangle, the project triple constraint is a model that measures the project success in project management. It indicates the best way of assessing projects during construction. Cost, time and quality of the building projects were considered in the construction companies in this study as shown in Figure 1 as emphasized by Leon, (2011). This model is related to carrying out projects with substantial change; however, project managers always overlook this case in the construction industry.

Moreso, when changes occur in the process of operating the project triple constraint, it is necessary to consider constant variables during the construction projects. But sometimes no limitation is incurred in some projects (Malik & Adeleke, 2018; Taofeq et al., 2019; Dobson, 2004). Project triple constraint is important for decision and evaluation of the building projects. Sometimes it is not enough because it requires other previous project activities for the evaluation (Pretorius, 2011). The constraint of projects varies in terms of cost, time and quality which are called project triple constraint. It is important to identify and balance the variables in order to complete projects so as to enjoy the benefit. (Samaha,
The unsuccessful outcome of projects is mostly due to delay in time, the intended deliverable areas, over cost and inadequate system (Gelbard and Pliskin, 2002). In addition, lack of analysis and design sometimes results in problems as previously suggested (Rahman & Adeleke, 2018; Nienaber, 2003).

The quality of work in the construction industry is mostly related to the improvement of projects based on project triples such as time, cost and quality. Before evaluating the performance of a job, the breakdown of the system should be understood because it depends on the project quality (Stellman, 2012). The time of the project is another constraint. The estimated and intended time of project completion should be evaluated in the construction company. Companies should always engage in following up scheduled projects by systematically planning operations so as to set up projects (Steyn, 2006). Project cost is the last element to consider while establishing a project. Cost should be estimated to cover the whole project. In view of the above, this study, therefore, initiates these relationships by putting the following hypotheses forward:

**Hypothesis 1**: There is a significant relationship between the time and construction projects of residential building projects in Kuantan, Malaysia.

**Hypothesis 2**: There is a significant relationship between the cost and construction project of residential building projects in Kuantan, Malaysia.

**Hypothesis 3**: There is a significant relationship between quality and construction projects of residential building projects in Kuantan, Malaysia.

### 3. Methodology

The section includes research design, data collection technique, questionnaire sampling, the method that been used, research instrument, statistical technique, hypothesis testing, data analysis and the summary for overall methodology. This research is a cross-sectional research design by using a structured questionnaire, the data was collected at single-point-in-time (Sekaran and Bougie 2013). Proportionate stratified random sampling technique was employed for sample selection in the research. The quantitative research approach was used in this study, as this is mostly adopted in social science researches (Sabodin & Adeleke, 2018; Sekaran 2006) This research was conducted among construction companies in Kuantan. A total number of 89 questionnaires were personally collected from the sampled companies in Kuantan, Malaysia.
3.1. Instrument Design

All the variables that are reviewed on the research framework for this research are needed to be measured, thus, an appropriate survey with five-point Likert scaling was adopted and adapted for the purpose of this study. So, responses from the respondent were measured with the scale as categorized thus: “Strongly disagree=5”, “Disagree=4”, “Neutral=3”, “Agree=2” and “Strongly disagree=1”. (Sekaran and Bougie 2013), The rating scale helps the researcher to compute the standard deviation and the mean feedback on the variables and the mid-point of the scale and likewise to prevent the respondents from selecting an unbiased point which may reduce the quality of the questionnaire. Below is the summary of the indicators that were measured.

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<td>3</td>
<td>Cost</td>
<td>IV’s</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>Quality</td>
<td>IV’s</td>
<td>10</td>
</tr>
<tr>
<td>5</td>
<td>Building project</td>
<td>DV</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>48</td>
</tr>
</tbody>
</table>

4. Results and Discussions

4.1. Data Collection and Sample

Out of 135 sets of questionnaires that were distributed to the construction companies in Kuantan, Pahang, 89 copies were duly completed and returned which represent 65.93% for the response rate in this study. This is acceptable because the sample size for this research is 89 respondents (Taofeeq & Adeleke, 2019; Bamgbade et al., 2019).
<table>
<thead>
<tr>
<th>Type</th>
<th>Items</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position</td>
<td>Site Engineer</td>
<td>50</td>
<td>56.20</td>
</tr>
<tr>
<td></td>
<td>Project Manager</td>
<td>30</td>
<td>33.70</td>
</tr>
<tr>
<td></td>
<td>General Employee</td>
<td>9</td>
<td>10.10</td>
</tr>
<tr>
<td>Working</td>
<td>1-5 years</td>
<td>30</td>
<td>33.70</td>
</tr>
<tr>
<td>experience</td>
<td>6-10 years</td>
<td>21</td>
<td>23.60</td>
</tr>
<tr>
<td></td>
<td>11-15 years</td>
<td>20</td>
<td>22.50</td>
</tr>
<tr>
<td></td>
<td>&gt;15 years</td>
<td>18</td>
<td>20.20</td>
</tr>
<tr>
<td>Gender</td>
<td>Male</td>
<td>50</td>
<td>56.20</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>39</td>
<td>43.80</td>
</tr>
<tr>
<td>Company</td>
<td>Local</td>
<td>89</td>
<td>100.00</td>
</tr>
<tr>
<td>Ownership</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of</td>
<td>Residual Building</td>
<td>83</td>
<td>93.30</td>
</tr>
<tr>
<td>Project</td>
<td>Educational</td>
<td>4</td>
<td>4.50</td>
</tr>
<tr>
<td></td>
<td>Building</td>
<td>2</td>
<td>2.20</td>
</tr>
<tr>
<td></td>
<td>Commercial Building</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company</td>
<td>Local market areas</td>
<td>48</td>
<td>53.90</td>
</tr>
<tr>
<td>Prime Location</td>
<td>Across Malaysia</td>
<td>27</td>
<td>30.30</td>
</tr>
<tr>
<td></td>
<td>Within few states</td>
<td>14</td>
<td>15.70</td>
</tr>
<tr>
<td>Company</td>
<td>1-5 years</td>
<td>1</td>
<td>1.10</td>
</tr>
<tr>
<td>Existence</td>
<td>6-10 years</td>
<td>2</td>
<td>2.20</td>
</tr>
<tr>
<td></td>
<td>11-15 years</td>
<td>12</td>
<td>13.50</td>
</tr>
<tr>
<td></td>
<td>&gt;15 years</td>
<td>74</td>
<td>83.10</td>
</tr>
<tr>
<td>Number of</td>
<td>0-50</td>
<td>3</td>
<td>3.40</td>
</tr>
<tr>
<td>Employee</td>
<td>50-100</td>
<td>22</td>
<td>24.70</td>
</tr>
<tr>
<td></td>
<td>100-150</td>
<td>27</td>
<td>30.30</td>
</tr>
<tr>
<td></td>
<td>&gt;150</td>
<td>37</td>
<td>41.60</td>
</tr>
</tbody>
</table>
4.2. Measurement Model

Before examining the hypothesis, the measurement model and the outer model were tested through the partial least square structural equation modeling (PLS-SEM) technique. The figure below shows the model of this research with the structural dimensions below (Adeleke et al., 2018; Taofeq et al., 2020).

![Measurement Model Diagram]

Table 3 shows the content validity of the measurement model which is explained in two ways. Firstly, there are high loading in the items on their respective constructs when related to other constructs. Secondly is the loading of the items were significantly loading on their respective constructs affirming the content validity of the measure used in this research (Bamgbade et al., 2017; Adeleke et al., 2015; Chow and Chan, 2008).
The convergent validity is considered to be the extent to which a group of variables converges to measure a specific concept. To establish the convergent analysis, there are three criteria that were examined, especially the factor loadings, composite reliability (CR) and average variance extracted (AVE). Furthermore, all items of loading were tested which is acceptable for all items then, its values must be more than 0.6 following the literature of the multivariate approach. Besides, the other criterion is the composite reliability (CR) to examine convergent validity. It referred to as the extent to which a set of items regularly indicate the latent construct (Hair et al., 2010). In Table 4, the values of CR and AVE were tested. The values of CR from 0.870 to 0.940 which is more than expected values of 0.7. These results show the AVE measures the variance that covered by indicators in relation to the variance assigned to the measurement errors. Barclay et al (1995), stated that the AVE value is at least 0.5, then a set of items have enough convergence to measure the concerned construct. So, the AVE value for this research ranged from 0.520 to 0.590 which can be categorized as a good level of the construct validity of measure employed (Adeleke et al., 2018; Taofeq et al., 2019).
Table 4. The Convergent Validity Analysis

<table>
<thead>
<tr>
<th>Construct dimensions</th>
<th>Items</th>
<th>Loading</th>
<th>Composite Reliability</th>
<th>AVE</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residual Building</td>
<td>RB2</td>
<td>0.617</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RB3</td>
<td>0.668</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RB5</td>
<td>0.782</td>
<td>0.826</td>
<td>0.488</td>
<td>0.739</td>
</tr>
<tr>
<td></td>
<td>RB6</td>
<td>0.733</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RB8</td>
<td>0.683</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>C3</td>
<td>0.734</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>C5</td>
<td>0.746</td>
<td>0.813</td>
<td>0.468</td>
<td>0.71</td>
</tr>
<tr>
<td></td>
<td>C7</td>
<td>0.748</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q1</td>
<td>0.617</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q2</td>
<td>0.621</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q4</td>
<td>0.728</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td>Q5</td>
<td>0.785</td>
<td>0.877</td>
<td>0.448</td>
<td>0.842</td>
</tr>
<tr>
<td></td>
<td>Q7</td>
<td>0.705</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q8</td>
<td>0.658</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q9</td>
<td>0.786</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>T4</td>
<td>0.647</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>T5</td>
<td>0.643</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time</td>
<td>T6</td>
<td>0.604</td>
<td>0.841</td>
<td>0.402</td>
<td>0.805</td>
</tr>
<tr>
<td></td>
<td>T7</td>
<td>0.742</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>T8</td>
<td>0.747</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The discriminant validity shown that items used different constructs does not overlap. As illustrated in Table 5, the square root of AVE for all constructs was replaced at the diagonal elements of the correlation matrix. Therefore, the discriminant validity of the outer model for this study was confirmed where the diagonal elements in the table were higher than the other elements of the column and row where they are located. From the testing made above for the construct validity of the outer model, it is believed that the obtained results pertaining to the hypotheses testing should be highly reliable and valid.

Table 5. Discriminant Validity Analysis

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Quality</th>
<th>RB</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>0.684</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td>0.695</td>
<td>0.669</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RB</td>
<td>0.362</td>
<td>0.57</td>
<td>0.699</td>
<td></td>
</tr>
<tr>
<td>Time</td>
<td>0.608</td>
<td>0.503</td>
<td>0.272</td>
<td>0.634</td>
</tr>
</tbody>
</table>
According to Table 6 above, the result shows the hypothesis testing for this study. The result showed that the quality variable has a significant positive relationship on residential building ($\beta = 0.604, t = 5.569, p = 0$). Therefore, the H3 of the effect of quality on the residential buildings was supported. So, only a variable has a significant relationship on residential building projects among Kuantan Malaysian construction industries (Omer & Adeleke, 2019).

<table>
<thead>
<tr>
<th>Item</th>
<th>Beta</th>
<th>S/E</th>
<th>T Value</th>
<th>P Values</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Time -&gt; RB</td>
<td>0.07</td>
<td>0.113</td>
<td>0.024</td>
<td>0.49</td>
<td>Not significant</td>
</tr>
<tr>
<td>H2 Cost_ -&gt; RB</td>
<td>-0.065</td>
<td>0.149</td>
<td>0.451</td>
<td>0.326</td>
<td>Not significant</td>
</tr>
<tr>
<td>H3 Quality_ -&gt; RB</td>
<td>0.604</td>
<td>0.11</td>
<td>5.569</td>
<td>0</td>
<td>significant</td>
</tr>
</tbody>
</table>

Cohen (1988) suggested that the criteria of effect size is less than 0.02 (0.02 = small, 0.15 = medium, 0.35 = high). From Table 7, there is a medium effect size of the quality on building construction project (Adeleke et al., 2016).

$$\text{Effect size (f)} = \frac{R^2 \text{ incl} - R^2 \text{ excl}}{1 - R^2 \text{ incl}}$$

<table>
<thead>
<tr>
<th>Item</th>
<th>R-squared</th>
<th>Included</th>
<th>Excluded</th>
<th>f-squared</th>
<th>Effect size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time</td>
<td>0.327</td>
<td>0.327</td>
<td>0</td>
<td>none</td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>0.327</td>
<td>0.324</td>
<td>0</td>
<td>none</td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td>0.327</td>
<td>0.159</td>
<td>0.285</td>
<td>medium</td>
<td></td>
</tr>
</tbody>
</table>

5. Conclusion

This research is focused on project triple constraints (time, cost and quality) and how they affect the success of residential building projects in Kuantan Malaysian construction industries. Therefore, the future researcher can be explored to investigate the triple constraints on residential building projects and empirically validate the proposed model in this research. Thus, this research does not only benefit the academics world but it also of immense benefits to those in construction industries as well.
6. Acknowledgment

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7. References


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Career Planning and Employee Commitment: Does Rewards System Matter; A Reflection from Manufacturing Firms in Kenya

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Abstract

There is inadequate knowledge on rewards system as a potential moderator between career planning and employee commitment, thus the need to interrogate the link between these two variables. The aim of the study was to examine the moderating effect of rewards system on the relationship between career planning and employees’ commitment in selected manufacturing firms. The objective of the study was to determine the effect of career planning on employee commitment; and the moderating effect of reward systems on this relationship. The study was underpinned on Greenhaus Model of Career Development. The explanatory research design was adopted for the study and the target population comprised of 3617 respondents. A sample size of 435 respondents was selected based on Slovin’s formula of sample size determination where stratified, proportionate and simple random sampling techniques were applied in selecting respondents to be served with the structured questionnaires. Data was analysed quantitatively with the aid of the Statistical Package for Social Science (SPSS 23.0). Study hypotheses were tested using hierarchical regression at a 0.05 significance level. The findings of the study revealed that career planning has a positive and significant effect on employee commitment ($\beta=0.419$, p value is less than $\alpha=0.05$). The findings further revealed that there was a positive and significant moderating effect of rewards system on the relationship between career planning and employee commitment ($\beta=0.78$, p <0.05). The study concludes that career training has a positive and significant effect on employee commitment. Further, there is an enhancing moderating effect of rewards system on the relationship between career planning and employee commitment. The study recommends that the management of the manufacturing firms should encourage their employees to address the antecedants of career planning in pursuit of career goal setting, promotion speed and remuneration growth to increase their commitment levels. Also, both monetary and non-monetary rewards should be given to boost employee commitment.

Keywords; Manufacturing, Rewards System, Career Planning, Employees’ Commitment

Suggested Citation:
Commitment as explained by Boxall and Macky (2009) is a connecting power which is experienced in various ways that include: an emotional attachment as well as participation with the goal, a felt duty to the goal, along with a consciousness of the expenses connected with ceasing participation with the goal (Boxall & Macky, 2009). Committed employees play a major role in the survival of organisations in the ever-competitive world. Despite the role of committed employees in the success of organisations, recruitment and retention of committed employees as noted by (Maloni, Campbell, Gligor, Scherrer, & Boyd, 2017) is a challenge to many business concerns. Maintaining workers who are skilled and dedicated to duty is also a challenge in the manufacturing sector (Dangayach & Deshmukh, 2001; Hill, 2017; Yanney, 2014). Adamu and Mansur, (2017) allude that career development is a multi-dimensional construct with components such as career training, career planning, career mentoring and career succession planning. (Duffy & Sedlacek, 2007) noted that there was a positive and significant association between career planning, and commitment and performance of employees in manufacturing firms.

Career planning is a component of career development and is concerned with identifying professional capability, career growing progress, promotion rapidity as well as salary growth development (Muscalu & Muntean, 2013). Career planning is a concept of career development. It captures the outcomes of an individual’s efforts by describing it as one’s discernments of the probabilities of development as well as improvement in an organisation and therefore this study cannot be done without career planning. Unfortunately, little consideration has been paid to the exact manners in which workforces might weigh their likelihoods for commitment in the organisation. Career planning is an important aspect of career development. Baruch and Hall (2004) stressed the significance of career methods along with activities as well as the rising efforts to apply them employed by top management in many organisations.

Reward, recognition, compensation, benefits and incentives seem to be common; they are also complicated and scrupulously difficult as a consequence of the reality that, the work environment is composite and is made up of a varied workforce (Eshun, 2011). To this note, rewards system is very critical for manufacturing firms survival Maund (2001). Although rewards system has the ability to appeal the right workforce, maintain them and continually encourage them to give anticipated performance (Otieno, 2006) opines that a poorly structured rewards system can result in high labour turnover, low productivity level, a general laissez faire attitude and low employee commitment at the workplace. Hence, career planning and rewards system come in handy to ensure that employees are committed.

1. Introduction
Despite manufacturing firms playing a key role in the economic growth in Kenya (KNBS, 2010), most of them struggle with low commitment levels of their employees. In the recent past, there have been a number of strikes by employees of Portland Cement Limited and Nanyuki County Government to mention but a few; this could be due to low commitment. The association between career planning and employee commitment is known. Nath and Agrawal (2015) compared organisational commitment and job satisfaction. Correspondingly, (Younis, Akram, & Naseeb, 2013) compared career planning and organisational commitment while Labuschagne et al., (2015) compared career management and employee commitment. Most studies have not compared rewards system, career planning and employee commitment manufacturing firms. Therefore, without a comprehensive research it remains speculative how the presence or absence of rewards system affects career planning and employee commitment. This study, therefore, addressed the moderating effect of rewards system on the relationship between career planning and employee commitment, giving recommendations of to these firms that need to be addressed to boost the employee commitment levels.

1.1 Theoretical Foundation

The study was anchored on Greenhaus Five Stage Model (Greenhaus, Callanan, & Godshalk, 2010). This model concentrates on the individual as the one who requires to make a choice, a requirement that results in a career hunt and into a procedure of establishing career goals, developing approaches as well as tactics to accomplish the goals, making advancement, and all these forms a procedure requiring evaluation of career. Greenhaus et al. (2010) emphasizes that individuals require to take obligation to comprehending the kind of career they desire to follow as well as making career choices that are steady with these desires. Thus, it is likely to claim that the career victory depends not only on precise professional knowledge and capabilities. Acknowledged individual’s career abilities assist in recognizing frustrations that arise in career state as well as making suitable choices to resolve that situation. Greenhaus et al. (2010) differentiates five key individual’s competencies that determines his/her career victory: to collect applicable information concerning himself/herself along with the environment of work, to create a precise portrait of his/her interests, talents, preferred life-style, values and substitute occupations, organisations and jobs, to come up with realistic career goals built on this data, to create and instrument an approach intended to attain the goals, to acquire response on the success of the approach as well as the importance of the goals. This theory helped the researcher to understand the process of individuals in setting career goals, generating approaches and methods to accomplish them in the context of this research. Thus, respondents’ responses on career development issues were interrogated and interpreted based on Greenhaus five stage model.
1.2 Empirical Review

Dialoge and Nkechi (2017) did a research on the effect of career development on employees’ performance and motivation. Subsequently, this study was in agreement with (Markovits, Boer, & van Dick, 2014). His findings revealed that carer planning had a strong positive effect on the performance. Suggesting that there was a positive and significant relationship between career planning and performance and motivation. Dialoge and Nkechi (2017) did a research on the effects of employee career management on organisational performance. They utilised Quasi-experimental research design which involved individuals’ arranging and making conclusions concerning training, education as well as career decisions and evolving the right expertise along with knowledge to ensure this. The discoveries indicated that career counselling had a positive significant effect on effectiveness, career development had a positive significant effect on efficiency and career development had a positive significant effect on effectiveness. A. Salahat, Halim, and Majid (2016) did a study on career planning and recruitment and selection of customer satisfaction. Sequel to the findings, it was revealed that extra-role accomplishment intercedes the connection between career planning and customer satisfaction. Conversely, career planning, recruitment and selection had no direct effect on customer satisfaction. Younis et al. (2013) did a study on the performance of pharmaceutical organisation Abbott laboratories United Kingdom by career management and development basing on 4 main parts of human resource tactics including; training and development, organisational commitment, pay and reward and planning. An overall of 220 questionnaires were dispersed and 102 retrieved with a response rate of 42.7%. The findings revealed that that there was a significant and positive association between organisational commitment and career management. Based on the above findings there is some evidence of a possible relationship between career planning and employee commitment. However, based on the aforementioned gaps, this study hypothesised that;

H0: Career planning positively affects employees’ commitment

Labuschagne, Brent, and Van Erck (2005) tested the moderating role of remuneration and established that it positively affected the relationships between career management and employee commitment. Korir and Kipkebut (2016) conducted a study on the effect of financial and non-financial rewards on organisational commitment. Sequel to the findings, it was revealed that there was a sensible significant positive association between affective commitment and financial rewards and a weak significant positive association between normative commitment financial rewards. Turinawe (2011) carried out a study on the relationship between reward systems, job satisfaction, organisational commitment and
employee performance. The findings revealed that reward systems had a significant positive connection with the job satisfaction. It was further revealed that reward systems had a significant positive connection with organisational commitment.

Okinyi (2015) did a study on effect of reward practices on employee commitment in faith-based health organisations. The findings revealed that extrinsic rewards; salary (r=0.763, p < 0.01) has an intense association with employee commitment. It was further revealed that bonus, promotion and benefits as well as employee commitment have sturdy association. (Lelei, 2017) conducted a study on the effect of employee political skills, organisational citizenship behaviour strategy and affective commitment. The results disclosed that proactive personality had a significant effect on the affective commitment. Further, the results revealed that networking ability had a significant effect on the affective commitment. Furthermore, it was revealed that more findings showed that OCB had significant effect on the bond between networking ability and affective commitment. The above studies demonstrated a positive association between reward system and employee satisfaction which leads to employee commitment. This infers with high reward systems employees are possible to be committed. However, there is no empirical evidence on how reward system regulates the association between career planning and employee commitment. Thus, the current study proposed that:

Rewards system has no significant effect on the relationship between career planning and employees’ commitment

**H**: *Under higher levels of reward system, career planning positively affects employees’ commitment*

2. **Material and methods**

This study employed the postpositivist world view it assesses the cause that influences the outcome of the study variables. In relation to this approach, explanatory research design was adopted because of the need to identify the causal links between factors that pertain to a research problem without manipulation of any variables (Saldana, 2011). The target population of the study were 3607 employees from four manufacturing firms in Uasin Gishu County Kenya. The four firms were selected because they are the biggest from the 26 manufacturing firms in Uasin Gishu County. A sample size of 435 was determined using Slovin’s formula (Slovin, 1960). A stratified random sampling approach was employed in selecting the employees to be served with the questionnaires. The Employees Questionnaire (EQ) was adopted to gather data in this study. The responses to the closed ended items were scored with the use of a 5-point Likert scale.
2.1 Measurements, Validity and Reliability of Data

Exploratory factor analysis was done for all objects used to measure independent variables (career planning) and the moderator variable (rewards system). The eigenvalues applied in primary element removal are anxious about a variance that helps in determining the statistical significance of a factor. The number of factors was measured over the eigenvalue acknowledged as a consequence of initial primary component removal (Tabachnick & Fidell, 2007). Subsequently, component analysis variance of all of the variables is equivalent to one, a factor containing eigenvalue below one was not required, while factors with eigenvalues above 0.1 were put into consideration and factors with value below 0.1 were insignificant and disregarded in the study (Field, 2017; Hair, Black, Babin, Anderson, & Tatham, 2006; Tabachnick & Fidell, 2007). Factors with loadings above 0.5 were retained for further data analysis. The results of the Cronbach alpha coefficient for all the variables under study more than 0.5 which is considered to be highly accurate (Hair et al., 2006).
Table 1 Measurement, Validity and Reliability of Data

<table>
<thead>
<tr>
<th>Factor</th>
<th>Mean Loadings</th>
<th>Eigenvalue (%)</th>
<th>Reliability Analysis</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Career planning</strong> (KMO=.901, χ²=66.51, p=.000)</td>
<td>3.703</td>
<td>4.633</td>
<td>58.774</td>
<td>0.832</td>
</tr>
<tr>
<td>CP1</td>
<td>3.6</td>
<td>0.669</td>
<td>6.73</td>
<td>0.765</td>
</tr>
<tr>
<td>CP2</td>
<td>3.69</td>
<td>0.73</td>
<td>6.92</td>
<td>0.739</td>
</tr>
<tr>
<td>CP3</td>
<td>3.56</td>
<td>0.836</td>
<td>6.81</td>
<td>0.801</td>
</tr>
<tr>
<td>CP4</td>
<td>3.68</td>
<td>0.617</td>
<td>6.73</td>
<td>0.804</td>
</tr>
<tr>
<td><strong>Reward system</strong> (KMO=.860, χ²=1706, p=.000)</td>
<td>3.152</td>
<td>4.635</td>
<td>64.922</td>
<td>0.867</td>
</tr>
<tr>
<td>RS1</td>
<td>3.03</td>
<td>0.728</td>
<td>6.43</td>
<td>0.86</td>
</tr>
<tr>
<td>RS2</td>
<td>3.18</td>
<td>0.793</td>
<td>6.84</td>
<td>0.86</td>
</tr>
<tr>
<td>RS3</td>
<td>3.17</td>
<td>0.743</td>
<td>6.84</td>
<td>0.86</td>
</tr>
<tr>
<td>RS4</td>
<td>3.09</td>
<td>0.67</td>
<td>6.84</td>
<td>0.872</td>
</tr>
<tr>
<td>RS5</td>
<td>3.1</td>
<td>0.75</td>
<td>6.84</td>
<td>0.864</td>
</tr>
<tr>
<td>RS6</td>
<td>3.17</td>
<td>0.704</td>
<td>6.88</td>
<td>0.868</td>
</tr>
<tr>
<td>RS7</td>
<td>3.34</td>
<td>0.778</td>
<td>6.86</td>
<td>0.86</td>
</tr>
<tr>
<td>RS8</td>
<td>3.18</td>
<td>0.626</td>
<td>6.875</td>
<td>0.875</td>
</tr>
<tr>
<td>RS9</td>
<td>3.11</td>
<td>0.648</td>
<td>6.872</td>
<td>0.872</td>
</tr>
</tbody>
</table>

2.2 Analytic approach

The effect of the moderator variable on the relationship between the independent variable and the outcome variable where be modelled using the regression equations. The independent variable in the model is career planning which was expressed with respect to its four dimensions, namely: career planning. Employee commitment is the dependent variable while rewards system is the moderator. The study generated four linear models, direct effect hypothesis. The model was based on simple linear regression formula:

\[ Y = \beta_0 + \beta_1 X_2 + \varepsilon \]

- \( Y \) = employee commitment
- \( \beta_0 \) = the intercept
- \( X_1 \) = career planning
- \( \beta_1 \) = factor coefficient
- \( \varepsilon \) = the error term

2.3 Test of Moderation

The study used hierarchical multiple regression to test for moderation effects (Baron and Kenny, 1986). First, control variables in the model were regressed against firm employee commitment direct effects; Secondly, control variables and career planning aspects were regressed against employee commitment.
Thirdly, moderating variable was introduced and regressed together with all other variables. Therefore, interaction term between predictor and moderating variable was obtained by multiplying the two variables that produced an interaction effect done at different stages for each individual interaction as specified in the hierarchical regression models below: The model specification was as follows:

\[
Y = \beta_0 + C + \beta X_1 + \varepsilon \quad \text{Model 1}
\]

\[
Y = \beta_0 + C + \beta_1 X_1 + \beta_2 M + \varepsilon \quad \text{Model 2}
\]

\[
Y = \beta_0 + C + \beta_1 X_1 + \beta_2 M + \beta_3 M + \varepsilon \quad \text{Model 3}
\]

\[
Y = \beta_0 + C + \beta_1 X_1 + \beta_2 M + \beta_3 M * M + \varepsilon \quad \text{Model 4}
\]

Where:

- \( Y \) = Employee Commitment
- \( \beta_0 \) = Constant
- \( C \) = Control variables (Age, gender and Experience)
- \( X_1 \) = Career planning
- \( M \) = Rewards system
- \( \beta_1 - \beta_3 \) = Coefficients of regression
- \( \varepsilon \) = Error term

### 3. Findings and Discussion

Out of the 435 questionnaires administered to the respondents, 402 were filled and reimbursed interpreting to a response rate of 93%. The high response rate was facilitated by good pre-study made by the researcher which allowed her to adjust the questions contained in the questionnaire to allow the respondents answer the questions accurately and with ease.

#### 3.1 Descriptive Statistics and correlation Results for the Study Variables

This section highlights the descriptive and correlation results of the variables under study. Correlation results revealed that career planning were positively and significantly relationship with employee commitment in manufacturing firms \((r = .680, \ p<0.01)\) and rewards system had the least relationship with employee commitment at \( .490<0.01 \) respectively. Table 2 below depicts Pearson Correlation results of the study’s dependent and independent variables.

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Skewness</th>
<th>EC</th>
<th>CP</th>
<th>RS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Commitment (EC)</td>
<td>3.536</td>
<td>0.913</td>
<td>-0.46</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Career Planning (CP)</td>
<td>3.52</td>
<td>1.061</td>
<td>-0.69</td>
<td>.680**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Rewards System (RS)</td>
<td>3.198</td>
<td>0.931</td>
<td>-0.281</td>
<td>.490**</td>
<td>.553**</td>
<td>1</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).**  
*Correlation is significant at the 0.05 level (2-tailed)*

**Source:** Survey Data, 2019
3.2 Hypotheses testing

Table 3 reveals the results of the direct effect hypotheses while holding constant all the control variables. Outcomes of the control variables indicate that all were found to be insignificant with. Direct effect model (Model 2) shows $R^2 = .619$ and $R^2$ change of .604 with a significant $F = 156.267$, $p = .000$. This finding shows that 60.4% ($\Delta R^2 = .604$) variation of employee commitment is predicted by the career planning while holding constant the control variables.

Hypothesis one ($H_1$) that career planning positively effects employee commitment. Findings in table 3 revealed that career planning had a positive and significant effect on employee commitment ($\beta = .419$, $p$ value = .000 which is less than $\alpha = .05$) thus the hypothesis hold and concluded that career planning significantly affects employee commitment. This was indicative that there was up to .419 unit increase in employee commitment for each unit increase in career planning. In line with the objective and the hypothesis postulated in the study, indeed findings indicated that career goal progress, self-assessment, professional development ability and promotion speed have been found to boost employee commitment in manufacturing firms. These results are in agreement with the results were consistent with those of Weng et al. (2010) who detected that professional ability development, career goal progress, promotion speed was positively associated to continuance and normative commitment. The findings were also in agreement with Younis et al. (2013) study who encapsulated that the regression analysis revealed that the slope of training and development and pay and reward correspondingly showed that organisational commitment on an average was increased by when training and development and pay and reward were increased by respectively. However, the findings of M. Salahat and Majid (2016) different from the findings in the current study where he observed that career planning, selection and recruitment has indirect influence on customer satisfaction.

Table 3 presents also present moderating effect of rewards system. The moderation results show that rewards system positively and significantly moderates the relationship between career planning and employees’ commitment with $\beta = .780$; $p = .000$. This model shows $R^2=.726$, and $R^2\Delta=.034$ with a significant $F= 49.283$, $p = .000$. The $R^2\Delta$ of .034 implies that there is a 3.4% increase in the variation of the employees’ commitment by the addition of rewards system on the relationship between career planning and employees’ commitment. The results suggest that rewards system strengthens the relationship between career planning and employees’ commitment. Since the interaction results indicates a $p < .05$, the hypothesis hold was rejected and conclusion made that rewards system significantly moderates the relationship between career planning and employees’ commitment.
The interaction results are further explained by Figure 4.1. To show antagonistic, buffering and enhancing moderating effect, the study used mod graph as recommended by (Jose, 2008). So as to recognize the nature of the interaction of rewards system on the relationship between career planning and employee commitment, Aiken, West, and Reno (1991) suggested that the moderated results be presented on a moderation graph. Furthermore, they indicated that it is insufficient to conclude that there is interaction without probing the nature of that interaction at different levels of the moderator. Therefore, the significance of the coefficient of reward system was assessed at low, medium and high levels of career planning, career training, career mentoring and career succession planning.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>B</td>
<td>β</td>
<td>B</td>
<td>β</td>
</tr>
<tr>
<td>Age</td>
<td>-.160*</td>
<td>-0.044</td>
<td>0.011</td>
<td>0.002</td>
</tr>
<tr>
<td>Experience</td>
<td>0.139</td>
<td>0.093</td>
<td>.088*</td>
<td>0.045</td>
</tr>
<tr>
<td>Zscore(CPL)</td>
<td>.419***</td>
<td>.317***</td>
<td>-0.079</td>
<td></td>
</tr>
<tr>
<td>Zscore(RWS)</td>
<td></td>
<td>.451***</td>
<td>-0.004</td>
<td></td>
</tr>
<tr>
<td>Zsco(CP_RS)</td>
<td></td>
<td></td>
<td>.780***</td>
<td></td>
</tr>
</tbody>
</table>

Summary Statistics

| R               | 0.122    | 0.787    | 0.832    | 0.852    |
| R2              | 0.015    | 0.619    | 0.692    | 0.726    |
| R2 Change       | 0.015    | 0.604    | 0.073    | 0.034    |
| F Change        | 2.008    | 156.267***| 92.485***| 49.283***|

Figure 1 indicates an enhancing moderating effect, thus at high level of career planning, employee commitment is high with all levels of reward system. However, as career planning increases employee commitment increases with all levels of reward system but the increase is high with high levels of reward system compared to low levels of reward system.
Figure 1: MoD graph for Moderating Effect of reward system on the Relationship between career planning and employee commitment

4. Conclusions

Based on the empirical findings, this study attested that there was a positive and significant relationship between career planning and employee commitment. The study also affirmed that there were positive and significant moderating effects of rewards system on career planning and employee commitment. Based on the nine hypotheses on the moderation of rewards system on career planning and employee commitment, indeed the findings were in agreement with most of the reviewed literature.

Based on the findings that career planning positively affect employee performance. The findings showed that career planning enhances employee commitment. This infers that career planning helps the employees to strategize their careers with reference to their skills, and entails developing a structure of career program as well as development opportunities which eventually improves their employee commitment. This study confirms that organization will career planning policy will help to have sense of belong to the company, employee are also likely to feel emotional attached to the firm. In addition, having Career self-management has taken into account employees’ personal aspirations will make the happy working for the organization. Further, employee with career self-management, career goal progress and career target feel a sense of moral responsibility to persist in the organisation.

5. Theoretical, Managerial and Policy Contribution

The study was underpinned on Greenhaus Career Development Theory. This theory was based on the assumption that the firms under study were heterogenous in nature and required statistical
Despite retirement, Career employee The manufacturing guarantee contribute is coming system commitment quantification. It is worth noting that theorists and researcher’s interest in career planning, rewards system and employee commitment have not made optimum use of each other’s work. The findings in this study agree with Greenhaus et al. (2010) who suggest that the model concentrates on the individual as the one who requires to make a choice, a need that results in a career hunt and into a process of coming up with career goals, evolving strategies and methods to accomplish them, making advancement, and all these create a process that needs career evaluation. This theory helped the researcher to understand the process of individuals in setting career goals, developing strategies and tactics to fulfil them in the context of this research.

On the theoretical front, this work will make substantial contribution to modelling of employee commitment and open new lines of inquiry, in the drivers of employee commitment within a manufacturing setting, in a developing world context. Additionally, the findings of this study will contribute to human resource management theory and practice and bridge the gap in literature. There is hardly any study which examined the association among career planning, rewards system and employee commitment.

The national government should formulate policies that assist in career planning from various professional bodies such as the employment act and labour laws (KBS, 2010). These bodies should give an insight to the link among career development, rewards system and employee commitment.

Career training chances should be made available to every employee and make sure that there is unceasing skills advancement and acquisition of knowledge and skills of the employees. This will guarantee that there are no skill gaps particularly when there is an abrupt loss of worker through early retirement, death or family commitments.

6. Limitations of the Study

Despite the significant relationship among career planning, rewards system and employee commitment, the study had certain limitations concerning methodological problems that should be put into consideration when interpreting results.

The ratings of the study variables were done by employees from all departments in manufacturing firms. Though the respondents are thought to have given objective responses, they could have their own reservations which could lead to misleading responses. It was therefore tough to tell whether the perceptions reflected the manufacturing firms or personal views. Despite this limitation deliberated above, the value of the research was not compromised. The research was planned in a highly scientific
way depending on widespread literature review. A conceptual model was advanced and hypotheses were tested with the use of statistical methods. These limitations, then, do not have hostile impacts on the discoveries of the study. Generally, the outcomes have made a vital contribution to the prevailing body of knowledge in strategic management.

This study sought to examine the moderating effect of rewards system on career planning and employee commitment in the manufacturing firms in Uasin Gishu County using cross sectional study which are restricted by certain constraints. However, it is recommended more studies should be carried out using longitudinal research design which would mitigate these constraints by exploring more methods to obtain more data.

7. References


