



# The 12<sup>th</sup> International Research Conference on Management and Finance



Conference Proceedings  
27<sup>th</sup> October 2017



Faculty of Management and Finance  
University of Colombo



**University of Colombo, Sri Lanka**  
**Faculty of Management and Finance**

**The 12<sup>th</sup> International Research Conference on  
Management and Finance (IRCMF – 2017)**

**Conference Proceedings**

**27<sup>th</sup> October 2017**

PROCEEDINGS OF THE 12<sup>TH</sup> INTERNATIONAL RESEARCH CONFERENCE  
ON MANAGEMENT AND FINANCE – 2017

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### **MESSAGE FROM THE VICE CHANCELLOR**

It is my great pleasure to send this message of felicitation on the occasion of the 12<sup>th</sup> International Research Conference on Management and Finance (IRCMF - 2017) of the Faculty of Management and Finance, University of Colombo. The effort of organizing the International Research Conference consecutively for twelve years by the Faculty is indeed commendable.

The Conference serves as an annual event that brings together like-minded researchers to one platform which offers valuable opportunities for academia and practitioners engaged in various research endeavors to present their work and engage in productive research discussions. The inclusion of a Doctoral Colloquium as a part of IRCMF is an exemplary effort that enhances the contribution of the Faculty to make the University of Colombo the center of excellence in research.

„Entrepreneurship and Innovation for Business Success“, the theme of the Industry Dialogue held in conjunction with IRCMF-2017 is a timely topic of interest for academics and practitioners alike. I am confident that this industry dialogue would create a robust platform for further strengthening our longstanding relationship and understanding with a multitude of stakeholders of the industry. Within this context, I am happy to see the Faculty taking an initiative to create and disseminate relevant knowledge on entrepreneurship and innovation.

Overall, a Conference of this nature assists academia and other participants to envisage critical concerns and new developments within the fields of Management and Business which helps them to fabricate innovative and meaningful researches. I am indeed pleased about this research orientation of the Faculty.

I extend my best wishes to the Organizing Committee of the 12<sup>th</sup> International Research Conference on Management and Finance and all the other contributors who have rendered their support to make this event a success.

**Senior Professor Lakshman Dissanayake**  
Vice Chancellor  
University of Colombo  
Sri Lanka

## MESSAGE FROM THE DEAN

The 12<sup>th</sup> Annual International Research Conference (IRCMF-2017) of the Faculty of Management and Finance of the University of Colombo is just around the corner. This message reaches you with my greetings and compliments at a time we gather, yet again, under one roof for the noble cause of learning and sharing our knowledge and understanding with each other. The beginning of this annual event dates back to December 2002. In 2005, the faculty took steps to make this the annual flagship event by elevating its status to an International Research Conference on Management and Finance (IRCMF). As such, IRCMF- 2017 brings scholars, researchers, policy makers, and industry practitioners to a common platform to present and discuss their scholarly contributions in the fields of Management.

The Doctoral Colloquium and Industry Dialogue are salient features of this Conference. The former provides opportunities for discussion and informal interaction between MPhil/PhD students and academics on issues of conducting research and publishing results. In the preceding years, MPhil/PhD students in the discipline of Management and Finance have found this Doctoral Colloquium a flourishing platform for presenting and discussing their research ideas, research proposals, and work-in-progress with the spirit of practicing reflective learning and continuous improvement.

In a similar vein, the Industry Dialogue is a key component of the IRCMF of the Faculty of Management and Finance, the University of Colombo which is being proudly organized for the 4<sup>th</sup> consecutive year. Capitalizing on our accumulated experience, this year's dialogue creates a forum for various stakeholders such as industry practitioners, policy makers, academics, and research students to debate on the theme of "Entrepreneurship and Innovation for Business Success". Quintessentially, this forum epitomizes our commitment, dedication, and devotion to working hand in hand with the industry in Sri Lanka.

Being a part of the academic community, we are characteristically mindful of our duty of contributing to the generation of new knowledge despite the busy schedules and excessive learning and teaching work. Thus, we have made a pledge to hold annually this conference whilst exploring all possibilities for enhancing considerably its quality and potential impact on the society at large. I appreciate that the conference committees have engaged a multitude of steps required to assure the quality and the relevance of this annual event. All papers presented have gone through a double blinded review process which resulted finally in the selection of only 15 papers. I congratulate authors for being able to be a part of IRCMF-2017, the Conference Co-chairs, and members of all committees for their unceasing and undiminishing efforts to make this year's Conference an amazing one.

**Dr. (Mrs.) R. Senathiraja**  
Dean, Faculty of Management and Finance,  
University of Colombo, Sri Lanka.

## MESSAGE FROM CO-CHAIRS OF THE CONFERENCE

It is our great pleasure to welcome you to the 12<sup>th</sup> International Research Conference on Management and Finance (IRCMF) 2017. We are indeed most delighted to be given the opportunity to chair this conference this year, which is the flagship event of our Faculty.

We have put together our efforts to offer a Conference composed of full paper-driven sessions presenting the latest research in the fields of Management including a plenary session to stimulate discussions as well as educational exchanges among numerous stakeholders. The Doctoral Colloquium provides the opportunity to showcase the research agenda for the future and to gather important insights and tips from scholars. The industry dialogue brings together academics and practitioners to debate and discuss the timely theme, „Entrepreneurship and Innovation for Business Success“.

As Co-chairs of this event, we would like to take the opportunity to thank all those who worked so hard to make this Conference a success including conference secretaries, track chairs and track coordinators, panel of reviewers, editors, members of the organizing committee, the industry dialogue and doctoral colloquium organizers, and session chairs and plenary speakers. Further, friends outside the University and the support from sponsors are also deeply appreciated. The exceptional support of the Dean of the Faculty and the consistent efforts of the Vice Chancellor to inculcate a research culture in the University of Colombo have definitely kept us going to make this event a success. Most of all, many thanks go to you, the participants in this Conference.

We are honoured to have Dr. Patrick McNamara of University of Nebraska, Omaha, United States of America as our keynote speaker and renowned panelists representing various industries for the Industry Dialogue.

While we congratulate the authors for being a part of IRCMF 2017, we hope you will enjoy the Conference.

IRCMF-2017 - Conference Co-chairs

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## **PROFILE OF THE KEYNOTE SPEAKER**

Patrick McNamara, Ph.D.  
University of Nebraska, Omaha

Dr. Patrick McNamara has worked locally and internationally with universities, corporations, governments, NGOs, and foundations for 30 years. At the University of Nebraska Omaha, he serves as both Director of International Studies and Director of the Schwalb Center for Israel, Jewish Studies, and the Middle East. He teaches in the areas of conflict resolution, social entrepreneurship, and civic leadership.

Patrick has consulted with over 300 clients from community-based organizations to multi-national corporations, from universities to local or federal government agencies, from start-ups to century-old companies, and from small NGOs to international foundations. Previous jobs include working at a Wall Street law firm, managing an ink manufacturing company, investigating complaints in an ombudsman's office, and Congressional Page in the U.S. House of Representatives.

Originally from Portland, Oregon, Patrick presented workshops and consulted in the U.S., South Africa, India, Pakistan, Afghanistan, Tajikistan, Sri Lanka, Vietnam, Japan, Switzerland, and the United Kingdom. He served for 10 years as Vice Chairman of the Board for Initiatives of Change-USA ([www.us.iofc.org](http://www.us.iofc.org)) which is part of an international interfaith nongovernmental network which is “building trust across the world’s divides.”

Dr. McNamara’s publications include over two dozen papers and articles in peace studies, philanthropy, nonprofit management, political science, urban affairs, criminal justice and collaboration studies, as well as book chapters in conflict resolution, water management, urban-rural affairs, and education.

He will deliver his keynote speech on the topic: Conflict Management: Creating Peace at Work and in Communities.

### **Abstract of the Keynote Speech**

Conflict is inevitable. How we deal with it makes it positive or negative. Dr. Patrick McNamara will explore the evolution of the conflict management field and then discuss some tools for more effective conflict management. This is relevant whether you deal with conflicts in the workplace, community or home.

### **DOCTORAL COLLOQUIUM – 2017**

Doctoral Colloquium has been organized parallel to the International Research Conference on Management and Finance (IRCMF) for the 3<sup>rd</sup> consecutive year. The aim of this event is to provide doctoral students with a platform to present their work-in-progress and receive expert comments from a scholarly panel. The event also provides an opportunity for doctoral students to network with one another and academics.

This year there are two sessions in the colloquium. In the main session, the participants present their work-in-progress and receive feedback. The organizing committee has selected six participants from three key areas, namely General Management, Human Resource Management and Marketing. The main session is followed by an interactive session titled “Managing the Issues in PhD Process”, in which the participants get an opportunity to discuss things like the problems in linking scholarly knowledge and practical phenomena, problems in reading, organizing and synthesizing literature, difference between literature relating to the problem domain and theory, problems in selecting and using methodology and method and various other related issues and difficulties that they face in the process of their doctoral studies. Both sessions are served by a group of experienced academics.

We wish all participants success in their doctoral studies.

**Professor Prabhath Jayasinghe and Dr. Shantharuby Buvanendra**  
Co-Coordinators  
Doctoral Colloquium – 2017  
Faculty of Management and Finance  
University of Colombo  
Sri Lanka

## **INDUSTRY DIALOGUE: A GLIMPSE**

It is commonly thought that entrepreneurship is owning and running one's own business. However, it is a much broader concept, especially in the present day business environment which is characterized by discontinuities of various kinds. Today, consumers' requirements and tastes are changing almost on a daily basis, and their expectations for better service keep escalating. Technology is evolving at such a breakneck speed that any new technology appears to become obsolete almost as soon as it is out of the laboratory. Competition is more intense than ever before, not the least because the competitive landscape has become inescapably global. Similarly, changes in the global political scene, with Trump's US presidency and the balance of power in Europe swinging between France and Germany, are also affecting business, on top of the vagaries of local politics. Under these circumstances, to claim that businesses are operating in a turbulent environment is an understatement. Therefore, if businesses are to be successful, they require entrepreneurship that is capable of not just identification but envisioning new opportunities and new ways of operating in this volatile environment, and the initiative to put such ideas into practice. In other words, innovation is a vital ingredient for successful entrepreneurship.

In this backdrop, the Industry Dialogue of the 12<sup>th</sup> International Research Conference on Management and Finance (IRCMF) is devoted to the theme "Entrepreneurship and Innovation for Business Success". For this discussion the Faculty of Management and Finance of the University of Colombo has invited a panel of experts with knowledge as well as industry experience in entrepreneurship and innovation. In addition, in keeping with the spirit of the Industry Dialogue which aims at forging stronger collaboration between the academia and the industry, the panel also includes an academic to provide a scholastic perspective. Thus, the panel members of this year's Industry Dialogue are:

Mr. Nathan Sivagananathan - Chief Growth Officer  
MAS Holdings (Private) Limited

Mr. Sarath Kularatne - Senior Expert/Director  
Research and Development Center, Camso Loadstar (Pvt.) Ltd

Dr. Nayana Dehigama - Executive Chairman/Managing Director  
Epic Technology Group

Dr. (Mrs.) R. Senathiraja – Dean  
Faculty of Management and Finance, University of Colombo

We believe that this dialogue will provide rich inputs for both business practice and business education.

### **Dr. Dinuka Wijetunga**

Moderator of the Industry Dialogue – IRCMF 2017

Senior Lecturer, Department of Marketing

Faculty of Management and Finance, University of Colombo, Sri Lanka

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Track Chair : Dr. K. A. S. P. Kaluarachchi  
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## **Accounting and Management Information Systems**

## **The Impact of Corporate Characteristics on the Timeliness of Corporate Internet Reporting (TCIR): Evidence from Listed Manufacturing Companies in Sri Lanka**

Priyadarshani P. L. W.<sup>a</sup>

Regina A. L. V.<sup>1a</sup>

<sup>a</sup>*Department of Business Finance, Faculty of Management, University of Peradeniya*

### **Abstract**

*Information is an essential attribute in any field today. Financial information provides valuable insights to make efficient decisions for stakeholders. Contemporary trend is publishing financial information through websites in order to reduce the information asymmetry. This study examines the level of Timeliness of Corporate Internet Reporting (TCIR) in 40 manufacturing companies listed in the Colombo Stock Exchange (CSE) and the impact of corporate characteristics such as company size, leverage, liquidity and profitability on TCIR. Timeliness of information is a vital attribute to any users since they need fresh information to make good investment decisions. The study reveals that the level of TCIR among manufacturing companies listed in the CSE is reasonably low. Further TCIR is positively and significantly associated with company size, leverage and liquidity while negatively and significantly associated with profitability. Finding of this study recommends the companies in Sri Lanka to publish timely information through websites in order to signal the users that they are opened to fresh information for their decision making.*

**Keywords.** *Internet reporting, Corporate characteristics, Timeliness*

### **1. Introduction**

In contrast with the past, at present time almost all the companies pay more attention on website presentation to market their products and services through Search Engine Optimization (SEO) (Dover & Dafforn, 2011). Disseminating corporate information through internet by developing a website is a tool to capture more audience, make effective communication and reduce unbalanced flow of information. Thus timeliness of financial information is one of the qualitative attributes since this attribute ensures the recentness of financial information for decision makers. Therefore timeliness in corporate internet reporting becomes more essential at present because that tends to provide a great platform for the users of corporate information to make their investment decisions quickly as well as without biasness.

Therefore the purpose of this study is to identify the level of TCIR and the determinants of TCIR. Though there are studies have been carried out regarding corporate internet reporting (Alanezi, 2009; Dolinsek, Tominc, & Skerbinjek, 2014), there are only few researchers who have studied the qualitative attributes of corporate information separately. Abdelsalam and El-Masry (2008) and Kamalluarifin (2016) are among these researchers who examine the attribute timeliness related to corporate internet reporting. In Sri Lanka there are few researches who have examined the level and the determinants of corporate internet reporting (Kuruppu, Oyelere, & Al-Jabri,

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2015; Sheham, 2016). However they did not study the timeliness attribute of internet reporting. Therefore this study is conducted to measure the level of TCIR of listed manufacturing firms in Sri Lanka and to examine how the firm specific characteristics impact on TCIR.

## 2. Methodology

### 2.1. Sample Selection

This study specially focuses on TCIR of 40 manufacturing companies listed in CSE and how it is influenced by corporate characteristics. Previous researches were done mainly focusing on top companies in different countries. Hence companies from all type of sectors were included in the list. Thus it is difficult to derive conclusions especially for a particular sector. Further according to Central Bank of Sri Lanka (2016), manufacturing sector of Sri Lanka contributes 26.8% of Gross Domestic Product (GDP) and thus the percentage is above quarter of total GDP. Therefore 40 manufacturing companies listed in CSE were selected in this survey. Through this it is straightforward to obtain more insights on manufacturing sector. Nevertheless, there are nine companies who are absent in presenting information through websites therefore finally 31 companies were taken as the sample of the study.

### 2.2. Data Collection Method

This study is based on cross - sectional data. Data regarding timeliness of internet reporting gathered from websites of the individual companies. Thus they are primary data since they are directly obtained from websites. Details regarding firm characteristics collected from annual reports of individual companies which are secondary data of this study. If the website could not be identified by the search engine, the company was contacted over the telephone and verified the existence of a company website (Alanezi, 2009). Hence Google was used as a search engine to gather information related to the companies. The collection of the data has been done during the month of March, 2017.

### 2.3. Variable Definition

The level of TCIR is the dependent variable which is the primary data in this study. Table 1 shows the check list items for TCIR which is previously employed by Abdelsalam and El-Masry (2008) and Kamalluarifin (2016).

Table 1  
*Checklist Items*

No	Item
1	Is the date of last website update provided?
2	Is the year of last website update provided?
3	Is the latest (Today) stock price data disclosed?
4	Is the specific update time for the stock price data disclosed?
5	Is the most recent interim financial report provided on the website?
6	Do the quarterly interim reports have any delay?
7	Does the company provide a calendar of future financial events?
8	Does the company provide the option to register for the email alerts regarding press release, newsletters etc?
9	Are the current press release and news provided by the company?
10	For email or online requests, is the user told when to expect a response to his/her question?

*Note.* Adapted from Abdelsalam and El-Masry (2008) and Kamalluarifin (2016)

Dichotomous evaluation has been applied to measure the TCIR index. The data for the checklist items were obtained by observing the websites of the companies and if the required item is found in website the company will be awarded '1', if not '0'. Therefore the TCIR index will as following.

$$\text{TCIR Index} = \sum$$

There are four independent variables in this study which are corporate characteristics of the companies. They are company size (SIZE), profitability (PROF), leverage (LEV) and liquidity (LIQ). The data regarding corporate characteristics are taken from recent annual reports of the companies.

### **2.3.1. Company Size**

According to the literature, several studies show evidence for the positive association between the company size and level of Internet Financial Reporting (Damaso & Lourenco, 2011). In addition to that cost of disclosing more timely information can be borne by large companies since they have more resources than small companies and efficient internet information strategy while small companies face difficulties. Hence it is expected company size is positively related with the level of IFR.

H<sub>1</sub>: There is a positive association between Company size and TCIR index

### **2.3.2. Profitability**

Aly, Simon and Hussainey (2010) found a positive relationship between the firm profitability and level of Internet Financial Reporting. Companies which have higher level of profitability significantly influence the investor decisions and attract new stakeholders and in turn that influence higher propensity to disclose more timely information via internet. Accordingly it is assumed here that there is a positive relationship between profitability and the level of TCIR.

H<sub>2</sub>: There is a positive association between Profitability and TCIR index

### **2.3.3. Leverage**

Leverage is the amount of debt used to finance a company's asset and the lenders are highly interested with the updated financial information of an organization. This leads a firm to disclose more timely information. Increased updated disclosure can reduce debt holders' inclinations towards transferring themselves into shareholders (Xiao, Yang, & Chow, 2004). Aly et al. (2010) added that management could do internet disclosure to allow creditors to monitor constantly the affairs of the company and help them in assessing the ability of the company to pay its obligations on time. Xiao et al. (2004) found positive relationship between leverage and level of Internet Financial Reporting. Therefore positive relationship between above factors is expected in this study.

H<sub>3</sub>: There is a positive association between Leverage and TCIR index

### **2.3.4. Liquidity**

According to signaling theory companies disclose more financial information if their liquidity ratio is high in order to distinguish them from the companies those have low

liquidity ratios. Aly et al. (2010) found positive relationship between company liquidity and level of Internet Financial Reporting. Based on the signaling theory positive relationship between Liquidity and level of IFR is expected in this study.

H<sub>4</sub>: There is a positive association between Liquidity and TCIR index

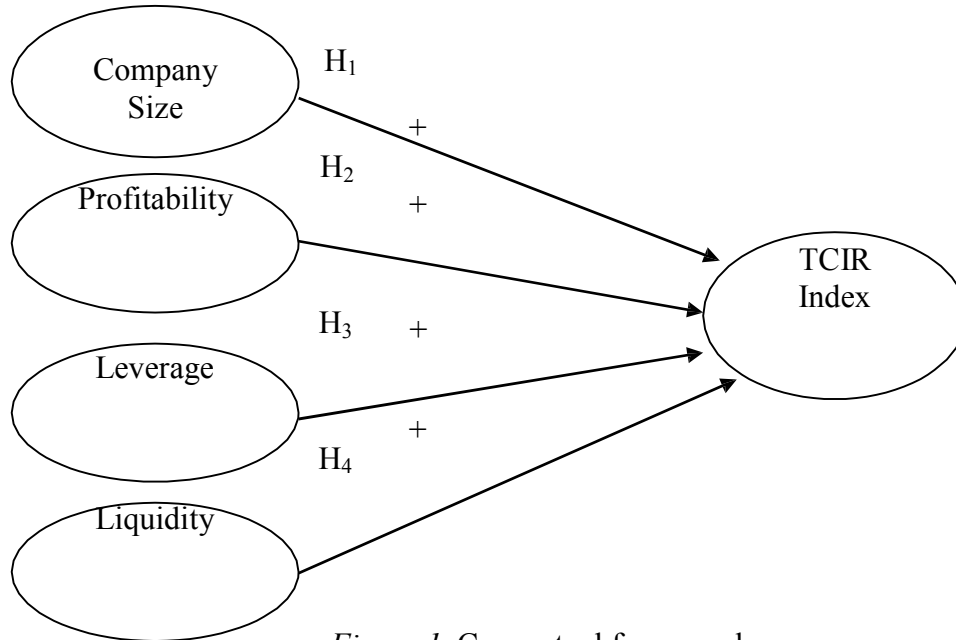


Figure 1. Conceptual framework

#### 2.4. Data Analysis Technique

Linear regression analysis was done in order to identify the impact of corporate characteristics on TCIR (Kamalluarifin, 2016). Therefore the linear regression model is as follows.

$$TCIR_i = \beta_0 + \beta_1 (SIZE)_i + \beta_2 (PROF)_i + \beta_3 (LEV)_i + \beta_4 (LIQ)_i + \xi_i$$

#### 3. Findings and Discussion

One-Sample Kolmogorov-Smirnov test carried out to reveal the normality of the dependent variable. The study reveals that the data fit to a normal curve ( $P > 0.05$ ). Further One sample t-test discovers that the sample reasonably represents the population since the independent variables namely company size, profitability, leverage and liquidity and dependent variable TCIR are significant at the level of 0.01. Moreover Pearson correlation test reveals multicollinearity does not appear to be a serious problem in this study since the highest correlation of +0.718 was found between the explanatory variables namely profitability and liquidity and they are significant at the level of 0.01.

Table 2 shows that one checklist item scored 100% which means all the companies in the sample provide information on current press release and news through their websites. While two check list items scored zero. They are the date of last website update and specific update time for the stock price data disclosed. Both of these items gained no scores maybe because of the less importance of financial information to the

users if it is provided or not in companies' websites. Anyhow it is observed that 58.06% of companies provide the year of last website update. This portrays that companies pay more attention on year rather than the date. Similarly it is observed that 3.23% of the companies provide their current stock price in their websites instead of specific update time for stock information.

Table 2

*TCIR Checklist Item Results*

No	Item	Results
1	Is the date of last website update provided?	0%
2	Is the Year of last website update provided?	58.06%
3	Is the latest (Today) stock price data disclosed?	3.23%
4	Is the specific update time for the stock price data disclosed?	0%
5	Is the most recent interim financial report provided on the website?	22.58%
6	Do the quarterly interim reports have any delay?	45.16%
7	Does the company provide a calendar of future financial events?	45.16%
8	Does the company provide the option to register for the email alerts regarding press release, newsletters etc?	77.42%
9	Are the current press release and news provided by the company?	100%
10	For email or online requests, is the user told when to expect a response to his/her question?	25.81%

Descriptive statistics for dependent variable reveals that minimum, maximum and mean scores for TCIR are 1, 6 and 3.77 respectively out of 10. This proved that the listed manufacturing companies still lacking in presenting their financial information through websites to the users timely since the mean value is below average. Further average values for independent variables company size, profitability, leverage and liquidity are 8.12 (Log of total assets), 17.69% (ROCE), 0.39 (Debt/Total assets) and 2.14 (Current assets/Current liabilities) respectively. This discloses that earning performance of listed manufacturing companies is low since the minimum and maximum values of ROCE are 0.01% and 81% respectively. Likewise, minimum of 0.14 and maximum of 0.92 of leverage reveals that most of the manufacturing companies are less dependent on borrowings for its operations. Further the study also reveals that the companies have enough assets to meets their short term obligations since the average value of current ratio is above 2.

By means of linear regression analysis, the intensity of TCIR level and the impact directions of four independent variables on TCIR are established. Hence Table 2 shows that the level of TCIR is significantly and positively influenced by company size, leverage and liquidity while significantly and negatively influenced by profitability. That reveals large size companies in terms of total assets, the companies with higher ratio of leverage and liquidity and the companies with low rate of ROCE are more likely to disclose information to the users through websites timely.

Table 3  
 Linear Regression Analysis (DV: TCIR)

Variables	Un-standardized		Standardized	t-value	Sig
	Coefficients				
	B	Std. Error	beta		
(Constant)	-1.902	.905		-2.103	.045**
Company Size	.453	.128	.414	3.545	.002***
Profitability	-.029	.013	-.292	-2.145	.042**
Leverage	4.362	1.149	.499	3.796	.001***
Liquidity	.355	.185	.309	1.913	.067*

Note. \*\*\*Significant at the 0.01 level\*\*Significant at the 0.05 level\*Significant at the 0.10 level

Therefore the linear regression result is as follows;

$$TCIR_i = -1.902 + 0.453(SIZE)_i - 0.029(PROF)_i + 4.362(LEV)_i + 0.355(LIQ)_i + \xi_i$$

#### 4. Conclusion

The study reveals that the listed manufacturing companies in Sri Lanka have reasonably low level of TCIR. Particularly they have poor performance in providing information on date of last website update and specific update time for stock price data disclosed. Further it is found that all the manufacturing companies are aware of providing information of current press release and news. Hence it is recommended for the companies to improve timely disclosure of financial information on websites and thus it will oblige the investors to feel that they are exposing to fresh information for their decision making. This may also affect on investors' decision on continuing investment in particular company or to terminate. Moreover, level difference in TCIR is noticed among companies. This might be because of lack of guidelines and framework on timely reporting through internet. Hence this difference is likely to raise issues in comparability and reliability of data. Therefore granting guidelines will make companies to be aware of timely internet reporting.

Further the study also revealed the corporate characteristics that influence on the timeliness of corporate internet reporting. They are company size, profitability, leverage and liquidity. Accordingly large size companies who have enough resources to invest in website development and maintain and companies with higher leverage and liquidity who assume that their lenders are more aware about company information tend to present corporate information more timely. Anyhow it is found that less profitable companies engage in timely internet reporting. Therefore it is recommended for the companies to present corporate information through internet timely and that will ultimately facilitate investors in their decision making and capture the attention of domestic and foreign as well as current and potential investors.

There are several possibilities to conduct forthcoming researches in this field in Sri Lankan context. Accordingly, future researches can examine more corporate characteristics and the corporate governance characteristics that impact on TCIR. Further upcoming studies can test the same variables for different sectors and

compare the level of TCIR between sectors and different countries (developed and developing countries and between countries in the same region). Moreover there is also an opportunity for future researchers to conduct this study on longitudinal base to monitor the changes in level of TCIR over the period.

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## **Organizational Engagement in Sustainability Practices and its Contribution to Sustainable Development: A Case from Sri Lanka**

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### **Abstract**

*The aim of this paper is to explore why organizations engage in sustainability practices and how those practices contribute to sustainable development in a diversified manufacturing and service organization where sustainability reporting has been practiced over a number of years. This paper adopts the qualitative methodology and single case study approach. Data has been gathered through interviews and relevant reports. This study suggests that the purpose of long term survival and other institutional factors such as coercive and mimetic pressures have affected organizations to engage in sustainability practices. Organizations contribute to sustainable development using policies, actions, performance measurement tools which integrate with aspects of sustainability. Cost difficulty is a factor that has a negative impact when organizations try to achieve maximum sustainable performance. This study provides new theoretical merits such as the reasons for implementing sustainability practices other than the institutional reasons, how management accounting practices have become congruent with sustainability criteria in order to contribute to sustainable development.*

**Keywords.** *Sustainability practices, Sustainable development, Management accounting, Performance, Institutional reasons.*

### **1. Introduction; Background of the Study**

Survival of both the present and future generations depends on what we do today. Financial growth no longer remains an exclusive driver of business. Social and environmental facets play a very significant role. Engagement and partnership with stakeholders is the foundation of sustainable development (Daizy & Das, 2014). At present business organizations have become the most responsible parties who deal with sustainability practices since business activities directly impact on sustainable development. It is certain that sustainability is one of the main issues faced by business at present. Many organizations are attempting to develop sustainability accounting procedures and methods of measuring and reporting sustainability by using non-accounting techniques (Aras & Crowther, 2009). Therefore, sustainability reporting is a necessary part of corporate reporting today in order to explain how organizations perform in a sustainable manner while contributing to economic development and social and environmental protection. Sustainability reporting should consider each aspect of Triple Bottom Line (TBL)<sup>2</sup> in a more standardized way (Daizy & Das, 2014). Hence, sustainability reporting is crucial for businesses to show stakeholders that they are effective in meeting their own sustainability goals, future business growth and long-term success.

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<sup>2</sup> Social, Environmental and Financial (TBL)

Mistry, Sharma and Low (2014) reveal that management accountants of small-medium organizations play a limited role in accounting for sustainable development compared to larger organizations due to difficulties in the cost factor and the structure of the organization. Meanwhile, Arroyo (2012) states that management accounting change literature has not paid enough attention to the social constructivist roots of institutional theory and further proposed that how new management accounting practices are socially constructed during the course of organizational change, particularly in response to sustainability concerns. However, modern business management practices look forward to integrate sustainability practices into management control systems to measure their contribution to sustainability. Strategic management accounting tools such as Sustainable Balanced Scorecard (SBSC) has specifically been designed to reflect the issues and objectives of corporate sustainability, which can facilitate to incorporate sustainability reporting into their management control systems (Kerr, Rouse, & Villiers, 2015).

According to institutional theory, coercive isomorphism states that organizations tend to use specific practices due to pressures coming from stakeholders. Islam and Deegan (2008) indicated that, some industries and organizations embrace operating policies and codes of conduct that were similar in form to those embraced by powerful stakeholders. On a similar note, Theyel and Hofmann (2012) found that stakeholders such as community advocacy groups, employees, suppliers, customers, and the local media are influencing the adoption of sustainability practices. Abdalla and Siti-Nabiha (2015) reveal that, audit pressure and the non-governmental organization (NGO) allegations have affected to make changes in organizations. Likewise, management accounting practices of an organization are influenced by these factors. Imeshika and Rajapakse (2014) identify that environmental management accounting is used to take decisions regarding investment appraisals while using the quantified environmental information to confirm whether the company is complying with environmental legislations.

In certain past findings, cost and management accounting are criticized because of the dominance of financial accounting rules, including sustainability practices may narrowly focus on manufacturing costs (Çalışkan, 2014). In opposition, Bowers, 2010 indicated that one significant component of sustainability practices of organizations is the movement to provide specific measures of the cost savings and revenue growth resulting from sustainability activities. However, the accounting function contains reporting not only financials but also social and environmental information in annual reports (Çalışkan, 2014). Therefore, it is a responsibility of business entities to communicate their sustainability or none sustainability practices by determining, developing and operating proper mechanisms.

Prior studies find that organizations use sustainability dimensions, economic, social and environmental in different extents. The relative weightings afforded the individual elements of sustainability (economic, environmental, social, and cultural) differ between organization types depending on a range of factors. Many profit oriented organizations tend to use economic measures rather than social and environmental measures, whereas not-for profit organizations use more social and environmental measures (Tajbakhsh & Hassini, 2015). When organizations design a framework for evaluating sustainability practices, they are required to consider first, better organizational and institutional frameworks and second, proper measures

(Schwaninger, 2015). These studies further indicate that studies which looks into organization's contribution to sustainable development is still lacking and need to develop new frameworks.

According to the above contextual position, many business organizations engage in sustainability practices in different magnitudes. However, past researchers suggest that organizations engage in sustainability practices due to institutional reasons and their contributions to sustainable development is not established still and new frameworks are needed to measure the sustainability performance of organizations. Behringer and Szegedi, 2016, indicated that business contributions to sustainable development, creates a balance between economic interests, environmental needs and social expectations by integrating the spirit of sustainable development into the business strategy and it is important to examine the way how the largest companies in the world contribute to gaining sustainable development through their sustainability activities. Hence, to fill this gap, the current study was carried out to explore why Sri Lankan organizations engage in sustainability practices, and how those practices contribute to sustainable development. This paper consists of the structure as section one provides the background to this study and section two reviews past literature on sustainability practices under different criteria. Research context, methodology and theoretical framework are presented in section three and four. Findings are provided in section five whereas section six provides discussion on findings and conclusions.

## **2. Literature Review**

### **2.1 Sustainability Practices Encompass Organizations**

At present many organizations engage in sustainability practices due to various reasons. The top management of organizations take steps to include sustainability concept into the organization's culture and practices. Senior management is responsible for formulating a sustainable development policy for its organization, and for establishing specific objectives. Sustainable development means more than just „the environment“. It includes social elements as well, such as the mitigation of poverty and distributional equity (International Institute for Sustainable Development [IISD], n.d.).

Senior managers have infused a sustainability culture within their organization by expressing a commitment to sustainability in communications and sustainability reports; adopting sustainability into their companies' missions; and developing priorities to provide a framework for sustainability (Adams & González, 2007). Galpin, Whittington, and Bell (2015) further indicate that there is an explicit inclusion of sustainability in the firm's mission and value statements. Authentic commitment to the strategic intent of becoming a sustainable organization requires the creation and nurturing of a culture of sustainability. This requires the creation of a set of human resource management practices that attract, select, socialize and provide the continuous development of employees who embrace the organization's commitment to sustainability. For this commitment to infuse into the organization, these practices must be reinforced through the organization's performance management systems.

When it is considered from the managerial point of view, past researchers suggest the existence of a demand for social environmental responsibility inside the companies. This demand has made managers think of strategies about not only shareholders but also to consider other stakeholders (Cruz, Pedrozo, & Estivaleta, 2006). When

sustainability practices are implemented by the organizations, managers make decisions on sustainability. Hence sustainability practices have become a major part of management accounting or decision making of the organization.

## **2.2 Sustainability Practices and Management Accounting**

Sustainability practices have been included towards management accounting today. Therefore, management accounting plays a vital role in sustainability practices in an organization. According to the size of organizations, the management accountant's role in sustainability may vary. Management accountants of small and medium organizations play a limited role in accounting for sustainable development compared to management accountants of larger organizations (Mistry et al., 2014). Based on this, another concept can be derived, that is the correlation between the type of organization and their overall goals for achieving sustainable development are closely linked to the roles the organizations' management accountants play in accounting for sustainable development (Mistry et al., 2014). The roles of management accountants in smaller organizations appear to be centralized around the traditional roles of management accountants. As found by Parker (2000), these include producing managerial reports, preparing cost benefits analysis, dispatch schedules, and etc. The main reason behind such a situation is the lack of resources of small sized organizations.

Even though many larger organizations follow sustainability practices, there are certain larger organizations which do not follow environmental accounting systems, but they act as facilitators for upper level management in sustainable development (Mistry et al., 2014). When organizations occupy sustainability practices, they can benchmark globally accepted sustainable initiatives and guidelines. However, when real world business organizations are observed, very rarely they use global benchmarking. According to Mistry et al. (2014) only one company was identified to utilize the reporting functions of the London Benchmarking. The use of the Global Reporting Initiative and London Benchmarking Group was ranked the lowest.

Finally, it can be concluded that larger organizations implement sustainability functions as they can gain tangible benefits and legitimacy from external stakeholders. However, in small and medium sized organizations, sustainability practices are difficult to implement in costing systems and organization structure and the cost of producing sustainability reports outweigh the benefits (Mistry et al., 2014).

Another issue found in management accounting towards sustainable functions is that, sustainability reporting gives more priority on financial accounting rules and gives narrow attention to the cost and management accounting. Therefore, some past researchers criticize the sustainability function. Cost and management accounting is criticized because of the arbitrary use of cost allocations, the dominance of financial accounting rules, a narrow focus on manufacturing costs and a focus on short-term decisions rather than strategic decisions (Çalışkan, 2014). In the same way, Opoku and Ahmed, 2014 revealed that increased capital cost is the most significant challenge facing construction organizations in attempt to adopt sustainability practices in the delivery of construction projects. However, at present sustainability practices have been integrated with performance measurement systems/ management control systems in an organization. In internal decision making, managers tend to consider sustainability practices as a strategic view.

### **2.3 Sustainability Practices and Management Control Systems**

Management Control Systems (MCS) are formal, information based routines and procedures that managers use to maintain or alter patterns in organizational activities (Simons, 1995). Its desire is to provide information for planning, controlling, communicating, coordinating, evaluating performance and motivating managers (Drury, 2000). Organizations may use modes of management controls such as conventional Budgeting, Beyond Budgeting and Balanced Scorecard. At present sustainability reporting has been integrated into management control systems. Organizations that support values relating to sustainability and the satisfaction of a wider group of stakeholders are more likely to integrate the Triple Bottom Line (TBL) into MCS such as the BSC. This is likely to occur in organizations that have significant social and/or environmental impacts (Kerr at al., 2015).

Based on the extent or degree to which an organization focuses dominantly the profit or more stakeholder view is required to follow a more appropriate management control system. For organizations with a dominant profit motive (strategy), the generic BSC with the explicit hierarchy of financial at the top is appropriate. However, organizations with a broader stakeholder perspective require a more balanced approach (Kerr at al., 2015). The integration of sustainability reporting into MCS holds advantages for organizations to operationalize sustainability objectives, broaden stakeholder accountability as well as intensify interactions with stakeholders, formalize organization beliefs and improve communication of sustainability measures internally. While frameworks such as the balanced scorecard (BSC) can facilitate implementation of sustainability reporting, some organizations may choose to fully integrate the latter into their management control system (Kerr at al., 2015).

Imeshika and Rajapakse (2014) found that Environmental management accounting is used to take decisions regarding investment appraisals while using the quantified environmental information to confirm whether the company is complying with environmental legislations. However, sustainability reflects a multi-dimension view and organizations' gravity on these dimensions may vary.

### **2.4 The Gravity of Sustainability Reporting According to its Dimensions.**

Sustainability can be found in many dimensions. Some authors classify the reviewed literature according to seven sustainability dimensions economic; environmental; social; valuable (uniting economic and environmental dimensions); reputable (uniting economic and social dimensions); equitable (uniting environmental and social dimensions); sustainable (uniting all dimensions) (Tajbakhsh & Hassini, 2015). These dimensions are graphically presented in Figure 1.

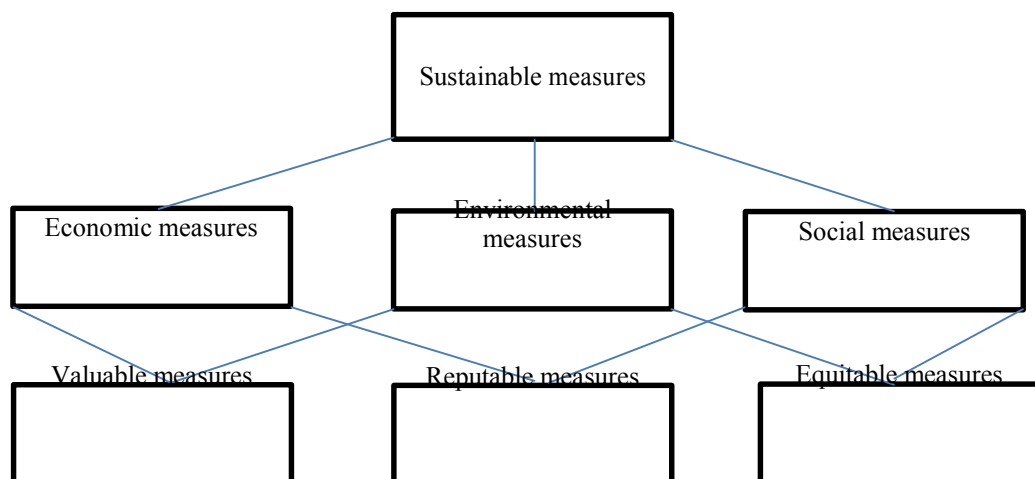


Figure 1. Seven sustainability dimensions. Developed by researchers based on Tajbakhsh and Hassini (2015).

It is found that social sustainability measures have not received the attention they deserve. According to past research findings reputable and valuable measures are more attractive for profit-oriented organizations as they both include the economic dimension in common. However, an equitable measure may be more attractive to not-for-profit organizations and public establishments. Implementation of valuable and reputable measures is expected to entail savings, but the equitable measures may result in additional costs to the supply chain partners.

In considering the applications of performance measures in sustainable supply chains, past researchers found that there was a lack of studies in the service sector, such as the healthcare and pharmaceutical sectors (Tajbakhsh & Hassini, 2015). On the other hand, past findings reveal that sustainable development at an organization level has different meanings for different kinds of organizations. The relative weightings afforded the individual elements of sustainability (economic, environmental, social, and cultural) differ between organization types depending on a range of factors. Some organizations embrace and implement wide-ranging and complex sustainability principles while others view sustainability in narrow terms – such as focusing almost exclusively on maintaining their own economic viability (Swanson & Zhang, 2012). The ultimate purpose of sustainability practices of an organization should be the contribution to sustainable development of the country. Organization can contribute to sustainable development using various practices.

## 2.5 Organizations' Contribution to Sustainable Development

The accounting function of an organization is responsible for both financial as well as non-financial reporting including social and environmental reporting (Çalışkan, 2014). Financial information contributes better decisions making when it is supported by non-financial information. Non-financial reports inform stakeholders and the general public about the firm's activities including environmental, social, and governance (ESG) issues. (Aktaş, Kayalidere, & Karğın, 2013). The credibility of this information should be high and organizations are required to introduce proper mechanisms and improve skills for exercising sustainability practices. Stakeholders

expect a balanced way of sustainability reporting practices from an organization. Hence, organizations should determine which information is provided. The credibility of this information should be secured through proper evidences.

When organizations design a framework for global sustainability, it is better to consider first, a proper organizational and institutional framework to make their contribution. Second, measures should be determined to enhance the awareness of persons and their capacity for becoming environment friendly (Schwaninger, 2015). For managers to develop a strategy for developing effective sustainable activities, they must first consider all of the challenges, opportunities and actors/agents involved in the envisioned sustainability practices. According to above mentioned findings, it can be concluded that, even-though organizations engage in sustainability practices and reporting, their contributions to sustainability is lacking and they are required to develop new frameworks.

### **3. Research Context and Methodology**

Research site selected for this study is a manufacturing and service company (Sigma<sup>3</sup>), which drives a business portfolio spanning twelve diverse sectors such as agriculture, BPO and shared services, constructions materials, consumer products, fiber, hand protection, leisure and aviation, plantations and tea exports, power and energy, purification products, textiles and transportation and logistics. Sigma Company commenced its operations in 1878 and was incorporated sixty one years ago. Sigma Company has manufacturing facilities in Indonesia and Thailand, and marketing operations in Australia, India, Bangladesh, Italy, Japan, Netherlands, United Kingdom and United States of America. Its products are sold in many countries. The company has won a number of awards on the areas such as quality, sustainability and governance practices.

Methodology is the general approach to studying research topics and it should be more relevant for addressing the research questions (Silverman, as cited in Ahrens & Chapman, 2006). This research has been carried out using a qualitative methodology and single case study as the research strategy. The central role of a case study appears to be that of exploration. The idea of an exploratory case goes beyond the mere description towards explanation (Otley & Berry, 1994). Use of an in-depth case study for this research has become more appropriate to address the research questions, why organizations engage in sustainability practices and how they contribute to sustainable development. Qualitative field studies have inordinate freedom to choose definitions and develop interpretations of data. However, the task of connecting data and the theory to compelling research questions is a source of great discipline (Ahrens & Chapman, 2006). Conversely, qualitative field studies hold greater potential for open-ended interaction between the researcher and researched. The researcher has less control over the researched, but has the opportunity to learn from their unprompted actions (Roethlisberger & Dickson, as cited in Ahrens & Chapman, 2006). However, the qualitative field researcher must be able to continuously make linkages between theory and findings from the field in order to evaluate the potential interest of the research as it unfold (Ahrens & Chapman, 2006).

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<sup>3</sup> The real name of the organization is not revealed due to the confidentiality reasons.

The main data collection method for this study is in-depth interviews with appropriate persons/positions of Sigma Company. The treatment of interview methodology emphasizes that interviews should be understood as social and organizational phenomena rather than simply as a functionalist research method (Qu & Dumay, 2011). Even though very small numbers of actors are interviewed in a single case site, sufficiently detailed information is produced (Condie, 2012). In addition to in-depth interviews, managerial reports and annual reports were used.

Finally, all the data were triangulated to ensure the credibility of the study. As this is a qualitative single case study careful interviewee selection is more crucial. Hence the researcher has used a sustainability reporting group including General Manager and Assistant General Manager of the Group Sustainability, and the finance manager of Sigma Company as interviewees since this group represents the organization on sustainability practices. Finally, interview transcripts and documents were carefully analyzed to understand why organizations engage in sustainability practices and how they contribute to sustainable development. The time consumed for an interviewee is more than one hour (refer Appendix 1 for broad interview questions). Interviews conducted with managers were tape recorded and were transcribed afterwards. Supplementary, relevant managerial reports and annual report particulars were obtained during interviews.

As a final point, interview transcripts, managerial documents/reports and annual report particulars were carefully analyzed to understand why Sigma Company engages in sustainability practices and how it contributes to sustainable development. Important themes which arose from the field were identified, and these themes were further categorized to facilitate the analysis process (Irvine & Gaffikin, 2006). The broad themes and categories were related to the key theoretical concepts of institutional theory. Finally, data was analyzed and presented according to themes such as reasons for engaging in sustainability practices, policies and actions of the organization toward sustainability, performance measurements and KPIs used to evaluate sustainability performance, internal reports prepared on sustainability and internal decision making, management accounting and sustainability practices, and problems in sustainability practices and reporting from the organization's point of view.

#### **4. Theoretical Framework; Institutional Theory**

A theoretical framework is regarded as an essential starting point for any case study, but it is argued that it should be capable of being challenged and refined as result of the research process. Furthermore, such an approach is not seen as necessarily reducing the richness of existing theories or limiting the potential for critical dialogue (Humphery & Scapens, 1996).

Researchers have widely used theories such as legitimacy theory, stakeholder theory and institutional theory for their researches related to sustainability practices. Institutional theory emphasizes on how groups and organizations better secure their positions and legitimacy by conforming to the rules (such as regulatory structures, governmental agencies, laws, courts, professions, and other societal and cultural practices that exert conformance pressures) and norms of the institutional environment (DiMaggio & Powell, 1983). This study focuses why organizations engage in sustainability practices and how those practices contribute to sustainable



development as a responsible institution in a society. Hence this study is based on the institutional theory.

The very important aspect of institutional theory is “Isomorphism” (adaption of an institutional practice by an organization). Isomorphism refers for the process that one unit in a population forces another units to face same set of environment conditions. According to DiMaggio and Powel (1983, p.149), isomorphism is “a process that forces one unit in a population to resemble other units that face the same set of environmental conditions.” Based on that, three types of isomorphic processes can be identified, namely coercive, mimetic and normative isomorphism. Organizations have to maintain their institutional practices because of pressures coming from the stakeholders which the organization is dependent. There are some powerful stakeholders and they expect similar practices (conformity in practices) from other organizations as well.

Coercive drivers involve those in powerful positions (large retailers/supermarkets) exerting pressure on other smaller organizations across the supply chain (Glover, Champion, Daniels, & Dainty, 2014). Imeshika and Rajapaksha (2014) identified that coercive pressures, especially supplier and customer relationships are the influencing factors to adapt environmental management accounting in an organization. Islam and Deegan (2008) indicated that, some industries and organizations embrace operating policies and codes of conduct that were similar in form to those embraced by powerful stakeholders. On a similar note, Theyel and Hofmann (2012) found that stakeholders such as community advocacy groups, employees, suppliers, customers, and the local media are influencing the adoption of sustainability practices. Abdalla and Siti-Nabiha (2015) indicated that, there were external and internal pressures exerted on the company to adopt sustainability practices. Mainly the foreign partner’s audit pressure and the non-governmental organization (NGO) allegations have affected to make changes in organizations.

Organizations may imitate other organization’s practices to acquire competitive advantages and to reduce uncertainty. Organizations within a particular sector adapt similar practices to those adapted by leading organizations—enhances external standards perceptions of the legitimacy of the organization. Joo, Larkin, and Walker (2017) indicated that managers have a strong tendency to adopt CSR tactics that have been successfully practiced both locally and internationally. There is a positive relationship between coercive pressures and pressure to mimic others. However, some studies found that mimetic pressures as not influencing the intra-organizational factors such as institutionalized governance, management competence, and their honest environmental practices were identified as other influencing factors to adapt environmental management accounting practices. Mimetic isomorphic drivers result in supermarkets and other large organizations attempting to replicate publically available information on green successes for imagery purposes (Glover et al., 2014).

Organizations adapt particular institutional practices due to pressures from “group norms.” Joo et al. (2017) revealed that normative pressures where generally accepted values (e.g. stipulated CSR) and trends contributed to the pattern of organizations behaving quite similarly. Particular groups with particular training will tend to adapt similar practices. Then non-compliance could result in sanctions being imposed by “the group”. Normative drivers are reflected in organizations wishing to appear to

have a sustainability agenda through integrating new rules and legitimate practices within their own organization (Glover et al., 2014).

Organizations formally and publicly engage pronounce these particular structures and practices to show their adherence. However their actual organizational practices may quietly differ from publicly pronounced ones. When it comes to sustainability reporting, organizations may try to build an image through the adherence to sustainable development using sustainability reports and other disclosures. However, actual managerial imperatives may be maximization of profits or shareholder value.

Although some organizations wish to pursue a sustainable agenda through integrating new rules and legitimate practices within their own organization, the dominant logic appeared to be one of cost reduction and profit maximization. There was also evidence that supermarkets and other large organizations attempt to replicate publicly available information on green successes for image purposes. It can be conclude that the dominant logic of cost reduction is so well (Glover et al., 2014). Glover et al. (2014) found that smaller enterprises tend to take a less strategic approach than larger ones, but still are interested in reducing energy, in the majority of cases because of cost reduction but also because it is the right thing to do. Therefore, these findings further confirmed that organizations involve in certain practices due to a variety of reasons other than traditional institutional reasons.

However this study focuses on why organizations engage in sustainability practices and how those practices contribute to sustainable development. According to institutional theory, organizations engage in sustainability reporting practices due to isomorphism. Even though they report sustainability practices in different extents, whether they actually contribute to sustainable development is questionable. Since sustainability reporting is the organization's reflection of sustainable development of a country, the ultimate result should be sustainable development.

## **5. Findings**

### **5.1 Reasons for Engaging in Sustainability Practices**

According to institutional theory, organizations use particular practices (Isomorphism). To use these practices basically three reasons may affect (types of isomorphism) namely, coercive, mimetic and normative factors. However, Sigma Company is engaging in sustainability practices mainly due to the purpose of long term survival. The General Manager of the group sustainability and communication commented as;

Without sustainability practices, like saving energy, saving water, giving people proper training and looking after them well, we will not have a business in the future.

In addition to that, Sigma Company engages in sustainability practices due to coercive and mimetic factors such as pressures coming from customers, to face the competition well and to acquire the competitive advantages. Further, the Assistant General Manager of the sustainability group explained,

Most of our products are eco based (that is agricultural products). Therefore, we get lot of resources from planet earth. Some directions come from our customers

to change certain practices. All the industries today are becoming more competitive, to get competitive advantages. Hence, we have to adapt with sustainability practices”.

Humphrey and Scapens (1996) indicated that the value of empirical enquiry, giving due recognition to the temporal nature of accounting knowledge, and appropriately positioning the role of case studies as important vehicles for challenging existing, and for developing new accounting theories. By confirming this argument Sigma Company has added new features to the existing institutional theory because it engages in sustainability practices mainly due to the purpose of long term survival. They believe that without contributing to economy, society and environment, they cannot continue their operations. Therefore, in addition to coercive and mimetic reasons, Sigma Company mainly considers the purpose of long term survival to engage in sustainability practices.

## **5.2 How the Practices Contribute to Sustainable Development**

### **5.2.1 Policies and Actions of the Organization Toward Sustainability**

To achieve a variety of objectives organizations set policies, take actions and use performance measurements and KPIs to evaluate the performance. The concept of sustainable development needs to be incorporated into the policies and processes of a business if it is to follow sustainable development principles (IISD, n.d.). In Sigma Company, documentary policies toward sustainability could not be found in a straightforward manner, but when they implement particular actions, they have to fulfill certain non-documentary policies and accepted standards of the company. When they buy materials, suppliers must fulfill certain requirements. When persons are recruited, there are specific standards to fulfill. About this matter the General Manager of the sustainability group answered as;

We don't have any documentary policies, but when we implement some actions we have to complete certain standards, for an instance when we buy materials, the suppliers must have proper license, proper environmental and ethical behaviors. To increase the recycling, some sectors of our group recycle more than 80 percent back to the process. Disposal water of the hotel sector is essentially backed to the gardening and we try to reduce the wastage.

When we recruit persons, we should give opportunities for people who are in other provinces of the province which is in the company been located. So, more than 75 percent of employees have recruited from other provinces. The other thing, women employment must also be maintained at a higher level. To achieve this, the company currently is maintaining a 45 percent of women employees among total workforce. Thereby, the women represent 25 percent in executive positions of the company.

Adams and González (2007) found that senior managers have included sustainability into organization's mission statements and develop priorities on sustainability. Even though Sigma Company does not have documentary policies regarding the organization's sustainability practices, it implements activities based on specific policy requirements determined by the top management. Therefore Sigma's sustainability practices are based on specific policies and standards.

### 5.2.2 Performance measurements and KPIs used to evaluate sustainability performance

The concept of sustainable development must be integrated both into business planning and into management information and control systems. Senior management must provide reports that measure performance against these strategies (IISD, n.d.). Development towards sustainability accounting can lead to corrections to the conventional accounting systems and the managerial perspective engages in developing such tools of sustainability accounting (Burritt & Schaltegger, 2010). Sigma Company uses a strategic framework to evaluate sustainability performance of the entire organization in a holistic view. This framework uses key strategic priorities/pillars and uses a variety of KPIs that are aligned with economic, social and environmental aspects of sustainability. Figure 2 indicates key strategic priorities/pillars of Sigma Company in sustainability performance. According to Company Sigma’s framework, four pillars could be identified as sustainability dimensions. Growth, sustained profitability, corporate responsibility, and inspired team (employees) are their main pillars. These four pillars can be linked with general sustainability dimensions as growth and sustained profitability represent economic aspects, inspired team and corporate responsibility represent social and environmental aspects. The link between strategic pillars/ priorities, KPIs and sustainability dimensions of Sigma Company is diagrammatically illustrated in Figure 3.

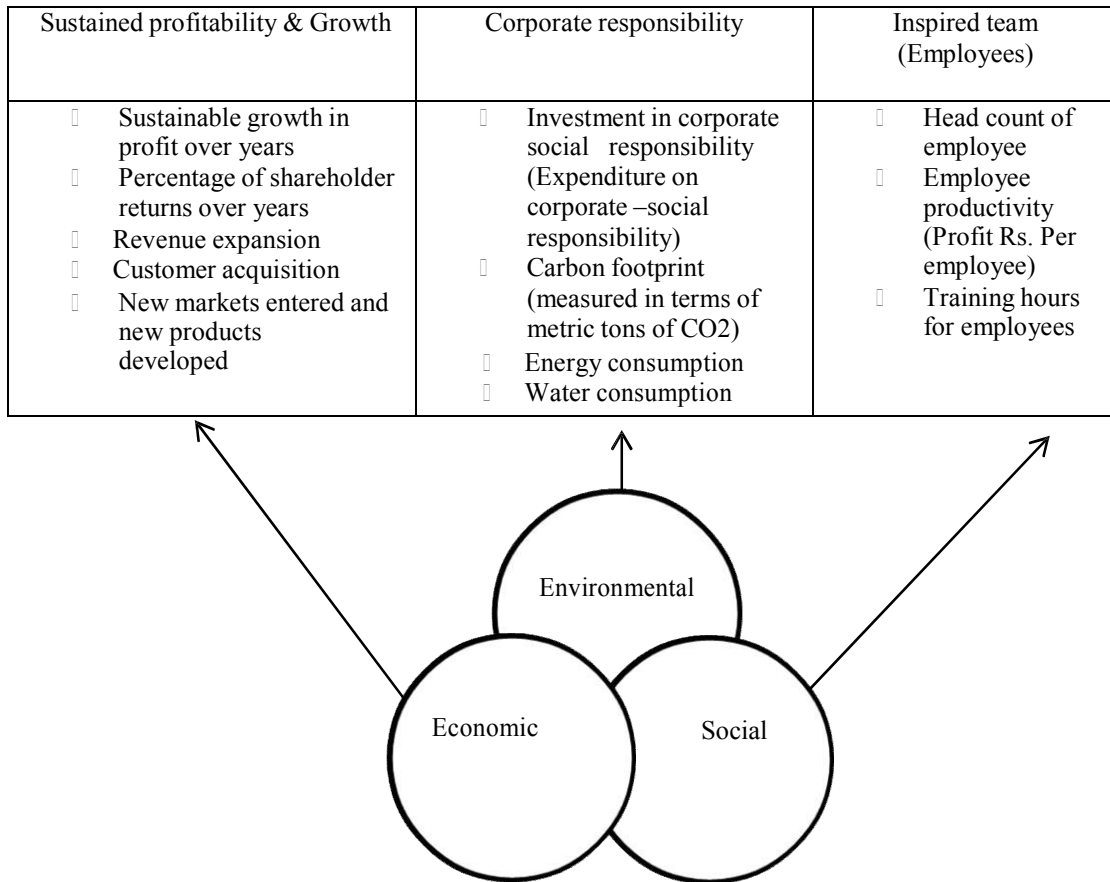
<p style="text-align: center;"><b>Growth</b></p> <ul style="list-style-type: none"> <li>☐ Satisfied customers</li> <li>☐ Deeper relationships</li> <li>☐ New markets</li> <li>☐ Product innovations</li> </ul>	<p style="text-align: center;"><b>Corporate responsibility</b></p> <ul style="list-style-type: none"> <li>☐ Product responsibility</li> <li>☐ Business conduct, values and ethics</li> <li>☐ Nurture the planet</li> <li>☐ Empowering people</li> </ul>
<p style="text-align: center;"><b>Sustained profitability</b></p> <ul style="list-style-type: none"> <li>☐ Efficient production</li> <li>☐ Supply chain management</li> <li>☐ Working capital management</li> <li>☐ Managing inputs</li> </ul>	<p style="text-align: center;"><b>Inspired team (Employees)</b></p> <ul style="list-style-type: none"> <li>☐ Employee productivity</li> <li>☐ Rewards and recognition</li> <li>☐ Employee relations</li> <li>☐ Employee engagement</li> <li>☐ Health and safety</li> </ul>

*Figure 2.* Key strategic priorities/pillars of Sigma Company in sustainability performance. Adapted from annual reports of Sigma Company

Assistant General Manager of the sustainability Group of Sigma Company further explained their strategic framework as;

Our sustainability framework focuses on streamlining and combining the effects of the group’s diverse business sectors to encourage strategic and robust sustainability initiatives across the group companies. Our approach is based on three pillars of our sustainability strategy.

To evaluate the performance of above the pillars the company uses KPIs shown in Figure 3.



*Figure 3.* The link between strategic pillars/priorities, KPIs and sustainability dimensions of Sigma Company. Developed by researchers based on Sigma company KPIs.

The implementation of sustainable development objectives, and the preparation of meaningful reports on performance, requires appropriate means of measuring performance (IISD, n.d.). The General Manager of the group sustainability explained the manner they use to measure sustainability performance as follows;

We measure, track and report sustainability performance through standardized and pre-defined objectives across all sectors of the company. So, our corporate sustainability group provides the leadership.

### 5.2.3 Internal Reports Prepared on Sustainability and Internal Decision Making

Directors and senior executives use internal reports to measure performance, make decisions and monitor the implementation of their policies and strategies. The directors and senior executives are accountable for achieving financial, social and environmental objectives (IISD, 1992). The sustainability reporting group of the company prepares reports separately for each sector of the company based on economic, social and environmental areas. According to performance evaluations, the company prepares reports and notifies the management by conducting meetings. Then all matters regarding the performance are discussed. Finally recommendations are prescribed to remove the variations. To comment on this, the Assistant General Manager of the sustainability group exclaimed;

We prepare reports quarterly on comparison of each sectors' sustainability performance by highlighting red (key) concerned areas. These internal reports are circulated among all sectors of the group of companies and presented in the meetings called G1 (General management committee) meeting. Managing Directors and other responsible persons from all the sectors must participate in this meeting.

Further he explained,

In this meeting, we discuss significant variations and in order to determine what actions must be taken to avoid the variances. For an instance, if one sector's electricity or water consumption has shown a significant increase, what actions are required to avoid is discussed.

Table 1

*Internal report structure of sustainability performance variances and identification of reasons<sup>4</sup>*

Particular	Performance: present year	Performance : past year	Variance	Reasons
<u>Economic performance</u> (Revenue, Profit before interest and tax, Profit before tax, Profit after tax, Total assets, Total debts, Return on capital employed)				
<u>Social performance</u>				
Head count of employees, Employee productivity, Training hours, Investment in supplier development, Beneficiaries of supplier development programmes				
<u>Environmental performance</u>				
Material usage, Energy consumption, Solid waste, Carbon footprint, Compliance (No of incidents)				

*Note.* Developed by researchers based on Sigma company annual reports and interview transcripts.

<sup>4</sup> Particulars under each sustainability criteria are evaluated separately

Table 1 indicates the internal report structure of Company Sigma for the comparison of sustainability performance over two years along with identification of variance and reasons.

#### **5.2.4 Management Accounting and Sustainability Practices**

When organizations engage in sustainability practices, their cost is affected by sustainability activities. In small and medium sized organizations, sustainability practices are difficult to implement in costing systems and the organization structure (Mistry et. Al, 2014). Sigma Company is also affected by costs when they implement sustainability activities. However, the company implements increased cost activities short term, but strategically they believe that it generates benefits to the company. The assistant manager of the group commented on this as,

Some organization's practices on sustainability are not financially viable. For an example, our recycling system is not easy to run cheaply. There by, within 100 percent of environmental concerning, we can't go for other pillars of the sustainability. We buy some raw materials from overseas vendors. So different rules and regulations, inflation are affected. Due to these issues it is difficult to manage sustainability practices. I think we want to achieve a middle of economic, environmental and social areas.

#### **5.3 Problems in Sustainability Practices and Reporting from Organization's Point of View**

To be more reliable most corporations have followed guidelines for corporate sustainability reporting. The well-known set of voluntary guideline is the Global Reporting Initiative (GRI). The guideline basically focuses on the context of corporate sustainability reports, corporations' sustainability vision, their performances, and objectives towards sustainability (Aktaş et al., 2013). Sigma Company is committed to the annual communication of sustainability related performance through the Global Reporting Initiative (GRI) and the United Nations Global Compact (UNGC) principles. According to GRIs, organizations are required to follow a balanced (one principle of GRIs) method for communication of sustainability information. Evidence strongly indicates that corporate managers often have strong incentives to delay the disclosure of bad news, "manage" their financial reports to convey a more positive image of the firm, and overstate their firm's financial performance and prospects (Choi & Meek, 2011). A total of 90 per cent of the significant negative events were not reported, contrary to the principles of balance, completeness and transparency of GRI reports. Moreover, the pictures included in these reports showcase various simulacra clearly disconnected with the impact of business activities (Boiral, 2013). Some firms reveal more information than others, but in general, firms do not disclose many indicators voluntarily (Aktaş et al., 2013).

Sigma Company follows a balanced way to communicate their sustainability practices and justified as follow by the General Manager of the sustainability reporting group;

We communicate both positive and negative impact on sustainability because we want to find reasons for that and avoid negative impact again. On the other hand, adverse effect does not always say under performance". For an instance, during the current year the overall training hours of employees may be less than past year's training hours. A stake holder who does not know well about the reasons

behind this impact may make wrong judgment based on that. The real reason may be some departments do not need trainings every year. Therefore, the adverse effect is not always bad. So when stakeholders refer sustainability reports their knowledge and awareness of the overall situations of the company is important.

However when organizations follow a balanced method to communicate sustainability practices, they can give a correct picture about their organizations. Sometimes, the reasons for negative impact on sustainability may be reasonable. The Finance Manager further explained about losses they have to suffer when they follow a balanced way to communicate their performance.

We have experienced when we reported adverse performance, that we suffered huge losses. We lost our customers and some sectors of the group declined up to a considerable level. Sometimes reasons for such a situation would be external factors such as change of market requirements, change of global requirements, and new laws.

## **6. Discussion and Conclusions**

The aim of this study is to identify the critical factors of why organizations engage in sustainability practices, and to explore how these practices contribute to sustainable development. According to the empirical evidence gathered for this study, it can be concluded that Sigma Company engages in sustainability practices mainly due to the purpose of long term survival of the company. In addition to that, some institutional factors such as directions from customers and pressures coming from competitors in order to acquire competitive advantages motivates Sigma Company to engage in sustainability practices.

When it comes to how organizations contribute to sustainable development, this study identifies that, Sigma Company has set certain standards, takes actions, uses performance measurements, KPIs and finally prepares reports for internal decision making. According to Kerr et al. (2015) some strategic management accounting tools such as Balanced Scorecard (BSC) can facilitate implementation of sustainability practices and fully integrate into their management control systems. Even though the researcher could not find documentary policies toward sustainability practices in Sigma Company, it was found that there are certain non-documentary policies, standards and requirements to complete when the business functions are implemented. For an example, Sigma company follows specific sustainability related standards and requirements. When they buy materials from suppliers, suppliers must be proper licensed, fulfill environmental and ethical standards. Thereby Sigma Company uses efficient environmental practices such as Reduce, Re-use (Disposal water in the hotels directly backs to gardening) and Re-cycling policies (practiced a recycling system which recycled in some sectors more than 80 percent of disposals). To contribute to distribution of employment opportunities among different areas in the country, Sigma Company uses a policy to recruit persons from outside provinces of the company been located. To generate gender equality, Sigma Company maintains a policy to recruit females for permanent cadres more than 40 percent.

To evaluate the sustainability performance of the organization, Sigma uses a framework/performance measurement tool under three pillars those are highly aligned with sustainability aspects economic, social and environmental. Finally this



framework uses sustainability measurement criteria and KPIs to assess the overall contribution of the company towards sustainable development.

Sigma Company consists of a variety of sectors. Hence, to achieve overall sustainability, sector wise performance measurements are crucial. Therefore, the sustainability group of the company prepares internal reports for each sector under each sustainability areas namely economic, social and environmental. Finally all the variances are highlighted and those are discussed in a meeting. All the responsible persons including general managers of each sectors of the company are required to participate for this meeting. After the discussions, possible reasons for variances are identified and they take steps to ensure that the discrepancies are not repeated by responsible parties.

When Sigma Company contributes on sustainable development, cost difficulties are also experienced. Mistry et al. (2014) revealed that small and medium sized organizations find it difficult to implement sustainability practices within their cost systems. Sigma Company currently practices a recycling system, but it is not financially viable. Sigma indicates that trying to achieve 100 percent of one area of the sustainability may destruct other areas of sustainability. Hence, they further justified that achieving a middle score in each sustainability area will enable the company to run smoothly.

Stakeholders of the company are aware about the company's sustainability performance when the company communicates its performance in the sustainability report. However, if organizations report only positive impacts of sustainability, stakeholders cannot get a correct picture about the company. According to GRIs organizations are required to follow a balanced method. If organizations communicate sustainability performance, stakeholders can make correct decisions. To correspond to this, Sigma company follows a balanced method. The main reason for this balanced way is that, the company needs to find reasons for this negative effect from the company's responsible parties.

Based on Sigma Company, the researcher could recognize that there are some issues relating to a balanced way of sustainability reporting. One problem is adverse performance is not always feeble. There are some justifiable reasons for that and it may be favorable for the better contribution of sustainability performance. The other problem, is that companies may show adverse impacts on sustainability due to some external factors such as changes of global market conditions, changes of laws, rules and regulations, inflation and these factors are unavoidable. However, if stakeholders are not properly aware of these reasons they may make wrong decisions. Therefore, the knowledge and awareness of stakeholders are crucial when they make judgments on company's sustainability performance.

## **7. Limitations and Directions for Future Researchers**

The current research provides important inferences for future researches. This study was conducted as a single-case study and future researchers can implement multiple-case studies to offer comparative insights of the extent of contribution to sustainable development. Such a comparison could be done between variety of organizations such as large and small sized organizations, manufacturing and service organizations, multinational organizations and domestic organizations.

On the other hand, this research primarily focuses on why organizations engage in sustainability practices and how those practices contribute to sustainable development. It has identified several problems faced by Sigma Company when it engages in sustainability practices and reporting. Hence, future researchers could also explore why organizations face problems and how organizations adapt to such kind of issues.

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## **Appendices 1- Interview questions**

- 01.** As the business organization in the world, can you explain why your organization is engaging in sustainability practices?
- 02.** What are the policies of your organization towards sustainability? Can you explain them with its relevant aspects such as economic, social, environmental and etc.?
- 03.** To implement these sustainable policies what actions are carried out?
- 04.** To evaluate sustainability performance, what kind of performance measurement tools and KPIs are used?
- 05.** Do you prepare any internal reports on sustainability practices to notify the top management to use in internal decision making? If so, can you explain the structure of these reports?
- 06.** How do you use early mentioned reports to make decisions on sustainability?
- 07.** What benefits could be obtained when your organization implements sustainability practices?
- 08.** What are the disadvantages or difficulties faced when your organization engages in sustainability practices?
- 09.** When you report sustainability practices, which way you follow;
  - Report only positive impact on sustainability. (If so, why?)
  - Report both positive and negative impact on sustainability. (If so, why?)

## **Business Economics and Finance**

## **Initial Public Offerings Trading Strategies Using Pre-Listing Information in Sri Lanka**

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### **Abstract**

*Main channel of information dissemination for initial public offerings (IPO) in pre listing stage is the prospectus. Auditor fee and director emoluments are two types of such information which investors do know in advance through prospectus. Industry and media publicity are also in the focus of investors in pre IPO stage. This study inquires whether such information can be used to form successful trading strategies in long run. IPO stock portfolios have been constructed based on above four types of information and their returns have been tested using four popular asset pricing models in this study to answer the above question. The findings confirm that long only strategies are successful in all four types of information while long and short strategies are proved to be a failure. The findings reveal also that portfolios consist of non-finance stocks, stocks with high media coverage, high audit fees and high director fees tend to provide highest returns compared to other IPO stock portfolios.*

**Keywords.** *Initial public offerings, Colombo stock exchange, Sri Lanka*

### **1. Introduction**

Main channel of information dissemination for initial public offerings (IPO) in pre listing stage is the prospectus which typically includes valuable information such as details of the issue, overview on business operations and industry, management discussion and analysis, corporate structure and past financial statements together with auditor's report. Investors have to use this pre IPO information wisely in order to avoid IPO long run underperformance documented by Ritter (1991) in United States of America, subsequently reported in many parts of the world including Levis (1993), Kooli and Suret (2004), and Sahoo and Rajib (2010). This study intends to examine the effectiveness of long only as well as long and short trading strategies based on pre IPO information as a remedy to the long run underperformance of IPO stocks. Signaling theory provides some useful clues to investors to select long run survivors from all the IPOs listed. Some of them are cited in the IPO literature such as Allen and Faulhaber (1989) using IPO underpricing; Carter, Dark, and Singh (1998) using reputed underwriting firms; Feltham, Hughes, and Simunic (1991) using reputed audit firms; Leland and Pyle (1977) selecting high pre IPO equity firms; Brav and Gompers (1997) using venture capitalists. In this study, four types of pre IPO information are selected to form trading strategies and subsequently to evaluate their effectiveness which are pre IPO media coverage, Industry which IPO belongs to, pre IPO director fees, and pre IPO audit fees. These four types of information were given little or no attention in IPO context even though there are studies on the relationship with normal stocks such as Fang and Peress (2009) for media coverage, Simunic (1980) for audit fees, Malmendier and Tate (2009) for director fees and Chou, Ho, and Ko (2012) for industry. Some of the exceptions which studied the impact to IPO stocks are Dong and Michel (2012) for industry and Liu, Sherman, and Zhang (2014) for media coverage. This study expects to reveal whether trading strategies formed on above four types of information are able to generate an abnormal return using four asset

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pricing models which are three moment capital asset pricing model (3MCAPM) by Kraus and Litzenberger (1976), three factor model (FF3) by Fama and French (1993), four factor model (C4F) by Carhart (1997) and five factor model (FF5) by Fama and French (2015). In other words, this study specifically looks at whether trading strategies formed are outperforming the market index after pricing for well known risk factors such as size, book to market ratio, momentum, profitability and investment. Selected asset pricing models act as the main criteria which determine the excess returns of IPO trading strategies after accounting for popular risk factors and their use in this study is justified by the role played by them to filter excess returns from risk factors. Further, this study fills an empirical gap existed in IPO literature by suggesting strategies to overcome IPO long run underperformance. Therefore objective of this study is to explore the possibility of mitigating IPO long run underperformance by forming strategies based on above four types of pre listing information. It is found that long only strategies were able to result positive alpha while long and short strategies are not successful for all four types of pre IPO information. Further, it is also found that IPOs belong to non-finance industries, IPOs with high pre IPO media coverage, IPOs with high pre IPO director fees and high auditor fees tend to earn slightly higher long run excess returns compared to IPOs in financial services industry, IPOs with low pre IPO media coverage, IPOs with low director fees and low auditor fees. The rest of the paper is organized as follows. Section 2 discusses relevant literature and section 3 describes data and methodology. Section 4 presents the analysis of the study and section 5 provides the results. Section 6 comprises the conclusions.

## **2. Literature Review**

As the beginning, theories which have a profound influence to the study are discussed. Two such theories are market efficiency and information asymmetry. Further, there is a brief introduction to asset pricing models used in the study. Then, empirical studies consists four subsections which are industry, pre IPO media coverage, pre IPO director fees and pre IPO auditor fees.

### **2.1 Theories of Market Efficiency and Information Asymmetry**

Efficient market theory is the centerpiece of modern finance. Efficient market hypothesis has been tested extensively all over the world. Efficient market can be defined as the market which it is impossible to earn an abnormal return by trading on the basis of publicly available information. Samuelson (1965) argued that unexpected price changes in stocks reflect that new information has been supplied to the market. New information can be defined as information that cannot be deduced from previous information and new information must be independent over time. If capital markets are efficient, market value of the firm should be equaled to the present value of firms' future net cash flows. According to Fama (1970) efficient markets are characterized by competition among profit maximizing firms who attempt to estimate the value of securities in the future relying on the information they have. In an ideal world where assumptions of efficient market theory exist; there cannot be any anomalous behaviors such as IPO underpricing and subsequent lower returns in the long run. Even though efficient market theory is widely accepted among academics and professionals, it has many criticisms. One of that is stock prices seem to very much volatile and therefore difficult to be consistent with the efficient market theory. According to efficient market theory, there will be no value of predictive signals of past information. However, technical analysis is widely accepted among stock market

analysts as a method of forecasting stock prices. Most importantly, there are deviations or puzzles in capital markets which originates largely due to psychological biases. Even though there are lots of critics to efficient market theory, it should be noted that still there is no single theory emerged so far to replace it.

Information asymmetry has been explained by Akerlof (1970) as one party possesses superior information about fair value of any asset (IPO share in this instance) compared to other party. Key parties in an IPO process are issuing firm, their underwriters and investors. In IPO literature, different academics assumed different parties have better information compared to others. Baron (1982) argued that underwriters have better information compared to issuing firms and investors since they know market conditions better. However Welch (1989) argued that issuing firm has better information since they know very well about their own firm. Rock (1986) model, better known as winner's curse model or adverse selection model assumes that certain fraction of investors have better information compared to their peer investors, issuing firms and underwriters.

## **2.2 Asset Pricing Models**

As described in the introduction, there are four asset pricing models used in this study. First one is three moment capital asset pricing model (3MCAPM) proposed by Kraus and Litzenberger (1976). It is an extension to the standard capital asset pricing model (CAPM) by introducing a skewness premium. Standard capital asset pricing model predicts the relationship between the risk of an asset and its expected returns which was independently developed by Sharpe (1964), Lintner (1965), and Mossin (1966). Fama and French (1993) added two more risk factors to the CAPM to represent size (measured by market capitalization) and value (measured by book to market ratio). Size anomaly is that small companies can earn higher risk adjusted returns compared their large counterparts. Value anomaly is a tendency of value stocks (stocks with low prices relative to their fundamentals) to outperform growth stocks (stocks with high prices relative to fundamentals). Carhart (1997) added a fourth factor to the three factor model which is momentum. Momentum is the continuation of stocks that have performed well recently to do well over the subsequent 1 to 12 months. Fama and French (2015) added two more factors which are investment and profitability to their seminal three factor model.

## **2.3 Empirical Studies**

### **2.3.1 Industry**

Industry refers to a group of companies that produce similar products and services or close substitutes, even though sometimes it is very complex in real world. It was found that traditional asset pricing models were unable to explain returns for industry groups (Hou & Robinson, 2006; Lewellen, Nagel, & Shanken, 2010). Industry has a strong effect to traditional risk based factors such as size, book to market ratio and momentum. Chou et al. (2012) found several important implications which are small firm effect is a below industry median phenomenon, value effect is an intra-industry phenomenon, and short run momentum is an inter industry phenomenon. Dong and Michel (2012) analyzed industry's impact to stock returns in IPO context. They explained that if investors are underreacting to a new issue, it will lead to set the IPO initial trading price too low. Thereafter price will correct itself based on good prospects of relevant IPO. When investors are overreacting to an IPO, opposite mechanism would happen. Ritter (1991) analyzed 14 industries in 1975–1984 period



and only three industries over performed which are financial services, pharmaceuticals and airlines. Analysing Australian IPOs by dividing them into four industries which are consumer discretionary and staples, information technology, industrial and resources it was found that consumer industry is underperforming in both measures of cumulative abnormal returns as well as buy and hold abnormal returns while other industries displayed a mixed behavior (Perera, 2014).

### **2.3.2 Pre IPO Media Coverage**

According to market efficiency theory, mass media coverage doesn't have an impact to stock returns unless they reveal new information which is not available before. But there are many studies which found significant relationships between media coverage and stock returns (e.g., Tetlock, 2011; Fang & Peress, 2009). They documented that there is a negative relationship between media coverage and stock returns. Main reason for this can be explained using investor recognition hypothesis by Merton (1987). Further, Easley, Hvidkjaer, and O'Hara (2002) explained it using information asymmetry theory. Their argument is stocks with lesser information will result a lesser awareness among investors. So high stock returns are needed to compensate those stocks with lesser information. This argument is questioned by the finding of Van Nieuwerburgh and Veldkamp (2009) which assumed that higher awareness backed by higher investor attention has a cost. Hence, high stock returns need to recover that cost involved with higher awareness.

Main channel of information dissemination for IPOs is prospectus which is issued in pre IPO stage. Relationship between media coverage and IPO stock returns was analyzed by Liu et al. (2014) and found similar negative relationship in confirmation with findings of Fang and Peress (2009) and Tetlock (2011). Further, contrary to investor recognition hypothesis (Merton, 1987), Barber and Odean (2008) mentioned that stocks with higher attention will be selected by investors when there are large numbers of stocks are available to choose. Therefore it can be argued that more popular stocks will grab investor attention in IPO context too and media coverage will play a role in this process.

### **2.3.3 Pre IPO Director Fees**

There are number of studies which recommend executive compensation and firm performance should be connected with each other in order to mitigate agency conflict (e.g., Grossman & Hart, 1983; Holmstrom, 1979; Jensen & Meckling, 1976; Jensen & Murphy, 1990). Further, there are number of studies which had found positive or strong relationship between executive pay and firm performance (e.g. Espenlaub, Walker, & Stathopoulos, 2004; Main, Bruce, & Buck, 1996; Merhebi, Pattenden, Swan, & Zhou, 2006). However, Grima, Thomson, and Wright (2007) found weak relationships between these executive pay and firm performance. But it should be noted that most of the above studies defined firm performance in accounting measures but not the appreciation of firms' stock value. The relationship between future stock returns and executive pay is studied by several papers (e.g., Cooper, Gulen, & Rau, 2009; Lewellen, Loderer, Martin, & Blum, 1992; Malmendier & Tate, 2009; Masson, 1971; McConaughy & Mishra, 1996) while most of them found positive relationship between executive pay and future stock returns. Cooper et al. (2009) documented that both total and cash compensation is unrelated or insignificantly related to stock

returns<sup>2</sup>. Further, they identified that increased executive pay related information will not be quickly incorporated to stock returns due to several reasons. Some of them are existence of unobservable elements of executive compensation to outside investors, requirement of special skills and knowledge to identify such information, tendency of increased pay leading to shareholder wealth destruction by executives such as empire building. Empirical evidence for relationship between executive pay and stock returns in IPO context is very limited. One such study is by Nikbakht, Shahrokhi, and Martin (2007) where they discovered if an executive remains in the firm in post IPO period, that stock is undervalued and firm's prospects are bright in future. Further, Cooper et al. (2009) found an effective trading strategy which yielded positive returns by selling highest executive compensation firms and buying lowest executive compensation payers.

#### **2.3.4 Pre IPO Auditor Fees**

Auditors have the benefit to access confidential details such as accounting reports, strategic plans, and internal records of their clients. Audit risk is the probability that auditors issue a qualified opinion on clients' financial statements and engagement risk is auditors' vulnerability to litigation risk or loss of reputation due to the audit job which they have undertaken. Picconi and Reynolds (2013) explained that there is a positive relationship between engagement risk and audit risk. Simunic (1980) pointed out that both audit risk and engagement risk should be considered by an auditor when they determine the price of the audit. Therefore it can be concluded that there is a risk element hidden in audit fees which is not explicit to outside investors. Hence, audit fee can be a determinant of future stock returns. In IPO context, information such as auditor type, pre IPO audit opinion and audit fees are available to investors through prospectus. Investors can use this information to decide whether they invest in a respective IPO or not. On auditor type, Palmrose (1988) reported that reputed big audit firms tend to avoid future audit failures which would result litigation activities than small and less reputed peers. Thus, there is a certification that accounting reports audited by big and reputed audit firms are true and fair compared to small audit firms. Further, Craswell, Francis, and Taylor (1995) and Beatty (1993) mentioned that large audit firms do charge fee premium for their work compared to small auditors. Accordingly, if large auditors avoid audit failures and they charge high audit fees, it would mean that fee premium acts as a certification of the clients' business. Therefore this information can be used by investors to select high quality firms and execute their trading strategies. Finally when big auditors issue a pre IPO clean opinion for a client, these firms tend to earn higher post IPO return compared to firms with qualified opinions by same auditors as revealed by Weber and Willenborg (2003).

### **3. Data and Methodology**

Sub section 3.1 describes data used for this study and sub section 3.2 presents the methodology followed in the study.

#### **3.1 Data**

The data used in this study consist of 63 IPOs listed in Colombo Stock Exchange (CSE) from January 2003 to December 2016. The issue dates and offering prices of IPOs are taken from CSE and listing prospectuses. Monthly stock prices are taken

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<sup>2</sup> Focus of this study is cash compensation but not the stock based incentives such as executive share option schemes.

from CSE and adjusted by authors to dividends and other corporate actions. All share price index (ASPI) data is obtained from CSE and is considered as the market index. Factor data such as size (market capitalization of firms), book to market ratio, momentum (past returns in short run), profitability (return on equity) and investment (total asset growth) were mainly obtained from CSE and individual company annual reports. Risk free rate is taken as three month Treasury bill rate published by Central Bank of Sri Lanka (CBSL). Media search results were obtained by counting news items which carried IPO Company's name with in headlines or text or both on website archives of leading newspapers and online news portals in Sri Lanka. They are Daily FT, Lanka Business On line (LBO), Daily News, Daily Mirror, Sunday Times and Sunday Observer. Further, this count is taken for three months prior to the IPO up to IPO listing date. Industry classification was based on the CSE sector classification. Companies which belong to Bank, Finance and Insurance sector were classified as finance industry and all other stocks were classified as non-finance industry. Director fees and audit fees are taken from prospectuses.

### 3.2 Methodology

This study intends to examine the effectiveness of long only as well as long and short trading strategies of IPO stocks in CSE. For this purpose, it needs to construct IPO stock portfolios based on widely available pre IPO information which are industry, media coverage, director fees and audit fees. Two portfolios were created based on the industry which IPO firm belongs to. They are finance (FIN) and non-finance (NONFIN) portfolios. Further, six portfolios were created as low media search results (LMSR) and high media search results (HMSR) based on media coverage three months prior to the issue, low director fees (LDF) and high director fees (HDF) based on director fees paid by the company immediately prior to IPO, low auditor fees (LAF) and high auditor fees (HAF) based on auditor fees paid by the company immediately prior to IPO. These low and high portfolios were segregated based on median of the respective variable. It will result eight portfolios together with two industry portfolios which are FIN, NONFIN, LMSR, HMSR, LDF, HDF, LAF and HAF which has monthly returns for 168 months from January, 2003 and December, 2016. Further, four more additional portfolios were created by subtracting NONFIN, LMSR, LDF and LAF from FIN, HMSR, HDF and HAF respectively. Those four portfolios are FIN-NONFIN, HMSR-LMSR, HDF-LDF and HAF-LAF. As a result, there are 12 portfolios all together. IPO companies were included to construct IPO portfolio return from listing to five years or delisting where earlier of the two situations is taken. When there are missing prices (when there is no trading) for IPO firms, last traded price was taken to compute the return. Stock returns of these monthly portfolios are calculated on equal weighted basis. Single IPO firm monthly return is calculated as follows.

$$R_{im} = \ln \left[ \frac{P_{icpm}}{P_{icpm1}} \right]$$

Where  $R_{im}$  is the single IPO firm  $i$  monthly return for month  $m$ ,  $P_{icpm}$  is closing price of IPO firm for month  $m$  and  $P_{icpm1}$  is closing price of IPO firm for month  $m-1$ .

Next step would be to run weighted least square regression with Newey and West (1987) adjustment to the standard errors of estimated values in order to mitigate auto correlation and heteroscedasticity. Four asset pricing models used for this step are

three moment capital asset pricing model (3MCAPM), Fama and French three factor model (FF3), Carhart four factor model (C4F) and Fama and French five factor model (FF5). Below Table 1 shows variables and equations for above asset pricing models.

#### 4. Analysis

Brief descriptive analysis will be presented first before estimating the weighted least square regression on IPO trading strategies.

##### 4.1 Descriptive Statistics

Descriptive statistics on returns of IPO portfolios are presented in Table 2. When analyzed means and medians of FIN and NONFIN portfolios, FIN is slightly higher than NONFIN IPOs. Means and medians of LMSR are also higher than means and medians of HMSR. Further, HDF and HAF exhibited higher means and median compared to their peer portfolios, LDF and LAF respectively. Minimums and maximums express that there is evidence of higher statistical range for all variables indicating the presence of extreme values in the data set. However author did not attempt to winsorize or truncate the data because it is already a small data set compared to similar studies. Standard deviations for all variables exhibit similar values between 8.43% and 9.66%. This can be interpreted as all these IPO portfolios carry risk in similar range.

##### 4.2 Weighted Least Square Regression Analysis

Weighted least square (WLS) regression analysis has been performed for portfolio returns of all four types of pre IPO information.

###### 4.2.1 Industry Based IPO Portfolios

Table 3 presents the WLS regression results on trading strategies based on industry. Coefficients of alpha of FIN as well as NONFIN portfolios are positive indicating they are able to generate slight but positive premium after pricing for well known risk factors. However FIN-NONFIN portfolio trading strategy didn't earn a statistically significant alpha. This indicates that long only strategy based on industry is successful in Sri Lankan context even though even though long and short strategy based on industry is proved to be a failure. Positive alphas were generated from three asset pricing models out of four except 3MCAPM where alpha was slightly higher for NONFIN compared to FIN. Therefore, it would be ideal for investors to select NONFIN IPOs even though it yields a slightly higher return than FIN. Further, coefficient of MRP (Market risk premium) exhibits a positive relationship with returns of both FIN and NONFIN portfolios but not for FIN-NONFIN. SMB indicates a positive size premium for both FIN and NONFIN portfolios. Coefficients of HML show a valid value premium only for NONFIN portfolio but not for others. New factors added to the FF5 model by Fama and French (2015) exhibit statistically significant coefficients for NONFIN and FIN-NONFIN portfolios but not for the FIN portfolio. Adjusted R squared is increasing for both FIN and NONFIN portfolios from 3MCAPM to FF5. It should be noted that adjusted R squared is high for NONFIN in all the asset pricing models compared to FIN. Further, F statistics are highly significant for both FIN and NONFIN portfolios indicating all the factors in the asset pricing models jointly explaining the variation of portfolio returns. However, adjusted R squared is very low for FIN-NONFIN portfolio indicating statistical model explains very few about the return variation of FIN-NONFIN. F statistics are not statistically significant for FIN-NONFIN except C4F and FF5.

Table 1  
*Variables and equations for asset pricing models*

Panel A: Variables	
Variable	Description
RF	Risk free (RF) rate which is three month treasury bill rate published by Central Bank of Sri Lanka.
RM	Market rate of return (RM) which is monthly ASPI change of CSE.
MRP	Market Risk Premium (MRP) which is obtained by deducting RF from RM. $MRP = RM - RF$
SMB	Return difference between small stocks and big stocks based on market capitalization. $\frac{1}{3} (\text{Small Value} + \text{Small Neutral} + \text{Small Growth}) - \frac{1}{3} (\text{Big Value} + \text{Big Neutral} + \text{Big Growth})$ $\frac{1}{3} \{ [ \frac{1}{3} (\text{Small Value} + \text{Small Neutral} + \text{Small Growth}) - \frac{1}{3} (\text{Big Value} + \text{Big Neutral} + \text{Big Growth}) ] + [ \frac{1}{3} (\text{Small Robust} + \text{Small Neutral} + \text{Small Weak}) - \frac{1}{3} (\text{Big Robust} + \text{Big Neutral} + \text{Big Weak}) ] + [ \frac{1}{3} (\text{Small Conservative} + \text{Small Neutral} + \text{Small Aggressive}) - \frac{1}{3} (\text{Big Conservative} + \text{Big Neutral} + \text{Big Aggressive}) ] \}$
HML	Return difference between value (high book to market) stocks and growth (low book to market) stocks. $HML = \frac{1}{2} (\text{Small Value} + \text{Big Value}) - \frac{1}{2} (\text{Small Growth} + \text{Big Growth})$
WML	Return difference between past eleven month (t-2 to t-12) winner stocks and past eleven month loser stocks. $WML = \frac{1}{2} (\text{Small Winners} + \text{Big Winners}) - \frac{1}{2} (\text{Small Losers} + \text{Big Losers})$
RMW	Return difference between robust profitability stocks and weak profitability stocks. $RMW = \frac{1}{2} (\text{Small Robust} + \text{Big Robust}) - \frac{1}{2} (\text{Small Weak} + \text{Big Weak})$
CMA	Return difference between conservative investment stocks and aggressive investment stocks. $CMA = \frac{1}{2} (\text{Small Conservative} + \text{Big Conservative}) - \frac{1}{2} (\text{Small Aggressive} + \text{Big Aggressive})$
Panel B: Equations	
Asset pricing model and source	Equation
Three moment Capital Asset Pricing Model (3MCAPM) – Kraus and Litzenberger (1976)	$R_{it} - RF_t = (MRP_t) (MRP_t) \dots^2 \dots_t$
Fama & French 3 factor model (FF3) – Fama and French (1993)	$R_{it} - RF_t = (RM_t - RF_t) sSMB_t hHML_t \dots_t$
Carhart 4 factor model (C4F) – Carhart (1997)	$R_{it} - RF_t = (RM_t - RF_t) sSMB_t hHML_t wWML_t \dots_t$
Fama & French 5 factor model (FF5) – Fama and French (2015)	$R_{it} - RF_t = (RM_t - RF_t) sSMB_t hHML_t rRMW_t cCMA_t \dots_t$

*Note.* Researcher’s construction based on Fama and French (1993, 2015) and Carhart (1997)

#### 4.2.2 Portfolios Based on Pre IPO Media Coverage

Table 4 presents the WLS regression results for trading strategies based on pre IPO media coverage. Coefficient of alpha is positively significant for both LMSR and HMSR but not for HMSR-LMSR. This indicates that both LMSR and HMSR outperformed HMSR-LMSR after controlling for well known risk factors. However, HMSR exhibit slightly higher alpha compared to LMSR (except for 3MCAPM) hence signaling to investors that IPOs with heavy pre listing media coverage would result higher return even though the difference of alpha between two portfolios is marginal. This result is consistent with Barber and Odean (2008); Van Nieuwerburgh and Veldcamp (2009). But it is contradicted with the findings of Fang and Peress (2009); Liu et al. (2014) which postulates a negative relationship between stock returns and media coverage. MRP reflects a statistically significant beta for all three portfolios except HMSR-LMSR under 3MCAPM. SMB shows a positive size premium for LMSR and inverted size premium for HMSR-LMSR. Valid value premium can be observed only for HMSR. Coefficient of WML indicates a positive momentum effect for LMSR and a negative momentum for HMSR-LMSR. Both coefficients of RMW and CMA are negatively significant for both LMSR and HMSR. Adjusted R squared lies in healthy levels for LMSR and HMSR but it is very low for the portfolio HMSR-LMSR. However F statistics are highly significant for all three portfolios except for HMSR-LMSR under 3MCAPM.

Table 2

##### *Descriptive statistics on IPO portfolio returns*

Portfolio	Mean (%)	Median (%)	Maximum (%)	Minimum (%)	Standard Deviation (%)	Observations
FIN	0.18	-0.29	38.68	-33.51	9.21	168
NONFIN	0.11	-0.32	30.50	-28.37	8.49	168
LMSR	0.75	-0.1	24.69	-34.63	8.97	168
HMSR	-0.34	-0.78	36.22	-24.24	8.43	168
LDF	-0.35	-0.77	35.39	-34.84	9.11	168
HDF	0.51	0.36	31.96	-26.73	9.01	168
LAF	-0.01	-1.26	35.39	-34.2	9.66	168
HAF	0.17	0.01	38.87	-26.73	8.64	168

*Note.* Researcher's construction using E-views 6.0 software.

Table 3  
*IPO trading strategies based on industry portfolios*

	Finance (FIN)				Non Finance (NONFIN)				FIN – NONFIN			
	3MCAPM	FF3	C4F	FF5	3MCAPM	FF3	C4F	FF5	3MCAPM	FF3	C4F	FF5
Constant	0.062*** (5.698)	0.051*** (5.550)	0.049*** (5.550)	0.052*** (6.032)	0.059*** (6.414)	0.053*** (7.229)	0.053*** (6.764)	0.059*** (9.021)	0.003 (0.279)	-0.002 (-0.212)	-0.004 (-0.498)	-0.007 (-0.894)
MRP	0.660*** (6.025)	0.588*** (6.909)	0.584*** (7.115)	0.601*** (7.360)	0.698*** (6.872)	0.629*** (7.548)	0.630*** (7.308)	0.679*** (8.066)	-0.038 (-0.460)	-0.041 (-0.561)	-0.046 (-0.659)	-0.078 (-1.248)
$(MRP - \overline{MRP})^2$	-0.464 (-0.779)				0.361 (0.530)				-0.825** (-1.989)			
SMB (FF3)		0.469*** (4.464)	0.472*** (4.868)			0.324*** (3.483)	0.323*** (3.480)			0.146 (0.948)	0.149 (1.032)	
HML		0.058 (0.484)	0.075 (0.623)	0.009 (0.081)		0.178** (2.394)	0.174** (2.441)	0.170** (2.193)		-0.120 (-0.856)	-0.100 (-0.712)	-0.161 (-1.223)
WML			0.101 (1.436)				-0.025 (-0.251)				0.127 (1.097)	
SMB (FF5)				0.486*** (6.144)				0.233** (2.305)				0.253** (2.116)
RMW				-0.084 (-0.997)				-0.187** (-2.551)				0.103 (0.983)
CMA				0.034 (0.340)				-0.300*** (-2.882)				0.334*** (3.713)
Adjusted R <sup>2</sup>	0.345	0.459	0.466	0.478	0.432	0.505	0.502	0.539	0.012	0.014	0.031	0.133
F statistic	44.896***	48.217***	37.464***	31.565***	64.622***	57.701***	43.144***	40.026***	0.998	1.794	2.350*	6.119***
Observations	168	168	168	168	168	168	168	168	168	168	168	168

Note. Researcher's construction using E-views 6.0 software. \*\*\*, \*\*, \* denote statistical significance at the 0.01, 0.05 and 0.10 levels respectively.

#### **4.2.3 Portfolios Based on Pre IPO Director Fees**

Table 5 presents WLS regression results of trading strategies based on pre IPO director fees. Coefficient for the alpha exhibits statistically very high positive correlation for LDF and HDF while coefficient of HDF-LDF results a correlation which is marginally significant at 10% except for 3MCAPM. Even though all three portfolios yield a positive alpha, HDF is appeared as the portfolio with highest coefficient for alpha exceeding other two portfolios. This is against the findings of Cooper et al. (2009) which exhibited an unrelated association between stock returns and executive cash compensation. Positive coefficients for MRP are reported for both LDF and HDF but not for HDF-LDF. Significant size premium is reported for both LDF and HDF but it has been reversed for HDF-LDF. Coefficient of RMW is significantly positive for HDF-LDF while it is significantly negative for LDF. Reverse premium for CMA also has been reported for HDF and HDF-LDF. Adjusted R squared is at healthy levels for LDF and HDF while it is very low for HDF-LDF. F statistics are highly significant for all the regressions except HDF-LDF under 3MCAPM indicating all factors are jointly explaining the return variation.

#### **4.2.4 Portfolios Based on Pre IPO Auditor Fees**

Table 6 presents WLS regression results of trading strategies based on pre IPO audit fees. Coefficients of alpha have been significantly positive for both LAF and HAF. However HAF's alpha is slightly higher than alpha of LAF except for 3MCAPM. So it gives the message that firms which pay high pre IPO audit fees would result higher returns even after pricing for risk factors such as size, book to market ratio, momentum, investment and profitability. Similar to above results with other three types of pre IPO information, significantly positive coefficients are reported on MRP for both LAF and HAF. Valid size premium can be observed for LAF and HAF while it has been reversed for HAF-LAF. No significant premiums for HML, WML, RMW and CMA can be observed. Adjusted R squared is at high levels for HAF and LAF compared to very low adjusted R squared reported for HAF-LAF. F statistics are highly significant for all the regressions except for HAF-LAF under 3MCAPM.



Table 4  
*Trading strategies for portfolios based on Pre IPO media coverage*

	LMSR				HMSR				HMSR – LMSR			
	3MCAPM	FF3	C4F	FF5	3MCAPM	FF3	C4F	FF5	3MCAPM	FF3	C4F	FF5
Constant	0.064*** (5.148)	0.049*** (7.576)	0.047*** (6.839)	0.054*** (8.570)	0.060*** (8.338)	0.058*** (7.718)	0.059*** (7.330)	0.064*** (8.715)	-0.004 (-0.338)	0.009 (1.242)	0.013* (1.933)	0.010 (1.504)
MRP	0.637*** (5.150)	0.519*** (6.258)	0.513*** (6.405)	0.568*** (6.750)	0.763*** (8.997)	0.732*** (9.752)	0.736*** (9.338)	0.763*** (10.356)	0.126 (1.416)	0.213*** (3.908)	0.223*** (4.371)	0.195*** (4.108)
$(MRP - \overline{MRP})^2$	-0.219 (-0.314)				0.345 (0.585)				0.564 (1.220)			
SMB (FF3)		0.699*** (9.292)	0.703*** (9.897)			0.105 (1.623)	0.103* (1.672)			-0.594*** (-6.936)	-0.600*** (-8.429)	
HML		0.098 (1.259)	0.122 (1.539)	0.057 (0.756)		0.157** (2.095)	0.144** (2.094)	0.152* (1.888)		0.059 (0.612)	0.022 (0.242)	0.095 (1.144)
WML			0.145** (1.977)				-0.078 (-0.993)				-0.224*** (-4.917)	
SMB (FF5)				0.674*** (8.098)				0.020 (0.262)				-0.654*** (-8.079)
RMW				-0.118* (-1.699)				-0.197*** (-2.809)				-0.079 (-1.115)
CMA				-0.163** (-2.312)				-0.232* (-1.869)				-0.069 (-0.892)
Adjusted R <sup>2</sup>	0.331	0.610	0.630	0.613	0.527	0.542	0.547	0.578	0.014	0.387	0.479	0.449
F statistic	42.313***	87.915***	72.105***	53.824***	94.093***	66.916***	51.397***	46.669***	2.209	36.082***	39.368***	28.206***
Observations	168	168	168	168	168	168	168	168	168	168	168	168

Note. Researcher's construction using E-views 6.0 software. \*\*\*, \*\*, \* denote statistical significance at the 0.01, 0.05 and 0.10 levels respectively.

Table 5

*IPO trading strategies for portfolios based on Pre IPO director fees*

	LDF				HDF				HDF – LDF			
	3MCAPM	FF3	C4F	FF5	3MCAPM	FF3	C4F	FF5	3MCAPM	FF3	C4F	FF5
Constant	0.057*** (5.266)	0.044*** (5.878)	0.043*** (5.604)	0.049*** (6.306)	0.066*** (5.457)	0.060*** (6.104)	0.059*** (5.681)	0.062*** (6.832)	0.009 (1.047)	0.016* (1.901)	0.015* (1.923)	0.013* (1.730)
MRP	0.674*** (5.943)	0.580*** (7.258)	0.578*** (7.213)	0.611*** (7.754)	0.714*** (6.510)	0.651*** (6.886)	0.648*** (6.827)	0.696*** (7.855)	0.040 (0.522)	0.071 (1.030)	0.070 (1.021)	0.085 (1.492)
$(MRP - \overline{MRP})^2$	-0.422 (-0.660)				0.045 (0.071)				0.467 (0.990)			
SMB (FF3)		0.590*** (6.888)	0.591*** (6.730)			0.357*** (2.952)	0.359*** (3.050)			-0.233* (-1.892)	-0.232* (-1.899)	
HML		0.091 (1.172)	0.098 (1.233)	0.039 (0.445)		0.021 (0.197)	0.031 (0.301)	0.048 (0.553)		-0.070 (-0.685)	-0.066 (-0.640)	0.008 (0.094)
WML			0.038 (0.458)				0.064 (0.864)				0.025 (0.316)	
SMB (FF5)				0.586*** (6.011)				0.392*** (3.915)				-0.193* (-1.768)
RMW				-0.220** (-2.559)				0.030 (0.353)				0.250*** (2.991)
CMA				-0.120 (-0.946)				-0.272** (-2.370)				-0.152* (-1.666)
Adjusted R <sup>2</sup>	0.367	0.556	0.555	0.601	0.407	0.478	0.479	0.558	0.006	0.040	0.036	0.249
F statistic	49.383***	70.733***	53.052***	51.311***	58.360***	51.899***	39.355***	43.087***	0.519	3.337**	2.544**	12.103***
Observations	168	168	168	168	168	168	168	168	168	168	168	168

Note. Researcher's construction using E-views 6.0 software. \*\*\*, \*\*, \* denote statistical significance at the 0.01, 0.05 and 0.10 levels respectively.

Table 6  
*IPO trading strategies for portfolios based on Pre IPO auditor fees*

	LAF				HAF				HAF – LAF			
	3MCAPM	FF3	C4F	FF5	3MCAPM	FF3	C4F	FF5	3MCAPM	FF3	C4F	FF5
Constant	0.063*** (5.284)	0.049*** (6.143)	0.048*** (6.043)	0.051*** (7.823)	0.061*** (5.526)	0.055*** (5.887)	0.055*** (5.342)	0.060*** (5.648)	-0.002 (-0.293)	0.006 (0.775)	0.007 (0.888)	0.009 (1.021)
MRP	0.683*** (5.878)	0.587*** (7.368)	0.584*** (7.490)	0.626*** (8.493)	0.708*** (6.617)	0.646*** (6.708)	0.645*** (6.566)	0.682*** (6.855)	0.025 (0.328)	0.059 (0.808)	0.060 (0.848)	0.056 (0.771)
$(MRP \overline{MRP})^2$	-0.644 (-1.038)				0.314 (0.480)				0.959 (2.131)			
SMB (FF3)		0.648*** (5.740)	0.650*** (5.746)			0.297*** (3.406)	0.298*** (3.438)			-0.350*** (-3.223)	-0.351*** (-3.171)	
HML		-0.013 (-0.123)	-0.001 (-0.013)	-0.033 (-0.359)		0.135 (1.427)	0.140 (1.547)	0.127 (1.288)		0.148 (1.195)	0.141 (1.111)	0.160 (1.359)
WML			0.069 (0.809)				0.028 (0.359)				-0.041 (-0.459)	
SMB (FF5)				0.715*** (8.496)				0.257** (2.239)				-0.458*** (-4.092)
RMW				-0.057 (-0.750)				-0.138 (-1.391)				-0.081 (-0.892)
CMA				-0.165* (-1.811)				-0.219 (-1.369)				-0.053 (-0.440)
Adjusted R <sup>2</sup>	0.341	0.549	0.550	0.608	0.430	0.485	0.482	0.504	0.006	0.126	0.124	0.191
F statistic	44.257***	68.718***	52.131***	52.728***	63.974***	53.356***	39.914***	34.912***	1.499	9.061***	6.905***	8.871***
Observations	168	168	168	168	168	168	168	168	168	168	168	168

Note. Researcher's construction using E-views 6.0 software. \*\*\*, \*\*, \* denote statistical significance at the 0.01, 0.05 and 0.10 levels respectively.

## 5. Results

This study examined the effectiveness of trading strategies formed on pre IPO information such as industry which IPO belongs to, pre IPO media coverage, pre IPO director fees and pre IPO audit fees. Most highlighted fact from the study is that long only strategies produce significant excess returns while long and short strategies exhibit poor and mixed results in most occasions. Further, NONFIN, HMSR, HDF and HAF produce slightly higher alpha compared to FIN, LMSR, LDF and LAF respectively. Hence, these findings will be useful to investors where they can plan their investments accordingly. There can be several reasons for this finding. FIN portfolio is concentrated only for financial services (banks, finance and insurance companies) while NONFIN has better diversification across range of industries and that may be the reason why NONFIN yield better returns. HMSR portfolio would have higher awareness among investors compared to LMSR due to high media coverage. Therefore, investors may overreact on high HMSR stocks which push returns upwards. According to agency theory, HDF and HAF minimize agency costs which will lead to better operating performance. Ultimately, it will have a positive impact to stock returns. Except alpha, it can be observed positively significant beta coefficients and valid size premiums for many long only strategies. It can be interpreted as there are solid positive relationships between return variations of long only portfolios and well known risk factors like MRP and SMB. But inconsistent mixed results were reported for other tested risk factors such as HML, WML, RMW and CMA. Further, long and short portfolios were proved as imprecise models where adjusted R squared is very low under each asset pricing model. In contrast to that adjusted R squared for long only portfolios are higher and it should be noted that when number of risk factor are more in a model, higher adjusted R squared can be observed. For an example, C4F and FF5 had highest adjusted R squared figures for many occasions.

## 6. Conclusions

Main conclusion derived from the study is that long only strategies will be well preferred over long and short strategies for all the four information types considered in this study. NONFIN, HMSR, HDF and HAF emerged as highest return generating portfolios out of long only portfolios. Therefore, it can be concluded that investing in these portfolios would mitigate the IPO long run underperformance anomaly. However, there are several limitations and further research opportunities can be identified from this study. Even though it is controlled for well known risk factors, there are many other risk factors which have not been taken in to the consideration of this study. Some of them are liquidity, short term reversals, and idiosyncratic volatility. Thus, it is ideal, if those also can be incorporated to asset pricing models to assess above IPO trading strategies. Similarly there is much other information circulated in pre IPO stage which can be used to apply the same methodology of portfolio construction and form profitable trading strategies. Some of such information is profile of the management, corporate structure and capital structure which is not considered by this study. Further, it is possible to compare the viability of these trading strategies in other markets too covering both emerging and developed countries.

This study has many useful implications to investors, financial professionals, policy makers and academics. Investors can use the findings of this study where they can select only viable IPOs from pre IPO information to earn a profit from their

investment. Similarly financial professionals can effectively use these insights in advising their clients on IPO investment decisions. Further, the findings of this study will be useful for policy makers and regulators in setting up rules and regulations specifically pertaining to pre IPO listing disclosures. Finally academics can explore further research opportunities mentioned above to fill the empirical and conceptual gaps in the literature.

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## **Human Resources Management**



## **Coping with Harassment at Workplace: Case of Divorced Women**

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### **Abstract**

*The aim of this exploratory study is to understand how divorced women – as a minority and vulnerable employee category - cope with harassment they experience at work within a culture of stigma and prejudice. Employing qualitative research methodology, in-depth interviews were carried out with 12 divorced working women. Findings indicated three main coping strategies and nine specific coping behaviours thereof, that the participants have employed in the face of harassment; a) avoidance (by ignoring and being silent; feigning ignorance and evading the work context), b) reactive (by being assertive; confronting the perpetrator and seeking social support) c) proactive (by hiding the divorced status; demonstrating a tougher self; and socially withdrawing). These externally focused and personal coping behaviours were nuanced attempts, at not only avoiding and preventing current and future harassment, but also current and future stigma and prejudice. The findings also draw attention to the ways these coping behaviours manifest the participants' attempts at hiding their divorced status and their struggles at avoiding harassment and stigma, while attempting to project a more independent, strong and hardened self. All in all, these coping strategies of participants can complicate the settlement of harassment, indicating the need for well thought-after interventions by organizations.*

**Keywords.** *Harassment, Divorced women, Coping strategies*

### **1. Introduction**

Workplace harassment is said to be widespread, gaining much research interest over the last two decades (Branch, Ramsay, & Barker, 2013). Researched and discoursed under different terms such as injustice (J. Y. Min, Park, Kim, & Min, 2014; Okechukwu, Souza, Davis, & de Castro, 2014), incivility (Di Marco, Hoel, Arenas, & Mundante, 2015), bullying (Hannabuss, 1998; Einarsen, 2000), abuse (Lopez, Hodson, & Roscigno, 2009), violence and aggression (Neuman & Baron, 1998), harassment is generally understood to mean „interpersonal behavior aimed at intentionally harming another employee in the workplace“ (Bowling & Beehr, 2006, p. 998).

Yet, much needs to be still clarified in this intricate workplace phenomenon (Branch et al., 2013). According to D'Cruz and Noronha, (2010), empirical studies on how targets cope with bullying are limited. According to prior research, individual characteristics such as gender, type of contract (Moreno-Jimenez, Munoz, Salin, & Benadero, 2007), ethnicity (Schneider, Hitlan, & Radhakrishnan, 2000), religion, age, and sexual orientation can be triggers of harassment. Similarly, various personal factors are found to affect victim responses to harassment such as gender and organizational position (Cortina & Magley, 2009; Malamu & Offermann, 2001). However, more detailed exploration into these as well as other less studied personal

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factors, in relation to coping of harassment is needed to properly understand this intricate issue.

At the same time, even though not detailed, studies have indicated how divorced women are more vulnerable to sexual harassment and other forms of harassment at work (Khubchandani & Price, 2014; Kung, Hung, & Chan, 2004; Newton-Levinson, Winskell, Abdela, Rubardt, & Stephenson, 2014). Yet, little is known about how they cope with these encounters of harassment at work within a context of stigma and prejudice surrounding divorced women. In the Sri Lankan context, divorce is considered a break away from the accepted social norms, with the blame for divorce generally been placed on the woman. Divorced women are seen to also negate social gender expectations such as subordination, respectability and chastity. This in turn leads to social stigma, social isolation and lower social status which influence the manner in which they react to social situations. Hence, as Salin, Tenhiälä, Roberge, and Berdahl (2014) highlight, being in a vulnerable and stigmatized minority would influence the manner in which a harassing behavior is appraised and handled. On one hand, divorced women will perceive their experiences in light of the stigma attached to them and hence react to them in particular ways. For instance, it is said that stigmatized individuals may react in ways to avoid further stigmatization (Link, Mirotznik, & Cullen, 1991) or in a manner that conforms their deviance (Scimecca, 1977). On the other hand, loss or lack of self-value and self-esteem will also influence their reaction to particular experiences and instances.

However, these unique circumstances and characteristics of individuals that influence coping of harassment have not been sufficiently studied. Indeed, studies have not explored divorced women's responses to harassment taking into consideration their marginalized and stigmatized status. More specifically, research related to stigma and divorce is said to be dormant for the last two decades (Konstam, Karwin, Curran, Lyons, & Celen-Demirtas, 2016). In this backdrop, studying how divorced women respond and cope with harassment they face at workplace in a culture of stigma and prejudice, will add to existing knowledge, by emphasizing a rarely studied individual characteristic (divorced status) of the victim. Hence, the aim of this exploratory study is to identify how divorced women respond to or cope with harassment they face at work, within a patriarchal culture where stigma and prejudices about divorced women are widespread.

In addition to the contribution to harassment coping research, an area needing more empirical studies (D'Cruz & Noronha, 2010), findings of this study will inform and further refine the existing literature on stigma, divorced women, and labeling. Moreover, it is important for organizations to identify how employees react to harassment for them to plan organizational responses and to develop successful mechanisms to prevent and handle harassment at workplaces. Additionally, as victim reactions can create a vicious circle of events (Branch et al., 2013), understanding victims coping strategies will inform organizations on ways to resolve harassment successfully, by identifying points of intervention in this vicious circle of events.

Before proceeding further, it is important to delineate the parameters of the current paper. In exploring how the divorced women responded to harassment, I do not attempt to identify the emotional and psychological reactions of the respondents. Neither do I investigate the comprehensive cognitive process of coping from a victim

experiencing harassment to appraising the situation and to handling it. The emphasis of this paper is on different reaction/coping mechanisms respondents/victims employ. Coping is identified as a „cognitive and behavioral efforts to master, reduce, or tolerate the internal and/or external demands that are created by the stressful transaction“ (Folkman cited in D'Cruz & Noronha, 2010, p. 508).

In what follows, I first present the literature related to coping and responding to harassment. After this, I provide a brief outline of divorced women, with special attention to divorced women in Sri Lanka. Next, I report the methodology followed in carrying out the study and present a summary of the background of the participants with the different types of harassment they have faced at work, with the aim of providing a contextual understanding of the participants' responses to harassment. After presenting the findings of the study, I conclude with a discussion and conclusion, followed by implications for management.

## **2. Literature Review**

Research on coping and responses to harassment has explored various aspects such as different strategies of coping, methods of responding, process of coping and successful and unsuccessful methods, as well as most common methods. Researchers have attempted to categorize different coping strategies in numerous ways. One such categorization is internally focused (endurance, denial, detachment, reattribution, and illusory control) or externally focused (avoidance, appeasement, assertion, seeking institutional or organizational relief, and seeking social support) strategies (Fitzgerald, 1990). In another attempt, responses to harassment is clustered as assertive response, seeking help, avoidance and doing nothing, which in a much broader level can be identified as passive and active responses (Jóhannsdóttir & Ólafsson, 2004).

D'Cruz and Noronha, (2010) providing a more holistic picture explains the four stages of a coping process as experiencing confusion, engaging organizational options, moving inwards and exiting the organization. Wasti and Cortina (2002) initially offered a five-type structure which include a) denial, (b) avoidance, (c) negotiation, (d) social coping, and (e) advocacy-seeking behaviors and later on, presented 3 coping profiles/strategies as a) detached, (b) avoidant negotiating, and (c) support seeking (Cortina & Wasti, 2005). It is also important to note how these various coping strategies can actually vary and take place for the same harassing behavior (Cortina & Wasti, 2005). Under these various categorizations, specific responses to harassment such as endurance, denial, avoidance, appeasement, social support, direct request to stop, confrontation, seeking institutional organizational relief can be identified (Fitzgerald, Swan, & Fischer, 1995).

A common finding related to coping and responding to harassment is that victims commonly resort to passive forms of responses or social coping such as avoidance and denial and active strategies such as confronting and advocacy seeking is found to be rare (Salin et al., 2014). Victims tend to resort to these passive responses when the harassment is subtle, hard to prove or perceive a risk of reporting (Salin et al., 2014).

It has also been found out that victims who have successfully coped with their experiences have been absent less and are better at recognizing and avoiding escalating behaviour (Zapf & Gross, 2001). Unsuccessful victims, on the other hand, are found to escalate bullying by fighting for justice (Zapf & Gross, 2001). It was

further identified how victims start to cope with their experience through constructive conflict resolving mechanisms (Zapf & Gross, 2001) or active coping strategies (Jóhannsdóttir & Ólafsson, 2004) at the initial stages of harassment and then move on to other mechanisms when the harassment continues and then finally leave the organization (Zapf & Gross, 2001). At the same time, increased bullying is associated with the use of avoidance and passive responses (Jóhannsdóttir & Ólafsson, 2004). On one hand, how victims can be subjected to retribution when they act more assertively by confronting the harasser or by seeking organizational or social support has been documented (Salin et al., 2014). On the other hand, how harassment can increase when the victim act passively is also indicated (Cortina & Magley, 2003).

Researchers have also explored various factors that influence different types of responses or coping mechanisms. Harlos (2010) discusses that the determinants of victims' use of voice (communication to organizational authorities for remedy) against mistreatment has identified how gender, work self-esteem, and relative hierarchical power impact the use of voice. Cortina and Wasti (2005), exploring coping with sexual harassment, indicate that older women tend to „detach or disengage from harassing situations“ (p. 190) as they might have more at stake and hence would not want to risk their jobs by employing coping mechanisms that would not put their jobs at jeopardy. They also explain how severity and culture can impact coping profiles.

### **3. Divorced Women**

Even though negative perceptions and attitudes about divorced women are not as strong as they were in the past, especially in the West, divorced women are still identified to be one of the most improvised and socially marginalized groups in the world (Newton-Levinson et al., 2014). According to Gerstel (1987), censure, devaluation, and blame attached to certain circumstances related to divorce, rather than a categorical censure or devaluation of divorce per se, still exist.

Perceptions that divorced women are „uncontrollable“ and „unpredictable“ and sexually available (Newton-Levinson et al., 2014) has led to stigma and prejudices, making them becoming a source of suspicion for other women and an attraction for other men in the society (Newton-Levinson et al., 2014). This in turn had led to divorced women facing various negative consequences such as harassment.

The *crude divorce rate* (the number of divorces per 1,000 populations) for Sri Lanka is estimated at 0.15. It has further been identified that in the year 2012, 4.8% of Women and 0.8% of Men are divorced/separated. Being a strongly patriarchal culture, in Sri Lanka marriage is seen as an indicator of a person's (especially a woman's) prosperity, where divorce lead to public derision, prejudices, and stereotypes (Abeyasekera, 2013). In the Sri Lankan culture, marriage is still considered very secret and divorce rare. In this setting, the existence and persistence of stigma and sanctions towards divorcees in Sri Lanka cannot be avoided.

### **4. Methodology**

Employing the qualitative research methodology, in-depth interviews were carried out with 12 divorced working women. The participants were selected through purposive sampling technique (Robinson, 2014) by looking at the time duration of their divorce (those who have been divorced for more than 1 year) and their willingness to share experiences and ideas. Possible participants were first identified through personal

contacts. They were then contacted over the phone or email and the intentions of the research and their role in it was clearly explained (Robinson, 2014). They were also assured of anonymity of any information they shared. From these possible participants, only 12 provided their informed consent to participate in the study. The interviews were then carried out with the 12 participants face-to-face or through telephone. In order to make the participants more comfortable and to get rich information, interviews were conducted as conversations, with the use of open ended questions posed at the participants.

The data gathered were transcribed verbatim and analyzed through theoretical thematic analysis (Braun & Clarke, 2006) by focusing on specific coping behaviours the participants employed, while also being mindful as to how the specific cultural ethos and edifices, as well as labeling, played themselves out across the data. The 6 phases advocated by Braun and Clarke (2006) was carried out in identifying the initial codes, themes and then writing up the analysis. The initial codes identified were mainly various coping behaviours such as telling the mother, telling a friend, scolding the perpetrator, and keeping silent. These initial codes were then collated and categorized into second order themes (telling a friend, telling the parents, getting support from colleagues were categorized into the theme social support). With the labeling theory and social cultural contexts in mind, these categories and themes were further analyzed to explain how and when these behaviours occur. For example, in what instances are social support not obtained by respondents and why were analyzed and explained. Then, these second order themes were collated into more broader themes (social support, assertive responses, and confrontational behaviour were themed under reactive strategies). Subsequently, three main themes and nine sub themes emerged from the analysis. These main themes and sub themes were defined and compared against each other throughout the process of analysis. The underlying assumptions and ideologies (such as socio-cultural structures and the resultant stereotypes and prejudices about women and marriage) that shape the participants reactions - at the latent level (Braun & Clark, 2006) were captured in order to understand and present the complicated story of how divorced women coped with harassment.

Table 1 below indicates the background of participants together with the types of harassment they have faced, which will facilitate the understanding of the context within which the participants employed various coping mechanisms.

Table 1

*Participants' Socio Demographic information*

Pseudonym	Age	Divorced duration	Organizational position	Organization/ industry	Type of harassment faced	Source of harassment
Sameera	34	5 years	Senior Lecturer	Government University	3. Rumour-mongering 4. Unwanted remarks/derogating remarks Ostracization and social exclusion 5. Denial of promotions and positions 6. Dismissing of achievements	Senior Colleagues
Malini	37	3 years	Teacher	Government school	7. Sexual propositions 8. Unpleasant flirtation 9. Unwanted remarks/derogating remarks Ostracization and social exclusion	Colleagues of same school; Superiors; Colleagues from other schools
Jeevani	36	6 years	Manager	Telecommunication industry	10. Rumour- mongering	Colleagues
Irosha	37	4 years	Assistant to the owner	Book shop	11. Denial of promotions and positions	Superiors
Achini	52	17 years	Teacher	International school	12. Unpleasant flirtation 13. Belittling 14. Sexual propositions	Colleagues
Barni	42	10 years	Senior executive	Financial institution	15. Denial of promotions/positions 16. Unpleasant flirtation 17. Rumour mongering	Superiors & Colleagues

Table 1 *Participants' Socio Demographic information* (continued).

Pseudonym	Age	Divorced duration	Organizational position	Organization/industry	Type of harassment faced	Source of harassment
Chamari	57	25 years	Senior executive	Private sector	18. Sexual propositions 19. Unpleasant flirtation 20. Unwanted remarks/derogating remarks	Colleagues
Dasuni	43	6 years	IT professional	IT company	21. Unpleasant flirtation	Colleagues
Erangi	39	1 year	Manager	Telecommunication industry	22. Unpleasant flirtation 23. Rumour mongering 24. Ostracization and social exclusion	Colleagues
Flora	42	8 years	Counsellor	Free lance	-	-
Gena	55	20 years	Manager	Financial institute	25. Denial of promotion /rumour mongering	Superior
Rani	35	1 year	Manager	Supermarket chain	-	-

## **5. Discussion of Findings**

The findings indicate the numerous ways in which divorced women cope with their experiences of harassment at workplace. While prior studies report how victims use organizational options in coping with bullying and harassment (D'Cruz & Noronha, 2010), the participants of the study have not considered this as an avenue or option to use in coping with their experiences. Participants have mainly relied on their personal resources and in certain instances on social support in dealing with harassment by being more externally focused. The main themes that emerged can be categorized as reactive strategies, proactive strategies, and endurance/avoidance strategies. These main categories and the specific responses under them are explained in more detail below.

### **5.1 Reactive Strategies**

Participants appear to react to their experiences in different ways such as by seeking social support, confrontation, or assertive responses.

#### **5.1.1 Seeking Social Support**

Social support is a commonly discussed coping mechanism in harassment research (McDonald, 2012), in research on divorced women (Newton-Levinson et al., 2014), and related to other stigmatized individuals (Glass, Mowbray, Link, Kristjansson, & Buchoiz, 2013). There were a number of participants who have sought social support from others such as parents, peers, and friends. While for few participants parents have been their sole source of support in handling and coping with harassment at work through the support they provided indirectly and directly, few others stated how they were reluctant to confide in their parents as it would indicate that they are still vulnerable, worrying the parents or leading to unwanted interventions in their lives (problematizing the independence they have gained after the divorce).

Barni voiced this concern when she reported;

Of course, I get their (parents) support... But if you go to tell them everything, they would start thinking that „she cannot do things on her own“. That can mentally put you down.

On the contrary, Sameera had shared her experiences with her parents and had sought support from them.

I tell everything to my mother, crying. And father too. It was the support of the two of them that helped me. I did not have very many friends too... My father would cite similar situations at his workplace and say, not to worry about these things. ... But they gave me a tremendous emotional support. ... That is what made me strong. It was an enormous support they gave.

Achini stated how her son had been her saviour where he would not isolate her when the harasser visited her home in pretense of friendship.

But my son was like my guardian.

Few others stated how they confided in their friends and sought their support in the form of advice to handle their experiences. As Chamari mentioned;



I will just talk to my friend and just handle it. No parents.

Achini also reported seeking help from a male friend when a husband of a colleague had started calling her and engaging in unwanted conversation of sexual nature.

So I discussed this with my best friend's husband, who is also a very good friend of mine. I didn't want to tell my best friend, she gets really angry. She loves me very much. So she will get worked up and definitely call that man and scold. Her husband is a little but calm person. So I asked for his help. So I told him that so and so's husband is trying to be funny over the phone. And he said you can't just be nice to him. Next time he tried to tell you something, be harsh and tell him something and keep the phone. Be rude to him.

Sameera told of the support she received from few female friends when she was isolated at work due to her divorced status.

Some junior girls were scared to talk to me or be seen with me...to walk with me somewhere. They scared that they too will get subjected to tales because of their association with me. Knowing that there were four friends of mine, who were my parallels, joined the staff with me as temporary lecturers. They would come searching for me and take me for tea. They were always with me in the faculty.

Other than for Sameera, none of the other participants indicated seeking support from colleagues at work. The participants specifically pointed out how they keep away from others at office and only interacted closely with friends from outside-office. This is not surprising as many participants had experienced harassment from other colleagues at work and hence would not trust others at office to provide the support. Moreover, the fact that the participants tend to hide their divorced status at office, also indicate how they will be reluctant to seek support from others at work, as it would lead to exposure of their marital status.

All in all, it was seen how the participants have carefully deliberated if and from whom they should seek support. Participants did not report of any negative consequences of seeking social support contrary to what some prior studies report (Konstam et al., 2016) and indicated how social support had helped them in dealing with the harassment, and in very rare instance (Achini) in stopping the harassment.

### **5.1.2 Being Assertive**

Assertive responses to harassment have been found to be rare, yet more effective in handling harassment (Salin et al., 2014). Similarly, being assertive in the face of harassment was rare among the participants in the present study. However, in the few instances, they were assertive, they have been more indirect in their assertiveness. For example, Chamari stated of her reaction when a superior (the Editor of a newspaper to which she contributed on a part time basis) invited her to go out with him

And I told him very gently, „no, we are friends, but I don't want anything beyond that”.

Similarly, Achini stated how she handled an unwanted flirtation of a colleague once;

He once asked me if I can invite him to my place for a drink. Then I said, „you better come with your wife and son, my kids too will love to meet your family“.

In both these instances, the unwanted behaviour has stopped with the said reactions. Yet, it is clear, how even in these assertive instances, participants have been careful so as not to offend the perpetrators and have not directly asked them to stop their behaviour. The fact that the perpetrators were either superiors (for Chamari) or colleagues (for Achini) would have led to this reaction, where Chamari and Achini would have been careful not to disrupt the working relationship or to ensure that no retaliation takes place. It is said that employees who voice and confront perpetrators are often subject to retaliation from other organizational members (Salin et al., 2014).

### **5.1.3 Being Confrontational**

Similar to assertive responses, confrontational response to harassment is also found to be rare (Salin et al., 2014). However, there were very few participants who reported acting aggressive or confrontational towards the perpetrators. This has especially been when the perpetrators were young colleagues at subordinate positions. Barni stated how she reacted to unwanted flirtation by younger colleagues at work;

I am tough and can be rude. So I will directly tell them, „brother“ and tell them off and then they will be put in their place. And they are scared.

Confrontation can indicate the power play (Knapp, Faley, Ekeberg, & Dubois, 1997) between the participants at a senior position and harassers at the equal or junior position, with clearly more power with the participants. In earlier instances, the participants have acted assertively in a way so as not to offend the perpetrators when they were superiors and colleagues because they have more or equal power. Yet, with subordinates, the victims will not see a need to be cautious with their responses, with more power they have over the perpetrators, and hence would have acted confrontational.

It was interesting to note that none of the participants - all of whom cited numerous instances of being harassed at work - had reported their experiences to higher authorities. They tended to see themselves as isolated and a source of injustice, and hence appeared to not believe that justice will be served in the organization and also they did not want to get noticed in the organization further by complaining.

## **5.2 Avoidance Strategies**

Similar to previous findings (Salin et al., 2014), a very common coping mechanism of participants was to avoid the harassing behaviour by ignoring the behaviour, avoiding the context or the perpetrator, feigning ignorance and keeping away from work.

### **5.2.1 Ignoring the Behaviour**

Many participants had resorted to ignoring the harassing behaviour as a means of coping with their experiences, even though prior research indicates how ineffective ignorance is in stopping harassment. Chamari's response to the rumor that was spread about her at the office (that she was trying to attract and tempt boys in the office) when she bought a new sports car, was a clear demonstration of how participants have ignored harassing behaviour.

I just ignored it. I didn't want to. .... It was not that it doesn't affect me. But over the years I have become different...I have become tough....when you come out of a situation as I have (in the divorce), where I was asked to leave my home overnight, cast aside just like that, without any income.....you realize you need to be tough to survive.

In a similar vein, sameera also stated how she ignored harassment she experience

Sometimes, certain positions are given to my juniors and nothing was given to me. I didn't go to argue in any way in those instances. I never asked, why I am not given that position as I am more senior than her. I never asked.

In many instances, the participants tend to see their passive responses as a means of demonstrating their toughness or patience. Yet, ignoring a harassing behaviour will not stop the harassment and continuation of harassment can bring further negative consequences to the participants.

### **5.2.2 Feigning Ignorance**

Few of the participants have also engaged in feigning ignorance in the face of harassment in coping with their experiences. This has been especially the case when the perpetrator was a customer or a superior. As Bernie shared her experiences;

At that instances, with I smile I just slip through that situation. You cannot fight with customers. The best way to handle this is to show that you didn't understand what they are coming to".

Malini had feigned ignorance when a senior colleague engaged in unwanted flirtation with her;

He came to the exam hall I was on duty (he was in another hall) and said „I saw you in my dreams yesterday“ and things like that. Then, again, the next day too he would say, „I saw you in my dreams yesterday night too“. He expected me to ask him what he saw... So I didn't ask. I will just smile and say „oh is that so sir“ and I didn't encourage him. I didn't go to inquire. So then he didn't have anything to proceed with.

It was clear that the participants have yet again acted in a manner so as not to offend the perpetrator.

### **5.2.3 Keeping Away from Work**

In an extreme case of avoidance, Sameera shared being absent from work and isolating herself to avoid being harassed.

I can't go to people individually and say I am not at fault. So I stopped coming to University (office) regularly, I became very isolated and stayed at home. I suffered a lot. I got scared to talk to people. Even for friendship, I got scared to talk to anybody, because it will end up with a tale.

She also stated how she contemplated resigning to put an end to harassment, but later on decided to bear everything and stay. Her father had gone to the extent of exploring other job opportunities (vacancies) in other universities for Sameera.

Malini reflected about the transfer she requested to avoid harassment from a particular principal and colleague. Other than for Sameera, none of the other participants declared of evading work contexts or existing workplaces (resignations) as an option they considered, which can again be linked to their financial vulnerability as single mothers and financially independent individuals. Prior research affirms this, where it is said that financial or positional vulnerability can lead to silence among victims of sexual harassment (Chamberlain, Crowley, Tope & Hodson, 2008; Salin et al., 2014).

### **5.3 Proactive Strategies**

It was particularly interesting to note how the participants would go to great extent to avoid being harassed. All the participants had used various strategies to this end, by hiding their divorced status, projecting a tough exterior and keeping a distance with others at work.

#### **5.3.1 Hiding the Divorced Status**

Prior research has highlighted how divorcees carefully manage information about their divorce due to shame or guilt (Gerstel, 1987). Impression management and nondisclosure is also discussed by researchers as a means to prevent vulnerability from the consequences of a stigmatized identity such as fear of being judged, (Konstam et al., 2016)

„Gender masking“ was a term discussed by Fox & Tang (2016) in research on how women cope with harassment in gaming, to mean how women make decisions, to avoid being identified as a woman as presumably, these masking strategies make women less likely to experience gender specific harassment.

Similarly, participants also appear to hide their divorced status as a means of managing and avoiding harassment. Other than for one participant, all the other participants stated how they hide their divorced status from others at work as much as possible, knowing the possibility of harassment (especially sexual harassment) due to the various stigma and stereotypes associated with divorced women.

As Erangi stated;

In my earlier workplace, I did not tell anybody. Only my director, to whom I directly reported to, knew about my situation. Others didn't know.

Similarly, Flora and Rani also stated how they hide their divorced status;

Nobody at my workplace knows I am divorced. I do not tell them anything.  
(Flora)

Only my friends and family know I am separated. I don't tell anybody of this.  
(Rani)

Malini stated the reasons for this;

Every man that I have told this (about the divorce), just turn on a different direction with me as soon as they hear this.

While Chamari is the one participant who said she does not hide her divorced status, she also had reservations about the stigma, stereotypes, and perceptions that exist in the society that keeps many women from revealing their marital status.

Propositions and insinuations are there when they think that you are available, that you are easy. These presumptions are extensively there. People think that divorced women are lonely and that they need companionship and because they need companionship they are willing to give you anything and that sort of thing.

### **5.3.2 Demonstrating a Tougher Self**

Almost all the participants also stated that they put up a very tough, outspoken, self-confident front so that people would be scared to approach them/harass them. As Chamari stated;

What I also feel is that guys too would proposition you and harass you and put you down if you are kind of a more timid person...I think the persona of who you are had given the message that I am not to be messed with.

Many of them stated how this is not their normal self, but a facade to protect themselves from unwanted behaviour and harassment from others at work. Barni vouched for this when she said;

If you are soft you cannot survive. Even though your real character is not that, you try to show a very hard front to the world. Otherwise, you cannot survive.

### **5.3.3 Social Withdrawal**

Moreover, the participants stated that they keep a distance with others at work and would avoid participating in common events such as office parties and get-to-gathers as much as possible, again to protect themselves from harassment. Barnie;

I do not let them (colleagues) close. At office, it's all official. I do not associate with people at work at a social level, those are all at the official level. All my social relationships are outside workplace".

She further asserted;

Generally, I am not very talkative, I don't go to talk with them much. Because of that, I can survive. I talk less with people, like, I indicate that I am aggressive [sarai]... When you are like that, people don't come to tell you things... And they had realized that there is no point in hurting me.

Jeevani also shared similar sentiments

They never got the opportunity to bully me, because I think I am a stronger person. So they were scared of me... Even now, when I work, nobody tries to mess with me. Maybe I give like a strong signal like „don“t mess with me“ kind of thing.

Few also stated how they equip themselves with qualifications and independence (financial and otherwise) so that people cannot take advantage of them and they do not have to depend and endure harassment from anybody. Erangi;

I think we have to alpha women. Like be very strong and well equipped with education and qualifications. I have realized when you are that alpha woman you are safe. You develop that demeanor.

## **6. Discussion and Conclusion**

It is thus seen how divorced women reacted, avoided or acted proactively to their harassing experiences at work. Even though the participants have sought social support from family and friends in certain instances, they have mainly attempted to solve the situations by themselves, never considering seeking formal help or advocacy from their workplaces. According to Fitzgerald's (1990) categorization, these responses of participants can be identified as externally focused (such as avoidance, appeasement, assertion, and seeking social support) rather than internally focused (endurance, denial, detachment, reattribution, and illusory control).

Participants were either attempting to avoid the harassment or react to it depending on the context and especially the type of the harasser. When they were more powerful than the harassers, they did not hesitate to confront the harasser, whereas, when the harasser had more power (such as a superior or customer), the participants were either silent or feigned ignorance, so as not to offend the harasser. On rare occasions, the participants were also assertive, yet again in a manner not to cause offense to the harasser. The fact that the participants were mostly financially vulnerable - as a result of divorce - too could have contributed to these coping behaviors. Thus, power play, whether it is hierarchical or financial, is clearly evident in these instances (Cortina & Magley, 2009).

None of the participants seeking formal redress, even when organizations had formal avenues such as grievance handling procedures, indicate either participants lack of trust in the system or their reluctance to come forward due to some other reason. However, this indicates important implications for organizations in designing and implanting redress mechanisms.

Stigma and prejudices about divorced women that exist in the society such as that they are sexually promiscuous and available, plays as a foundation for these responses of the participants. They are relentlessly engaged in avoiding and preventing current and future harassment as well as these stigmas and prejudices, by hiding their divorced status, demonstrating a tougher self and socially withdrawing. This is consistent with prior findings (Link et al., 1991) which document the deviants' engagement in numerous efforts to avoid further stigmatization. Konstam et al. (2016) and many other researchers (Kung et al., 2004; Newton-Levinson et al., 2014) discuss

non-disclosure, controlled information sharing and impression management divorced women engage in, as means to prevent being targets of consequences of stigma. Hiding their divorced status was a prominent preventive strategy, which can also be a reason for them to not seek organizational help in dealing with harassment. It is clear to see the underlying attempts of the participants to maintain or reconstitute their self-concept and convey strong, tough, independent women, who are not sexualized- an attempt at defying the socially expected behaviors from divorced women. However, by hiding their divorced status they were attempting to defy the deviant label pasted on them, yet, they were in a way engaged in secondary deviance. Other anti-social behaviors the participants resorted to such as confrontation and isolation also indicate the secondary deviant behavior (Ray & Downs, 1986) of the participants. Moreover, behaviors such as social withdrawal and secrecy can impair social ties and lead to other negative consequences (Link et al., 1991) to these divorced women. Especially, lack of social network and social support at work can exacerbate harassment discrimination and stigma these participants face at work.

Also, while “assaults to personal dignity might spark remedial voice among people who value themselves strongly because of the core belief that the self is important and worthy of respectful working relations” (Harlos, 2010, p. 324), the participants appear to prefer silence even when their personal dignity was challenged. This is noteworthy, especially in a culture where women’s dignity is much valued. Lack of self-esteem stemming from divorce (Gruber & Bjorn, 1982) and passive acceptance of stigma and prejudices (as well as self-stigma) might have led to this silence of participants.

Nevertheless, these passive and avoidance strategies will be ineffective in ending the harassment the participants face (Lutgen-Sandvik, 2008; Salin et al., 2014). These strategies can actually lead to further stigmatization due to certain derogatory judgements formed about the victim (Lutgen-Sandvik, 2008) such as that the victim had done something to warrant harassment (Einarsen, 1999), the person is promiscuous (in instances of sexual harassment), has psychological issues (in instances of other forms of harassment).

## **7. Practical Implications**

The results demonstrate how divorced women can resort to passive responses to their experiences of harassment, which can conceal the severity of the issue to this vulnerable group of employees. This highlights the need for organizations to formulate mechanisms to prevent and handle harassment divorced women face, despite their silence in the matter. According to Cortina and Magley (2003), those who bear harassment silently can incur worst negative consequences. Advocacy seeking (such as reporting or seeking advice from a superior or union representative) was rarely seen. Hence, organizational help is needed by way of effective grievance handling procedures, policies, counseling, and training for victims to cope with the issue, and for HR personnel and supervisors to prevent and help victims.

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## **Human Resource Management in Sri Lanka: A Profession or a Skilled Occupation?**

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### **Abstract**

*While there is no doubt about the importance of Human Resource Management (HR) for businesses around the world, the debate continues as to whether HR is a profession similar to medicine, engineering, accountancy, and law. The aim of this paper is to compare and contrast the attributes of a profession identified by Greenwood (1957) with HRM discipline, to identify whether HRM is a profession or a skilled occupation in Sri Lanka. Employing qualitative research methodology, in-depth interviews were conducted with 16 top HR professionals, and secondary information was gathered from websites and documents related to Institute of Personnel Management Sri Lanka as well as Association of HR professionals, which are the known professional bodies related to HR in Sri Lanka. The findings indicated how the HR in Sri Lanka does not appear to possess many criteria of a profession, indicating the need for HRM discipline in Sri Lanka to acquire and demonstrate systematic theory, authority, community sanction, ethical codes and a professional culture. According to the interview information, HR can be identified as more of a skill based occupation in Sri Lanka, where the success of an HR personnel is said to depend more on his or her inherent skills and abilities (vis a vis the systematic knowledge). Hence, it is clear that, at the moment, HR in Sri Lanka appears to be more of an occupation with specialized skills and distinct competencies rather than a profession with attributes of a profession.*

**Keywords.** *Human resource management, Profession, Occupation, Skill*

### **1. Introduction**

Human Resource Management (HRM or simply HR) has become a key function in organizations, designed to maximize employee performance to meet the employer's strategic objectives (Johnson, 2009). HR personnel undoubtedly play a unique role at the intersection of people and business issues (Ulrich, Brockbank, Johnson, & Younger, 2009).

HR is a product of the human relations movement of the early 20th century when researchers began documenting ways of creating business value through the strategic management of the workforce. The function was initially dominated by transactional work, such as payroll and benefits administration. Yet, over time, due to globalization, company consolidation, technological advancement, and further research, the scope of HR expanded. Hence it is clear how today, with businesses facing enormous changes, HR personnel must do more than manage employees' terms and conditions (Ulrich et al., 2009). In this milieu, presently, HR departments and units in organizations are typically responsible for an array of responsibilities and activities ranging from employee recruitment, training and development, performance appraisal, rewarding (Pauwe & Boon, 2009) managing change, mergers,

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acquisitions, succession planning, to industrial and labor relations (Klerck, 2009). There is no doubt that the bar has been raised for HRM.

In this background - while HR does not have a history such as medicine, engineering, accountancy, and law - today HR has become an equally recognized discipline with much scope, importance, and demand. However, though there is no doubt about the importance of HR for businesses around the world, a debate exists as to whether HR is a profession similar to other disciplines such as medicine, engineering, accountancy, and law. This has been a debate that had gained much interest of scholars, researchers as well as the HR professionals in the recent past (Balthazard, 2014; Fanning, 2011; D. Ulrich, Younger, Brockbank, & Ulrich, 2013). Even though research has indicated that HR increasingly meets the criteria of a profession (Ulrich et al., 2013), whether this is true in the Sri Lankan context remains a mystery.

In practice, it can be seen that most top HR personnel in Sri Lanka have come to the field from a non-HR background, and moreover, from various other academic and professional backgrounds. Yet, when it comes to other professions such as medicine, engineering, accountancy, and law, it is a prerequisite to possess specific qualifications and educational standards in the relevant field to enter the profession. These academic and professional qualifications act as the initial entry boundary to those professions, thereby ensuring that not anyone and everyone can step into the profession without being a true professional in the area. Not only the entry qualifications but especially in terms of holding the top professional positions in these disciplines, the qualifications and professional background play a vital role. However, it does not seem to be the same for the HRM profession in Sri Lanka, where it can be identified that there are no entry qualification barriers as such. More importantly, the majority of the top HR professionals have come to the field from non-HR backgrounds and non-HR educational and academic qualifications, thereby giving the impression that anyone can perform HRM. In this context, the question arises as to how can individuals from different disciplines easily enter the field and perform the specialized tasks therein? If anybody can perform the HR tasks without a specific HR body of knowledge/theory, experience and expertise, is it more due to the skills these individuals possess that are needed to perform the HR tasks? Can anybody perform the complex and specialized tasks that HR personnel is required to perform? What are the prerequisites to enter the field? All these questions point towards the main issue whether, in this background, HR is a profession in the sense other professions such as medicine, engineering, accounting, and Finance? Then, is HR a profession (as opposed to being just an „occupation“) or is it a skill?

It is this puzzle that we aim to unravel and solve in this study by exploring whether HR can be seen as a profession or whether it is actually a skill (or a skilled occupation) in the Sri Lankan context. This understanding will help in identifying the status of HR professionals and the HR occupation in Sri Lanka and in identifying the future needs and the roadmap to making HR more professional, an endeavor the international HR fraternity has embarked on. Moreover, with the authority and the recognition established professions gain, it is also important to understand the standing of the HRM occupation. This is especially important in a milieu, where HRM is struggling to gain its rightful position in the organizational hierarchy.

In what follows, we attempt to explain what a profession and an occupation means, drawing from related frameworks and theory. Then we move on to the presentation of the methodology employed for the study. Finally, the findings and discussions are reported with the conclusion of the study.

## **2. Profession vs Occupation**

The dilemma as to what is a profession and what is an occupation has persisted for long (Brante, 2011). The debate of „profession or occupation“ exist for many careers such as translators/interpreters (Katan, 2009), librarians (Goode, 1961), Nursing practitioners (McMurray, 2011) and Safety and health personnel (Ferguson & Ramsay, 2010). However, there does not seem to be a universally agreed upon definition of what constitutes a “profession” or an “occupation”. According to Merriam Webster’s dictionary (n.d.), a profession is “a calling requiring specialized knowledge and often long and intensive academic preparation” and occupation is “an activity in which one engages”, “the principal business of one's life”, or “the holding of an office or position”.

Going beyond these broader definitions, many scholars have attempted to define and arrive at features of a profession (such features of an occupation could not be found) or attempted to differentiate a profession and a non-profession, eventhough such attempts are criticized as ineffective (Klegon, 1978). For example, Klass (1961) identifies the need for attributes such as conception and birth in a university, legal status, the governance and remuneration as criteria of a profession. Freidson (2001) (as cited in Balthazard, 2014) defines six dimensions of professionalism as (1) a body of knowledge and skills derived from abstract concepts and theories, (2) recognition as a profession, (3) professional autonomy and internal control, (4) an occupationally controlled labour market requiring training credentials for entry and career mobility, (5) an ideology of service, and (6) limited external controls. There are other scholars such as Fanning (2011) who too had attempted at identifying characteristics of a profession and then moving on to comparing these characteristics against HR profession. According to Greenwood (1957), distinguishing attributes of a profession is 1) systematic theory 2) authority 3) community sanction 4) ethical codes and 5) a culture. While Greenwood agrees that you cannot have a clear-cut boundary that defines a profession along these attributes, these can be used to explore whether a certain occupation is a profession. In a review of these attributes Brante (2011) identifies some common traits as theoretical knowledge, long education, examinations, licensing, specific association, organization, various types of control, collegiality, ethics, work for the common good, autonomy, discretion, and sometimes class position.

In attempting to understand whether HR is a profession or not, it was thought important to compare these characteristics against the characteristics of HRM. Hence, looking at these different characteristics specified by different scholars, we will use the 5 attributes of Greenwood to explore whether HRM is a profession or an occupation with specialized skills. These 5 attributes were selected because they contain many other characteristics discussed by other scholars such as Fanning (2011), Klass (1961) and Freidson (2001) (as cited in Balthazard, 2014).

### **3. Methods**

Under the qualitative research methodology, in-depth interviews were conducted with 16 top HR professionals. The 16 HR personnel were selected using purposive sampling technique by identifying those who have been in the HRM field for over five years and who were willing to participate in the study. The experience of the participants in the HRM field was specifically considered in order to understand the backgrounds they come from, the skills they possess, the tasks they perform and their perception about the HR profession, to clearly identify the attributes of the HRM occupation. These participants consisted of 6 males and 10 females. In addition, secondary information from websites and documents related to Institute of Personnel Management Sri Lanka as well as Association of HR professionals, which are the known professional bodies related to HR in Sri Lanka, were analyzed. Collected data were analyzed using theoretical thematic analysis through the 6 phases suggested by Braun and Clarke (2006). The initial coding and the subsequent development of themes were carried out with Greenwoods (1957) five attributes in mind. Codes and themes were specifically compared against these attributes to understand the existence and non-existence of the attributes. For example, the theme qualifications was arrived at by combining the codes basic qualifications in HR, basic qualifications not in HR, advanced qualifications in HR and advanced qualifications not in HR. this was then compared against the attribute „systematic body of theory“

### **4. Findings**

As expected, it was interesting to note that only five out of the 16 participants were from an HRM educational background. The rest of the participants were from diverse backgrounds such as Law, IT, Agriculture, management and Finance and Journalism. This reiterates the argument we are attempting to build, which suggests that a top HR personnel does not necessarily have to have a pure HR background (education and experience) so as to enter, advance and retain in HR.

In order to delve deeper into this situation of HR in Sri Lanka and to explore the professional status of HR, a comparison was conducted between the findings from the in-depth interviews and the document analysis with the five attributes of Greenwoods (1957) to understand whether HR in Sri Lanka is indeed a profession.

#### **4.1. Systematic Body of theory**

According to Greenwood (1957), „body of theory“ means a „fund of knowledge that has been organized into an internally consistent system“ where „[p]reparation for a profession, therefore, involves considerable preoccupation with systematic theory, a feature virtually absent in the training of the non-professional“ (p. 66). Even though Greenwood does not necessarily talk about academic qualifications, he emphasizes the need for prolonged training, specialized knowledge and formal education. Knowledge and expertise has been highlighted and critiqued by other scholars too as a key attribute of a profession (e.g. Saks, 2012).

Professional background usually alludes to the work experience and profession of an individual. The fact that, other than for five participants, others have not prepared for HRM profession through gaining systematic theory and training in HR. Participants formal education has been in a wide variety of academic areas such as Psychology, Physical Science, Information Technology, Agriculture, and Banking. Only five participants had specialized in Human Resources Management within their Business

Management/Administration basic degrees or have gained other educational qualifications in HR. While these participants have entered the field of HR after their qualifications, other participants have worked in different other occupations/disciplines before entering HRM due to various reasons such as interest they have developed about HR, being placed in HR by the top management, and other circumstances.

While they have subsequently acquired qualifications in the field, they have entered, performed and advanced in the field without any education, academic qualifications or prolonged training in HR. In this background, even though the existence of a body of systematic theory in HR is not disputed, its importance and needs to enter and perform in HR is thus questionable. This in a way problematizes the theory and knowledge of HR, where it can be seen that the body of systematic theory and knowledge are either not practiced or not vital for the practice of the occupation.

The participants indicated that they have mixed perceptions about the need to have a systematic theory and knowledge in order to be in the profession.

I have no HR background. My degrees are in banking, English, and psychology. I don't have any formal HR experience. Does that make me a good HR person? I think it makes me better because my HR is all practical HR. so I can always learn the theory but the practical part you need to do and learn. (Respondent 9, Female, 43).

The majority of the participants were of the perception that the background of the individual is irrelevant to the success of the top HR professional is based on the individual's inherent skills, abilities, and talents. Hence, individuals stepping into the HRM profession from non-HR backgrounds were considered to be better HR professionals, as they believed that these individuals possessed these inborn talents and characteristics.

I think HR is an inborn talent. HR is always a challenge so I think that the interest and capacity of a person matters, no matter what background they come from. Everyone can't do HR. (Respondent 10, Female, 35).

The research identified that it was perceived that the performance and success are very individualistic and that it varied from person to person based on their skills. Therefore, it was considered that the background is irrelevant as long as the individual fit the profile which the organizations were interested in, even when the individual is from a non-HR background.

In my view, the background doesn't matter, as long as you fit the profile which is needed and the experience. In terms of HR, you can teach the person the basics and train the person. No matter what background you have, accounting, a CIMA person etc. but if the person feels that they have the nag for HR and want to go ahead they can and may do so. (Respondent 4, Female, 40).

These viewpoints highlight the importance of skill over the systematic body of knowledge in the field of HR.

Moreover, it is also noteworthy that HRM education in Sri Lanka has proliferated over the years with many government universities (such as University of Colombo, University of Sri Jayawardenapura and University of Kelaniya), private universities, and many other educational and professional institutions offering HRM education. While the quality of these many programs would differ, it indicates to the demand in the HRM education on one hand, and the importance of such education on the other. However, even with such opportunities for individuals to gain the required knowledge and expertise in entering the field, the fact that many still enter it without this knowledge raises concerns.

#### **4.2. Professional Authority**

Greenwood (1957) describes the basis of professional authority as the specialized knowledge that a professional will have which would highlight the layman's comparative ignorance. The power/ability to make decisions about the service the professional provides and the clients' subordination (as against customers' autonomy to make a decision) to professional authority is highlighted here.

Participants indicated that they mainly play two main roles as the Strategic Role and the Operational Role. It was identified that up until recently, they were involved in operational roles, however, with the developments and evolution in the profession, the top HR professionals are now moving in to holding a strategic role within the relevant organizations which they operate in.

##### **4.2.1 Strategic Role**

The majority of the participants emphasized the importance of HR playing a strategic role within the organization. Formulating and developing HR policies and practices and being involved in the implementation process, stakeholder management such as managing the managers, employees, and potential employees, were identified as roles which are expected from a top HR professional. At the same time enhancing the knowledge, skills, and abilities of human resource in order to match with the organization's vision and mission and being the driving force of the organization can also be identified as expectations from this role. As Lemmergaard (2008) emphasize the role of an HR professional is no longer limited to the traditional HR activities but more focused towards strategic decision making of an organization and is a key individual in decisions made by the board.

I am part of the vision of the company, the business plan of the company, a part of the key decisions of the company. I am very much inspired by the fact that I am a part of the key decisions which the company makes. It is all for the business, not the people. The decisions we make are for the business which results in managing the people. This is what I see as what is expected from the role of a top HR professional. (Respondent 12, Female, 35).

However, only very few respondents stated of being engaged in this strategic role, while majority stated of their involvement in operational roles.

##### **4.2.2 Operational Role**

The role of a top HR personnel also includes handling operational activities of the HRM function and processes such as recruitment and selection, training and development, compensation management, and disciplinary procedures. It was



identified that as a top HR personnel one needs to oversee all these operational activities in order to ensure that it is a fair and equitable (or effective and efficient).

Anything people related is linked to me in some form, directly or indirectly. We look at the main areas of HR. People, make sure that people are looked after and that they retain. Ensure that the talent pipeline is maintained. Be risk conscious in carrying out the work, employee relations, disciplinary actions, misconducts, training and development activities and performance management. (Respondent 9, Female, 49).

It has to be noted that the role expected from a top HR personnel was dependent based on the organization and the industry which they operated in as well. There are some organizations which have identified and placed HR as a significant contributor to the key decision making of organizations thereby, allowing top HR personnel to play a strategic role in their position. Whereas there are some organizations which are still in the development stages in HR, hence, still require top HR personnel to be involved in conducting an operational role within the organization, thereby limiting the level of contribution which one can make at the strategic level. Therefore, it was identified that the role of a top HR professional and the expectations vary on various factors.

It is an evolving role. The HR function is interwoven to the business. It depends on what is the direction which the organization is heading. I have worked with 5 CEOs, each one's expectation is very different. At the same time, the life cycle of the organization is also important, which stage are you in is important, and expectations differ based on that and also on the business context. (Respondent 7, Female, 42).

All in all, looking at the statements participants made, it is difficult to arrive at a clear understanding of the existence and level of professional authority for HR personnel interviewed. Though some of the participants have shared details of upholding a strategic role within the company, there has been no substantial evidence to indicate that the responsibilities undertaken showcases a true ability to make decisions which are impactful to the organizations.

However, it can be said that the HR managers would not have the authority over customers as much as professions such as engineering, medical or IT professionals would have, especially given the fact that many interviewees have come to the occupation as laymen, indicating that they do not necessarily have a specialized knowledge as such when they entered the profession.

Moreover, it was seen that others in organizations also had some opinion or knowledge about HR and how HR should be practiced, indicating that HR did not really have the professional authority over the HR discipline (Greenwood, 1957). When one participant explained how he selected HR, she also indicated how others (laymen) in organizations have expectations and understanding of what HR should be.

When I was working, I always thought and felt that there were better ways to execute HRM activities than how it was currently being done. You know, when you are not in HR you can clearly see what is more appealing to the employees and all that. So, when I took up the HR position, I knew exactly what the people

wanted, because I was one of those non HR people once. (Respondent 2, Female, 43).

### **4.3 Sanction of the Community**

Community approval of the powers and privileges (either informally and formally) of the profession through granting them the control over its training centers, accreditation process, admission into the profession, as well as setting and evaluation of standards and performances, are identified as „sanction of the community“ by Greenwood (1957). However, it is seen that such community sanction is not evident in the profession of HRM in Sri Lanka.

The main „professional bodies“ of HRM in Sri Lanka can be identified as the Institute of Personnel Management of Sri Lanka (IPM), which was founded in 1959 and incorporated by an Act of Parliament (1976) and the Association of Human Resource Professionals (HRP) which is claimed as the only professional network of practicing HR professionals in Sri Lanka. There are also universities such as University of Colombo, University of Sri jayawardenapura and the University of Kelaniya and other institutions such as Institute of Business Management, which provides education and training in HRM.

However, these two professional bodies nor the other universities and institutions do not have control over training in HRM nor any control over the admission of individuals into the profession. There is also no accreditation process nor any standards set for the performance of HR professionals in Sri Lanka, either through these bodies or otherwise, unlike in some other countries.

Moreover, a number of participants also mentioned how they came to the HRM occupation by accident.

The company which I worked in was growing and wanted someone who can develop the HR function who knew the business well. So they thought that I would be a good choice at that time. It was an Assistant Manager position in HR so, I took it up though I was doing management and finance work at that time. (Respondent 13, Male, 29).

Actually getting into HRM was not a choice. Basically, I wanted to become a banker, I joined just like a normal school leaver that was what was commonly done those days. We were given a basic general training. It was 3-week training, and after that, I was automatically posted to the HRM department. So, it was not a choice. (Respondent 6, Male 36).

These responses also indicate how easily people can come into the field without any qualifications or sanctions. Again, emphasizing how HR is not a profession vis a vis other professions such as medicine, law, engineering, architecture, accountancy where such ease of entry into the profession is absent and a need for strict academic qualifications, standards, training, registration, and accreditation is present.

### **4.4 Ethical Conduct**

Professions would also have a „built-in regulative code which compels ethical behavior on the part of its members“ (Greenwood, 1957, p. 69). There can be formal

as well as informal ethical codes. However, in Sri Lanka, such a professional code of conduct for the HR profession cannot be found nor any sanctions for unprofessional behavior.

Even though no professional code of conduct exists, the interview discussions indicated that all participants believed that having a self-developed code of conduct was much needed to be an HR professional. They emphasized on being objective and maintaining a fair and credible personality which ensured that their ethical behavior is not questioned by the employees of the companies which they were employed at.

Credibility and showcasing a positive image among others in the organization were emphasized by the participants. So, it can be noted that in local practice competencies such as being fair, maintaining objectivity and integrity were highly expected from top HR professionals. Being professionals who get to deal with people on a day to day basis, it is a must that other people place their trust in the HR professional. The positive vibe one maintains and the relationships and networks which they build up will eventually lead to making the individual a credible person. At the same time, these competencies will allow the person to become credible and also enable the implementation of such needed activities. Thereby showing that whatever is promised will be delivered at level best.

At the same time, it was also noted that having a strong moral sense and principles as an individual, showcasing transparency, credibility, trustworthiness, and friendliness was identified as other factors of consideration.

Fairness and integrity is a must if you want to stay in this industry. You cannot have people question you on what you do or how you do things. (Respondent 13, Male, 29).

However, while participants did indicate the importance of ethical conduct, their actual ethical practice was not explored. Hence, without any ethical code of practice and a testing of ethical conduct, whether these HR personnel walk the talk remains a mystery.

#### **4.5. The Professional Culture**

The existence of an organizational setting, professional associations, educational and research centers related to the profession are all part of a professional culture around which „formal organizations extends a filigree of informal groupings: the multitude of small, closely knit clusters of colleagues” (Greenwood, 1957, p. 71).

Taking the Sri Lankan context into account, it can be noted that IPM Sri Lanka as well as HRP, provides this professional culture to a certain extent, where they are considered professional associations which also conducts fellowship, education, and research in HRM. However, these two organizations are the only such organizations. Given the profession has been in existence for a long-time period, the professional culture developed for the HR profession seems to be limited only to these two professional organizations.

The universities and the private institutions which offer programs in HR, are only limited to being educational institutions and do not contribute massively towards the

development of the professional culture per say, as the majority are mainly degree awarding entities. Also, these institutions do not have dedicated research being conducted in HR as well.

#### **4.6. HR as a Skill**

Almost all the participants persistently highlighted the importance of skills for HR over knowledge or qualifications in HR. They were of the perception that the background of the individual is irrelevant as long as they possess relevant skills, abilities, and talents.

So I started with a technical background, I was a technical person and moved towards HR. I do not have a formal HR background. The reason is the passion I have towards working with people and management. Understanding everything from the grass root level to the top and the ability to drive, motivate and improve people. (Respondent 11, Male, 47).

I thought that HR would suit me because of my personality. I am a person who is easygoing and people come to me very often because they feel that I am open. Even my friends at the workplace use to tell that I can even talk to a lamp post and that I would do well in HR because of the personality which I reflected. (Respondent 2, Female, 43).

I now have 20 years of experience in my career. Out of which, 10 years was in HR and 4 years management experience where I headed the full spectrum of the HRM function. Mainly I have worked through my experience and knowledge gained, not through an academic qualification. I have been able to secure employment and advance through my career. (Respondent 4, Female, 40).

All these statements indicate the emphasis placed on skills in becoming an HR personnel over knowledge. While participants also highlighted various skills HR personnel need such as business acumen, analytical skills, people skills and right attitudes, these skills will not be discussed in detail in this paper, as it is beyond the scope of this paper (see Arulraja & Opatha (2013) for a detailed account of skills needed for HR personnel).

#### **5. Conclusion**

Having a majority of the top HR personnel stepping into HRM field without or with minimum basic HR qualifications indicate how qualifications and academic knowledge (or possessing a systematic body of knowledge) really is insignificant to enter, progress and retain in the field of HR. According to the participants, the skills, attitudes, and abilities are the most important to be and thrive in the field of HR. Given this background, HRM can be identified as more of a skill based occupation rather than a profession with the absence of 1) systematic theory 2) authority 3) community sanction 4) ethical codes and 5) a culture (Greenwood, 1957). However, with the importance placed on the field and the acceptance of the academic society, it is clear that HR is on its way towards being a fully-fledged profession.

#### **6. Practical Implications**

The findings thus indicate how the HR in Sri Lanka does not appear to possess many criteria of a profession, indicating the need for the profession in Sri Lanka to acquire

and demonstrate systematic theory, authority, community sanction, ethical codes and a professional culture. It is noteworthy how HR in many other countries have moved far ahead in terms of professionalism and has set a path that HR fraternity in Sri Lanka can follow in making HR a fully-fledged profession. Education (systematic theory) and certification as well as development of ethical code of conduct will be important in helping HR achieve professional maturity and the recognition it seeks as a profession. In addition, it is imperative that other barriers to HR becoming a profession be identified and dealt with (Wilensky, 1964). In this, professional bodies such as Institute of Personnel Management has an important role to play.

### **7. Directions for Future Research**

Several new directions for future research are suggested by the findings of the current research. A sample of the current study was limited to 16 participants, the majority of the participants being from the private sector. However, future research can be conducted taking the governmental sector top HR professionals into account as well. At the same time, future studies can explore specific skills and attitudes needed for the HRM occupation.

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## **Gays Experiences of Harassments in Heteronormative Workplaces in Sri Lanka**

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### **Abstract**

*The aim of this exploratory study is to understand in what forms gay men are harassed in heteronormative workplaces in Sri Lanka, using the theory of stigma of Erving Goffman. Employing qualitative research methodology, in-depth interviews with sixteen gay employees were conducted. According to the findings of the study we were able to identify how the respondents in heteronormative workplaces were subjected to numerous forms of harassment: 1) ostracism 2) rejection 3) offensive comments about the sexual orientation, 4) sexual innuendos, 5) frequent jokes and name calling, 6) sexual assault, 7) spreading rumors, 8) leering, 9) unwanted touching, patting and squeezing and 10) threats or bribes in exchange of sexual favors as heterosexist harassments. It was specifically revealed how the gays who are open about their sexuality and those who indicate a feminine disposition are the most common victims of these, mostly heterosexist, harassments at the workplace. The gays who are closeted and show masculine characteristics are less likely to be harassed, unless others suspect their sexuality due to some cue, since they are not openly identified by the society as gays. The findings clearly indicate how these different forms of harassment are a result of the respondents' sexuality, indicating the need for organizations to intervene in preventing and handling these instances of harassment to create a safe work environment for the diversified workforce modern organizations have.*

**Keywords.** *Discrimination, Gays, Heteronormative culture, Heterosexist harassments, Sri Lanka, Workplace.*

### **1. Introduction**

Harassment at workplaces (Khubchandani & Price, 2014), also known under different other terms (with overlapping meanings) such as bullying (Einarsen, 2000), abuse (Lopez, Hodson, & Roscigno, 2009), violence, aggression (Neuman & Baron, 1998), discrimination and mistreatment (Ray, Chang, & Asfaw, 2014), has gained increased attention of various parties over the past few decades. Within this literature, harassment of homosexuals at workplaces has been identified as a common occurrence (D'augelli, 1989; Haggerty, 2013; Rodgers, 2009) due to their minority status and the stigma and prejudices surrounding their sexuality. Homophobia and heterosexism in heteronormative cultures are known to give rise to stigmatization and prejudice of homosexuals (Goffman, 1963), thus subjecting them to various forms of discriminations and harassments (Drydakis, 2009). It is specifically reported that lesbian, gay, bi-sexual and transgender (LGBT) individuals are frequently discriminated due to their sexual orientation at the workplace (Equal Ground Sri Lanka, Northwestern University School of Law, & Heartland Alliance, 2013). While there do exist a plethora of research related to homosexuals, researchers highlight the

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need for more studies related to workplace discriminations and harassments of homosexuals (Militello, 2015; Ozeren, 2014). Further, the need for studies in different contexts is also emphasized, especially where most studies are carried out in the West (Ozeren, 2014).

Nonetheless, how and in what forms homosexual employees face harassment at workplaces remains a mystery with very little research being conducted in the area in Sri Lanka. In this background, the aim of this exploratory study is to understand in what forms gay men are harassed in heteronormative workplaces in Sri Lanka. The focus is placed on gay men, as it is reported that gay men in workplaces experience higher rate of violence than the lesbians (D'augelli, 1989; Haggerty, 2013; Rodgers, 2009).

The significance of the study is twofold. First, it is important for organizations at the micro level, and the government at a macro level, to understand the occurrence and nature of harassment different minority groups - including gay men - face in workplaces, in creating harassment free, safe working environment in organizations. This is especially important, when equality and diversity are encouraged by organizations as well as by governments. Thus, findings of this exploratory study will assist the relevant authorities in drafting appropriate policies and procedures as well as legislative reforms on anti-harassment, to ensure effective management of diversity at work. Second, findings of this study will add to the growing understanding of the phenomenon by contributing to the very limited literature on heterosexist harassment against gays in heteronormative workplaces, with culture providing the backdrop. Pryor and McKinney (1995) and Ozeren (2014) emphasize the need for more studies on sexual minorities and the harassments they face at the workplace in different settings, especially in non-western cultures, in order to obtain a complete picture of the sexual minorities at the workplace.

The literature review presented below, is divided into three brief sections. The first section presents an introduction of homosexuals and gays, with a small description about the norms and prejudices towards LGBT community, in general. The second section provides a very brief document of homosexuals in Sri Lanka, setting out the context of the study. The third section reviews research on experiences of LGBT employees in the workplace.

## **2. Literature Review**

### **2.1 Homosexuals and Gays**

Homosexuals are defined as the individuals who are sexually and romantically attracted to and who engage in sexual behaviors with the members of the same sex or gender (Fassinger, 1991). In traditional societies, homosexuality is not accepted and is considered a deviant behavior against the norms of heterosexuality (Goffman, 1963) and heteronormativity. While heterosexuality is identified as the normal sexual orientation (Fassinger, 1991), heteronormativity is identified as a social norm which promotes heterosexuality, gender conventionality, and family traditionalism (Oswald, Blume & Marks, 2005).

Heterosexism is the concept that goes along with heteronormativity which assumes heterosexuality as the normal sexual orientation, giving rise to homophobia. According to Weinberg “homophobia is the term used to describe the fear and hatred



that characterizes reactions of gay people by family, friends and society” (as cited in Fassinger, 1991, p. 159). In this context, homosexuals get isolated and discriminated (Fassinger, 1991) in the society as well as in their families. Further, with homosexuals being brought up in a society with negative feelings against gays and lesbians, they internalize homophobia (Fassinger, 1991) leading to further implications for them.

How these various cultural norms have spilled over to the workplace, making homosexuals the target of numerous forms of harassment even at work is well documented (D'augelli, 1989; Elmslie & Tebaldi, 2007; Haggerty, 2013; Rodgers, 2009). Fassinger (1991) reports how gays continuously get subjected to heterosexual biases or heterosexism. Not only the heterosexual majority, but most of the wise (people who support gays) also become victims of heterosexism. This trend is persisting even in cultures that have moved beyond heteronormativity.

In this context, it is not surprising that many gays are afraid to *come out* (reveal their sexuality to public). Thus, they remain *closeted* in the society as well as in the workplace (Bauer & Kleiner, 2001; Brower, 2013; Correia & Kleiner, 2001; Pompper, 2014). It has been found that two-thirds of gay employee population hide their sexual orientation at the workplace (Bauer & Kleiner, 2001). According to Stockdale (cited in Konik & Cortina, 2008), even the closeted gays become targets for heterosexist harassments and discriminations if they are effeminate males or have feminine characteristics. These different forms of harassment in turn is said to increase the rate of recurrent major depression for gays than for lesbian (DeAngelis, 2002). All of this illustrates how gays as sexual minorities are facing difficulties in the society and in the workplace.

## **2.2 Homosexuals in Sri Lanka**

In Sri Lanka, under the section 365 of Penal code, same-sex behavior is considered a criminal offence, like in many countries which have the colonial law. Homosexuality is prohibited under section 365 of the Penal code which considers homosexuality as „carnal intercourse against the order of the nature“.

The rights of the LGBT individuals in Sri Lanka are found to be violated through three other forms: 1) arbitrary arrests and detentions and abusive and violent police behavior, 2) suppression of freedom of expression, assembly, and association, 3) failure to protect against discrimination, hate crimes, and forced marriages by private actors (Equal Ground Sri Lanka et al., 2013). Further, homosexuals are said to be subjected to humiliation, harassment, sexual abuse, blackmail and demands for bribes, at the hands of police officers (Chandratilaka & Mahanamahewa, 2015). However, harassment of homosexuals in the workplace is not sufficiently studied in Sri Lanka, indicating an important area for further and deeper inquiry.

## **2.3 Harassment Faced by Homosexuals at the Workplace**

The various forms of harassment that homosexuals face at workplace because of their sexuality are commonly known as heterosexist harassment. Konik and Cortina (2008) define heterosexist harassments as “verbal, physical, and symbolic behaviors that convey hostile and offensive attitudes about one’s actual or perceived lesbian, gay, or bisexual identity” (p. 314). According to Burgess, Lee, Tran, and Van Ryn (2008) these heterosexist harassments might be both direct and indirect discriminations. A study done in Turkey on sexual orientated discrimination and its experiences found

that lesbian, gay and bisexual employees experience “. . . pervasive presence of a significant level of blatant discriminatory activities ranging from sustained harassment through to repeated unwanted jokes and innuendos, to actual job termination, to threats of violence” (Ozturk, 2011, p. 1115). According to Correia and Kleiner (2001), discrimination at the workplace may be in the form of anti-gay statements and jokes, biases in hiring, hostile work environment, disappointing work assignments, lower pay and poor evaluation and promotions. Heterosexual men are said more likely to hold negative attitudes towards homosexuals and they express these attitudes in the form of jokes (Johnson, 1991). Further, Johnson (1991) mentioned that these jokes “. . . ranged from vulgar word play to subtle sexual allusions” (p. 852). According to Hemmasi, Graf, and Russ (1994), telling lewd jokes is a common form of hostile-environment harassment in a workplace and these might be direct. While these studies have delved deeper into the concept of harassment, they have been mainly conducted in the West. How harassment of gays takes place in the Asian context has been rarely studied. With the different cultural, social and legal contexts, how harassment is manifested in Asian countries can be different, which is what the current study attempts to explore.

### **3. Theoretical Background: Social Stigma Theory**

Social stigma theory was introduced by Erving Goffman in 1963. He presented the fundamentals of stigma and discussed it as a social theory with the interpretation of stigma as a way of spoiling an individual's identity. As he illustrated, stigma refers to “. . . the situation of the individual who is disqualified from full social acceptance” (Goffman, 1963, p. 11). The society categorizes people using various measurements and labels and for each of these categories, they assign a list of attributes against which standard and non-standard behavior is measured. In other words, the society defines the attributes of people in each category and expects the members in that category to behave according to the pre-determined attributes. This results in societal behaviors in which special concern or attention for other individuals is uncalled for.

Although the society expects the members in a particular setting to possess these set attributes, the reality is entirely different from the expectation. Thus, a discrepancy between the virtual and the actual social identity could be identified. Accordingly, the term social stigma refers to extreme disapproval of a person or a group of persons on the basis of perceived social characteristics which will distinguish those from the other members of the society. Thus, stigma will be fixed to a person who differs from the societal and cultural norms. Stigma could also arise as a result of societal perceptions and judgments of mental disorders, race, ethnicity, sexuality, physical disabilities, illnesses, nationality, power, class, religion and many more facets, which the society uses to categorize people.

The social stigma theory documents three grossly different types of stigma: physical deformities, deviations in personal traits and the tribal stigmas. These types illustrate how the society disapprove and disqualify a person or a group based on the socially accepted norms. The society thus believes the person subjected to stigma is less of a human being and hence marginalizes, and devalues them on the grounds of inferiority. This happens until the stigmatized attributes goes undetected. Though the stigmatized are targeted for discriminations and harassments, according to Goffman (1963), the discrediting attributes may differ geographically and culturally. For instance, one attribute which is considered as discredited among one social group might be an

acceptable norm in another. Thus, while these discrediting attribute holders could be subjected to severe discrimination by a social group that considers the aforementioned attributes as inferior, among another social group the same individual might not be subjected to discrimination. In this background, by using stigma theory, we attempt to identify how stigma regarding gays in the Sri Lankan society plays a role in the harassment they face at the workplace, while also attempting to understand how gays perceive harassment in light of stigma and other prejudices they experience at work.

#### **4. Methodology**

Based on the interpretivist research philosophy and qualitative research methodology, the study adopts hermeneutic phenomenology. The sample for the study was chosen from the workforce in Sri Lanka which is predominantly heterosexual. The unit of analysis of the present study is individuals (gay men). Data were collected through in-depth in-person interviews from sixteen gay employees. Given that Sri Lanka is a heteronormative culture and a country where homosexuality is prohibited legally, it was not easy to recruit willing and voluntary participants for the study. Thus, with much difficulty, the participants were identified and approached through personal contacts and snowballing. Initial contact was made with a nongovernmental organization which is working with LGBT community. After communicating the objectives of the study, few willing participants were identified through the organization. Then, snowball sampling was used to approach and recruit more participants. The participants were clearly told of the objective of the study and anonymity of information was assured in gaining their informed consent. Half of the participants were „closeted“ gays while the others were „openly“ gays. Other than for one participant who was married (a closeted gay), others were unmarried. The participants were mainly from the executive and management category of work, with only one participant being a machine operator. They were in the age category of 24-65 (15 participants were below 50 years of age and one participant 65 years) and represented a variety of industries.

Analysis started from the data collection and a careful process of coding and categorizing was carried out. The main themes were identified based on prior research on harassment. These main themes were then explored using the Stigma theory.

#### **5. Findings**

The experiences shared by the sixteen participants during the interviews encompassed an array of heterosexist harassment they face at workplace. Main ten types of harassments against the participants were identified as 1) ostracism 2) rejection 3) offensive comments about the sexual orientation, 4) sexual innuendos, 5) frequent jokes and name calling, 6) sexual assault, 7) spreading rumors, 8) unwanted flirting, 9) unwanted touching, patting and squeezing and 10) threats or bribes in exchange of sexual favors.

##### **5.1 Ostracism**

Ostracism occurs „when an individual or group omits to take actions that engage another organizational member when it is socially appropriate to do so“ (Robinson, O'Reilly & Wang, 2012, p. 4). With the humans' innate need to belong and be accepted by others, ostracism can be hurtful and devastating for individuals impacting on their organizational performance (Robinson et al., 2012).

Participants of the present study related various instances of ostracism at workplace that they have had to face.

When they [colleagues] organize trips and parties I don't get invited. They don't like to be with me. As an example, generally we get our salaries on 10<sup>th</sup> of each month. After getting the salary, normally the members of the line organize a small party. I was never invited for those parties. I was never asked to come (Shiwa, 23 year old machine operator of a garment factory who was an openly gay individual).

Tharindu shared a similar experience of one of his friends who is gay;

A friend of mine who works there [another workplace], experiences exclusion from staff events. One day there had been a party, a party of one of the staff members. But my friend was not invited. So these kinds of discriminations happen. He is also quite frustrated with his company.

Other than being excluded from social gatherings, the interviews indicated how the participants were ostracized by peers, through exclusion from teamwork and in the performance of job duties. They were also not assigned responsible job duties within the team. As shared by Shiwa,

In a line [processing line] there were fifteen employees. They all ignored me. They really cornered me. Although there was a heavy shipment to complete, sometimes I didn't even receive a machine to do my work.

Of the two types of ostracism (purposeful and non-purposeful ostracism) (Robinson et al., 2012), the experiences of participants were clearly instances of purposeful ostracism.

## **5.2 Rejections**

While certain studies consider rejection under ostracism or as a synonym for ostracism (Robinson et al., 2012), according to Williams (2007), rejection is "an explicit declaration that an individual or group is not wanted" (p. 427). Interviews revealed various rejections experienced by the participants because of their sexual orientation. Anumal was dismissed from his first job (due to his sexual orientation) and when he applied for a new job, he had been rejected from the interviews, because of his sexual orientation. According to Anumal (38 year old Coach who is a closeted individual), he has faced the same experience in various instances.

Since I do not have any means to live, I mean financially, I have applied to 6, 7 main governmental institutions in Sri Lanka. From all the interviews I have been selected because of my experiences, my age and the things I have done. After selecting me, when they [interviewer] called the previous employer for service clarification and recommendation, they [previous employer] had given that certificate mentioning that I have been dismissed because of my gayness and the homosexual nature. So I was not offered those jobs.

When assigning additional responsibilities, sexual orientation is found to play a big role according to the participants of the study. Participants mentioned of various

instances they were rejected from assignments at the workplace because of their sexual orientation. As experienced by Gayan, a customer service executive who is openly gay,

I have missed some chances to take part in some events and initiatives, because of my [sexual] orientation. I know among my friends [peer] there may not be an issue of nominating me to initiatives. But the selection committee does not like to nominate me to the initiative since I am a gay. I can see a gay among that group, but he is closeted. But since I am open, he is in and I am out.

There were also other instances of rejection that the participants reported such as rejection from work groups, and even terminations of employments.

### **5.3 Offensive Comments**

It was also not surprising when the participants cited various instances of experiencing offensive comments about their sexual orientation. Even though Lakshan (27 year old teacher) is closeted, he has experienced an offensive comment in one instance, when he made a supportive statement regarding homosexuals.

If I become open to the society, there may be one or two who would accept (it/me) but rest will not. As an example, I have a fake facebook account. There was a post against homosexuality and the government regulations. I made a post against that previous post, meaning I raised my voice. Everybody started scolding me over the fb. It [the earlier post] implied that no one understood homosexuality clearly. What I mentioned there was, “it is a normal thing, don’t scorn it.” That’s all. People used blaspheme and scolded me. They have commented that I am crazy, and this is a mental illness. ... So what I am thinking is, for a comment on fb, the reaction of the people is such, if we disclose the reality what would be the result.

Supun, a senior software engineer who is openly gay, has also experienced offensive comments regarding his sexual identity since he has more feminine characteristics.

And another thing is that they always tell “ah..... landa wage [like a girl]” like that. Those are offensive at the beginning. I do not have exact straight masculine ideals. I have feminine characteristics. . . I do not match that ideal male. Because of that, I think they joke.

### **5.4 Sexual Innuendoes**

The other heterosexist harassment experienced by gays at workplace is sexual innuendos. An innuendo is an indirect expression which is derogatory in nature. In most instances the participants who were open were subjected to these sexual innuendos, which had evoked contemptuous feelings in them.

There is a project manager. He is sarcastic in nature. When I was wearing a ring which was given to me by my partner, he asked me sarcastically, “ah did you receive it for the anniversary”. ... From that joke he meant that the relationship of me and my partner is not a valuable relationship. That’s how I saw it. This is an instance I felt the discrimination (Supun, 32 year old senior software engineer who is openly gay).

The participants have also experienced offensive comments on their behaviors and fashions.

Normally my fashions are different [from the accepted norm of how a male should dress]. I use different colors and for those things they make fun of me. Those are mostly offensive. . . There is a stereotype that a man should wear like this; a woman should be like this. It may be the color, size, and the design. Generally, I dress differently. They ask me „is this a dress worn by males? “ likewise. And if I wear a shirt with a floral design, they would make offensive jokes.

Here again, the innuendo directly targets the participant, but does not explicitly target his sexual identity.

### **5.5 Frequent Jokes and Name Calling**

According to Johnson (1991), heterosexual men are more likely to hold negative attitudes towards gays and tend to express these attitudes in the form of jokes. Telling lewd jokes is thus identified as a common form of hostile-environment harassment in a workplace, where the joke could be direct or double-edged (Hemmasi et al., 1994). Many of the gays in the present study shared similar experiences. Gayan (26 year old, openly gay, customer service executive of a bank) shared how he and his heterosexual friend were victimized through frequent jokes by others at workplace.

At the time I joined the company I had one best friend at my office. Now he is not there, but he is a straight boy. He knows everything about me. My staff members had spread a rumor saying that we two are a gay couple. It was not an issue for me. It made me laugh when I heard that. But I really felt upset since they directly said it to my friend. And the other thing is he didn't have a girlfriend. I was really worried whether because of this he would not be able to find a girlfriend. When we both go to have our lunch together, I got to know that, and they were telling that “ahh... the couple has come to have lunch”. And they tease us.

Homophobic name-calling is found to be one of the most common forms of verbal harassment against homosexuals (Birkett & Espelage, 2015). Within the Sri Lankan culture there are certain common slangs for gays (one such main derogatory slang used by Sri Lankan culture against gays is, “*ponnaya*”). It was found out how these slangs are used against the participants at the workplace. Lalith (65 year old hair stylist engaged in the film industry) is an openly gay employee who is professionally a well-known person in his industry and has experienced name-calling in many instances. Citing one such instance he said;

In film industry there are some minor workers. When they are not behaving properly I ask them to come to me and I rebuke them. After that what they do is, they go and tell others “*araponnayamatabanna*” [that ponnaya scolded me]. To reply him, I asked him to come again and told him everything I wanted to tell and asked his supervisor to pack his things to send him back to his home. I have done this several times.

### **5.6 Sexual Assault**

Sexual assault is a sexual contact through use of force, threatened force, or a weapon (Lott, Reilly, & Howard (1982). This can be an attempted or a completed rape (Harned, Ormerod, Palmieri, Collinsworth, & Reed 2002). Anumal revealed several such instances of forced sexual intercoursues experienced by him at his workplace;

After I sat for my A/Ls[advance level examination] I joined the Ministry of Defense and it was before the A/L results. Some seniors (Army officers) asked me to come to their rooms after work. They wanted sex from me... I had a girlfriend at that time... I got addicted to this [homo sexuality] because of my seniors actually.

### **5.7 Spreading Rumors**

According to prior research, slander, gossip, and rumours spread about a person are common forms of harassment (Einarsen, 2000). Participants of the study too revealed such experiences. Lakshan explained how he was subjected to rumors within the workplace and the society at large about their sexual orientation.

We can't trust people. They will reject us and refuse us, and they will spread this (our sexual orientation) among others. Sometime they will create their own story and spread it out among others. So can't trust the people. (Lakshan)

Gayan's experience explained above under frequent jokes and name calling is also an example of rumors that are spread about gays at workplace.

### **5.8 Unwanted Flirting**

Unwanted flirting can be taken as a type of sexual harassment, which can interfere with the work of the victim, creating a hostile working environment. Tharindu (24 year old cashier of a gambling venue, who is a closeted individual) spoke of unwanted flirting that he had to experience at work.

There is a laborer in my workplace. He shows enormous interest in me. I feel it. That he expects it (sexual relationship). He looks at me, asks unnecessary things from me...like my most personal things.

### **5.9 Unwanted Touching**

There were also physical acts of sexual nature that gay employees face such as touching, patting, squeezing, cuddling and pinching (McDonald, 2012). One participant cited such occasion where the harasser was a customer.

Recently one of the customers came and when he was giving money to me, he touched my hand. After that I never let him to do it. Now, when the same customer comes to me, I do not give money directly to him. I keep his money at a side of the table so he can take it. (Tharindu)

This expresses how Tharindu experienced the physical sexual heterosexist harassment at the cash counter. A similar experience was shared by Shiwa,

One incident I can remember. One of my colleagues in the production line, one day he tried to harass me physically. That was the lunch break and I was waiting

in line. The others had already gone for their lunch. Suddenly this boy came, hugged me and squeezed my nipples. I was shocked.

### **5.10 Threats or Bribes in Exchange of Sexual Favors**

Known as quid pro quo harassment, threats or bribes in exchange of sexual favors are found to be a common and serious form of sexual harassment. Again, Tharindu shared his experiences in this regard.

When I was working at town hall [in the Municipal Council], there was a relative, actually a brother of Minister of a local government. When he came to town hall, he sat near me and talked with me. Not only once, but few days and asked me “where do you live? What are you doing? Are you living alone?” and so on. For all his questions I gave an answer. Then he asked me for my phone number and told me he wanted to meet me. But I refused to give him my number and ignored him. I was not attracted to him... So I ignored him. Because of that, he called me through the general line and threatened me. He told me, he will not let me to work there and that he will reveal everything to others... because of these things I was frustrated and I resigned from the job.

A same kind of experience was shared by Anumal, when he was facing a disciplinary inquiry where the head of the inquiry made a request from him.

There was a homosexual case against our head also. It [the homosexual case] was on the internet. So in the inquiry, he tried to get my attention on him. But I never gave my consent. He is an old man. To have sex, there is an age category and type of body that I prefer. Without these, I am not interested in sex. So he was not my choice. So they dismissed me. The incident can be considered as an implicit bribery made by the head of the inquiry.

## **6. Discussion and Conclusion**

According to the findings of the study we were able to identify how the participants in heteronormative workplaces were subjected to numerous forms of harassment: 1) ostracism, 2) rejection, 3) offensive comments, 4) sexual innuendos, 5) frequent jokes and name calling, 6) sexual assault, 7) spreading rumors, 8) unwanted touching and 9) threats or bribes in exchange of sexual favors, as heterosexist harassments. Among the many forms of harassment, sexual harassment such as sexual innuendos, sexual assault, unwanted touching and threats or bribes in exchange of sexual favors are most common experiences of harassment among the participants. Other experiences of the participants, such as ostracism, rejection, offensive comments, and frequent jokes, name calling and spreading of rumors can be considered as general forms of harassment, some of which are also common.

All in all, similar to many studies of LGBT employees experiences at work (Eliason, Dibble, & Robertson, 2011), the present study too indicates how Sri Lankan workplaces are still hostile and exclusionary with regard to gay employees. This indicates how the societies’ disapproval of gays has transpired to workplaces and is manifested through these various acts of harassments in the work setting.

It is evident that on the one hand, the participants encounter harassment due to social stigma about homosexuals in the society, and on the other hand, these harassments



further stigmatize the participants, creating a vicious cycle of stigma. Even though Goffman (1963) reports how stigma and resultant treatment of individuals can differ in different contexts, the experiences of participants indicated the high prevalence and persistence of stigma and negative treatment of employees in all types of work settings.

The fact that the gays who are open about their sexuality and those who indicate a feminine disposition are the most common victims, provide sufficient evidence to this existence of social stigma in the Sri Lankan workplaces and the negative outcomes they bring to employees. The gays who are closeted and show masculine characteristics are less likely to be harassed, unless others suspect their sexuality due to some cue, since they are not openly identified by the society as gays.

While Equal Ground Sri Lanka et al. (2013) reports assignment of worst shifts and tasks, assignment of higher quotas than their peers and being fired as the most common forms of discrimination against the LGBT individuals, participants of the present study did not indicate experiencing these types of harassment (other than for one participant who shared experiences of being fired due to his sexuality). Further, participants did not indicate any discrepancies in payments in contrast to findings that gays are paid less than heterosexual employees (Correia & Kleiner, 2001; Drydakis, 2009). It was also interesting to note that in few instances, the openly gays were harassed by the members of the same minority group who are closeted. Through this, the harassers might be attempting to protect their identity as gays and gain social acceptance.

Within a context of legal prohibition as well as social prejudices, the participants are helpless in the face of harassment and have to endure harassment silently. This can in turn bring about various negative consequences to the participants, organizations and the society at large. Hence, in light of the inaction from the point of view of the government, organizations have a bigger role to play in ensuring a harassment free environment for this marginalized group of employees.

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**Management, Organization Studies, Management of  
Technology and Disaster Management**

## Discourses of “Black Companies” in Japan

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### Abstract

*“Black companies” have become a major social problem in Japan. Generally, worker exploitation occurs in developing regions and in countries with cheap labour, inadequate legislation, and no apparent career opportunities, as typified by the problem of sweatshops. Black companies, however, are characterized by the fact that the dark side of these organizations affects an elite workforce of university graduates, driving employees toward mental illness. To understand why this problem has occurred in Japan, it needs to be considered from the perspective of Japanese-style management practices and changes to the dominant discourse shared by Japanese people regarding lifestyles and labour practices in Japan through the post-war recovery, the high growth period in the 1950s and 60s, the bursting of the bubble economy, and the “lost decades” thereafter. In the present study, we conducted a case study of the Japanese company Dentsu Inc. Dentsu is the largest advertising corporation in Japan. We primarily focus on large corporations in Japan rather than smaller companies, and discuss the issue of “black companies” from theoretical, power and discourse viewpoints. Our discussion contributes to a better understanding of the process of creating black companies in Japan and proposes a newer model for identifying the relationship between power and discourse using discourse analysis in the case of Dentsu.*

**Keywords.** *Black company, Discourse, Power, Labour relations, Long working hours*

### 1. Introduction

This paper aims to clarify how power relations in organizations are influenced by multiple levels of discourse by analysing a particular social problem. –Black companies<sup>1</sup> have become a major social problem in Japan. The problems with black companies relate to worker exploitation and conflict between employers and employees. Generally, worker exploitation occurs in developing regions and in countries with cheap labour, inadequate legislation and no visible career paths, as typified by the problem of sweatshops. Black companies, however, are characterized by the fact that the dark side of these organizations affects an elite workforce of university graduates, driving employees toward mental illness. This problem has shocked Japanese society because of cases in which new workers, who had graduated from elite universities, committed suicide due to being overworked. The Japanese government has addressed this problem because of the case analysed in this paper.

To understand why this problem has occurred in Japan, it is necessary to understand

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the relationships between discourses and power relations. The black company problem has been analysed from the viewpoint of human resource management and the relationship between labour and management. The original contribution of this paper is to analyse the problem of black companies from the viewpoint of organizational studies. To clarify the black companies issue in the context of organizational studies, we conducted discourse analysis to clarify the process of the formation of a black company. In particular, we focused on the discursive dissonance among three levels of discourse; micro-discourse, mesa-discourse and macro-discourse. Levels of discourse have not been sufficiently considered in previous studies. However, considering those levels of discourse, it is possible to understand power relations through the duplication of discourses. This makes both academic and practical contributions.

In the present study, we conducted a case study of the Japanese company Dentsu Inc. Dentsu is the largest advertising corporation in Japan. We primarily focus on large corporations in Japan rather than smaller companies, and discuss the issue of black companies from theoretical, power and discourse viewpoints. Our discussion contributes to a better understanding of the process of creating black companies in Japan and proposes a new model for identifying the relationship between power and discourse using discourse analysis in the case of Dentsu.

## **2. Literature Review**

### **2.1 “Black Companies” and Their Background in Japan**

Black companies are corporations that carry out strategic power harassment of new graduates, which they hire en masse as full-time workers. These workers are subjected to an excessively competitive selection process after recruitment, forced to accept as normal non-payment of abnormally long working hours and overtime, and driven toward voluntary retirement if left behind by their competition (Konno, 2012). Konno (2013) points out that black companies are mainly characterized by two factors: long working hours and low wages. As a result, workers become both physically and mentally ill, sometimes leading to death by overwork - a phenomenon that is called –karoshi - or suicide due to mental disorders.

Most executive-level managers, however, do not pay heed to these issues (Black Corporation Award Committee, 2013). Behind this situation are the unique values and management systems of Japanese corporations, while the essence of the problem is identifiable in the social structures of Japan. The Japanese management system contributed to the development of the Japanese economy in the years following World War II. Consequently, many managers in Japan do not believe it to be wrong to manage companies in this way, and regard the idea of a –black company as something that stems from the emotional weakness of employees.

Drawing on Japanese-style management practices, we will clarify Japan’s unique corporate management problem of black companies through an examination of case studies using a discourse analysis conducted from the competitive principles of Japanese corporations, the structures of Japan’s academically-orientated society and the strategic rhetoric of black companies. Japanese management systems may be summarized in terms of systematic, cultural and psychological, behavioural, and organizational characteristics (Otsuki, Takahashi, & Yamaguchi, 2008).

Institutional characteristics include: (1) bulk recruitment of new graduates in April; (2) long-term employment; (3) seniority systems; (4) company unions; (5) personnel transfers; and (6) original corporate education and training. Cultural and psychological characteristics may include: (1) views on employee abilities (emphasis on latent abilities; long-term application of individual abilities); (2) full involvement in the working life of employees; and (3) strength of employees' sense of belonging (homogeneous effect) and creation of difference. Behavioural characteristics include: (1) shared roles and flexibility; (2) distinction between *-us* (internal) and *-them* (external); (3) collectivism. Finally, organizational characteristics may include, as indicated in Ouchi's (1981) *Theory Z*: (1) organic organizations; (2) collective decision-making (consensus building and ringi system) and collective responsibility.

The social context of an academically-orientated society and its related discourse forms the background of Japanese-style management practices. The problem of long working hours at black companies refers to the excessive workload undertaken by people who were successful in the highly competitive recruitment examinations or who work at so-called first-rate companies or corporations listed in the first section of the Tokyo Stock Exchange. These excessive workloads have resulted in some of these people being driven to suicide. It may be asked why they do not quit their positions before reaching such extremes, but unfortunately the situation is not so simple. The factors at work here include the different values on labour practices and lifestyles held by managers who experienced the management systems of Japan as *-corporate warriors*, and new and young employees from so-called generations X and Y, as well as differences in the dominant discourses held by both groups. In other words, there is discord between a discourse reflecting a period of modernism which prioritized the post-war reconstruction and economic and material wealth above all else, and a postmodern discourse reflecting the diverse values held by a generation that, while economically and materially well-off, experienced the lost decades after the collapse of the bubble economy. This discursive dissonance, the unique structures of Japan's academically-orientated society, and Japanese-style management practices have each become entangled with corporate management systems, leading to the problem of black companies. This has become a serious social issue because of the large number of unfortunate incidents where people felt they had no other choice than to commit suicide due to sheer exhaustion and having been trapped in situations where they were unable to quit. This is a consequence of working in a high-pressure corporate environment characterized by excessive workloads and competition due to the structure of Japan's academically-orientated society.

Research has only just begun on the emergence of black companies and the background of the Japanese-style management practices described above, and there has not yet been sufficient debate on the central issues from the viewpoint of organizational studies. Many articles seen in the media concerning black companies merely raise the issue of improving working environments or focus on the overwork or suicides of new graduates. For example, the corrective recommendations made to black companies by the Ministry of Health, Labour, and Welfare have primarily centred on the issues of long working hours, wages, and physical and mental health. Focusing on the issue of long working hours at black companies, we examine a corporation seen to be representative of the problem, Dentsu, and examine what specifically occurred in that company's case.

Around 40 years ago, during a period of strong economic growth in Japan in the 1950s and 60s, long working hours were normal practice at many companies. This can be seen in a discourse exemplified by slogans such as –work is good and –corporate warriors, as well as in a commercial asking whether potential recruits can fight 24 hours a day. Although there was the social problem of long working hours, as well as deaths from overwork during this period, these were not treated as major issues. Black companies came to be identified as a major social problem because of changes in the social context of Japan and the dominant discourse of the period, as well as changes in the awareness of labourers regarding working practices and lifestyles and the dominant discourse on work within Japanese society. There have been changes in people’s values regarding quality of life and ideas about work, as well as a discourse encouraging these changes in Japan, having attained high economic growth and become a wealthy nation.

## 2.2 Power and Discursive Dissonance

Power has been studied from the perspective of discourse from around the 1990s. Scholars in this area are inspired by the series of Foucault's studies especially the study in 1998. They focus on the formative power of language when they explain organizational phenomena. Although conventional organization students consider language as a mirror reflecting reality, the study of discourse emphasizes that language constructs social reality (such as power relations).

Discourse can be defined as –structured collections of texts, and associated practices of textual production, transmission and consumption, located in a historical and social context (Hardy & Phillips, 2004, p. 300). Organizational discourse is divided into three levels from the perspective of levels of analysis that is showing as Figure 1: (1) micro-discourse (focused on interaction among people); (2) meso-discourse (focused on the organizational level); and (3) macro-discourse (focused on broader institutions and society) (Boje, Oslick, & Ford, 2004). These levels each exert influence on each other.

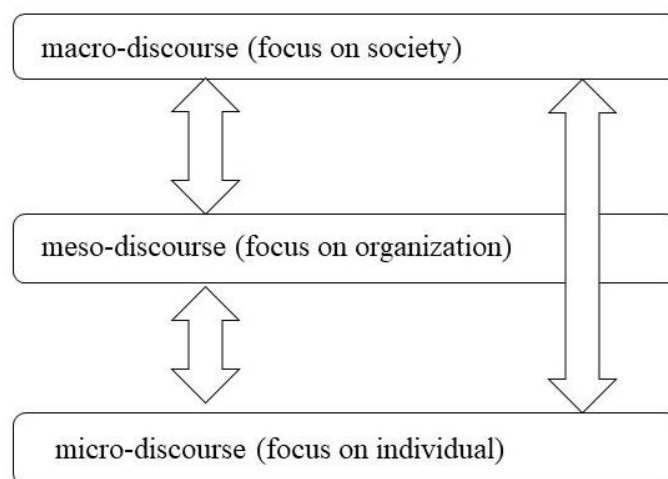


Figure 1. The levels of discourse. Drawn by authors based on Boje, Oslick, and Ford (2004)

Research focusing on organizational discourse conceptualises power differently from conventional ideas of –power. Conventionally, researchers perceive that power is exercised by a person who has the power over those who do not have power.



According to Foucault (1998), on the other hand, power –is not something that is acquired, seized or shared, something that one holds on to or allows to slip away; power is exercised from innumerable points, in the interplay of nonegalitarian relations (Foucault, 1998, p. 94). Therefore, the study of power –requires research and theory that examine how communication practices construct identities, experiences and ways of knowing that serve some interests over others (Mumby, 2001, p. 614). For these reasons, recent studies about power focus on language that is an important element in communication.

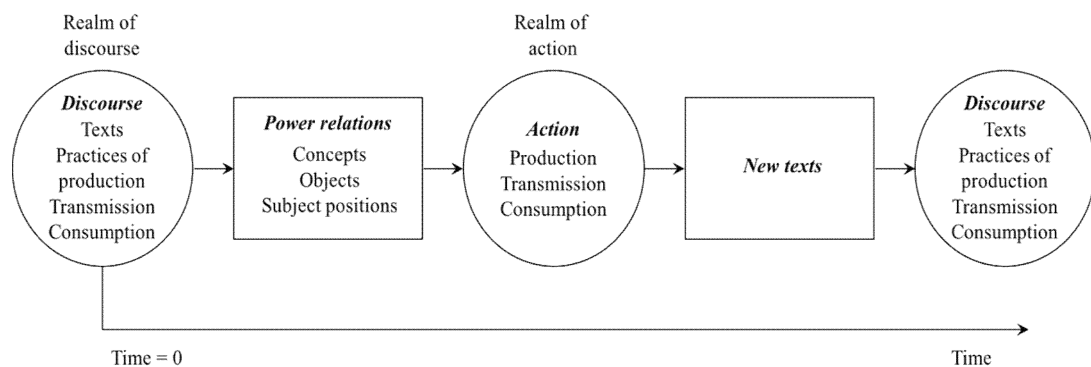
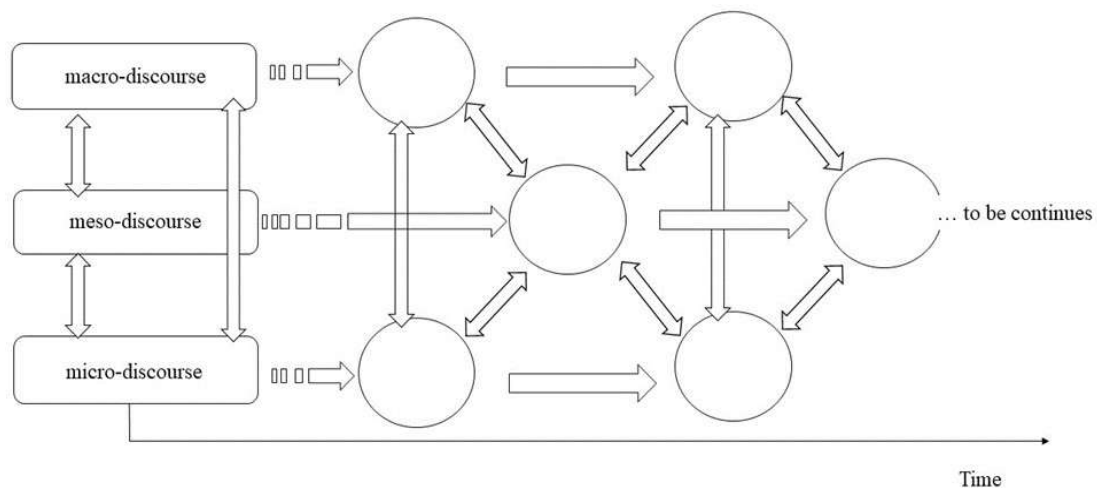


Figure 2. The relationship between power and discourse. From Hardy and Phillips (2004, p 305)

Hardy and Phillips (2004) argued that either discourse or power does not take precedence over for the other and both of them compose mutually for each other. They argue that power is based on existing discourse. On the other hand, actions of organizational actors produce the new text that is defined as –a manifestation of discourse and the discursive \_unit (Grant, Hardy, Oswick, & Putnam, 2004, p. 3). As new texts are added to the discourse, an entirely new discourse is constructed. In this manner, recent studies have shown that power is generated through the interaction between discourse and action. There are limitations in the work of Hardy and Phillips (2004) and Boje et al. (2004). Hardy and Phillips (2004) illustrate a model which showing argument of interrelationship of internal only each level of discourses. Namely, their model reveals that meso-discourse has an interconfigurational relationship with power, which influences internal organization. However, this model does not sufficiently explain other levels of power relations outside of meso-discourse. As mentioned above, there are three levels for analysing discourse depending on levels of analysis: micro-discourse, meso-discourse and macro-discourse. On the other hand, while the ideas on the levels of discourse presented by Boje et al. (2004) contributed to understanding the attributes and constituents of the concept of discourse, his ideas did not address the relationship between the time and the formation of a discourse or the power struggles among levels of discourses and the formation of power relations. It is, therefore, important to combine the ideas of Hardy and Phillips (2004) and Boje et al. (2004) to clarify the process of constructing power relations among the micro-discourse, meso-discourse and macro-discourse in individuals, organizations and society. Then we construct the model of the formation of power relations and power struggles among the level of discourses called –discursive dissonance (as a Figure 3). Here, discursive dissonance is defined as disagreement among levels of discourse. Discursive dissonance will be able to form power relations. Therefore, the purpose of this paper is to clarify how various levels of discourse and power relations construct each other.

This research makes both academic and practical contributions. Hardy and Phillips (2004) studied how new texts and discourses reinforce power relationships through production, transmission and consumption of discourses. However, researchers have not yet attained a sufficient understanding of how organizational members are controlled by actions and interpretations that are embedded in discourses and power relations. To understand this issue, research is needed into micro-discourse and macro-discourse involving organizational members. Further, we must understand how meso-discourse is modified by macro-discourse. This paper provides insight into the modification of power relations through reproducing discourses with three levels of discourses and power relations. This is the present study's academic contribution.



*Figure 3.* Discursive dissonance and power. Drawn by authors based on Boje, Oswick, and Ford (2004) and Hardy and Phillips (2004)

In addition to its academic contribution, this study also makes a practical contribution. It is possible to assess the strategic impact of organizational power relations through using various discourses as outlined above. This might help those struggling with injustices generated by power relations in their organizations.

### 3. Methodology and the Case

Drawing on Japanese-style management practices, we will clarify Japan's unique corporate management problem of black companies, as well as how the discourse of common knowledge about working in Japanese companies has been constructed, through an examination of case studies. For this, we shall use a discourse analysis conducted from the competitive principles of Japanese corporations, the structures of Japan's academically-orientated society, and the strategic rhetoric of black companies.

For this study, we conducted case studies based on secondary data. A case study tends to be used to clarify the reasons for and processes of a phenomenon. Because this paper aims to clarify the relationship between the social context and the organizational discourse on black companies, it is beneficial to use secondary data such as the diaries of concerned persons, the conversations of survivors, court documents, newspaper articles, public opinion surveys, Twitter posts, and so forth.

We analyse the case of Dentsu Inc.. A young female employee of Dentsu killed herself in December 2015 as a consequence of the long working hours and power

harassment she experienced at the company. She had started working at Dentsu in April 2015. This company is well known as a black company in Japan due to her suicide. The Japanese mass media reports that Dentsu has very strict working guidelines referred to as the –Oni-Jyu-Sokul (Dentsu’s ten Working Guidelines) and that these guidelines have created a situation where many of its employees work in a very tough environment. These guidelines show the spirit and way of thinking about tasks in the company. Oni-Jyu-Soku is based on the ideas of employees who have worked at Dentsu since 1951. It was written by Hideo Yoshida, the fourth CEO of Dentsu, who greatly contributed not only to the company, but to the whole Japanese advertising industry. Such principles have long been considered something of significant value not only by employees of the company, but by many managers at other Japanese corporations as well.

#### Oni-Jyu-Soku (Dentsu’s ten Working Guidelines)

1. *Create projects on your own instead of waiting for work to be assigned.*
2. *Always take the initiative on your projects. Do not wait for directions.*
3. *Search for large and complex challenges. Small and trivial projects will debase you.*
4. *Tackle difficult assignments. Progress only lies in accomplishing a difficult mission.*
5. *Never give up on your task. Treat it as if it was your own life with the utmost determination and responsibility.*
6. *Lead by example. Leading rather than being led makes a huge difference in the long run.*
7. *Set long-term goals. With the right amount of effort, patience and creativity, they will bring hope for the future.*
8. *Be confident. Confidence will give your work edge, persistence and boldness.*
9. *Keep your head up and your eyes wide open. Never drop your guard, even for a moment. This is the nature of providing service.*
10. *Embrace confrontation. If you don’t, you will regret it. Confrontation is the mother of progress and the source of aggressive entrepreneurship.*

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In the context of high economic growth in Japan, long working hours were normal practice at many companies, as is seen in a discourse exemplified by slogans such as –work is good and –corporate warriors, as well as in a commercial asking whether potential recruits can fight 24 hours a day. Although there was the social problem of long working hours, as well as deaths from overwork during this period, these were not treated as major issues. In fact, Dentsu had grown riding on a wave of Japanese economic growth with Oni-Jyu-Soku. Nowadays Dentsu is the largest advertising agency in Japan, and is also the 5<sup>th</sup>-largest advertising agency network in the world in terms of revenue. During this growth period, the working guidelines that may lead workers to overwork have been considered as one of the factors of the growth of not only the companies but also the members in organizations, and usually have been promoted.

From the 1950s to 1990s, the Japanese economy continued to grow, although there were exceptions, such as the 1970s economic downturn due to the oil shock. After the collapse of the financial bubble in the 1990s, Japanese society experienced a period of

long-term economic slowdown called the –lost two decades. Naturally, Japanese companies and the government suffered economic damage. Not only companies’ managers, but also many individuals in Japan lost their confidence and hope for the future. During the lost two decades, among Japanese people various values of their lives were accepted and adopted. They came to value mental satisfaction over economic and material wealth. On the other hand, corporate culture and customs were inherited historically in the form of Japan’s original management practices, which have been rooted in and maintained by business activities. The managers and administrators who experienced Japanese-style management practices during the high growth period when they first joined their companies worked under a dominant discourse of modernity that sought economic growth and material wealth. However, new employees in the present and people who did not experience the high growth period have a work ethic that is fundamentally different regarding labour practices, something that may be described in terms of a generation gap.

Ms. Takahashi, a Dentsu employee who was 24 years old at the time, committed suicide on December 25, 2015. Dentsu has been a very famous and popular company for Japanese university graduates because of its size. Table 1 shows the timeline of the case of Ms. Takahashi and Dentsu’s correspondence for this case.

Table 1

*Timeline of the Case of Ms. Takahashi and Dentsu’s**Correspondence*

Time	Event
March 2015	Ms. Takahashi graduated from the University of Tokyo.
April 2015	Ms. Takahashi entered Dentsu
May 2015	Ms. Takahashi moved to a house provided by the company
November 2015	Ms. Takahashi asked her boss to reduce her workload
December 25 <sup>th</sup> 2015	Ms. Takahashi committed suicide
September 30 <sup>th</sup> 2016	This case was approved as Industrial Accident Compensation
November 1 <sup>st</sup> 2016	Dentsu established the –Dentsu Work Environment Reform Committee
December 9 <sup>th</sup> 2016	Dentsu decided to delete –Oni-Jyu-Sokull from the employee handbook.
December 28 <sup>th</sup> 2016	Dentsu and the boss of Ms. Takahashi were referred to the public prosecutor’s office for breach of Labour Standard Law by Ministry of Health, Labour and Welfares The CEO, Mr. Ishii, resigned from Dentsu

*Note.* Created by authors with based on Asahi daily newspaper (Chiba, 2016 October 8, 2016; Editorial Department of Asahi, December 10, 2016; Editorial Department of Asahi, December 29, 2016) and Imanishi (2017)

Referring to the case of Dentsu through discourse analysis, it is possible to examine the power relations between the persons who wield control and persons who are controlled in the workplace. This analysis shows differences from the model submitted by Hardy and Phillips (2004). This study contributes to the understanding of what discourses are interacted between members in the organization daily. This might help persons who are struggling with injustices generated by power relations in their organizations.

#### 4. Analysis

In this section, we analyze the case through the analytic framework of discursive dissonance and power. In our analysis, the formation of discursive dissonance can be divided into two phases: the first is the phase in which Oni-Jyu-Soku was powerful

and the second is the phase in which Oni-Jyu-Soku had lost its power not only in Dentsu, but also in Japanese society.

The first phase can be described as shown in Figure 4. This figure shows the processes by which the power of Oni-Jyu-Soku was strengthened. From the 1960s to 1990s, the Japanese economy continued to grow strongly. During this phase, not only business persons, but also academics around the world had recognized the Japanese management system as being better and more efficient than that of other countries. For example, Abegglen (1958) stated that a Japanese management system consists of three essences—the long-term employment system, the seniority-based wage system, and companies' unions—and these essences have supported their strong growth. At that time, Oni-Jyu-Soku was proposed by Dentsu and Dentsu enjoyed economic success with Oni-Jyu-Soku. At the same time, on the individual level in Japan, workers considered working for their company as long as possible to be critically important. Because the large companies in Japan have long-term employment systems and seniority-based wages systems, the longer the workers belonged to their company, the more money they would receive and higher positions they could achieve. Through this interaction among these three levels of discourses, the power of Oni-Jyu-Soku strengthened. While at the societal level and organizational level guidelines such as Oni-Jyu-Soku were a critically important factor to continue their growth, at the individual level many Japanese considered that as long as they followed Oni-Jyu-Soku, their efforts would never go unrewarded. Then, the individuals in large companies in Japan were willing to follow the guidelines like Oni-Jyu-Soku. At the same time, it became difficult for employees to change jobs so as to work for better companies.

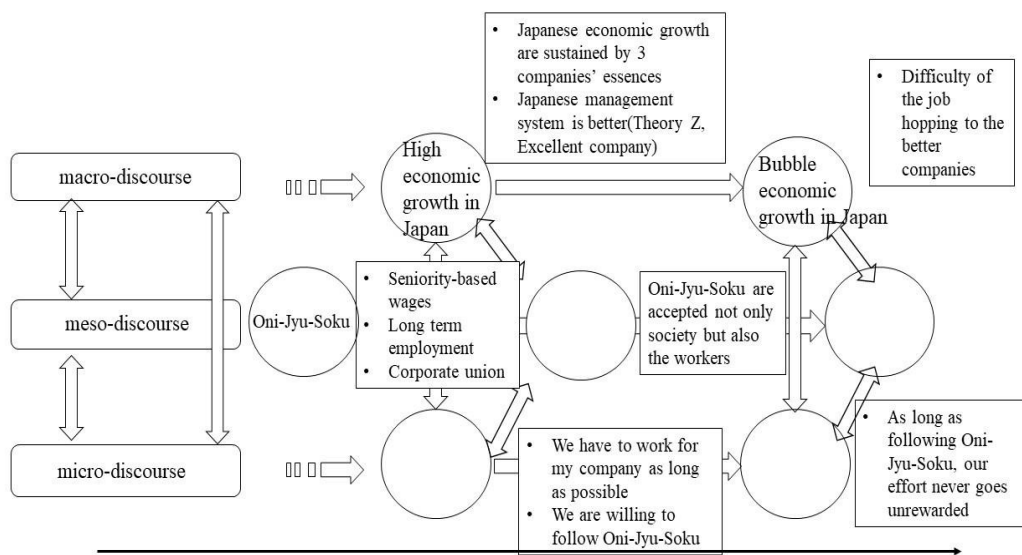


Figure 4. To strengthen the power of -Demon's 10 Codes (Principles) (1960s-1990s).

The second phase can be described as shown in Figure 5. Figure 5 shows the processes by which Oni-Jyu-Soku has lost the power, not only in Dentsu but also in Japanese society, through discursive dissonance. After the collapse of the financial bubble in the 1990s, Japanese society experienced the -lost two decades. Under these

circumstances, societal values underwent significant change. At the same time, at the individual level, the people, particularly the millennial generation in Japan who were educated under the –pressure-free situation, came to prioritise mental welfare over economic growth. On the other hand, at the organizational level, Dentsu kept Oni-Jyu-Soku. Here, there was dissonance between the macro-discourse and meso-discourse and between meso-discourse and micro-discourse. While the older workers in a large company like Dentsu recognized work principles such as Oni-Jyu-Soku as a way to grow not only their company but also themselves, the young, millennial workers largely considered the hard-working principles to be meaningless, useless and incompatible with their values. In the case of Ms. Takahashi, she had encountered difficulty with her boss in terms of the size of her workload. According to No. 5 in Oni-Jyu-Soku, Dentsu employees never give up on their tasks. The persons and organizations that considered economic welfare to be of great importance, such as her boss and Dentsu, would attempt to follow this principle. For the millennial generations in Japan, who regarded their mental welfare to be more important than economic and material welfare, however, this could be a principle that they would never be comfortable to follow. Discursive dissonance had occurred between the discourse in Ms. Takahashi and the discourse in Dentsu. As mentioned in the first phase, because of the Japanese management style, moving jobs to better companies is difficult for young workers in Japan. If they do not like their job, their choices are only two to persevere in their unsatisfactory position, or to move to another job in a lower-ranked company. In Ms. Takahashi’s case, she could not accept either of these options.

After her death, Oni-Jyu-Soku was revealed to the public by the media. Japanese society, including the Japanese media, have criticized Oni-Jyu-Soku and have blamed it for Ms. Takahashi’s suicide. Here, another discursive dissonance is seen. In Japanese society, because many values have been accepted due to the lost two decades, many people think that nobody should force their values and principles upon others. They criticized Dentsu and Ms. Takahashi’s boss of forcing Oni-Jyu-Soku on Ms. Takahashi. While Dentsu and some members in Dentsu thought that Oni-Jyu-Soku may promote the development of company and benefit them personally, Japanese society considered Oni-Jyu-Soku as a hindrance to the pursuit of happiness. Japanese society, represented by the mass media, have labelled Dentsu as a –black company. Finally, Dentsu decided to delete –Oni-Jyu-Soku from the employee handbook. Dentsu and the boss of Ms. Takahashi were referred to the public prosecutor’s office for breach of Labour Standard Law by the Ministry of Health, Labour and Welfare.

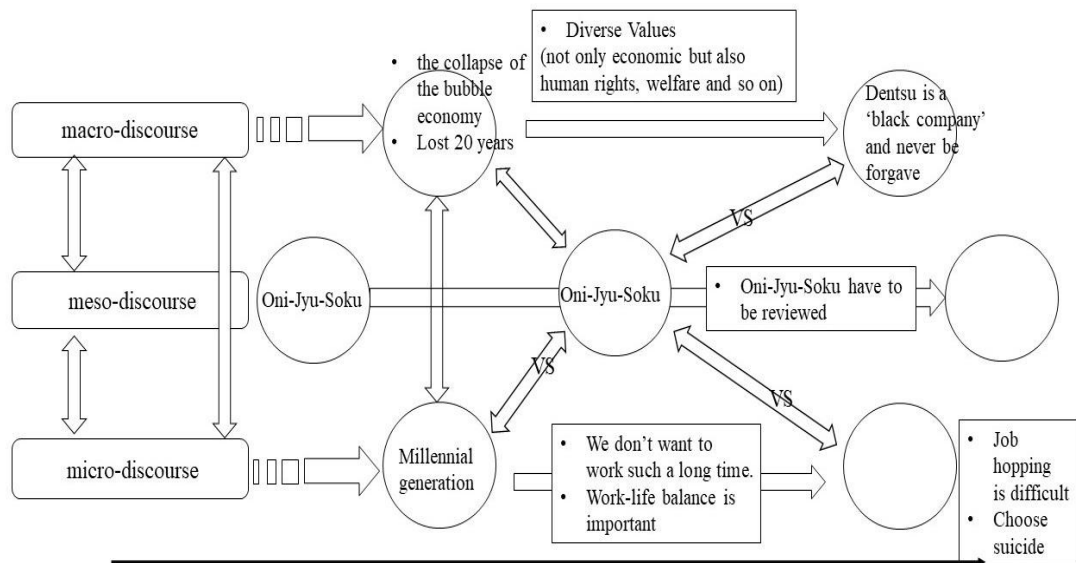


Figure 5. Discourse dissonance on –Demon’s 10 Codes (Principles) (1990s-Now)

In this section, we discuss the processes through which Oni-Jyu-Soku gained power and subsequently lost power through analysing discursive dissonance. In the first phase, three levels of discourse have shared the familiar values that focused on economic growth and the Japanese management style. There is, therefore, no remarkable discursive dissonance on Oni-Jyu-Soku. In the second phase, due to the change of values in Japanese society and among Japanese people, we found the emergence of discursive dissonance on Oni-Jyu-Soku. This discursive dissonance reduced the power of Oni-Jyu-Soku. At the same time, Dentsu came to be considered a black company by this discursive dissonance.

## 5. Findings and Discussion

By analysing this case of a black company, we can identify three levels of discourse: micro-discourse, meso-discourse and macro-discourse (Boje et al., 2004). From this argument, it is possible to say that power relations in an organization are constructed not only by micro- and meso-discourse and action but also by macro-discourse. In the case of Dentsu, interaction among the three levels of discourse was critical in the creation of new discourse and work practices, in contrast with the model created by Hardy and Phillips (2004). This paper contributed for its investigation of discourse and power.

In this article, we analysed the case of Dentsu—a Japanese advertising agency described as a –black company—through discourse analysis. Through analysing the case in which a young, female employee in Dentsu committed suicide under pressure from long working hours and power harassment, and accepted compensation as ‘Industrial Accident Compensation.’ Burdening employees with extreme workloads was normal practice during the period of Japanese economic growth, and acceptance of this practice is still ingrained in Japanese society. Dentsu had the –Oni-Jyu-Soku list of ten guidelines for employees’ actions and attitudes, and a lot of workers were inspired by it. These rooted corporate cultures and customs which are formed by Japanese management style still exist in Japan. However, Japanese workers’ attitude toward their working style has changed such that workers—especially the younger

generation—have been starting to consider their lifestyle since the –lost two decades‖. This shows the turning point of micro-discourse, and it also has an impact on macro-discourse. In addition, this movement and the suicide of a young, female worker in Dentsu influenced meso-discourse. It was a trigger for erasure of Oni-Jyu-Soku from the Dentsu employee handbook.

From a movement like this, it is possible to understand the power relations within the workplace. This study contributes to the understanding of how discourses interact between members in an organization daily. This might help persons who are struggling with injustices generated by power relations in their organizations.

This study has several limitations. The first is the limit of using secondary data for analysing a case. For this reason, we should have interviews to collect data to facilitate understanding meso-discourse and micro-discourse in the future. Second, we address only one case in this study. However, there are many companies described as –black companies‖ in Japan, and even government workers are harmed by long working hours and other elements of definitions of black companies. Adding to this, the meaning of –black‖ has been expanding to include such terms as –black part time job‖ (Ouchi, 2016) and –black club activities‖ (Uchida, 2017). This study needs to analyze various organizations and companies described as –black‖. Finally, although we conclude that discursive dissonance is harmful, originally discursive dissonance does not always lead organizations negative side. This might help organizations improve their practices, such as encouraging innovation based on diverse ways of thinking. For this reason, this study has future importance in the field of organizational studies.

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## **Enhancing Quality of Life of Intellectually Disabled Individuals through Social Business**

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### **Abstract**

Intellectually disabled individuals (IDIs) as a part of the society have difficulties in getting employment opportunities due to their inherent weaknesses. However there are instances where IDIs are employed in the formal sector. The present case study has been conducted with the purpose of understanding the role of social business in improving the quality of life (QoL) of IDIs. During the literature review it was identified that there is a gap in the literature on how social businesses improves the QoL of IDIs. The present study was conducted as a single case study and aimed at addressing this gap in literature. It followed a qualitative approach and a theoretical framework on QoL was used in assessing the improvement in QoL among IDIs. The findings of the present study suggest that the employment opportunity in a social business with managerial support and guidance from supervisory staff has enhanced QoL of IDIs. In terms of the QoL framework it was evident that all the key areas of quality of life have been fulfilled with the IDIs active involvement in the social business.

**Keywords.** Intellectually disabled individuals, Social business, Quality of life

### **1. Introduction**

We are self-motivated and have ambition to learn, achieve and belong. (We) Need jobs to feel good and contribute, (we) want proper jobs, pay and will work hard. Accept us as people first, don't see the disability first. We can cope with things, we are doing well. Don't call us names it causes pain. We have skills even if we can't read and write. We are all different and unique and want to be treated like that. Respect is a two way street, we show it, so must others. We want to be financially independent. (We) want jobs outside. (We) want people to be as honest with us as we are with them. We need to be understood and not judged and labeled (International Labour Organization, 2011, p. 3).

Intellectually disabled individuals (IDIs) are also a part of the society. However Chan (2015) have identified that the disabilities results in the exclusion of individuals from the labour force. The unemployment acts as a deterrent to achieve QoL among the IDIs. However there are some business ventures that provide employment opportunities to IDIs. Some of those businesses operate as social businesses, where the primary focus is on solving social issues such as unemployment of IDIs. Although several studies such as, Broad and Saunders (2008), Albrecht and Devlieger (1999) and Timmons, Hall, Bose, Wolfe, and Winsor (2011) have studied the benefits that IDIs receive as a result of their employment, there were insufficient evidences on how social businesses contribute towards the improvement of QoL of IDIs. Present study addresses the theoretical gap of how social businesses could improve the QoL of IDIs. The present study conducted as single case study taking in to consideration a special

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project carried out by Ceylon Biscuits Limited (CBL) under the name HOPE cookies (a handmade cookie brand).

Hope cookies are manufactured at a specially designed manufacturing facility referred to as “Sahan Sevana”. Managerial support, CSR philosophy and supported employment were considered as theoretical lenses to shed light on the concept of social business with specific referent to literature. QoL framework proposed by Buntinx and Schalock (2010) used to identify the improvement of QoL among IDIs in the present study. The next section of the paper elaborates the theoretical background in to the present study with specific reference to intellectual disability, quality of life, social business and QoL of IDIs. Subsequent to the literature review methodology, findings and discussion is provided. Directions for future research are provided as the last section of this paper.

## **2. Literature Review**

Literature review of the present study focuses on intellectual disability, quality of life, social business and QoL of IDIs. Subsequent to those sections literature review focuses on managerial support, CSR philosophy and supported employment which will be followed by an elaboration on the effect of family involvement in the improvement of QoL among IDIs.

### **2.1 Intellectual Disability**

Intellectual disability (ID) is a form of disability in the psychological state of an individual and according to Schalock et al., (2002) there are several terms used to refer ID such as development disabilities, cognitive disabilities, mental retardation and learning disabilities. ID is characterized by significant limitations in intellectual functioning and in adaptive behaviour as expressed in conceptual, social and practical adaptive skills (American Association of Intellectual and Development Disabilities, 2013). According to Abbott and McConkey (2006), IDIs are frequently marginalized in the society because they are highly reliant on others most of the time. Reid and Bray (1997) have also noted that traditionally IDIs have been excluded from paid work.

Hashim and Wok (2014) have highlighted that IDIs are frequently identified as a group needing sympathy and relief instead of being seen as productive individuals. Grant (2008) noted that IDIs are most frequently confined to institutions, isolated from the wider society and not permitted to lead an ordinary life. As a result of this the opportunities for them to become a part of the ordinary society and to interact freely would be limited. Schalock et al., (2002) have suggested that the disabilities associated with problems concerning participation in society and IDIs are in danger of being excluded from many situations and opportunities that usually are available to other people. They further suggest that due to this reason it is essential to provide means to establish QoL allowing all people access to places and resources. Based on that suggestion it can be argued that the IDIs if not given adequate attention and opportunities, and therefore will experience a loss of QoL.

### **2.2 Quality of Life**

According to Verdugo, Navas, Gómez and Schalock (2012) QoL reflects the dynamics of personality desired subjective and objective conditions of life. Hence QoL can be identified as a way of identifying the life standards experienced by an

individual. Schalock et al., (2002) have advocated that the QoL concept be developed beyond a theoretical concept to become a useful tool in policy making on IDIs. Academics over the period have developed several models in assessing the QoL. Buntinx and Schalock (2010) have conducted a detailed analysis on these different models assessing QoL. In their analysis they have identified that the models proposed by AAIDD and International Classification of Functioning, Disability and Health (ICF) are both objective models which require professional administration (i.e. conducted by trained evaluators). They have suggested that assessment of QoL should focus on evaluating the current status of person's life conditions and circumstances vis-à-vis the exemplary factors. Based on their analysis they have proposed a QoL conceptual model which is provided in Table 1. With QoL assessment the metric can be subjective appraisal of life events, circumstances, or level of personal satisfaction, or objective appraisal from third parties regarding the status of the person (Buntinx & Schalock, 2010). Hence this particular framework can be used in the present study to assess the daily life conditions that are experienced by IDIs.

Table 1

*Quality of Life Conceptual and Measurement Model*

Factor	Domain	Exemplary Indicators
Independence	Personal development	Education status, personal skills, adaptive behavior
	Self-determination	Choices/decisions, autonomy, personal control, personal goals
Social Participation	Interpersonal relations	Social networks, friendships, social activities, interactions, relationships
	Social inclusion	Community integration/participation, community roles, supports
	Rights	Human (respect, dignity, equality) legal (legal access, due process)
Well-being	Emotional well-being	Safety and security, positive experiences, contentment, self-concept, lack of stress
	Physical well-being	Health and nutrition status, recreation, leisure
	Material well-being	Financial status, employment status, housing status, possessions

*Note.* Adapted from Buntinx and Schalock (2010).

With respect to employment, it can be concluded that people with intellectual disability are 3-4 time less often employed than non-disabled (Verdonschot, De Witte, Reichrath, Buntinx, & Curfs, 2009). However Grant (2008) has shown that there are several benefits resulting from employing IDIs such as financial independence, a sense of purpose and belonging, increase social network, increased autonomy and self-determination. Further Hockerts (2015) has identified that there are social businesses which provide employment to marginalized groups in the society. This suggests that social businesses are a means of improving QoL of the IDIs through the provision of employment opportunities. Hence the next section provides an account of the social businesses.

### **2.3 Social Business**

The concept of social business has evolved to a greater extent during the last two decades. Different scholars have recognized social businesses by different names such as social enterprises, social ventures and hybrid organizations (Hockerts, 2015). A social business is a type of business which aims to change the world, a business driven by creativity and problem solving (Kickul, Terjesn, Bacq, & Griffiths. 2012). Liyanage (2005/2006) have stated that, if the CSR activity of a business is the very purpose of its business, indeed, the reason for the existence of the business, not just being incidental, but central to it, then such a corporate is engaged in socially responsible business. This clearly shows that a business activity operates with both societal objectives and business objectives and it can be categorized as a social business. According to Yunus, Moingeon and Lehman-Ortega (2010), social business is a form of business that can be identified somewhere between a profit maximizing and non-profit organisation.

There are different classifications in social businesses. Hockerts (2015) in his detailed analysis of social enterprises have identified three categories, namely work integration social enterprises (i.e. beneficiaries are employees), base-of-the-pyramid hybrids (i.e. beneficiaries are consumers) and fair trade hybrids (i.e. beneficiaries are suppliers). According to him work integration social businesses provides employment opportunities to groups of individuals who are at a risk of getting excluded from the labour market. This kind of business activity allows the individuals to receive an income not as a government grants but as a benefit of productive employment. Base-of-the-pyramid hybrids provide essential products and services at affordable prices to individuals who cannot afford to purchase those products due to their poverty. Fair trade hybrids on the other hand focus on building platforms for marginalized producers to sell their products at a premium price to affluent customers.

In understanding this model of business it is important to focus on the product or service provided by the business, the way business is organized and the revenue model. Investing in a social business is different from philanthropy in several ways. Yunus et al., (2010) have proposed a model indicated in Figure 1 which demonstrates how a social business fulfills both social profit and financial profits while sustaining the business. On the other two extremes there are not-for-profit organizations and profit-maximizing businesses.

“Grameen” concept founded by Professor Muhammad Yunus can be identified as a vibrant example for a social business. A social business conceptually is about developing a self-sustaining company that sells goods or services and repays its owner’s investments, but whose primary purpose is to serve society (Yunus et al., 2010). They highlight that in the case of Grameen the primary purpose of the business is to serve the poor people in the society with an innovative business model.



Figure 1. Social business vs. profit maximizing business and not-for-profit organizations. Source: Yunus et al., (2010)

Another important characteristic of a social business is obtaining the involvement of the beneficiaries at the core of the business activity as highlighted by Hockerts (2015) in the classification of social enterprises. For an example, this is widely visible in Grameen movement where economically disadvantaged people are given access to finance and markets with the objective of elevating their living standards. In the same manner, it can be proposed that a social business would be capable of providing opportunities to IDIs to be involved in society as a socially accepted group. Employing IDIs is a challenging yet it is an area which opens the paths to a huge popularity in the main stream employment sector as business organizations are increasingly attempting to be socially inclusive. In this backdrop the next section of the literature review provides an explanation how social businesses could improve the QoL of IDIs.

#### 2.4 Social Business and QoL of IDIs

Due to the inherent limitations, it is difficult for the IDIs to find employment opportunities in the mainstream organizations. Business organizations as well as the society tend to marginalize these individuals claiming that they are less competent, socially inadequate and requiring special support always. However, now the perception of the society towards the IDIs is gradually changing. As identified by Hockerts (2015) there are social businesses which provide employment to marginalized groups in work integration social businesses. According to Unger (2002) employers play an important role in addressing the high unemployment rate among persons with disabilities. He has identified that that businesses appear to have a renewed emphasis employing IDIs in an effort to enhance their image as well as to strengthen social responsibility.

According to Grant (2008) engagement in society's workforce is a fundamental right of citizenship, which is declared by The United Nations Declaration of Human Rights. He further mentions that, there is now increasing evidence of changing attitudes toward employing IDIs. This is in turn of fulfilling a social responsibility of a business by providing a greater inclusiveness leading to higher QoL as discussed in the previous section. Businesses need to ensure that IDIs are able to gain access to real jobs, gain the necessary skills and to play an active part in the economy as members of the workforce and their community. Grant has shown examples in New

Zealand where several employment and vocational support providers have come together to provide employment opportunities for IDIs.

In employing the IDIs it is important to provide them with the necessary support at the work place. This has been identified as supported employment in the literature on employing IDIs. Further Chan (2015) have identified that supportive supervisors benefit IDIs in their immediate working environment. According to Broad and Sounders (2008) social enterprises provide a highly supportive workplace that is suitable for the complex needs of individuals with disabilities and provide them the opportunity to improve their social network. They further suggest that social enterprises have understood the value of creating employment for persons with disabilities. Based on the above arguments the author presents, managerial support, CSR philosophy, and supported employment as the characteristics of social business which could help in improving the QoL of IDIs.

### **2.5 Managerial Support**

Managerial support and involvement are imperative in the success of any business activity. According to the nature of the present study, the social businesses are conducted as a sub section of the main business activity and the management does not take the outcomes of the social business as a key determinant of the success of the main business activity. According to Yunus (2007) managers are responsible for making profits hence their attention and highest priority should be given to profits. In that kind of situation, the management support on the social business becomes crucial driving force in the success of the social business. In relation to the management of social enterprises it is very important to define a strategic focus in which mission and strategy are consistent, because it is a source of long term-legitimacy and support (Social Enterprise Knowledge Network, 2006, p. 57).

There are evidences in the literature which suggests the fact that a special support from the management is integral to the success of the social business. Broad and Sounders (2008) in a policy paper on social business and IDIs have noted that the employers should engage in substantial changes such as highly knowledgeable staff trained and recruited specifically to accommodate IDIs. They also have highlighted that social enterprises require ongoing support, accommodation and appropriate funding. Chan (2015) on a similar note has suggested that social enterprises should provide subsidies on areas such as transportation, meals and flexible work scheduling for the well-being of the participants. These findings suggest that the social businesses are highly reliant on the support of the management.

### **2.6 CSR Philosophy**

As highlighted by Liyanage (2005) when the CSR activity becomes the core of the business activity, it becomes a socially responsible business. He has further shown that the specialty of such an approach is that it is not an incidental activity, rather a continuing one. According to Timmons et al., (2011) early employment experiences of IDIs have a positive impact on their self-confidence and their ability to work in the community. Broad and Saunders (2008) also in their study have clearly demonstrated how the employment of intellectually disabled will result in higher QoL. Given this, the CSR philosophy of total engagement of IDIs in the business activity as employees has a direct relationship is likely to play a key role in improving the QoL outcomes that they can achieve.

## **2.7 Supported Employment**

Supported employment refers to the facilitation of the employment of IDIs by creating an environment conducive for such individuals to develop sustainably. The concept of supported employment has formally introduced in 1984 and has gained wider acceptability in countries such as Canada and United States (University of British Columbia, 2006). US Developmental Disabilities Act of 1984 defines supported employment as “paid employment for persons with development disability for whom employment at or above minimum is unlikely or who need ongoing support to perform in a work setting”. Hence the supported employment requires IDIs to be continuously guided, supervised and supported.

There are several studies that have focused on the outcomes of supported employment. Beyer, Brown, Akandi and Rapley (2010) have identified the supported employment as a means to provide constructive occupation and enhanced the QoL of the IDIs. Verdugo, Jordan de Urries, Caballo, and Crespo (2006) have studied the QoL outcomes in supported employment extensively and have demonstrated that the factors such as professional job coaching, number of hours employed, level of training and job characteristics have a direct impact on the QoL outcomes of IDIs. Broad and Sounders (2008) have highlighted that in certain cases persons with disabilities are able to work limited hours due to the limitations caused by the disability, hence they require ongoing supporting and coaching in the work place. They further assert that this requires an in-depth understanding of the nature of the disability, and the varying needs of the employees. In contrast Schur, Kruse and Blanck (2005) have suggested that in certain circumstances supervisors’ negative attitudes might affect the socialization and ability to function well as an employee. Chan (2015) focusing on social purpose businesses have shown evidences that supervisory support has a positive effect on the job satisfaction and the well being of disadvantaged workers. In the HOPE cookie project also the supervisory staff plays a significant role in facilitating the employment activity of the IDIs. Hence in line with the literature evidences, supported employment was identified as a characteristic of social business.

In summary the literature review provided evidences to suggest that IDIs are sometimes marginalized due to their inherent disabilities. However social businesses which operate with both social and business objective could provide the necessary background for IDIs to be employed. The employment opportunities provided to them via social business is capable of uplifting their life standards which can be evaluated using a theoretical framework on QoL. Hence the literature review provided the theoretical underpinning for the present study which focuses addressing the theoretical gap of how social businesses contribute to improve the QoL of IDIs.

## **3. Methodology**

The present study can be identified as an interpretive study which takes the qualitative approach. The methodology section of the present study provides an introduction to the case, data collection and analysis.

### **3.1 The Case**

The present study is based on a special project named HOPE cookies operated by CBL which is a leading biscuits manufacturer in Sri Lanka. They have both economic expectations and social expectations out of the project. The primary objective of the HOPE project is to uplift the standard of IDIs in the society and to make a paradigm



shift on the way the society looks at IDIs. The management of CBL wants HOPE cookies project to run as a self-sustaining venture where the profits are re-invested on staff development and expansion. IDIs, their welfare and well-being have become a social concern in Sri Lanka. Since the primary objective of HOPE cookies project is to find out a solution to a social problem, it can be identified as a social business which has both social as well as financial expectations. These kinds of business models are unique and rare in Sri Lankan corporate sector. Due to the significance of theoretical as well societal perspectives, the author has selected the HOPE cookies project by CBL for a case study from a social business perspective. The author with the permission of CBL refers to the company name and the project in this paper.

### **3.2 Data Collection and Analysis**

The present case study is conducted as a qualitative study. Data were collected from both primary and secondary sources. The primary data were collected mainly through 10 in-depth interviews with the management, supervisors, beneficiaries, parents of beneficiaries and customers. Three focus group discussions were conducted by the author with the participation of the parents of the beneficiaries, supervisors at Sahan Sevana and staff members representing several departments at CBL. Further observations were recorded as field notes during the data collection. The interviews were focused on understanding the employment dynamics and the enhancement of QoL achieved by the IDIs who are employed at Sahan Sevana. In conducting interviews the author mainly focused on recognizing the contribution of characteristics of social business on the QoL outcomes of the IDIs. In the process the background of Sahan Sevana, routine work environment, parents' sentiments and contribution of different stakeholders were considered. Those interviews were audio recorded and then were transcribed for the purpose of analysis. Focus groups comprised of three groups as indicated above. Those three groups were different from one another and shared unique characteristics. As prescribed by Krueger and Casey (2015) the number of participants in a focus group study should be 4 – 20 and in line with that, each focus group consisted of participants exceeding four. Secondary data were mainly collected from the company website, news paper articles and company's internal documents.

Due to the qualitative nature of the study, data analyzed using the thematic analysis method. This is in line with the Guest, MacQueen, & Namey (2012) who have suggested that the thematic analysis is the most useful and commonly used method of analysis in qualitative research. The thematic analysis approach enabled the author to understand the viewpoints of respondents in relation to the theoretical area under consideration. Analysis of data gathered through primary data sources, interviews, focus groups, and observations followed few steps; (1) Transcribing all the interviews, focus group discussions and observations which were either audio/video recorded or handwritten, (2) identifying the codes of data analysis (3) coding the data and identifying categories, (4) identifying contextual relationships between respective categories, and (5) specifying the relationship between the raw data to be reported in findings. Certain interviews were conducted in Sinhala medium and the data analysis was also conducted in Sinhala. The English translation of Sinhala quotations from the study are provided in the findings and discussion section. The Sinhala quotations of the corresponding translated English quotations are provided as end notes.

#### **4. Findings and Discussion**

Literature provides evidences to suggest that a social business operates primarily with the expectation of addressing a social problem while ensuring its operational suitability. The initial section of the discussion aims at providing the background and the rationale behind the HOPE cookies project. Yunus (2007) in his extensive elaboration on social business has identified a social business as a cause driven business which acts as a change agent without mere profit expectation. This is consistent with the rationale behind the HOPE cookies project.

My expectation was to make them economically independent as well as make a paradigm shift in the society how they look at this people with intellectual disabilities... this shouldn't be the way that should be look at (Chief Operations Officer (COO) of Sahan Sevana)

Yunus (2007) has also highlighted that a social business is not a charity and should be able to cover its costs. According to COO their attempt to make HOPE cookies is a self-sustaining business venture without being a burden to the parent company, CBL. As indicated in the literature review social businesses provide a greater inclusive for IDIs bringing their QoL into a higher position. Hokerts (2015) in his study has indicated several institutions which have engaged in social business leading to higher QoL of the beneficiaries. The HOPE cookies project implemented by CBL also focuses on improving the QoL of IDIs who are the employees.

In the process of making IDIs employable there are several outcomes that lead towards the improvements of their life standards. As observed by Kirsh et al., (2009) disabled individuals are also similarly interested in contributing to the society by being productive. In return, they achieve benefits in relation to their health, social status and economic status. In line with this observation, it is clear that they have also achieved positive outcomes in their social, economic and health situations. Then next section of the discussion looks at how managerial support, CSR philosophy and supported employment have contributed in enhancing the QoL of the IDIs.

As highlighted by Talukder (2014) managerial support refers to the encouragement received by the senior management and allocation of adequate resource for a given business. In relation to the HOPE cookies project there are several highlighting instances where continuous managerial support has led towards the enhancement of QoL of the IDIs. Those can be mainly identified as the provision of specialized training, accommodation, departmental support, leisure activities and subsidies of the employees.

All the recipes were re-written one by one so that they can understand. Then we went and worked along with them. However we realize later that standard work methods were difficult for them. Like that R & D provided a huge support at the beginning (A member from the R & D division).<sup>1</sup>

During an interview with the operation manageress it was revealed that both the COO and Operations Manageress have received specialized training in Japan, which was sponsored by CBL. Due to the special nature of the project at hand this kind of training is utmost important to the success of the project. This is consistent with the concept of Broad and Sounders (2008) and Unger (2002) who have indicated that

employers should provide specialized training for the staff to accommodate IDIs in their employment. Further the management of CBL has designed a separate factory layout that is suitable for IDIs to work with safety. Kirsh et al., (2009) and Unger (2002) have identified the accommodation as an important aspect in the employment of IDIs where work place environment is designed in accordance with their requirements. According to the QoL framework ensuring the employment status leads to material well-being of IDIs.

The management of CBL organized several recreation activities during last several years. Among them the concerts, annual Wesak dansela, annual trip and the recreation activity with school children could be seen. Supervisor 01 highlighted that the IDIs have enjoyed those opportunities very much and the process have tremendously improved their social interaction and participation.

There are two objectives. One is to build their confidence level. That means that of intellectually disabled individuals... Other long term objective is that... normal society the way that treat them should be changed. When you interact with them... with school children then they don't see a difference with this ... So that is one objective... (COO of Sahan Sevana)

Abbott and McConkey (2006) have also recognized the importance of recreation activities resulting in positive impression from the society on IDIs. These kinds of recreation activities have improved interpersonal relations and social inclusion which ultimately caused for a higher QoL of IDIs. Albrecht and Devlieger (1999) have also pointed out that leisure and recreation activities lead towards physical well-being of disabled individuals by reducing the gap between individual and social constraint.

According to the COO IDIs are provided with food and transportation subsidies apart from all other entitlement under their employment. This is a means of financial assistance which was an encouragement for them to maintain a continuous attendance to the work.

You have seen the factory they come on time, there's time to open ,tea breaks are there, if they work after hours they are been paid over time, their EPF and ETF are looked after.. Bonuses are paid... (COO of Sahan Sevana)

Looking at the evidence from the literature and the analysis, the contribution from managerial support to the QoL can be clearly figured out. Chan (2015) suggested that in the context of social enterprise, subsidies provided for transportation, meal and flexible work scheduling improve the overall health and well-being of the participants. In accordance with the literature, it is clear that the factors of social participation and well-being has been supported by managerial support via domains of interpersonal relations, social inclusion, rights, physical well-being and material well-being of the QoL framework as suggested by Buntix and Schalock (2010).

The CSR philosophy behind HOPE cookies project is a unique one where the involvement of the beneficiaries is in the process. This philosophy is well articulated by the Chief Operations Officer;

It's not like you give a fish to a hungry person. We give the technology to catch a fish... (COO of Sahan Sevana)

According to Reid and Bray (1997) social responsibility of businesses around the world has followed several paths and she has made specific reference to businesses which employ IDIs. The employment opportunities received by the members of Sahan Sevana have resulted in enhancing their independence, social participation and well-being via domains of self-determination, rights, emotional and material well-being. Abbott and McConkey (2006) have also identified that employment as means of enhancing social opportunities for IDIs. Grant (2008) has identified employment as a basic human right established by the United Nations. Verdugo et al., (2012) with reference to the UNCRPD have demonstrated that human rights and legal rights are essential components of QoL and equality. Hence it is clear that the employment opportunity that is given to IDIs has directly link with their rights under the QoL framework.

According to the supervisors the members of Sahan Sevana as IDIs are given specific job functionalities and over a period of time IDIs of them have excelled in their respective job functions requiring minimum supervision.

This indicates that the employees have adapted to the working conditions and have showed an improved personal control. This also consistent with the finding of Verdugo et al., (2006) where they have identified that higher typical nature of the job related to higher QoL. According to the parents of the IDIs, the decision making ability of their children has improved and they are working with personal goals.

She needs a beautiful dress every month. She manages everything with her own salary. We are constructing a house for her with her own salary as well. (A parent of an IDI)<sup>2</sup>

These views are consistent with the point of view of Simpson, Taylor and Padmore (2001) where they have identified that the employment is an integral element in providing both economic independence and social integration for disabled individuals. These achievements would not have been possible if the IDIs were not directly exposed and involved in the mainstream employment. One supervisor mentioned;

They are very happy. They are getting a salary and those who have financial difficulties have the feeling that they also contributing to their families. Other also shop for their mother with much contentment (Supervisor 01)<sup>3</sup>

All these are positive experiences that lead towards personal contentment. CBL's thinking orientation towards active involvement of IDIs as employees in the HOPE cookies project mainly stems from their CSR philosophy of active engagement of beneficiaries in their CSR activities. It is evident that the CSR philosophy of getting beneficiaries' total engagement in the HOPE cookies project has supported all three factors in the QoL framework namely independence, social participation and well-being through the domains of self-determination, rights, emotional and material well-being.

At Sahan Sevana there are four supervisors to provide the necessary employment support. This team of supervisors has put lots of efforts over years to improve the working standard of IDIs. This is consistent with the findings of Hockerts (2015) where he demonstrates that employing people with intellectual disabilities such as Autism requires considerable effort from support staff. The Chief Operation Officer commented on the supervisors;

They don't have prejudice. They don't degrade... you can't find people like this.. They treat like their family and children. We need one more we need that kind of people. (COO of Sahan Sevana)

There are instances where the support of the supervisors has gone well beyond the realm of employment support.

They (support staff) did event what doctors couldn't do. They develop these children to this level. They taught them to work, disciplined them as well as the employment. (A parent of an IDI)<sup>4</sup>

One other parent mentioned;

These children are now developed due to them and their dedication and guidance was the reason for that: (A parent of an IDI)<sup>5</sup>

This is consistent with the findings of Chan (2015) where he suggests that supportive supervisors provide the necessary emotional support to face the society for the IDIs. During one of the observations of a morning brief it was noticed how the supervisors are providing instructions as well as encouragement and solutions to the minor issues that the members encounter. This is similar to the idea of job coaches with reference supported employment, where job coaches address job training, task related social skills as well as personal interaction skills (National Health Committee, 2003). After the morning brief a ten minute physical exercise session takes place where all the members participate. All of them participated in this session with much enthusiasm. This can be identified as a way of improving their physical health.

Cleanliness is the next thing. We always keep an eye on the cleanliness. If they are not adhering we inform their parents (The operation manageress).<sup>6</sup>

One supervisor mentioned;

Wherever they (IDIs) go, now they know how to behave properly (Supervisor 01)<sup>7</sup>

This is consistent with the findings of Chan (2015) that supportive staff's continuous verbal support, assurance as well guidance is important to the physical and mental health of IDIs. Beyer et al., (2010) also in their study has found that supported employees record a higher satisfaction compared to their co-workers in integrated work environments. Similar to that of CSR philosophy, supported employment has also improved all three factors of QoL namely independence, social participation and well-being through the domains self-determination, personal development, interpersonal relations, emotional well-being and physical well-being domains.

An additional finding of the study was that social business tends to improve the QoL of IDIs better when there is support from the family for what is being done by the business.

Family support is essential for their development. I strongly believe that parents have a major impact on them. Parents' attitudes and direction has a special effect on them (A specialist on IDIs).<sup>8</sup>

During the observation of the parents meeting, it was observed performance of each and every individual. Most of the individuals were commended for their neatness, proper attendance, hygiene and interaction with others at Sahan Sevana. In the discussion it was clear that those individuals behave well in their homes also abiding specially the instructions of the supervisors and parents specially. In most of the cases, the parents have provided guidance for these individuals in an exemplary manner. Verdugo et al., (2012) have identified the family as a part of the micro system in their analysis of QoL from a system perspective hence it directly affects the lives of IDIs. It is also in line with Timmons et al., (2011) where they have indicated that family members act as role models in the employment of IDIs. Those individuals have learnt to behave and manage their day to day activities better by following their parents. On the other hand, few other individuals were identified with difficulties of coping up with their work. The Operation Manageress went in to detail with the relevant parents and from the responses of the parents it was clear that the members were having a turbulent time at home when parents try to become over cautious about IDIs. This is consistent with existing literature where it is mentioned that being over protective and discouraging independence can act as a barrier to successful work outcomes among IDIs (National Health Committee, 2003).

In the discussion with Operation Manageress, she explained in details how certain individuals show signs of stress at work due to the issues that they face as young individuals. According to her, supervisors should be careful in handling those kinds of emotional situations and breakdowns. There are countless cases of personal transformative experiences, material and emotional losses and family crises (Social Enterprise Knowledge Network, 2006). This suggests that in social businesses personal crises situations faced by beneficiaries are evident. The data collected in the present study suggests that family support affects personal control, social relationships, and support and positive experiences of IDIs. According to above discussion it is clear that the effort put in by the supporting staff to generate positive work outcomes among IDIs get affected by the nature of family support in a strong way. In an overall manner positive environment provided by the CSR philosophy and managerial support as well as the supported employment by the supervisory staff yield better results in improving the QoL of IDIs when there is family support.

The discussion and findings section of the present study focused on presenting an analysis on the findings of the present study with specific reference to the literature evidences. From the findings of the present study it was evident that both CSR philosophy and supported employment as characteristics of social business have profoundly affected on enhancing the QoL by satisfying all three factors of QoL framework which are independence, social participation and well-being. It can be concluded that the social business leads towards the enhancement of the QoL of IDIs and this achievement is enhanced by family support.

## 5. Directions for Future Research

The present study focused on enhancement of QoL among IDIs employed in the HOPE cookie project. In the process the author did not interviewed IDIs since it requires special expertis' involvement to obtain feedback from IDIs. To address this limitation the author used the QoL conceptual framework proposed by Buntinx and Schalock (2010) which accepts objective appraisal from third parties regarding the status of IDIs. In this particular framework three main areas were identified namely independence, social participation and well-being. In future studies life experiences of IDIs can be analysed by interviewing IDIs with the involvement of experts on interviewing IDIs. This will shed more light to the finding of the preset study.

## 6. Conclusion

The present study has been conducted with the purpose of understanding the role of social business in improving the quality of life (QoL) of intellectually disabled individuals (IDIs). It was revealed in the discussion that the employment opportunity in a social business with managerial support and guidance from supervisory staff has enhanced QoL of IDIs. In terms of the QoL framework mentioned above, it was evident that all the key areas of QoL have been fulfilled with the IDIs' active involvement in the social business. As QoL has been enhanced, IDIs have become more self-confident, financially independent and dignified members in the society irrespective of their inherent disability.

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<sup>1</sup> “.. ඊට පසර්සස් ඒ ස ආලේනර්ට recipes බලා.මට මතකයි හැම step එකකර්ම එකරින් එක ලබවර්වා. ඒ ස ආලේනර්ට සරේරවුම් න්න පවුළුවන් වදයට. ඊට පසර්සස් ගිහිලේල ඒස ආලේසලආඑකර්ක වැඩ කලා. ගිහින් බලද්ඩ අපි සරේන සමහර methods එයාලට අමාරුයුර... එසසකට rework කරනර්න උනා එයාලට පහසු ක්ශමය සආයල සරේනර්න. R & D එසකන් සලාකු support එකක් හනර්න මවුල් කාසලර්ඩ...” (A member from the R & D division).

<sup>2</sup> “එයාට හැම මාසසකම වසරේ ලසර්සන ඇනමක් ඕසන. එයාසරේ පඩිසයන් එයාසරේ වරුඩ කර නර්නවා. සරේ උනේ එයා සවනුසවන් එයාසරේ පඩිසයන් තමයි හරේන්සන්.” (A parent of an IDI).

<sup>3</sup> “සමර්ස ආලේසලආන්ට ස ආඩක් සකුවුයර.. රේරන් සමර්ස ආලේසලආන්ට පඩි ලරුසබනවසන්.. ආර්ථක අපහසුනා තිසයන අයට, මම ස රේරට සලර්ලි සරේනවා කියන හැහරම තිසයනවා.. අනිරේ අයරේ ඇලුම් එසහම, අසරුද්රේට ඇනම් න්න ගියාම අමර්මට ඇනමක් අරන් සරේනන ඕසන් කියල ඒ සද්වල් සකුසටන් කරනවා...” (Supervisor 01).

<sup>4</sup> “චරේය වරවුන්ට කරන්න බරුරි උන සද් සම් ටසසර්ල කලාසන්... සම් රේරුසආ සම් තරේසවට ස නාසව ටසසර්ල.. වැඩේ ඉ රුන්නුවා.. සරට රේ වර රේ ඉ රුන්ර්නුවා, රසර්සාචරේ කරනර්න ඉ රුන්ර්නුවා...” (A parent of an IDI).

<sup>5</sup> “එකට ස ආඩක් සරේකු ෂසන් සම් ටසසර්ලසරේ කරුපආම. අසරේ රේරුසආ සම් තරමට දයවුණුසසේ ටසසර්ල ඉසර්සරහින් හිටරය නිසා තමයර.” (A parent of an IDI).

<sup>6</sup> “අනිරේ එක තමයි පරට සරහකම, එක අපි කියන්සන් එයාලට කර න්න කියල., අපරිරේ පරට සරහකම සමසහට බලනවරා, හි යට කරලා නැරේතම් අපි parents ලට කරයනව සම් වදයට එනර්න ඕනි කරයල.” (The operation manageress).

<sup>7</sup> “.. රේරන් එයාල සකසරේ හි ගියරේ table එසක් ඉරේස න නිශ්ආබර්රේව කෑම කනර්න රේන්නවා...” (Supervisor 01).

<sup>8</sup> “family support එක මන තමයර එයාසරේ දයවුණුව රදා පවතරන්සන්.... මම ස ආඩක් වආවස කරනවා සරේමවපරසයආ ස ආඩක්ම බලපරානවා. සරේමවපරසයආන්සරේ attitudes සහ සකවර්වර එකට සයආමු කරනවේ කියන එක specially බලපරානවා...” (A specialist on IDIs).

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## **Impact of Quality of Academic and Non-academic Staff on Student Satisfaction through University Image**

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### **Abstract**

*In this competitive environment, universities are in a fierce competition for the best and the brightest students. Accordingly, knowledge about how student satisfaction is developed can be used by universities to develop strategies that make them more attractive for prospective students. In this study, the attention is paid to explore the direct and indirect influences of the quality of academic and non-academic staffs on student satisfaction at selected state universities in Sri Lanka. The undergraduates of University of Ruhuna, Wayamba, Sabaragamuwa and Rajarata were the population of the study and data was collected through researcher-administrated questionnaires. Confirmatory factor analysis along with correlation, regression was used to analyze the data using AMOS statistical software. The light of the study indicated that, the quality of academic staff, non-academic staff and university image have significant direct impacts on student satisfaction, however only the quality of academic staff has a significant indirect impact on student satisfaction through university image in selected state universities. Hence, the study recommends universities to concern more about quality of their academic and non-academic staffs to enhance the level of student satisfaction in selected state universities.*

**Keywords.** *Students' satisfaction, Quality of academic staff, Quality of non-academic staff, University image.*

### **1. Introduction**

Organizations, irrespective of their industry, focus on the quality of services provided because of its integral role in developing competitive advantage and in attracting new and retaining existing customers (C. Ugboma, Ogwude, Ugboma, & Nadi, 2007). Similarly, in higher education context too, provision of quality services is one of the most important priorities of educational institutes around the world (Trivellas & Geraki, 2008) as now higher education sector is playing an increasingly important role in developing economy of nation, and Sri Lanka is no exception. At present, there are 15 state universities functioning in Sri Lankan higher education industry which produces around 22,000 graduates annually for the nation (National Education Commission of Sri Lanka, 2009). All these state universities operate under the preview of University Grant Commission (UGC) aligning to Sri Lankan Qualification Framework (SLQF). Accordingly, it has been already decided to synchronize all academic degree programs of state universities under one academic calendar in nearest future. With the synchronization process, the quality and competition in the industry will be greater and hence less-competitive state universities will be in a trouble to retain their places in the industry. Resulting, universities should be armed with essential qualities and facilities to bear up the stress of competition. Unanimously it is accepted by all that satisfying students as a customer, is much important than ever to retain current and attract potential student to the universities.

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Accordingly, knowledge about how student satisfaction is developed can be used by universities to develop strategies that make them more attractive for prospective students (Hanssen & Solvoll, 2015).

However, it is noteworthy to mention here that the students who are sent by UGC to regional state universities in Sri Lanka, disappoint much about the placement they are received. As per the pilot survey, significant amount of management undergraduates (about 80%) who study in regional universities, had selected universities of Sri Jayewardenepura, Colombo, and Kelaniya as their first, second and third priorities in the university selection process. Consequently, UGC has reported that it has tremendously increased the number of student appeals to change existing regional universities during last few years. The issue becomes more serious as student change universities through appeals after programs are started. Moreover, it is evident through public disclosure and media that the quality of state university education in Sri Lanka is perceived to be unsatisfactory. Further, Wijesiri (2014) also pointed out that graduate outputs of the universities are not satisfied with the services they encountered during the period. Not only that, this increasing displeasure of students can further be accentuated through ongoing activities organized by them in and around the universities such as lecture boy-courts, strikes, pickets, poster campaigns...etc. This might be influenced university image, quality of university activities also. However, in Sri Lanka only few researches have been done to investigate the issue and what affect student satisfaction. Especially in Sri Lanka quality of university staff in terms of academic and non-academic have not received a desired level of attention both from local and global researches although it is an important component of university environment. Hence, the present study is focused much on exploring direct impact of quality of university staffs on students' satisfaction and indirect impact it has on satisfaction through university image at regional state universities.

## **2. Literature Review**

Student satisfaction is a short-term feeling resulting from an evaluation of educational experiences, services and facilities encountered by a student during learning process (Elliott & Healy, 2001; Elliot & Shin, 2002; Weerasinghe & Dedunu, 2017; Weerasinghe & Fernando, 2017). This is a multidimensional process which is influenced by different factors. University staff and university image are two of main factors that have power to make much influence on student satisfaction (Cassel & Eklof, 2001; Palacio, Meneses, & Perez Perez, 2002; Alves & Raposo, 2010; J. Douglas, Douglas, & Barnes, 2006; Pop, Bacila, Moisescu, & Tirca, 2008). The university staff is grouped into two separate parties as academics and non-academics on the basis of activities they engage.

### **2.1 Academic Staff**

The academic staff can be defined as professional and administrative personnel with duties that are primarily associated with teaching and learning process (Aldridge & Rowley, 1998). As main functions, teaching and learning are paramount important for a university (J. Douglas, et al., 2006). In this process academic staff plays a dominant role in generating knowledge through research and disseminating that through lecturing. Resulting, lecturer's performance in and outside classes is significant for students' loyalty, satisfaction and university image (Abdullah, 2006). Further it is

noted in higher education that students tend to maintain impressive records of attendance when quality of lecturer is high (Banwet & Datta, 2003). Resulting, students regard lecturers who are knowledgeable, teaching well and helpful (Lammers, 2002). Moreover, Mersha and Adlakha (1992) noted the accuracy of lecture, fair evaluation and relationship with students as most important attributes of teaching in universities. Further, university students want lecturers to be knowledgeable, well-organized, and helpful and care their needs (Hill, Lomas, & MacGregor, 2003). Hence, students motivate more and are loyal if universities hold quality staff for teaching and training with essential facilities (Voss, 2007). Consequently, students often identify teaching ability as one of most important factors of student satisfaction (Douglas, et al., 2006). A study conducted by Garcil a-Aracil (2009) in eleven European countries, found that teaching quality and teaching and learning materials have highest levels of influence on student satisfaction. Further, Hill et al. (2003) identified significant impact of teaching quality on student satisfaction. Wiers-Jenssen, Stensaker, and Grogaard (2002) also confirmed that a significant relationship exists between quality of teaching and student satisfaction in Norwegian higher education setting.

## **2.2 Non-academic Staff**

In a university environment, it is difficult to demarcate precisely what university administration is or what is included in university administration (F. Khodayari & Khodayari, 2011). Generally university administration covers activities like student registration, exams, student services and all other general administrative activities which are controlled by non-academic staff (Pop et al., 2008) which provides a greater backup support even for academic staff in running university in a smooth way. Accordingly, quality of non-academic staff makes strong foundation for the universities through a sound administrative structure that has ability to cater changing requirements of student. Therefore, university tries to hold a person-to-person value added relationship between students and administrators in service delivery process especially in a situation where privacy is valued (Pop et al., 2008). Students as an isolated customer, seeks feelings of empathy, nobleness and kindness of administrators at every time (Ali, Zhou, Hussain, Nair, & Ragavan, 2016). Hence, the cooperation, kindness, responsiveness of non-academic staffs play a vital role in determining student satisfaction (Malik, Danish, & Usman, 2010). Further, Martirosyan (2015) also identified faculty services as key determinant of student satisfaction in Armenian universities. Accordingly, it can be concluded that both academic and administrative staffs of universities directly have an influences on level of student satisfaction in higher education.

## **2.3 University Image**

Image is a disposition originating from ideas, feeling and experiences about an object that are recalled and transformed into a mental picture (Mcinnih & Price, 1987), it is an overall impression that a person has about an object (Alves & Raposo, 2010). Image is formed as a process that accumulates the judgment over time of various group who interact with the organization (Nguyen & LeBlanc, 2001). It may be based on incomplete information and it may differ for the various publics of an institution. In this sense, university image can be defined as the sum of all the beliefs an individual has towards the university (Arpan, Raney, & Zivnuska, 2003; Landrum, Turrisi, & Harless, 1998). According to Fornell, (1992), university image is usually

seen as a Gestalt (organized whole) therefore university image is often composed of ideas about faculty, curriculum, and teaching quality relationships. As universities engage in a business in higher education, a university needs to develop a distinct image to enjoy competitive advantage in an increasingly competitive market (Landrum et al., 1998; Parameswaran & Glowacka, 1995). Further, they pointed out that university image is also important when donors are considering endowments or companies selecting an institution to undertake contracted research and development. In this competitive environment, often a student selects university for higher study not based on the facilities available at but based on a perceived image of university has (Weerasinghe & Dedunu, 2017). Accordingly, image has become one of important influencer for student decision where to study (Palacio et al., 2002).

#### **2.4 University Image, Academic Staff, Non-Academic Staff and Student Satisfaction**

University image in higher education is influenced by multiple constitutes. Good academics may help university to build an innovative image in the industry especially where sound academic background is valued. Arpan et al. (2003) in his study stated that university infrastructures, academic programs, academic staff, administrative procedure, university location and university surrounding have a great impact on university image. Further, university image works as one of the key determinants of student satisfaction (Alves & Raposo, 2010). Further Palacio et al. (2002), Cassel and Eklof (2001) also stated that that image always appears as one of greatest influencing variable in formation of student satisfaction. Moreover, Abdullah, (2006) stated that lecturer's performance in and outside classes is momentous for students' loyalty and satisfaction, as it greatly determines overall quality and image of institute in long run (J. Douglas et al., 2006). Arpan et al. (2003) in his study found three stable factors which influence university image: academic attributes, athletic attributes and news media coverage but only academic attributes were consistent across groups. Further, Fornell (1992) in his study suggest that image has a powerful effect on customer satisfaction. Alves and Raposo (2010) identified that university image has both direct and indirect effect on student satisfaction. However the relationship between corporate image and satisfaction does not appear particularly consensual. In some studies, influence that satisfaction has on corporate image was contrary proven. According to the results found by Nguyen and Leblanc (2001), satisfaction has no significant effect on corporate image.

### **3. Methodology**

In order to accomplish the objective proposed, a structural equation model with quantitative data was used in the study. Given the technical impossibility of including all institutions of higher education in Sri Lanka, an option was made to restrict the study to the selected few public universities, thus, the target population considered for the study was management undergraduates of universities of Ruhuna, Sabaragamuwa, Wayamba, and Rajarata. Accordingly, the total population of the study was about 5500 students. The study selected 10% of population as the sample based on stratified sampling technique as population consisted with four different universities. Researcher-administrated close ended questionnaire with 24 items, was used to answer the research problem. The questionnaire consisted of two parts as part I and Part II. Part I consists of personal data of the respondent which include questions on gender, academic year, university, degree program. In addition to questions related to

demographic characteristics, a range of questions are included in part II to assess the influence that different factors have on student satisfaction, which consist of questions about the four constructs: quality of academic staff, quality of non-academic staff, university image and student satisfaction which filtered down from the literatures. The scale used for the study was Likert five in which 1 was used to denote “Strongly Dissatisfaction” and 5 was used for “Strongly Satisfaction”. Data was collected from November 2016 to December 2016 and analyzed using AMOS Statistical Packages across different statistical tests.

The developed Structural Equation Model is presented below, accordingly, quality of academic and non-academic staffs work as independent variables of the study and university image works as mediating variable in explaining student satisfaction. The model explains direct relationships among variables through dash lines and indirect relationships by arrows.

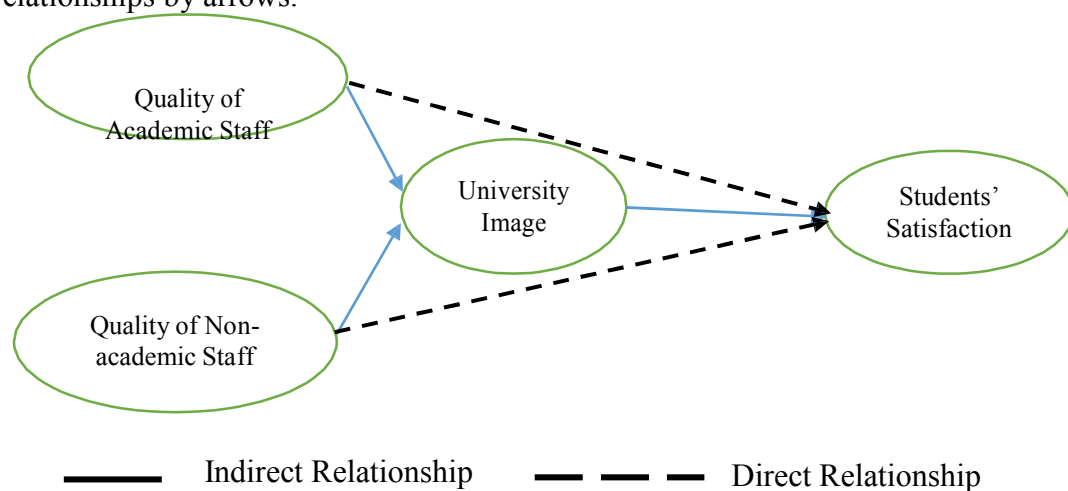


Figure 1. Structural model for explaining students' satisfaction

#### 4. Data Analysis

First, study tested the measurement model for the convergent validity. This was assessed through factor loadings, composite reliability (CR) and average variance extracted (AVE). Result of the test is indicated in below Table 1 and 2.

According to the Table 1, all items loadings exceeded the recommended value of 0.6 (Hair, 2008). CR values, which depict the degree to which the construct indicators indicate the latent construct, exceeded the recommended value of 0.7 (Hair, 2008), while AVE, which reflects the overall amount of variance in the indicators accounted for by the latent construct, exceeded the recommended value of 0.5 (Hair, 2008). The study investigated discriminant validity by comparing the AVE with the square correlations of variables is presented in Table 2.

Table 1  
*Construct Validity*

Variable	Items	Estimate	P-value	AVE	Composite Reliability	Cronbach Alpha
Academic Staff	ASQ_8	0.674	0.000	0.610	0.897	0.827
	ASQ_7	0.824	0.000			
	ASQ_6	0.894	0.000			
	ASQ_5	0.719	0.000			
	ASQ_4	0.736	0.000			
	ASQ_3	0.887	0.000			
	ASQ_2	0.736	0.000			
	ASQ_1	0.749	0.000			
University Image	UI_4	0.671	0.000	0.621	0.847	0.874
	UI_3	0.726	0.000			
	UI_2	0.890	0.000			
	UI_1	0.847	0.000			
Non-academic Staff	NASQ_8	0.839	0.000	0.682	0.941	0.945
	NASQ_7	0.841	0.000			
	NASQ_6	0.789	0.000			
	NASQ_5	0.847	0.000			
	NASQ_4	0.823	0.000			
	NASQ_3	0.860	0.000			
	NASQ_2	0.825	0.000			
	NASQ_1	0.783	0.000			
Student Satisfaction	SS_1	0.835	0.000	0.653	0.887	0.936
	SS_2	0.871	0.000			
	SS_3	0.860	0.000			
	SS_4	0.648	0.000			

Table 2  
*Discriminate Validly*

Variables	AS	UI	NAS	SS
Academic staff (AS)	0.6100			
University Image (UI)	0.2052	0.6217		
Non-academic Staff (NAS)	0.3003	0.0691	0.6827	
Student Satisfaction (SS)	0.2401	0.5550	0.1303	0.5990

As per the Table 2, AVE (diagonal values) of each construct is larger than its corresponding square correlations which confirms adequate discriminant validity (Hair, 2008). In order to ascertain the reliability of the items in the questionnaire, a Cronbach's a reliability test was conducted on all the items as observed by (Pallant, 2005), that a Cronbach's a coefficient of 0.7 gives an ideal reliability of an item. Accordingly, each section of the questionnaire was tested. The result is as shown in Table 1, it can be seen that the Cronbach's a coefficient ranges from 0.827 to 0.945 this is in line with the standard scale 0.7 (Pallant, 2005). Accordingly, observed items showed a good internal consistency.

Table 3  
*Descriptive Statistics Quality of Academic Staff*

Item	Description	Mean	Std. Deviation
ASQ1	Knowledge about the field	4.00	.828
ASQ2	Quality of delivery	3.17	.855
ASQ3	Language proficiency	3.70	.958
ASQ4	Facilitate for questioning	3.84	.961
ASQ5	Provide proper guidance	3.63	.910
ASQ6	Availability at faculty	2.98	.839
ASQ7	Fair evaluation	3.94	.965
ASQ8	Quality of feedback	3.39	.963

According to the descriptive statistics presented in Table 3, the overall satisfaction level with quality of academic staff has an average mean score of 3.66 which denotes moderate satisfaction with quality of academic staff and its attributes. This is further broken down into six respective attributers. When analyzing quality of academic staff furthermore, it is found that students highly satisfied with lecturers' knowledge about the subject (mean 4.00). It demonstrates that academic staff has adequate theoretical and practical knowledge about subjects with industry exposure. Though it has been highly rated that students are evaluated fairly (mean 3.94) at the classroom, student moderately satisfied (mean 3.39) about the quality of lecturer feedback. Modern student centered teaching is more effective when interactive sessions are active at the lecture room, interestingly it is noteworthy to mention here that lectures of selected universities always encourage students for inquiring (mean 3.84) when an unclear point is raised. Further study investigated student views about quality of delivery, language proficiency, support for learning process and lecturer availability at the faculty. According to the descriptive statistics presented at Table 3, it was noticed that though language proficiency (mean 3.70) of lecturer's is high, teaching ability is low (mean 3.17) of the staff, because many academic do not believe that students are just their customers or that academics are to just give student what they want (Sharrock, 2000), hence it demonstrates the facts that language fluency is only one single factor that determines teaching ability. Students normally expect proper guidance from academic staff throughout the learning process. It also is at acceptable level (mean 3.63) but students straightforward have expressed their displeasure towards less availability of academic staff at the faculty during working time (mean 2.98).

Table 4  
*Descriptive Statistics: Quality of Non-Academic Staff*

Item	Description	Mean	Std. Deviation
NASQ1	Reliability	3.32	.982
NASQ2	Responsiveness	2.79	.860
NASQ3	Caring	3.02	.898
NASQ4	Accuracy of information	3.15	.956
NASQ5	Helpfulness	3.03	.738
NASQ6	Fair treatment	3.14	.829
NASQ7	Respect	2.93	.886
NASQ8	Corporation	3.11	.947



According to the descriptive statistics presented at Table 4, overall satisfaction level with quality of non-academic staff has an average mean value 3.06, it indicates that respondents of selected universities have neither satisfy nor dissatisfy view about the quality of non-academic staffs. Study further elaborated the concept across eight indicators, revealed that students tend to have moderate satisfaction about caring (mean 3.02), helpfulness (mean 3.03), fair treatments (mean 3.14) and accuracy (mean 3.15) of non-academic staffs towards students' related matters. However, students a little agree about reliability of staff activities (mean 3.32) and their cooperation (mean 3.11) this is because in generally, non-academic staff knows their place and have realized their roles, so they know that they have to support students in their main role of learning (Waugh, 2002). However, the respect that non-academics has, towards student is at very minimum level (mean 2.93) because students strongly believe administrators as a negative, unhelpful and an impersonal bureaucracy (Aigbavboa & Thwala, 2013). Hence, they are unwilling to give their due respect to the non-academic staffs, in return, non-academic staffs too.

Table 5

*Descriptive Statistic: University Image and Student Satisfaction*

Item	Description	Mean	Std. Deviation
UI1	Reputation	3.95	.852
UI2	Provide good perception	3.91	.829
UI3	Good university	3.46	.753
UI4	Innovative university	3.52	.861
SS1	Learning Experience	3.73	.687
SS2	Future Studies	3.47	.723
SS3	Recommendation to other	3.63	.791
SS4	Decision	3.74	.853

To measure the university image, the same type of attribute and scale used in the study conducted by (Yavas & Shemwell, 1996). According to the descriptive statistics presented in Table 5, selected universities have good reputation in the industry in which they engage (mean 3.95), further the investigation revealed that being a student of one of selected regional universities, he/she is received a good perception (mean 3.91) from the industry at every time. Moreover, students are always proud at thinking about good and innovative culture that exists within the university. Finally, the overall student satisfaction was calculated with a standard questionnaire indicating them to state their degrees of satisfaction towards satisfaction questions, the responses for the questions demonstrate that students moderately satisfy (mean 3.64) about the university and its environment. Most of students satisfied about university system based on their personal experience through encountered services (mean 3.73) and majority of students happy about the decision they got to register in respective universities (mean 3.47). Resulting universities are recommended by them for prospect students through positive word of mouth (mean 3.63). Waugh, (2002) identified that student more likely engage in positive word of mouth about the institution if they satisfy about the system, so then loyal student may continue their studies further with same university (mean 3.74).

Table 6  
*Structural Equation Model*

Indicators	Values
CMIN/DF	2.813
Goodness-of-Fit Index (GFI)	.906
RMSEA	.058
Root Mean Squared Residual (RMR)	.159
Comparative Fit Index (CFI)	.943

According to Table 6, CMIN/DF of the model is less than standard value 3, (Hair, 2008), indicates a perfect model fit. The goodness-of-fit (GFI) is a measure of fit between the hypothesized model and the observed covariance matrix (Garci a-Aracil, 2009). Thus, for this study, it explains a quite elevated percentage of data variance: about 91% (GFI 0.906) indicates that model acceptability can be considered quite well. The RMSEA and Root Mean Squared Residual (RMR) explain how bad our model is, the model is good if RMSEA is below 0.12 and RMR is below 0.08 (Hair, 2008). According to the table, RMSEA is in an acceptable range but RMR indicates little problem in the model. The Comparative Fit Index (CFI) explain the goodness of model compared to alternatives, accordingly, model is good when CFI close to 1. The CFI of the model is very close to 1, hence model is perfect good.

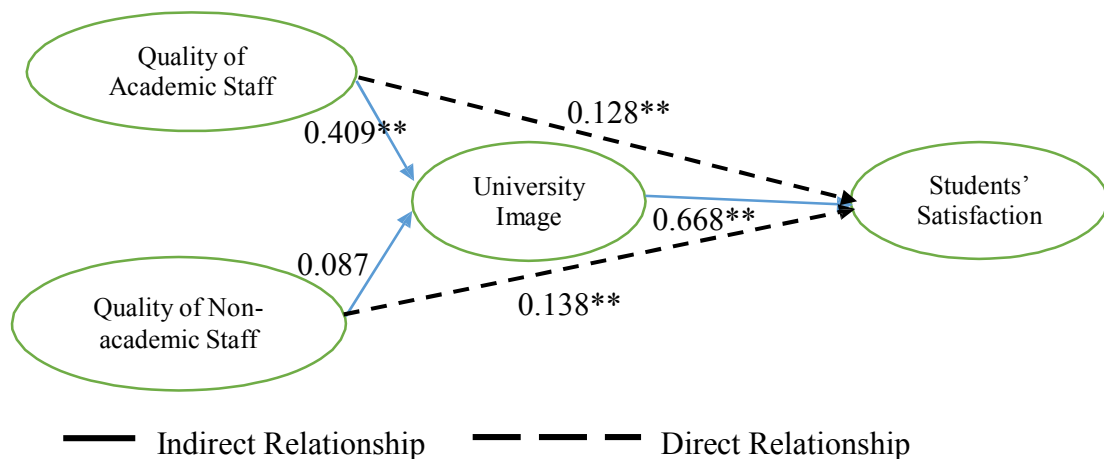


Figure 2. Direct and indirect effect of variables on student satisfaction

Table 7  
*Impact of Independent Variables on Dependent Variable*

Variable	Direct Effect	Indirect Effect	Total Effect
Academic Staff	0.128**	0.273**	0.401**
Non-academic Staff	0.138**	0.057	0.196
University Image	0.668**	-	0.668**

Note. \*\* Significant at 0.05 percent confidence level

According to the path diagram presented in Figure 2, the direct determination coefficient ( $R^2$ ) of quality of academic staff is 0.128. It is significant at 0.05 percent level, resulting, 12% variance of student satisfaction is directly explained by the quality of academic staff at regional state universities because with the prevailing

hyper competition in the higher education sector, students compare the “knowledge value” which they get from university is mostly depends on the quality of the academic staff and the curriculum including the structure and delivery of programs (Ali et al., 2016). Further, university, as a service organization, is evaluated by the students especially on the quality of teaching, hence student rates teaching as the main instrument which determine quality of university. Hill et al. (2003) and Voss (2007) stressed the importance of teaching staff and reported that the quality of the lecturer informs the most important factors in the provision of high quality education. Thus, the behaviors and attitudes of lecturers should be the primary determinant of students’ perceptions of service quality in higher education.

As per the figure, the direct determination coefficient of non-academic staff is 0.138. It is also significant at 0.05 percent level. Thus, 13% variances of student satisfaction at regional state universities is explained by quality of non-academic staff. University as a service based organization, Swanson and Frankel, (2002) found that university staff should be knowledgeable, empathetic, friendly, helpful, reliable, responsive and expressive. Similarly, Mersha and Adlakha, (1992) suggest that the staff’s willingness to correct errors, knowledge ability, thoroughness/accuracy of service and consistency/reliability, are the most important attributes of good service quality for a university. Hill et al. (2003) reported that students want staff to be knowledgeable, well-organized, encouraging, helpful, sympathetic, and caring to students’ individual needs. Lammers, (2002) pointed out that students regard highly lecturers who are knowledgeable, enthusiastic about their subject, inspiring, and helpful.

Moreover, path diagram indicates 0.668 determinant of coefficient of university image with student satisfaction at regional state universities. It denotes that university image of selected state universities explains 66% variation of student satisfaction. The study of Palacio et al. (2002) also stated that the university image as the greatest influencing factor for student satisfaction. Further in studies carried out using the European Customer Satisfaction Index as a basis (Cassel & Eklof, 2001), image always appears as one of the variables with the greatest influence in the formation of satisfaction with its direct influence through expectations. On the contrary, in the research of Helgesen and Nettet, (2007) results showed that student satisfaction has a positive impact on student perception of the university image.

As per the test, the determination coefficient of quality of academic staff with university image is 0.409 and is significant at 0.05 percent level, however, it is interesting to mention here that the impact of non-academic staff on university image is statistically insignificant at 0.5 percent level. Good academics may help universities to build in distinct image in the industry because lecturer’s performance in and outside classes is significant for students’ loyalty and the image (Abdullah, 2006). However, in higher education industry, the role of non-academic staff is not highlighted much every time than academics. People rates universities not base on its general administration but base on soundness of programs and quality of academic staff. Resulting, contribution of non-academics in setting university image has belittled in the industry. However, according to Arpan et al. (2003) university administrative procedure is one of significant variable that has significant impact on university image.

As per the Table 7, indirect effect of academic staff on student satisfaction through university image is 0.273 and is significant at 0.05 percent level. Accordingly, 27% variation of student satisfaction is explained by quality of academic staff through university image. This is possible, because in reviewing the literature it was noted that the influence of academic staff influence university image which in turn influences student satisfaction. However, it is impractical to assess the indirect effect of non-academic staff on student satisfaction through university image where the direct impact of non-academic on university image is insignificant.

### **5. Conclusion and Managerial Implications**

The study examined both direct and indirect impacts of quality of academic and non-academic staffs on student satisfaction at selected regional universities based on the answers taken from university of Ruhuna, Wayamba, Rajarata and Sabaragamuwa. As per the path analysis, the direct impacts of quality of academic and non-academic staff and university image on student satisfaction were statistically significant at 0.05 percent confidence level. However, in indirect impact, only quality of academic staff through university image on student satisfaction was statistically significant at 0.05 percent level. The findings of the study aligned with many previous researches such as Palacio et al. (2002), Elliot and Shin (2002), Hill et al. (2003), Navarro, Iglesias, and Torres (2003), Alves and Raposo (2010), Douglas et al. (2006), Garcl a-Aracil (2009), Voss (2009), Malik, et al. (2010), Farahmandian, Minavand, and Afshard (2013), Martirosyan (2015), Yusoff, McLeay, and Woodruffe-Burto (2015), Ali et al. (2016). Accordingly, student satisfaction can be directly enhanced by increasing quality of academic and non-academic staffs and university image of universities. In this process, the study recommends universities to enhance the quality of academic staff by opening new avenues for academics to enhance their knowledge about the subject, and teach them more about standard evaluation methods, delivering styles, and proper feedback styles. Moreover, especially academic staff should be encouraged to stay at faculties, facilitate for questioning and provide proper guidance to enhance the both university image and level of student satisfaction. That process In addition, the study recommends universities to acknowledge non-academic staff time to time about significance and impact of their activities have on student satisfaction in learning process in which especially reliability of the activities, caring attention towards students, accuracy of information provide, helpfulness in learning process, fair treatment at every time and corporation for students and responsiveness for student matter and respect to student. Finally, study recommends universities to improve their image by developing well reputed nationally known academic program, by recruiting excellent academics, by being committed to academic excellence or by designing better marketing program to postgraduate and external courses.

Determining and assessing students' satisfaction in higher education spreads the benefits in multiple ways. Student satisfaction is a signal of performance that will support universities to build a good rapport with their prevailing and potential students in long run (Hanaysha, Abdullah, & Warokka, 2011). Focusing on student satisfaction, enables universities to re-engineer their existing systems along students' needs and expectations (Malik et al., 2010). Satisfying students reward university through positive word of mouth (Kanji, 2007). In addition to that satisfied students are working as a source of competitive advantages at large (Yusoff et al., 2015). Therefore, if university wants to become competitive, it is crucial to maintain

students' satisfaction at a higher level (Khosravi, Poushaneh, Roozegar, & Sohrabifard, 2013). Not only that this is the first study which investigates the direct and indirect impacts of university staff on students satisfaction through university image in regional state universities in Sri Lanka. Moreover, study findings will help policy makers to develop suitable policy packages for regional universities to enhance the level of their students' satisfaction through the image and university staffs.

## 6. Further Research Areas

Student satisfaction is influenced by many factors, however the study was considered only quality of academic and non-academic staff on the satisfaction, hence there are more avenues available for future researchers to test the impact of other variables such as university facilities, degree program, on student satisfaction. Further, a comparison between satisfaction influences of state and leading private universities in Sri Lanka is a researchable area of the literatures.

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## **Social Networks and Maintaining Service Quality in a Total Quality Management (TQM) Context: The Case of a Sri Lankan Service Sector Organization**

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### **Abstract**

*This paper presents a study on the influence of social networks among employees over service quality of an organization in Sri Lanka. The most effective quality management approach is considered to be Total Quality Management (TQM), which is all about managing quality with the participation of everybody of the organization. TQM studies pay attention on how employees voluntarily participate in accomplishing work but not on how they collectively behave towards quality. Social network studies capture such collective behaviors. Tendency to study implications of social networks among people is increasing. This study focuses on how social networks among operating employees influence service quality outcomes. This investigation was carried out from theoretical lenses of Organizational Role Theory (ORT) adopting the phenomenological tradition and by way of an instrumental case study. Interviews with managers and operational workers were the main sources of data. The research field was a leading automobile service provider in Sri Lanka having its mother company in Japan. The mother company is famous for introducing various TQM initiatives to the world. TQM practices and informal social networks are found in operation of this company creating quality implications. Findings were analyzed using ORT and reveal that social networks produce positive implications towards quality maintenance when a TQM environment exists. This research produces two outcomes with; (i) an extension to ORT theory and (ii) a message to the quality management practice.*

**Keywords.** *Service quality, Social network, Total Quality Management, Organizational Role Theory*

### **1. Introduction**

Attention on studying service quality practices is less compared to manufacturing. In contrast, importance of service sector in economies is greater. For instance, in the Sri Lankan economic context service sector carries a greater contribution than manufacturing. In 2014, share of services in GDP was 57.6% whereas manufacturing showed only 17.2% (Central Bank of Sri Lanka, 2014). This study concentrates on and contributes to service quality knowledge.

Quality management practices in manufacturing organizations are different from service organizations (Prajogo, 2005; Yasin, Kunt, & Zimmerer, 2004). Managing quality of manufacturing or services occurs at two levels: at the design stage (Quality of Design) and at the production stage (Quality of Conformance). Quality of design is handled by a specific designated group in an organization, while quality of conformance is maintained by the people who are involved in various processes and from top to bottom of the organization. Service operations are in

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general, more labour intensive and therefore service quality largely depends on human involvements. Involvement of everybody in the organization to quality is recognized in Total Quality Management (TQM) (Mohanty & Behera, 1996). TQM, for its focus on obtaining participation of employees, is highly relevant for service operations because of more human involvement in the service production process. This study investigates how social networks among co-workers of a service organization interact with its Total Quality Management effort.

Many TQM studies pay attention on interrelation between managers and workers. In particular, how managers of an organization obtain maximum participation of employees towards the quality of the output. Some sociological studies, draw attention on how interactions among peers create implications on behaviors of others in a group (Mora, Pont, Casado, & Iglesias, 2015). Such interactions and interrelations among employees are recognized as social networks. Mora et al. (2015) shed lights on managing social networks in the educational process. Educational social networks enrich the teaching–learning process by means of building a platform where users can interact with each other to share experiences, difficulties, results, materials, comments, documents, etc. (Greenhow, cited in Mora et al., 2015). As per quality management studies there is a natural tendency that employees develop networks which help them to adhere to fulfill quality concerns in operations (Broderick, 1998; Wickham & Parker, 2007).

Interrelations among members in a social network are explained in Organizational Role Theory (ORT). According to ORT interrelations among members of a social network create obligations on individuals to fulfill operational requirements of peers in the network. Thus, the individual obligation of employees towards their peers in the network compels the employees maintain quality of operations. This study inquires whether this inference is applicable to the quality management practice of the selected service organization in Sri Lanka.

The study has two objectives; firstly, to understand the appearance of TQM culture in the selected organization, because Yapa (2012) reveals the ambiguity of understanding the existence of TQM context. Secondly, it is to understand the implications of social networking among employees on TQM outcomes. The reason is that some studies (for instance, Venkataramani, Labianca, & Grosser, 2013) indicate possible positive as well as negative outcomes of social networks on organizational outcomes.

Rest of the paper is structured as follows. The next section provides a literature review on service quality and quality management, social networking and, ORT. This is followed by the presentation of methodology of the research. Next to this section is presentation of data of the research followed by analysis. Finally conclusion of the research is provided.

## **2. Literature Review**

Quality can be a „magic bullet“, which provides lower cost, higher customer service, better products and services, and higher margins. Without managing quality, assuring and adding value has become an impossible proposition” (Peters, 1999). Nature of service quality is different from manufacturing quality, mainly because service provision is a process carried out in presence of the customer to satisfy needs. „If a

service is truly fit for purpose, has had a specification set out and followed accurately; if we can do so consistently, know when something goes wrong, and know how to put it right and also fix the problem so the same error does not keep occurring, then we can probably say that we are managing service quality". (Peters, 1999, p. 7). Thus, quality could be provided only when specifications are set out and when they are followed constantly. The latter requires quality of conformance, which is to make sure that the product or service is produced according to the design (Talha, 2004). Quality is finally what can delight the customer.

"When work became more specialized and departmentalized, there came a new challenge, addressed by a wider notion of quality management called Total Quality Management (TQM)" (Peters 1999, p. 8). Taking the wider perspective necessitates seeing how all the bits of the organization inter-relate as a system, and then assuring the quality of the output (Talha, 2004; Peters, 1999; Mohanty & Behera, 1996; Dotchin & Oakland, 1994; Mohanty & Lakhe, 1998). All the levels of organizational hierarchy are involved in quality of conformance, starting from top management to the operational level (Mohanty & Behera, 1996). "The only way to achieve „total quality" orientation is by unifying the organization"s employees" belief systems around some unifying values. By doing this, people will naturally use their intelligence and effort to gravitate towards a best outcome within these self-managed boundaries" (Peters, 1999, p. 9). Simply, TQM is a quest for excellence, creating a "right first time" attitude, zero defects, and delighting the customer (Mohanty & Behera, 1996) by increasing the efficiency and effectiveness (Mohanty & Behera, 1996). TQM outcomes are evidenced in terms of improved teamwork, company morale and harmonious organizational climate (Dotchin & Oakland, 1994; Mohanty & Lakhe, 1998; Mohanty & Behera, 1996).

Service quality is different from manufacturing quality (Prajogo, 2005; Yasin, et. al., 2004; Hartline & Jones, 1996) and the former requires more human involvement. According to Parasuraman, Zeithaml, and Berry (1985) and Ladhari (2009) elements such as intangibility, inseparability, heterogeneity and perishability differentiate service quality from manufacturing quality. Service quality is the overall assessment of a service by the customers, or the extent to which service meets customer"s needs or expectations (Parasuraman et al., 1985). If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman et al., 1985). Consumer"s expectation is a critical component in service quality and is influenced by consumer"s personal needs, past experience, word-of-mouth and service provider"s communications (Parasuraman et al., 1985). This necessitates individual attention of service providers, (Peters, 1999) which may be influenced by general conditions developed within a service situation such as tangibles provided, empathy, reliability, responsiveness, and assurances (Reimer & Kuehn, 2005; Suleyman & Kara, 2009; Dotchin & Oakland, 1994). These conditions illuminate the gravity of human involvements in a service situation.

Identifying a TQM situation is subjective. One can claim that Quality Guru Edward W. Deming"s 14 principles are in the core, but the practice of TQM is not something he has introduced. TQM was a concept, which Deming „did not use, nor tolerate use of the term "total quality management". (Petersen, 1999, p. 468). The ambiguity is further reflected in some studies. For instance, Yapa (2012) referring to Sri Lankan service sector claims that although there is a grown enthusiasm among managers to

implement TQM, lack of thorough understanding on TQM philosophy has become a limitation. Even though some organizations do not have simple TQM techniques managers think that they have TQM within the organization (Yapa, 2012).

Most of Deming's 14 principles of quality management emphasize the importance of maintaining an organization wide human involvement in quality. For instance, maintaining constancy towards improvement of product and service, adopting the new philosophy, ceasing dependency on mass inspection, ending the practice of awarding the business on the basis of price tag alone, improving constantly and forever the system of production and service, instituting training on the job, instituting leadership, driving out fear, breaking down barriers between departments, eliminating slogans, avoiding targets to the workforce, eliminating work standards on the factory floor, removing barriers for workmanship, instituting vigorous program of education and self-improvement and making transformation is everybody's job. However, Deming's principles focus on organizational members as individuals and are about measures that could be taken by management in order to ensure the involvement of employees. An alternative view is the possibility of collective involvements of employees. Such possibilities are discussed as social networks of employees.

Social network is a perspective, which is being increasingly adopted in understanding behavioral implications of people in a given social context today. Social network is an array of people in a given situation, showing „structural characteristics and inherent relationships“ (Wichmann & Koufmann, 2016). A social network contains a group of actors and interrelations that link these actors (Brass, Galaskiewicz, Greve, & Tsai, 2004). The investigation of a social network can involve dyads (i.e. two actors and their relationship), triads (i.e. three actors and their relationship), or larger relationships, including entire networks (Wasserman & Faust cited in Wichmann & Kaufmann, 2016, p. 742). Social network analysis or network theory has contributed to organizational studies with (i) emergence of a network approach to inter-organizational behavior and strategy (ii) reconceptualization of internal social structure of an organization in terms of networked relationships and (iii) emergence of an approach to individual and organizational performance in which social relations play a preponderant role (Borgatti & Halgin, 2011). Persons and organizations actively are engaged in network relations (enacting them, neglecting them, choosing to keep them or dissolving them) (Lizardo & Pirkey, 2014). The interconnectedness of parts of these networks cause network effects. Employees' centrality in the networks ties positively as well as negatively at work and it may influence employees' organizational attachment (Venkataramani et al., 2013).

Networks among people are theorized by Actor Network Theory (ANT) and Social Role Theory (SRT) and Organisational Role Theory (ORT) etc. ANT (Latour, 2005, 1996) offers a fresh approach to study corporate environments, challenging implications of conventional hierarchical relations (Luoma-aho & Paloviita, 2010). ANT emphasizes that what matters are not actors' identities or categories they fit, but rather their interrelations and stake they hold (Luoma-aho & Paloviita, 2010). ANT is particularly useful for its emphasis in understanding the process of translation, where actors convince others to join their cause (Latour, 1996). Thus, the ANT focuses on seeing how one or a group of actors take others into a network to defuse an idea. This is different from the view point of SRT and ORT about social networks. According to SRT, social networks emerge from a situation as a voluntary social action. It

considers that everybody in the society has a defined role such as mother, teacher, husband, wife or clergy and accordingly derived rights, duties, expectations, norms and behaviors (Broderick, 1998; Wickham & Parker, 2007). This phenomenon is applied to members in an organization and is explained by ORT, which focuses on the roles that individuals enact in a social system in an organizational context. Thus, within an organization every employee has a role to play (Wickham & Parker, 2007). The role of each employee may be pre-planned, task-oriented, and in line with their hierarchical positions (Wickham & Parker, 2007). As per ORT those specific roles of each employee are expected by others in the institution and each actor knows the possibility of repercussions against any unexpected behavior within the organization (Broderick, 1998; Wickham & Parker, 2007).

Those enacted roles of each employee may reflect organizational culture and norms (Wickham & Parker, 2007). An organization to function effectively, the ordered arrangement of roles must be effectively communicated, fully understood, and accepted by its employees (Katz & Kahn, 1966). The point in relation to quality management drawn from the ORT is the influence of peers on others to maintain work standards. Thus, organizational role may stimulate work within social networks among employees.

### **3. Methodology**

In selecting a research strategy, the nature of the perceived connection between the theory and the research implies the underlying epistemological and ontological stances (Bryman, 2004). In this research, the authors perceive the connection between ORT and its involvement within a social network as the theory. The authors accordingly are interested to understand how such a social network among employees form behavior as far as the service quality is concerned, because the latter is highly influenced by human involvement compared to manufacturing situations. Authors have a subjectivist ontology, where they believe that the reality is constructed by the involvements of actors as perceived by the researchers. Hence, epistemologically this research needs to be an interpretive study and thereby requiring qualitative research strategy to be adopted.

The study was carried out as an instrumental case study. Case study approach involves an empirical inquiry to investigate contemporary events within a real-life context, especially, when the boundaries between the phenomenon and context are not clearly evident and the investigator has limited control (Yin, 2003). A case study may be carried out either as a holistic study or an instrumental study. In a holistic study the case is studied in detail to understand the formation of the phenomenon under investigation. However, in an instrumental case study only the phenomenon under investigation is studied, locating within the context of the case (Stake, 2000). Since, the focus of this research is to investigate how social network among employees create implications on quality performance, the research took the form of an instrumental case study.

This research focuses on exploring how social network among employees create implications on service quality in a large scale private sector business establishment. For this, the Husserl's phenomenological tradition (Eagleton, 1996) is adopted. The phenomenological tradition of research explores „lived experience“ of a phenomenon. Martin Heidegger (1889 – 1976), a student of Husserl explored the „lived-world“ in

terms of an average existence in an ordinary world (Schwandt, 1997). A phenomenological inquiry can use interviews to gather the participants' descriptions of their experience, or the participants' written or oral self-report, or even their aesthetic expressions (e.g. art, narratives, or poetry). This method encourages the relevant participants to give a full description of their experience, including their thoughts, feelings, images, sensations, and memories - their stream of consciousness - along with a description of the situation in which the experience occurred. Boyd (2001) regards two to ten participants or research subjects as sufficient to reach saturation and Creswell recommends “long interviews with up to 10 people” for a phenomenological study (Groenewald, 2004, p. 46).

Without proper access to the selected organization, doing an in-depth study would be impossible. The company was selected as a result of a personal contact with senior management of the organization. For the purpose of this research a main branch of the company was selected which is engaged in vehicle maintenance and repair services. The selected company is a well-known brand for quality vehicles, spare parts as well as for quality service. At the initial preparation for the data collection, a desk research was conducted to gather historical and background information of the company and the research context. For the desk research, the authors referred to related documents from the internet, web page of the company and employee handbook. The authors conducted a pilot study by way of interviews. This interviews were held with the General Manager - HR & Administration and Senior Executive HR of the company. After the pilot study, the authors decided the area of the organization, the study should focus on and persons or groups to be interviewed. Based on the pilot study, the main study was framed to use semi-structured interviews.

#### **4. Discussion**

##### **4.1 The Organization**

The selected company is a subsidiary 100% owned by its parent company in Japan. The Sri Lankan subsidiary is a trading arm. The Group of companies is one of the world's largest auto manufacturers of the world. It has around 348,000 employees worldwide. The Sri Lankan company operates with 3 types of branches; Service I, Service II, and Service III. For the purpose of this study, one of main branches in Category III was selected which is located within Colombo metropolitan. The selected branch is the most famous idol for the motor car service stations among all the branches in Sri Lanka. Other than providing automaker service, the branch is engaged in spare part selling and vehicle selling. For the purpose of this study, we have selected its service section. The branch operates with 120 total number of employees. The service section is comprised of 2 main service lines: vehicle maintenance and vehicle body painting. Out of the total operational employees, the majority is employed in the vehicle maintenance section. For this reason, we have selected „vehicle maintenance“ section because our focus in this study is about social networking among employees. The number of operational level employees deployed in the vehicle maintenance section is 50.

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#### **4.2 The TQM Environment**

As Peters (1999) elucidated, TQM environment influences people to be unified towards best outcomes within self-managed boundaries. Hence, the first attempt of this study was made on understanding the existence of TQM environment within the selected organization. A conventional quality environment may not allow or support networking among operators mainly due to existence of competing quality targets among employees. This may hinder development of participation among employees but only the development of rivalry among employees. The inquiry about the existence of a TQM environment of this organization was made referring to major TQM characteristics (also known as critical success factors) (Ahire, Golhar, & Waller, 1996; Zeitz, Johannesson, & Ritchie, 1997), such as top management commitment, quality measurement and benchmarking, process management, product design, employee training and empowerment, supplier quality management, customer involvement and customer driven quality approach. Investigations were carried out by way of interviews referring to these identified TQM characteristics.

Top management's commitment is implied in the statement by the General Manager HR:

In our organization, we value not only the quality of vehicles and parts, but also the quality of the service we deliver. Simply, quality gives the priority over the cost.

This statement implies the top management understands of quality and the importance of quality. Top management's understanding leads to their policies and actions towards maintaining the intended quality.

Perception of operational level employees could be simulated to their action towards maintaining quality. Customer orientation in operations was illuminated in a statement made by Manager Service operations:

Here the quality concept not only enhance the public's perception or image of the organization, but also pay off in greater customer loyalty and increased sales and profit.

With the intention of maintaining quality, the management has limited the volume of operations to be carried out per a working day. Through this initiative, the management hopes workers to concentrate on the quality rather than quantity to be completed. According to Service Manager;

The average Customer Paid Units (CPU) per day is approximately 90. And another 5 vehicles with warranty would be delivered with a free service. Finally the throughput per day would be 95 vehicles.

Another TQM characteristic is doing right first time without relying on inspections. The company emphasizes on this. According to the Operations Manager;

The company has set an international standard award called; Fix It Right (FIR). Here we check on each job whether the award conditions have been met. And we have won the Gold medal for the FIR award continuously four times.

As another practice towards TQM, the company considers the priority on customer satisfaction leaving no room for disappointment for any type of customer. The company serves two types of customers namely, appointment customers and walk-in customers. Appointment customers are those who come for services with a prior arrangement. Walk-in customers are customers who expect the service without prior appointment. Despite the company has customer orders for the full capacity, its policy is not to turn any walking-in customer back with no service provided. Hence, at the designing phase, the company has kept adequate capacity reserved for such customers. Thus, as per the company policy, customer service is maintained with no disappointments. The Manager (Service Operations) explained;

In the appointment register we keep 30% blank space for walk-in customers.

As another initiative towards maintaining customer satisfaction, practice of overpromising to the customer is avoided. Unlike in manufacturing, in service processes managers starts with identifying ways to improve customer satisfaction by setting internal and external performance goals (Reijers, 2003). These goals are known as service level agreements (SLAs). According to SLAs service provider should undertake services only for the extent to which the capacity of the company allows. This practice avoids overpromising to customers taking the risk of creating customer dissatisfaction. As per the Manager (Service Operation);

We are trying in our level best to do the job according to work strength and the capacity of the workstation. Then the real purpose of the appointment register will be served.

Customer participation by way of observing the process is facilitated in this organization. The company intentionally provides facilities for customers to observe how the service process is carried out. This is different from the practice at their Head Office in Japan, where customers are not interested in observation of the service process. This company has changed the practice considering the culture in the Sri Lankan context.

Employee training is a fundamental critical success factor in TQM. This organization maintains training as a fundamental requirement in improving performance and managers are of the view that in reaching performance goals training is a compulsory element for each and every employee at any process whether operational or administrative. According to the Manager in Service Operations:

The training is considered as a goal in performance appraisal of each employee. There are 4 levels of the training; technician, Pro technician, Master technician, & Diagnostic Master Technician. Management and technicians are trained in Japan, Bahrain, and in Dubai for hybrid training, diagnostic training, and for automatic transmissions.

In order to get the training to employees verified, we contacted few employees. Each employee we contacted has had a formal training in Japan conducted by the Head Office of the company. A training manager explained their rational basis of providing training to employees;

We analyze the skill gap of technicians with a matrix and send required technicians to training sessions.

An employee (a Technician) expressed the enthusiasm of training received.

I have been given an adequate training to complete tasks here. I was sent for one week training in Bahrain once. Other than that there are around 2 training sessions we have to go through each year.

The company's quality consciousness is further demonstrated in their changed supply policy. Maintaining single supplier policy is another initiative adopted in TQM environments. Vendor selection in this company is also based on quality of supplies rather than cost minimization. The Manager, service operation mentioned that they had the policy of procuring 60% of materials locally and the balance 40% from imports. However, responding to customer and employee suggestions for quality improvement the company has changed the policy moving towards a more expensive option. Accordingly, now total supplies are obtained from selected supplier from the United Kingdom. As per the manager, although cost is higher, these materials are not hazardous to employees and the environment.

Avoiding individual competing operational targets is another emphasis of TQM as contained in Deming's 14 points. In the organization being investigated, no individual targets to be met on a daily basis are seen. However, a daily work volume to be achieved is laid down. This ensures the minimum standard of works by individual employees. Manager (Service Operations) explained;

In-built quality of a service needs to be checked by the technician himself while achieving monthly targets given for them. Saved labour hours are paid with a bonus incentive scheme.

In automobile service industry, it is a common practice that customers provide „tips“ to service operators. Management of the organization observes that this practice can lead to create competition among employees and which may hinder the TQM culture. The managers of the service operation revealed that such situations are avoided through attractive compensation policies:

Our employees are passionate; they do not entertain tips here. Because we look after our employee well, so they do not need tips.

Essence of TQM outcomes is the voluntary participation and engagement of employees in maintaining customer satisfaction. As we observed in this TQM environment employees have developed loyalty and entrepreneurship towards the service operations. Expressions of employees imply their personal interests towards customer quality so that the company operations could be preserved. On the other hand labour turnover among employees is very less. Workers we met have been



working for the company for more than five years depending on their date of recruitment. Some employees work for more than ten years. Managers explained their efforts to maintain employee satisfaction;

You know we have made each and every employee to earn a good remuneration depending on their service performance. Everybody is drawing at least Rs. 70,000 per month. They can nowhere earn this much of a salary. For this we don't give tough targets. If they work achieving the allocated work target for the day they are eligible for the monthly incentive. Naturally they all do it. We know they don't think of leaving our company because they will not find any place to have this kind of benefits.

Having observed the existence of a TQM culture in this company, we next investigated the extent to which social networking among employees exists and how it contributes to the maintenance of quality.

#### **4.3 Social Networking among Employees**

Managers of the company are aware of the potential positive implications of social networks among employees. Having this idea, they have made workplace arrangements so that ties between employees and accordingly informal networks among them are formed and encouraged. For example, for this purpose, although individual tasks are assigned, employees are allowed to be involved in helping others depending on the needs of the situation. In order to encourage the formation of such informal networks among employees, managers schedule work break times for groups together focusing on promoting their interrelationships. This enables employees, who are engaged in interrelated operations at different work centers in the service process to get together and communicate or discuss their issues.

The training process of employees is another point, where managers have arranged to promote social networking among employees. An employee expressed his view of the network formation at the training and positive implications of the network in relation to work outcomes.

The relationship we built in the training made us fearless and made us confident, that we can do any sort of complex job here together as a team. We face together any issue of any sort.

The Manager (service operations) expressed his view on implications of networking as being experienced in the process.

Higher the bond of the network, the complaints are hidden among employees and do not reach the management.

Furthering on this statement the manager expressed that as an implication of the social networking among employees. When any defective in the service process is detected at any work center or with an employee, in most circumstances others in the network come and get together to rectify rather than taking it to the notice of the management. Managers allow such actions as way of continuous improvement. This also implies the level of empowerment provided to employees.

The manager further expressed that if one in the service process is late in completing the task for any reason, others in the network quickly gather and support their colleague to complete the task on time so that the overall service process is not affected.

### **5. Analysis**

In the investigation, we attempted first to verify whether a TQM culture exists compelling employees to be quality conscious and customer satisfaction. We found that mainly, top management commitment towards quality, customer satisfaction and orientation, employee training and satisfaction, and employee quality orientation through avoiding competing targets and competition among employees. Hence, we initially established the existence of TQM culture to a satisfactory level in this organization enhancing employee participation to quality of operations. The situation allows networking among employees towards quality maintenance.

In our observation of networking, it was revealed that the most notable implication of the networking among employees in this company is „mutual caring“ among individuals of their network. This is not found in relevant literature.

The Organizational Role Theory (ORT) pays attention on employee networking. It highlights that in a social network, each and every individual has a defined or understood role, which is expected by others in the network for smooth operations (Broderick, 1998; Wickham & Parker, 2007). Accordingly, when employees have formed network relationships, each individual in the network considers that the maintenance of quality in their individual task is their obligation towards others in the network. In such a situation employees tend to work with care to the task so that their task outcomes would not create unfavorable remarks among their counterparts of the network. This illuminates the individualist perspective towards employee behavior in a social network. ORT seemingly has neglected the collective actions among the individuals in the network.

However, our observation in the investigation is different. In contrast to the assertion of ORT, we observed that the network promotes team spirit among individuals in the network in meeting overall quality requirements. In this situation, quality is maintained as a team and individuals in the network take care of peers in order to make sure that they collectively meet quality objectives.

The team spirit among employees is further promoted by the company policy of equality among employees, cleanliness and tidiness, communication and career management. Equality among each and every category of employees is maintained by the organizational management and has given rise to team spirit among individuals in the employee network. Employees feel less alienated and instead a needed element of the organization. Such employees are more inclined to embrace the organization's quality goals (Flynn, Schroeder, & Sakakibara, 1994). An Executive in HR explained the intentional effort to promote equality among employees:

The equality has been maintained among employees throughout the day. The food and the tea provided for operational employees are in exact quality where executives are provided. Sanitization facilities (washing rooms, dressing rooms) for operational level employees also provided in equal condition as for executives.

All the operational level employees are given the same Christmas hamper which all the executives are given. This is valued around Rs. 8000-10000.

Team spirit is supported when positive attitudes are inculcated by favorable working conditions prevailing in the organization. The provision of inadequate equipment and adverse working conditions can badly affect employee commitment and intention to stay with the organization (Leblebici, 2012). In the organization we studied, management considers that workplace cleanliness and safety of the premises are fundamental conditions. The Manager Service Operations explained:

Each employee is responsible for the cleanliness and tidiness of the green workstation which will influence their performances as well since the cleanliness of the workstation makes a steady work environment.

An Assistant Manager HR and Administration added that:

There are separate washing machines and staff to wash the uniforms of the technicians.

Career management provides equal opportunities for all employees and thereby can contribute to promote team spirit among employees. Career management and prospects available for employees is a major supportive condition prevailing in this organization.

Possibility of direct communication helps creating feelings of equality among employees giving rise to positive implications of social networking among employees. The company maintains open door policy where not only managers but also the CEO, MD or president leaves their office door "open" in order to encourage openness and transparency with the employees. Many companies use this policy to increase the levels of communication among employees. An Assistant Manager HR and Administration explained the open-door-policy of the organization.

Open-door policy is highly encouraged here. Any employee can meet even the CEO, but requested to inform the immediate senior regarding the issue.

The workers revealed how the peers in the group take care of each other at work. Accordingly, if any employee finds difficulties in completing any daily assigned task, others in the network comes to the particular workstation and helps to finish the task. Similarly, if any error has occurred at a work center, the employees, who work in other work centers gather and rectify the error without taking it to the notice of management. Thereby, the network of employees by helping each other maintains the final quality requirements of the company.

## **6. Conclusion**

This study investigated the implications of social networking among employees engaged in service operations on service quality management. In the service situation, human involvement is relatively higher compared to manufacturing situation. Hence, the potential for networking among employees is high in service situations. Positive implications of social networking could reasonably be envisaged only when a TQM environment exist, where employees are empowered, adequately trained, adequately

remunerated and top management involvement by way of supportive policy environment is available. In order to understand the implications of social networking, this research used Organizational Role Theory (ORT), where emphasis is made on the individual obligation that each individual finds for peers in the social network resulting in improvements in performance.

The study was carried out as a qualitative case study and investigated as an instrumental case. Adopting phenomenological research tradition, this study conducted adequate number of interviews to understand the phenomenon. Data were analyzed using ORT as the theoretical lens.

For this study, an organization engaged in providing vehicle services was selected. This organization operates at a large scale and has policy directions from its Parent company in Japan. In order to study the operation of social networks within the organization, literature suggests that there should be a TQM context prevailing. This is because only in a TQM environment employees are empowered and trusted as well as their loyalty to the organization is purposefully built up. When employees genuinely need to carry out the work at a higher standard, the implication of the social networking among the employees could be investigated.

The organization was observed to have major conditions required to maintain a TQM environment. Such conditions include TQM characteristics such as top management involvement in quality, adequate training to employees, employee empowerment, customer orientation and participation for quality and quality based vendor selection.

Then investigations revealed that existing conditions promote formation of social network among employees. A major condition is the promotion of equality among employees. High morale and loyalty among employees and equality favorably influence the network behavior among employees. In addition conditions such as maintenance of cleanliness and tidiness of the organization, career management for employees and open-door policy of communication etc. support morale improvement, which supports mutual cooperation among employees. Another necessary condition prevailing within this organization to support social networking is the avoidance of competition among employees. Operational policies involving target setting in a way employees are put in a competition for rewards, would not support any networking, but rivalry among employees (Deming, 1981). However, the policy of this company, such as limited daily work load, incentives based on the achievement of their individual minimum work target. Everybody is entitled for the same incentive if they could complete the daily target. This situation stimulates any person who has spare time to help the other to complete the target. This condition encourages employees to get together to help each other so that overall quality is maintained. This supports the network behavior among employees.

Within such a context, where total quality is maintained, employees are empowered and employee collective behavior is encouraged, we examined how social network among employees operate. The management of the organization intentionally allows and encourages formation of informal social networks among employees at different work stations of an identified service line. Formation of informal social network begins when the employees get initial training. Management intentionally supports the

networking among employees by means of setting daily work break times for employees.

The social network among operating level employees of this organization operates creating positive implications. Mainly the network operates for caring among peers. Whenever there is a delay or any error occurred at any workstation, peers in the network come to help and save the colleague. In this manner quality is assured to the final customer. On the other hand issues in operations are sorted out by the employees together by themselves rather than taking to the notice of managers. This enables quality improvements on a voluntary basis among employees.

This study finds that social networks operate for improvements differently from ORT. As per ORT, individuals in a network attempt to avoid errors in order to maintain better relations among peers in the network. Thus, ORT has not captured the collective behavior among people in a social network in an organization. However, we find that when employees work in an informally constructed social network, with the support of the management and other supportive conditions of the organization, the individuals in a social network create a caring relationship so that they collectively support each other resulting in the maintenance of organizational quality plans. The ORT does not consider the existence of a TQM culture and collective interactions of employees of a social network in an organization.

Hence, we conclude that social networks in organizations, if supported by Total Quality culture with employee empowerment, training and with no individual competing performance targets, can work positively towards enhancement of quality avoiding delays and wastes. In another way, we suggest that social network among employees is a supportive element for TQM.

We have few suggestions for further research to investigate different issues such social networks experience, when operates within organizational circumstance. This is because, in the current context network relations rather than hierarchical relations effectively work within organizational contexts. On the other hand, social networks emerge among employees naturally without managerial involvements. The network observed was also such a voluntary one with implied support of managers. However, when conditions are not up to the level mentioned in this study, implications of such networks could be different. Yapa (2012) referring to Sri Lankan context, has found that TQM is not in existence as an identifiable category of practice. Instead, different elements supporting TQM could exist in different degree among different organizations. Hence, further research is needed to identify different organizational contexts and conditions referring to TQM requirements and to understand how informal social networks (if applicable) operate.

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## **Private or Public Inpatient Care? A Comparative Study on Key Factors Influencing the Patient Satisfaction in a Mixed Healthcare System**

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### **Abstract**

*The aim of the article is to examine the determinants that affect the inpatient satisfaction of private and public hospitals across the Colombo District in Sri Lanka. This study applies the principles derived through an empirical analysis which includes SERVQUAL model, Press Graney Associates Model and PubHosQual Model. The study sample contains a total of 300 inpatients. A questionnaire was developed with the likert scale. The results indicate that the inpatients of the private hospitals were much more satisfied with the service quality than the public hospital patients. The results also suggest that the private hospital patients were more satisfied in the areas of “art of care and infrastructure” where the public sector satisfied “administration requirements and effectiveness of treatments”. Finally it was seen that “Art of care” was the most affecting factor which was followed by “effectiveness of treatments”.*

**Keywords.** *Inpatients, Private and public, Sri Lanka, Health care*

### **1. Introduction**

Sri Lanka has a unique healthcare system that provides and extends free healthcare to the citizens which has been one of the Nation’s priorities. Sri Lanka is a low middle income country where the government provides a wide range of free medical services to all its citizens. However, affluent people as well as the private sector employees who are covered by company insurance policies would seek the patronage of private hospitals.

Sri Lanka has a twofold system comprising the primary healthcare provider to be the Ministry of Health and Nutrition (MoH). The decentralization of the provision of the primary, secondary and tertiary services could be seen as National hospitals, Provincial base hospitals, District hospitals and Peripheral units. The private healthcare sector has boomed up rapidly due to the high demand for the private medical healthcare since the past few years.

The country’s expenditure on public health is low but the health indicators are similar to more developed countries in the region. The mortality rate for children under five years has fallen from 28.9 per 1000 live births in 2004 to 9.8 per 1000 live births by the end of the year 2015. Sri Lanka has a higher life expectancy rate which has hit to 74 years in 2013 from 60 in 1960 (World Bank, 2015). Thailand was cited as an example of a country that has a higher mortality rate for the children under five years and a smaller life expectancy. Its per capita health expenditure is twice compared to Sri Lanka. It proves, under better facilities government can offer improved services.

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The government provides universal healthcare for patients even if there are long waits to meet the specialists. The private sector emerged to feed this gap but requires a payment- up front. The increase of the ageing population and non-communicable diseases rise the burden on the healthcare system but augmenting income and the demand for the medical equipment and pharmaceuticals has given the opportunities to the private sector. This has forced the helpless patients to seek the medical requirements from private sector at the cost of their house hold expenditure budget (Dayaratne, 2016).

### **1.1 Research Problem**

As per the Health Economics Cell, Ministry of Health, Nutrition & Indigenous Medicine Sri Lanka (2016), the expenditure on the private healthcare has risen over the start of the new century but shows a drop in the past few years. On the contrary, public health expenditure has initially fallen but shows an increase in the recent past (Amarasinghe, Thowfeek, Anuranga, Dalpatadu, & Rannan-Eliya, 2015). This suggests, Sri Lankan government health expenditure would have an increasing trend.

The accurate role of the healthcare providers in mixed healthcare systems remains as a subject of considerable controversy which ultimately depends on the differences between private and public providers to whom and how they treat, the cost to the patients and differences in the quality (Sauerborn, 2013). However, there is barely any evidence on the differences in the quality of in-patient care received in private and public hospital settings in a free universal healthcare system (Rannan-Eliya et al., 2014).

As per Eggleston et al. (2010) the studies that have been done is limited to measures of structural quality. To address this gap in evidence and to better characterize the nature of mixed healthcare delivery in Sri Lanka, this study aims to evaluate the determinants of inpatient care satisfaction in private and public hospitals of Sri Lanka, whether and how they differ. The researcher intends to find the facts to prove or deny the assumption “Sri Lanka is known for providing high volumes of service delivery at a relatively lower cost, however the fact whether this is done at the expense of the quality is not known” (Rannan-Eliya & Sikurajapathy, 2008). Thus the research objectives are to identify the determinants of patient satisfaction in the private and public hospitals, to perform an association analysis to determine the most significant indicators of the patient satisfaction in private and public hospitals, to identify the level of moderation and significance of the hospital type in the determinants of patient satisfaction, and to identify the switching behavior of patients between the hospital sectors.

## **2. Literature Review**

### **2.1 Art of Care**

The art of care examines the level and degree of care the patient receives from the staff. Which means, from the senior consultant to the most minor staff. Jean Watson describes caring as preserving dignity while addressing the person’s needs (Watson, 2010). It is a commitment to alleviate another’s weaknesses by giving attention and concern for the other (Vance, 2003). “Expert nursing” is the basic component of caring, but “interpersonal sensitivity” is key to the caring process (Eriksson, 1997; McNamara, 1995). It also stated that “nursing care” has shown to be a major

component of patient satisfaction (Kutney-Lee et al., 2009; Qu, Platonova, Kennedy & Shewchuk, 2011).

According to Goodrich and Cornwell in a 2008 publication “seeing the patient in the patient” describes this aspect as a part of patient centered care. Authors identify that the most important dimensions as, “empathy, compassion and responsiveness to needs of the patients as well as coordination, integration, communication, physical comfort, education, emotional support, relieving fear and allowing the involvement of the family. Furthermore, it was seen that this definition was consistent with the World Health Organization that health services should meet the needs of people as well as ensuring respect for people, prompt attention and good communication from the providers.

The doctor’s role in the patient affects overall in the evaluation of the hospital services irrespective of whether it’s a public or a private hospital (Murante, 2009). It was also a significant finding that a good relationship between the doctors and nurses was needed in a patient eyes. This builds up trust and respect in a hospital environment and leaves impact on patient’s anxious feelings. Also such behavior can have a huge effect on the emotional well-being of the patient (Otani, Waterman, & Dunagan, 2012; Russell, Johnson, & White, 2015).

In a comparative study by Taner and Antony in 2006, it is depicted that in private hospitals, “caring” carries the highest satisfaction levels and importance among patients. In their discussion it was evident that the perception of “politeness of hospital personnel” ranked the highest from a 40 items perception basket. Furthermore they stated that private hospitals rank high for dimensions of “trust the doctors and nurses provide” and “knowledge of doctors and nurses”. In contrast, even if both of the above factors fall under the “Art of Care” variable, in public hospitals what ranks highest was the “knowledge of doctors and nurses”.

It was highlighted that public hospitals had experienced physicians compared to private hospitals. This was an important indication that the patients trust the doctors however it was found that the security levels patients received from the physicians in public hospitals were low as compared to private hospitals which indicated low patient confidence levels in public hospitals. This was evidence that this scenario was not due to a lack of knowledge and experience of the doctors but to the lack of qualitative communication between the patient and the doctors. If doctors spend qualitative time with their patients, their overall confidence levels should have been higher. This was again confirmed in the study with the public sector getting low satisfactory levels for information flow and communication attributes (Taner & Antony, 2006; Sitzia & Wood, 1997).

The importance of understanding the augmented need for discipline, professionalism and empathy towards the individual indeed crucial. This was evaluated in both public and private hospitals in Hyderabad (Khan & Fatima, 2014). It was also advised that professionals should be educated to plan their time more efficiently and effectively emphasizing those activities that have direct impact on the patient evaluations.

Apart from listening carefully and explaining things in a manner patients will find easy to understand, the other factors like showing the respect for what they have to say and spending enough time with them are also discussed with regards to private and public. The levels of satisfactions in private hospitals are comparatively higher for these two factors unlike the public hospitals where the physicians have very little time to spend with the patients (Taner & Antony, 2006). Given that in the Sri Lankan public hospitals the doctors have a massive patient load, they should concentrate on the factor of time. The medical personnel, play a vital role in decision making of the patients in their future choice of the hospitals (Taner & Antony, 2006).

Reputed physicians in the country are known to shuffle between different hospitals visiting an unreasonable number of patients a day. This makes them completely incapable of giving any amount of adequate time and assurance to patients (Siddiqui & Khandaker, 2007). In an ethnographic study done at a public hospital, the researcher found out that the physicians leave the public hospitals early for private practice (Zaman, 2004). In a study done by Ricardo et al. in 2005, the researcher stated that 100% of the patients in the public hospitals and 47% in the private hospital are not attended to at the appointed time.

Staff giving personal attention to patients and behavior of the emergency staff led to the private hospitals in Hyderabad being more famous among the patients as compared to the subsidized public hospitals. They have recognized it as the most important factor among the patients (Khan & Fatima, 2014). The private hospitals are making better efforts as compared to public hospitals for the fame since the private hospitals depend on the customers in order to meet the financial constraints and achieve profitability (Yesilada & Direktor, 2012). Private hospitals analyze the demand and cater it unlike the public hospitals that have no proper forecasts. This has led the private sector towards the continuous improvement of the processes.

The research results vary depending on the country, backgrounds, practices and beliefs. As per the study done in Romania by Laura, Dorel, and Florin in 2011, it was noted that the factor “Empathy” in the SERVQUAL aspect which covers the chosen literature variable “Art of Care” overall was rated as one of the least important variables. Still, their studies predicted that the private hospitals generated better satisfactory results for empathy - art of care in comparison to the public hospitals. The discrepancies between the expectations and perception was lesser in private hospitals compared to public (0.48 to 1.39).

## **2.2 Effectiveness of the Treatments**

Effectiveness of treatments discuss the aspects of reliability and assurance in medical services. This is seen as one of the core aspects that determines the choice of a hospital facility or a physician. The main determination of a patient when he or she gets admitted is that they need to walk away from the hospital healthy and cured. Therefore the importance of the effectiveness of the medical treatments are highlighted by several authors (Sharkawi, 2000).

As per Donabedian in 1980, the technical quality of the healthcare is defined primarily on the basis of technical accuracy of medical diagnosis and procedures or the conformance to the professional specifications. This technical quality which

elaborates the effectiveness of the treatments given, was highlighted to be a key factor among the patient's expectations (Lam, 1997).

This also included the aspects of punctuality of the treatments and medicine, medical responsiveness, proper pain management and assurance (Vandamme & Leunis, 1993). Patients' perception on pain management was extremely satisfactory in private hospitals compared to public hospitals making private hospitals the majority preference among the residents of Hyderabad (Khan & Fatima, 2014).

It seems that literature favored public hospitals. Unlike the other factors were a variation was seen. Here, in UAE the researcher stated that the patients of public hospitals were very confident of the treatments that were done and thus liked returning back to them. Explanations of results clearly given and receiving medication on time were some of those factors that alerted the patients (Fabnoun & Charker, 2003).

The need within the patients for accurate and credible treatment was evident in the study done in Turkey where the expectations were at its peak. This was followed by the importance of right and prompt service performance and ability of performing the service as promised and accurately in the private hospitals. It was seen that in the public hospitals, the prompt service performance was not expected by patients. The researcher concluded that both public and private hospital patients evaluate this as the most expected and satisfying factor, indicating that the hospitals in Turkey, do not fail to give credible and accurate medicine irrespective of what dimension they fail in.

In a similar fashion, it is seen that in Sri Lanka, most of the public physicians visit the private hospitals. So the treatments are mostly done by the same provider irrespective of whether it's a private or a public hospital. As per the Central Bank Report (2015) there are 17,129 qualified doctors in Sri Lanka. In that case, the effectiveness of the surgery treatment performed is not questionable but the other factors such as timely treatments, punctuality and effective pain management are questionable due to high volumes of patients in the public sector. And also in Sri Lanka as per Central Bank, Socio Economic Data (2015) the life expectancy of the Sri Lankan citizens, is at a higher rate (75.3yrs) in comparison to other selected Asian countries.

Rannan-Eliya et al. (2014) states that if the public hospitals of Sri Lanka are not resource constrained and had a greater investment from the government, the public sector seems to deliver equal or better quality of treatments compared to the private sector. The authors' findings state that in treatment and management, public patients were satisfied better compared to private patients (70% vs. 62%).

### **2.3 Administration Potency**

Administration potencies of hospitals and its dimensions are a widely discussed factor that affects patient satisfaction (Aagja & Garg, 2010; Otani & Kurz, 2004; Arasli, Ekiz, & Turan, 2008; Shaikh, 2012). Administration of a hospital include many factors like admission, waiting times, protecting health information, hospital overcrowding and discharge procedures etc. that concern the patients from the time they are admitted in to the hospital until they get discharged. Struder in 2003 stated that improving the administration processes showed an improvement of overall

patient evaluation of private hospitals. This has been supported by the findings in the post-surveys, showing that the administration processes of the hospitals were both difficult and confusing to follow. These are: observation of the patients according to the appointments scheduled, availability of the doctors and the on-time delivery of reports are some other factors that were measured according to a Likert scale (Khan & Fatima, 2014).

Starting with the admission procedures, it was observed that patients seemed to find convenient when there was a simple procedure to admission and easy access to services at hand. This in turn, gives them a good head start. (Curry & Sinclair, 2002). Adding to that, there are delays that might happen during the hospital stay. These have shown to be extremely unnecessary and unreasonable. This not only dissatisfies patients but also foster anger in them. This was also confirmed in the study of the airline industry that anger is the most dominant reaction to delays (Diaz & Ruiz, 2002). It was also noted that a “planned admission” tends to have a greater positive influence on the patient evaluation (Veenstra & Hofoss, 2003).

Among the 40 items in a list of expectations pertaining to public hospitals “ease of admission” and “performance of services in the shortest time possible” were ranked the least while this was ranked to be two of the most expected items in private hospitals. Satisfaction resulted in a gap scores of -0.19 and -0.49 in private and public hospitals respectively. This shows that patients were dissatisfied in both groups of hospitals. On that note, it can be deduced that there is more dissatisfaction among the patients of public hospitals in Turkey (Taner & Antony, 2006). In contrast to the above findings, it was stated that in India, government hospitals have easy and legally amenable admission procedures compared to the private hospitals and the patients seem to be more satisfied (Padma, Rajendran, & Sai, P. 2010).

Trustworthiness of the administration was indicated to be an important factor in the study done in India. It proved that both groups of hospital patients were satisfied with the level of trust worthiness, concluding that the private sector offers a better satisfactory level (Padma et al., 2010).

Many hospitals measure the waiting time as the average time from the patient’s arrival to the time where the patient is placed in a room and treatment begins. (Shelton, 2013; Hospital and health networks, 2008). It was also noted that the most difficult part was not the long hours they had to wait but the staff having no clue how best to advise the patients of how long they would possibly have to wait (Emergency Department Resources, 2008).

In 2008 the study conducted in Ontario stated that long waiting time leads not only to the dissatisfaction of the patient but also the increased risk of death. (Laupacis, 2011). The average waiting time in an emergency room in 2007 was found be 4 hours and 5 minutes and state wise the waiting times differ from 2 hours to 4 hours (Nationwide emergency room pulse report, 2007).

Patients in public hospitals unlike in private hospitals carry less expectation in relation to waiting times. Since public hospitals offer subsidized prices, an influx of a crowd is to be expected. Therefore, waiting times are unavoidable. (Taner & Antony, 2006).

This was also confirmed through a study done in Hyderabad that the “time management” of the private hospitals is far better than the public hospitals (Khan & Fatima, 2014).

When patients run out of space, work is poorly organized and proper procedures are not in place, this means the entity – clinic, observation rooms or theatres are overcrowded. This leaves patients with dissatisfaction that cannot be helped. (Horwitz, 2009). Overcrowding can be a result of unrealistic waiting times (Derlet, Richards, & Kravitz, 2001). This is reflected in patients waiting in the hallways and all beds in wards occupied. This is mostly seen in public hospitals unlike private hospitals. The private hospitals were much more flexible in administration policies with regards to visitors compared to public hospitals which have a designated time for visits (Khan & Fatima, 2014).

After treatment is completed or the patient needs to be discharged urgently, the administration policies regarding the discharge process plays a vital role. In Turkey, it was found that the patients are having negative experiences during this discharge process which shows a gap between the expectation and the perception of -0.06 and -0.14 in private and public hospitals respectively (Taner & Antony, 2006).

Type of safety measures the hospital has to safeguard patients with, influences their perception with respect to quality. The administrators and the management should make sure that the facility is fitted with such safety measures and thus representing an ethical imperative show casing the fundamental philosophy of medical care (Duggirala, Rajendran, & Anantharaman, 2008). An ethical imperative showcasing the fundamental philosophy of medical care (Duggirala et al., 2008). According to the author there isn't any difference between public and private hospital.

The administrative procedures namely trustworthiness and safety, had a high impact on the public hospitals in India whereas private hospitals had high levels of satisfaction pertaining to image and trustworthiness (Padma et al., 2010). Public hospitals seem to be less sophisticated in practice as compared to the private hospitals. This is due to its bureaucracy, overcrowding and long waiting lines, lowering the level of service quality and patients' perceptions differing from private hospitals (Zamil, Areiqat & Tailakh, 2012). In a study done in Romania, it was stated that the data compiled with regards to the aspects discussed above was lowly-rated and considered by the patients to be unsatisfying (Laura et al., 2011). In contrast to Romania, public patients in United Arab Emirates are on the whole more satisfied with the administration potencies. This encompasses admission, discharge, waiting time and the time that lapses between admission and a patient being taken to his or her room. Here we see researcher notes that expectation levels are low. Therefore, resulting in higher levels of patient satisfaction. This can be viewed sign that government hospitals enjoy more funding and patronage increasing staff strength, the number of beds and the overall infrastructure of UAE.

## **2.4 Infrastructure**

A patient judges a hospital the moment he/she lays eyes on it. This occurs even before the service is rendered and the experience begins. Patients unconsciously ask themselves if they feel this is the right place for them. Or whether they would be

returning to the medical facility again. Therefore in understanding the connection between the quality in the physical environment and the patient satisfaction it is understood that it has a long lasting impact on the performance of the entity which ever public or private, and its ability to provide a qualitative care.

Infrastructure, also known as man-made physical environment or “servicecapex”, is one of the most important factors that brings to light the stark contrast of patient satisfaction between the public and private hospitals of Sri Lanka. This includes all the “tangibles” that Parasuramen et al. mentioned in 1988 which are equipment, appearance of facility, signage, food, availability of technologically developed resources, washrooms, resident rooms, emergency facilities, pharmacies, blood banks etc. (Padma et al., 2010; Duggirala et al., 2008). The concept of infrastructure has been worded by different researchers in their findings, Tomes and Ng (1995), Andaleeb (2000), Reidenbach and Smallwood (1990), Otani and Kuruz (2004), Rao et al. (2006) and Duggirala et al. (2008). All of them wrote about different aspects of infrastructure in their studies highlighting the importance of factoring “physical environment” into service quality and patient satisfaction.

A study done in India observes that the availability of facilities like ramps and elevators in the public hospitals have enhanced the satisfaction of the patients. However, this is little compared to the private hospitals where these facilities are made to be an absolute must-have. Availability of these facilities have increased the satisfaction of private hospital patients, stating that in private hospitals, infrastructure is a significant indicator of patient satisfaction (Padma et al., 2010). Through a research in Chennai in 2008 it was found that the consumers rate the appearance of the building, interior decor, atmosphere and layout as important (Duggirala et al., 2008). A study that was done in Hyderabad confirmed that the rate of accommodation in private hospital wards was always satisfactory unlike the public hospitals where not more than 15% of the respondents thought it was satisfactory (Khan & Fatima, 2014).

In the same study, the researcher states that in the dimension of the facility being “spacious” the government hospitals depicted higher satisfaction rates. This is a well-known fact as public hospitals are government based and are naturally well-established in terms of space. World Health Organization states that the 50% of medical equipment in the developing countries is in an unusable state.

Food is a key element included in the package the patient receives in private hospital. In public hospitals of certain countries it comes free while in others, it is subsidized. Patients would not mind paying a bit more than the subsidized price to get a better meal since that is one of the secondary satisfaction areas and also a reason why patients tend to get food from home or their relatives (Khan & Fatima, 2014). In order to satisfy this area, there are a lot of food management companies that have contracts with hospitals who are specialized in the food for health care facilities. Some even have contracts with dietary counselors to make sure the patient taste is satisfied without compromising nutritious diet. It is also said that food plays a vital role “game changer” in hospitals (Ross & Venkatesh, 2015). In the study done in Hyderabad, the quality of canteen and food facility in the government hospitals had lesser satisfactory rates in comparison to the private hospitals (Khan & Fatima, 2014).

Another dimension is, “how clean the premises are?”. The patient perception towards the cleanliness of the hospital has a greater impact in the hospital quality (Ross & Venkatesh, 2015). This includes the environmental cleanliness, hygiene, hand washing techniques etc. Cleanliness is one factor that encompasses different elements of patients’ experience during the hospital stay. Furthermore it was evident that the cleanliness in the private hospitals were excellent in comparison to the public hospitals where more than 55% patients agreed that private hospitals were better. Adding to the same note, bathroom facilities were also better rated in private hospitals. It was shown that around 1% thought that public sector was better but more than 45% responded that private sector washrooms were more hygienic (Khan & Fathima, 2014).

The availability of quality medicine is identified as a factor that is lacking in the public hospitals. The patients in those hospitals go through great difficulties in-order to get the prescribed medicines that are not given through the government free of charge, and ultimately resort to buying from outside. All though the situation is better in the private hospitals, they still lack the management of medicine. They have different brands of medicines at different prices, if the patient is ignorant about the medicine they try and sell the most expensive. This is vitally seen since the private hospitals are profit oriented (Siddiqui & Khandaker, 2007).

The public hospitals seem to be in a much worse condition compared to private hospitals regarding the equipment, water supply, and cleanliness of the premises (Siddiqui & Khandaker, 2007). It has been shown that the improvement in the tangibility matters enables better service-delivery and results in improved use of health care facilities. In Romania, among the SERVQUAL factors, “tangibles” for private hospitals was ranked as the most satisfying factor, however had the highest discrepancy in the public sector (Laura et al., 2011).

In contrast in the United Kingdom, both patients in the private and public sector states that infrastructure is the least important variable. Since the expectation is low, the perceptions and satisfactory levels could vary. If the expectation levels are high about a factor then the hospitals should be more concerned in satisfying that relevant factor (Sewell, 1997). This is also proven when “tangibles-physical environment” was listed as one of the least important and dissatisfied variables (Anderson, 1995). In Turkey, it is interesting to see that the dimensions of the physical environment are rated at different extremes. The researcher mentions that, in private hospitals the expectations were highest for the up-to date equipment while the least was for the food (Taner & Antony, 2006).

### **3. Methodology**

#### **3.1 Research Design and Approach**

The current study is designed to focus on the patients’ satisfaction and perception of the service quality offered in private and public hospitals. Quantitative researching will be used to find out how many patients hold a particular view, think or act in a particular way. Furthermore, researcher has used a deductive approach where the hypotheses were initially developed using the existing theories of patient satisfaction and then the research strategy was designed to test the set hypotheses. Salient factor, the switching behavior of the patients were analyzed. The statistical package SPSS 17



was used along with the Microsoft Excel in the creation of various graphs and calculations.

Sample population was considered to be the in-patients (currently admitted or who has been admitted within past 6 months of the study- Jan 01st 2016 to August 31st 2016) of Private hospitals and Public hospitals in the Colombo District.

Convenient sampling was used due to confidentiality and pure volunteerism. Researcher has taken 20% of the sample size from the patients who are currently admitted to the hospital and 80% from the patients who were admitted and discharged within the past 6 months of the study (February 01st 2016- August 31st 2016). This was due to the researcher's assumption that the in-patients will not be revealing the actual perceptions during their stay of the hospital, and to avoid patients being biased (This was noted when the pilot study was done). This assumption was also proven in the study done in Jordan by Zamil et al. (2012). This research is based on the Colombo district which has a total population of 2,375,000 (Department of Census and Statistics, 2015). Sample size was determined to be 384 as per Krejcie and Morgan (Krejcie, & Morgan, 1970).

The questionnaire included from all 4 areas including the general demographics section. They were asked irrespective of the hospital type. However due to the validity and reliability few questions had to be omitted after the pilot study. The omissions are shown in Table 1.

Through critical analysis of the literature, 4 important independent variables which are considered to be significant in determining the patient satisfaction has been identified. These variables are shown in Figure 1. The list of hypotheses is shown in Table 2 and operationalization of variables is shown in Table 3.

Table 1  
*Questions Omitted after the Pilot Study*

Question Number	Statement	Description
A_3.8	Sometime the doctor makes you feel that you are wasting his or her time.	Patients could not express how they experienced the business minds of the doctors. Probably they left this blank since they didn't want to express as they will still be taking medicines from the same doctors.
I_4.1	The buildings could have been improved more	Some patients didn't respond to this question as they might have not placed any importance in the "building improvements". Basically they had no way of figuring the developments that were needed.

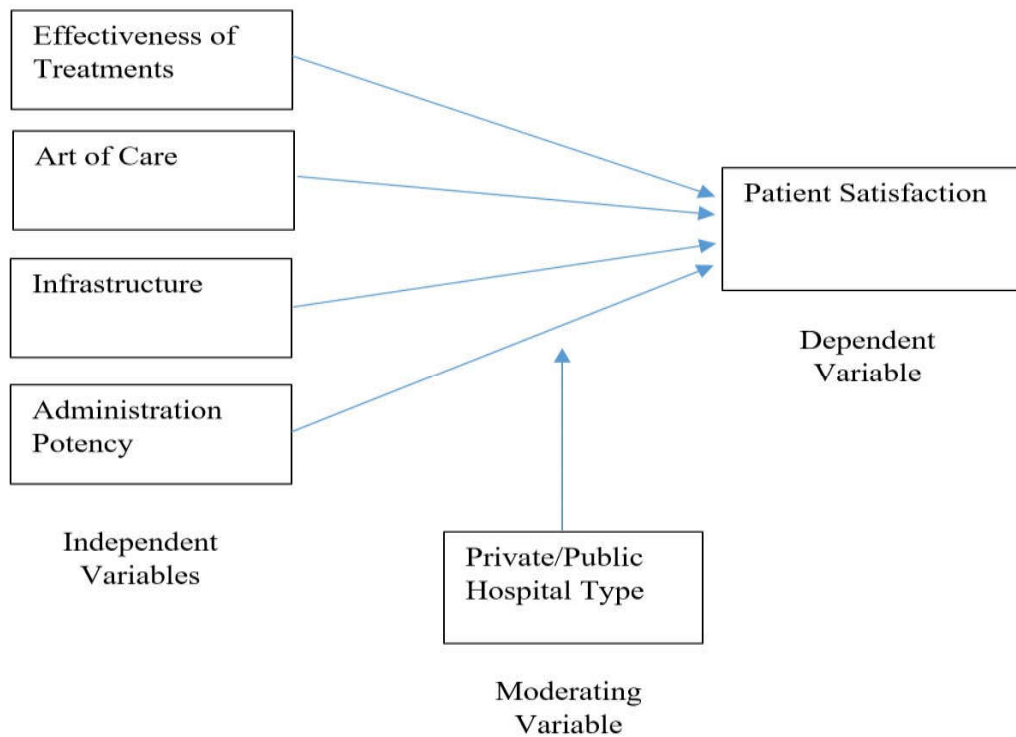


Figure 1. Conceptual framework

Table 2

*Hypotheses*

- 
- H1<sub>0</sub>: There is no association between effectiveness of treatments and patient satisfaction
  - H1<sub>a</sub>: There is an association between effectiveness of treatments and patient satisfaction
  - H2<sub>0</sub>: There is no association between infrastructure and patient satisfaction.
  - H2<sub>a</sub>: There is an association between infrastructure and patient satisfaction
  - H3<sub>0</sub>: There is no association between art of care and patient satisfaction.
  - H3<sub>a</sub>: There is an association between art of care and patient satisfaction.
  - H4<sub>0</sub>: There is no association between admin potency and patient satisfaction.
  - H4<sub>a</sub> There is an association between admin potency and patient satisfaction
- 

*Note.* Drawn by the researcher

Table 3  
*Operationalization*

Independent variable	Dimensions in concern	Measurement
Art of Care (Staff)	Adequate communication, Time management, Positivity, clear explanation, knowledge and experience of personnel, care compassion and empathy	5 point Likert Scale (Strongly agree, agree, neutral, disagree, strongly disagree)
Effectiveness of Treatments	Delivering what was promised, accurate pain management, effective medication, treatment turnaround time	5 point Likert Scale
Infrastructure	Emergency facilities, cleanliness of washrooms, technology equipment, food, Signage, room expectation	5 point Likert Scale
Administration Potency	Waiting time, Protection of the health information, convenience of admission and discharge, overcrowding, visitor management , Safety measures	5 point Likert Scale

#### 4. Findings and Discussion

All the variables were proved to be valid and reliable. Cronbach's alpha of all variables in the table has a value more than 0.7. Therefore it is evident that all variables are between acceptable and good internal consistency (Sekaran & Bougie, 2016). These results are shown in Table 4. The Validity tests were conducted to ascertain the validity of the questions raised through the questionnaire covering all variables. These results are shown in Table 5 and Table 6.

The sample as mentioned obtained for the research was limited to (currently admitted or who has been admitted within past 6 months of the study- Jan 01st 2016 to August 31st 2016) of Private hospitals and Public hospitals in the Colombo District. The findings relate to the said sample since the researcher states that in order to avoid "biasness" of patients in revealing the accurate information while they are inpatients. There were no other constraints to the respondents in the light of income, gender or age.

Table 4  
*Reliability Test Results*

Variable	Cronbach's alpha
Effectiveness of Treatments	0.935
Art of Care	0.870
Infrastructure	0.915
Administration Potency	0.930
Patient Satisfaction	0.895

*Note.* Survey Data

Table 5

*Summary of Key Measure's in Validity Tests Results*

variables	KMO	p-value of Bartlett's Test of Sphericity	Average variance E (AVE)	Composite Reliability (CR)
Effectiveness of Treatments	0.811	0.000	0.801	0.952
Art of Care	0.856	0.000	0.581	0.898
Infrastructure	0.829	0.000	0.558	0.928
Administration Potency	0.813	0.000	0.762	0.948
Patient Satisfaction	0.779	0.000	0.674	0.922

Source: Survey Data

Table 6

*Discriminant Validity Results – Main Survey*

		Effectiveness of Treatments	Administration Potency	Art of Care	Infrastructure
Effectiveness of Treatments	Pearson Correlation	Ave= 0.801			
Administration Potency	Pearson Correlation	.164**	Ave= 0.762		
Art of Care	Pearson Correlation	.078	-.073	Ave = 0.58	
Infrastructure	Pearson Correlation	.051	-.144*	.462*	Ave= 0.558

Note. \*\* Correlation at the 0.01 level (2- tailed) \* Correlation at the 0.05 level (2- tailed)

Source: Survey Data

Effectiveness of treatments (P value= 0.046), Art of care (P value= 0.034), and Infrastructure (P value= 0.000), has a significant association with Patient satisfaction since the P value = 0.000(<0.05) at 5% significant level. Hence the null hypothesis is rejected at 5% significant level and the alternate is accepted. However, administration potency failed to demonstrate such. Private hospitals demonstrated better in Infrastructure and Art of care while Public led the Treatments efficiency and administration.

$$Y=2.472+ 0.200X_1 + 0.171X_2$$

Where Y is the patient satisfaction, X<sub>1</sub>, the art of care, and X<sub>2</sub> the effectiveness of treatments

When the dimensions were tested to be fitted to the best model, dimension of the infrastructure becomes insignificant. (Annexure 12- Annexure 14)

Income (P value = 0.000) and Hospital Type visited (P value = 0.063) had a significant association with the patient satisfaction since the P value (<0.05) at 5%

significant level. Patient's age, gender, hospital type and the number of past visits didn't have a significant association with the overall satisfaction of the patients. (Annexure 1)

All the cost indicators (Doctor's fees, Room charges, Investigation fees, Qualitative overall service for the price) had a significant association with the overall satisfaction (P value=0.000 that is P value (<0.05) at 5% significant level). (Annexure 2)

In the association with the hospital type with each demographic variable and independent variables, the indicators, gender, age, reason of visit and cost have a significant association with the hospital type. The Pearson Chi Square is <0.05. Whereas rest of the indicators P value is >0.05. (Annexure 3)

Switching behavior that was analyzed using the qualitative components suggested various reasons. Public to Private were mastered upon infrastructure, sanitation, food and security while reasons to shift from Private to Public gathered around the corners of kindness of the staff, costs, punctuality of the doctors, inefficiency, admission and discharge procedures etc. It was highlighted that the price the patients pay was always a yard stick in a private hospital upon determining any perspective.

Independent variables of "effectiveness of treatments", "art of care" and "infrastructure" became statistically significant denoting that they have a relationship with patient satisfaction. "Administration Potency" was omitted due to insignificance. Variable "infrastructure" did not show a significance in the regression therefore did not qualify to the best fitted model. Final variables shown through the revised conceptual framework denoted that increase of effectiveness of treatments and art of care would positively affect patient satisfaction. Next, researcher analyzed whether the "hospital type" affected satisfaction. The insignificant moderation explained that hospital type did not affected patient satisfaction that was generated through the variable "art of care". However other variable, "effectiveness of treatments" showed a significance with hospital type. Hence the researcher concluded that satisfaction generated through the effectiveness of treatments has an impact with the hospital type. (Annexure 4- Annexure 11)

The global literature appears to aid the public hospitals positively in effectiveness of treatments variable, which is parallel with the current research findings in the Sri Lankan context. This is also rated as one of the most critical variables in the Romanian healthcare context and researcher points that the private sector has a lot of discrepancies (Laura et al., 2011).

The indicator which denoted whether or not the doctors explained the results of the test reports, the public hospital patients extended higher level of satisfaction and agreement in this study. This falls in line with the UAE health trend researched by Fabnoun and Charker in 2003 where the public hospital patients were very confident that the doctors were reliable and explanatory in the conditions where they wanted the reports briefed. This is apparent due to the state doctors receiving the highest training and competence when compared to the private doctors who pass out young.

Credibility of the medicines given and whether or not the staff was informant was another indicator that was given importance through the global literature. In this case patients who got admitted to public hospitals agreed that medicine was accurate and they were satisfied. However the private hospital patients disagreed whereas in Turkey this was not the same. As per Taner and Antony in 2006 both sectors took this serious and critical hence, the patients who admit to either sector count the seriousness leading to higher levels of satisfaction. The difference of satisfaction in the two contexts (Turkey and Sri Lanka) was seen due to the illiteracy, ignorance or innocence of the public patients. In contrast to the private patients who included the higher socio economic group and showed a higher level of patient education. Therefore they had higher expectations on the credibility.

On the other hand, the study done in Hyderabad by Khan and Fatima in the year 2014, has contradicting ideas where the private hospitals are leading in the satisfactory pain management and medical responsiveness. As discussed, hospitals in India are highly profit-oriented but at the same time they provide an effective service though we do not experience the same in Sri Lanka.

The analysis of the study notes that the patients of the private hospitals did not trust that only necessary investigations were performed. The disagreement and the lower satisfaction noted that the patients suspect that private hospitals do different test to charge high and when they are unable to diagnose the proper illness at once. However, this remains to be an unknown answer as this is not the same in the public hospitals. Since the investigations are done for free most of the time, it is made sure that only the needed ones are done for a patient saving the hospital cost and patient's time.

As per the literature, the researcher was eager to understand whether Sri Lanka which is famous for delivering of healthcare services at low costs, offers the service compromising the quality. Furthermore, the fact that it states the patients pay higher amounts to private hospitals because they believe that the private hospitals offer a better service. This could be due to private hospitals hiring famous physicians and them having more time for private patients. In researching whether this could be true, researcher notes that physicians gets paid for each and every patient visit they do in a private practice which is not the case in public hospitals where they are paid only a fixed salary.

This study falls in line with same research, in Turkey by Taner and Antony in 2006, where the private patients are highly agreed and satisfied with the art of care dimension. The "politeness of the personnel" was identified as the most satisfied indicator in that study where as in Sri Lankan context it was identified to be the staff positivity and honesty because the patients have a strong will to get cured and thus staying positive affects much. Dissatisfaction towards the communication flow and the unavailability of two way communication was seen in many contexts, similarly even in the Sri Lankan context the doctors fail to satisfy the patients in this criteria.

The studies done in Bangladesh, (Siddiqui & Khandaker, 2007; Zaman, 2004) state that the reputed physicians shuffle themselves in many hospitals in the country there by depriving of a proper qualitative time for patients. The best physicians of Sri

Lanka are said to be from the public hospitals where they were brought up with a lot of training and guidance and later they get busy with many private hospitals in the country. This has led the patients of the both sectors to remain very dissatisfied but especially the public patients as the physician is not able to spend qualitative time due to the higher private patient loads and appointments.

Even if the private hospitals of India are purely profit motive, they are famous among the patients for better personal attention, which is seen as a lag in the profit motivated Sri Lankan private hospitals, proven through the low agreement and satisfaction levels in that indicator. In contrast, Laura et al. (2011) confirms that patients in Romania didn't place an importance in this factor since expectations were least rated. Proving that patient expectations would differ from country to country, race to race and culture to culture.

Studies have been done in different contexts to identify the importance of the infrastructure which covers the physical environment. Duggirala et al. (2008) state in Chennai the infrastructure was highest rated in the private hospitals than the public hospitals where patients rated the hospitals using the interior decor and available physical facilities. Even if in the Sri Lankan context the patients don't place such importance, it is the same role private hospitals play. It was also seen in that study, government hospitals were spacious and patients were satisfied over it, whereas Sri Lankan public patients were not satisfied probably because there are so many patients and the limited space hardly to accommodate all of them.

The food was poorly rated in the public hospitals in the research while the private hospitals were highly rated. A customization is possible due to the amounts that are charged to the bill by the private patients. However, this is not the case in the public hospitals where they have to cook for huge numbers daily – free of charge. The costs that the government incurs for this is massive, hence, there can be instances that the food is not up to the levels of individual joy. This was also the same in the Pakistan and the Indian context which was stated in the literature review. Cleanliness as rated in the Sri Lankan context where the private hospitals are far cleaner than the public was the consistent ideology that was seen in the literature across many of the low middle income countries. The authors stated that as per the hospital administrations it is not easy to keep the premises clean when the people do not behave in such a way that they are kept clean. The frustrated management furthermore complained that the public hospital washrooms are cleaned once in every two hours but the patients who use those do not contribute to keep them tidy.

In contrast, this factor wasn't given any importance at all in the European context. Sewell in 1997 stated infrastructure as the least expected and evaluated factor in the hospitals. Which proved that there is no disparity of infrastructure both sectors and patients don't have to expect this, as it is a normal presence in Europe. However Taner and Antony (2006) state in Turkey it was reported that patients expected proper infrastructure and was highest dissatisfied over it similar to the Sri Lankan context public hospitals.

Even if the literature proves that in some contexts administration was a frequent observer, this seems to be inapplicable to the Sri Lankan contexts. However, through

the questionnaire it was found that public hospitals had better potencies than the private hospitals which denoted that private hospitals were marginally satisfactory in the indicators of punctuality, information confidentiality and crowd control while the public hospitals were way better in admission and discharge process.

The insignificance in the correlations should have been due to patients' mentality that these things won't change even how much they try since private hospitals are managed by a top board that patients don't even get to see, and the public hospitals are managed by ministries. Administration potencies cover various norms and regulations that are put in to the practice by their management. For example, crowd control in the public hospital is inevitable due to the high number of patients moving in and out. Hence, sometimes the management is also left unanswered. Patients know that measures are taken for proper crowd control. This is the reason why the methodical queues, and proper numbering systems are in practice. They understand that it is a big role these hospitals play by giving free medication to anyone who enters. Even if the patients disagreed to say that crowd control was proper, the researcher has identified that the patients don't make administration potency indicators to influence their level of satisfactions.

In the private hospitals, this factor was least rated. The admission and the discharge process were seen to be hectic. This is due to the rules and regulations they practice. For example, the calculation of the room rate and check out times are disadvantages to patients. This can be due to various reasons better known to them. Patients are not given proper information at the time of admission. As per some patients, had they known the format of room rate calculations or the exact check-in time, they would have got admitted at the most beneficial time to get the maximum. However these are policies that are common to any private hospital therefore, it doesn't seem to influence the patient satisfaction positively or negatively.

On the contrary, it could also be said that this administration potency is a never satisfying dimension. The literature supports dissatisfaction. In developed countries like United Kingdom and United States of America, the patients are given survey forms before admission and collected after admission. These potencies cannot be customized like any other variable. Art of care will be differed when the staff understands the patient. The effectiveness of the treatments will also differ while choice of a different room would manipulate the infrastructure as well. Therefore, it's well said that the administration potencies will not be different from a patient to patient thus the level of satisfaction will vary marking it hard to determine the level of influence with the overall satisfaction.

It was clearly seen through the analysis that few of the demographic variables had no association with the overall patient satisfaction. Gender, age, and no. of past visits had no significant association defines that the patient satisfaction is not influenced by what gender the patient is and what age he/she bears and how many times the patient has visited to the hospital before. However, it was noted that the level of income and number of days stayed affected the overall satisfaction. The higher the number of days higher the satisfaction recorded. This was analyzed by the researcher to witness that when a patient gets admitted for a surgery, hospital earns the profit within the first few days, the longer he has to stay is reducing the profit to the hospital even if the



patient pays the room charges. If another patient was admitted to another surgery discharging the initial patient the hospital profit could have been more. Therefore, the hospital strategy is giving good care and treatments for the patients and thus getting the patients discharged soon. That is why higher the number of days higher the satisfaction the patients receive.

### **5. Summary and Conclusions**

As per the analysis and the discussion it was supported that the private hospitals are making better efforts to influence the patient satisfaction since they have to depend on the customers in order to meet the financial constraints and get the estimated profitability, which is not in public hospitals that are run through government patronage. Private hospitals have ended up in giving a good personal attention and satisfying the criteria of best “art of care” provider. However, they should carefully design more patient oriented strategies to enhance the reliability since the study proves that the patients trust public hospitals on the “effectiveness of treatments”.

All in all, private hospitals were marginally higher in generating the overall satisfaction when compared to public hospitals within the chosen variables. Public health system is proved be good in administration and reliability however services towards the patients are inadequate. It was mainly identified that lack of “physical reach” forced the patients to use more expensive private facilities. The public hospitals should design better strategies to enhance the staff care to patients and make a better environment therefore giving the patients the highest “healthcare access” for the quickest recovery. The inability of provision of such an access is due to rapid growth of population, overburdened hospitals government funding, low government interest in development of new healthcare systems and rapidly developing private hospitals.

### **6. Future Research**

Future research concerns to obtain samples from different districts in order to be applied to the Sri Lankan Healthcare industry as a whole. The research was based on the Likert scale and the score was calculated with limited access to the qualitative insights. Future research can adopt complementary research methods (observation of naturalistic data and analysis of qualitative interview data and usage of qualitative questions) in the questionnaires which would lead the researcher to get more information about the physiological, individual, contextual and situational factors. Future research could include a comparative study of satisfaction including the foreign medication since currently it’s becoming more of a practice and one of the main competitor to the Sri Lankan Healthcare industry.

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**Annexures****Annexure 1**

Table 6

*Demographic Variables*

Indicator	Pearson Chi-Square	Conclusion
Doctors' fees	.000	Significant association
Room Charges	.000	Significant association
Investigation fees	.000	Significant association
Qualitative service for the price	.000	Significant association

Associations – Demographic Indicators and Overall Satisfaction

**Annexure 2 -Cost Variables**

Table 7

*Associations – Cost indicators and Overall Satisfaction*

Indicator	Pearson Chi-Square	Conclusion
Gender	.293	No significant association
Age	.235	No significant association
Income	.000	Significant association
Hospital Type Visited	.063	Significant association
Days stayed	.050	No significant association
No of past visits	0.833	No significant association

Source: Survey Data

**Annexure 3 - Evaluating the Associations with the Hospital Type**

Table 8

*Associations – Hospital Type*

Indicator	Pearson Chi-Square	Conclusion
Gender	.049	Significant association
Age	.010	Significant association
Income	.302	No significant association
Hospital Type Visited	.779	No significant association
Reasons of visit	.000	Significant association
Cost	.000	Significant association
Effectiveness of treatment satisfaction	.070	No significant association
Art of care satisfaction	.096	No significant association
Admin satisfaction	.053	No significant association
Infrastructure satisfaction	.422	No significant association

#### Annexure 4 - Evaluating the Moderation of the Hospital Type with the Independent Variables Infrastructure

Table 9

##### Model Summary- Infrastructure

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.249 <sup>a</sup>	.062	.053	.97336555

Note. a. Predictors: (Constant), What hospital did you visit within the past 6 months, Zscore (Infrastructure\_Mean)

#### Annexure 5

Table 10

##### ANOVA- Infrastructure

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.558	3	6.186	6.529	.000 <sup>a</sup>
	Residual	280.442	296	.947		
	Total	299.000	299			

Note. a. Predictors: (Constant), hos\_infra, What hospital did you visit within the past 6 months, Zscore(Infrastructure\_Mean)

Source: Survey Data

#### Annexure 6

Table 11

##### Coefficients- Infrastructure

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.264	.095		2.779	.006
	What hospital did you visit within the past 6 months	-.287	.137	-.144	-2.097	.037
	Zscore (Infrastructure_Mean)	.400	.092	.400	4.369	.000
	hos_infra	-.425	.138	-.263	-3.093	.002

Source: Survey Data

As per the above table it could be noted that the moderation of hospital type is significant in the independent variable of infrastructure as P value (<0.05) at 5% significance level.

**Annexure 7- Effectiveness of Treatments**

Table 12

*Model Summary- Effectiveness of Treatments*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.212 <sup>a</sup>	.045	.035	.98228857

Note. a. Predictors: (Constant), hos\_eff, What hospital did you visit within the past 6 months, Zscore(Effectiveness\_Mean)

**Annexure 8**

Table 13

*ANOVA- Effectiveness of Treatments*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.392	3	4.464	4.627	.004 <sup>a</sup>
	Residual	285.608	296	.965		
	Total	299.000	299			

Note. a. Predictors: (Constant), hos\_eff, What hospital did you visit within the past 6 months, Zscore(Effectiveness\_Mean)

**Annexure 9**

Table 14.

*Coefficients- Effectiveness of Treatments*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.017	.080		.212	.832
	What hospital did you visit within the past 6 months	-.059	.114	-.030	-.520	.604
	Zscore(Effectiveness_Mean)	.283	.079	.283	3.572	.000
	hos_eff	-.351	.114	-.244	-3.080	.002

As per the above table it could be noted that the moderation of hospital type is statistically significant in the independent variable of effectiveness of treatments as P value (<0.05) at 5% significance level.

**Annexure 10 - Art of care**

Table 15

*Model Summary- Art of care*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.304 <sup>a</sup>	.092	.083	.95745753

Note. Predictors: (Constant), hos\_aoc, What hospital did you visit within the past 6 months, Zscore (Art\_of\_care\_Mean)

Table 16

*ANOVA- Art of Care*

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.649	3	9.216	10.054	.000 <sup>a</sup>
	Residual	271.351	296	.917		
	Total	299.000	299			

Note. a. Predictors: (Constant), hos\_aoc, What hospital did you visit within the past 6 months, Z score (Art\_of\_care\_Mean)

Source: Survey Data

**Annexure 11**

Table 17

*Coefficients- Art of Care*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.191	.085		2.251	.025
What hospital did you visit within the past 6 months	-.369	.125	-.185	-2.940	.004
Zscore(Art_of_care_Mean)	.346	.075	.346	4.640	.000
hos_aoc	-.030	.133	-.017	-.228	.820

As per the above table it could be noted that the moderation of hospital type is not statistically significant in the independent variable of Art of care as P value (>0.05) at 5% significance level.

**Annexure 12**

Table 18

*Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.282 <sup>a</sup>	.080	.070	.64787

Source: Survey Data

As per the table it could be seen that the R<sup>2</sup> is 0.08, were the model describes 8% of the levels of patient's satisfaction.



**Annexure 13**

Table 19

*ANOVA*

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.754	3	3.585	8.541	.000 <sup>a</sup>
	Residual	124.242	296	.420		
	Total	134.997	299			

*Note.*a. Predictors: (Constant), Infrastructure, Effectiveness, Art\_of\_care

**Annexure 14**

Table 20

*Coefficients*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.472	.328		7.535	.000
Effectiveness	.171	.077	.124	2.227	.027
Art_of_care	.200	.049	.256	4.075	.000
Infrastructure	.002	.050	.003	.044	.965

## **Enhancing Student Involvement through Service Package Offered: Case of Distance Education in Sri Lanka**

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### **Abstract**

*Distance education is an effective system of education as it allows students to make their own learning decision with greater flexibility while removing barriers for education. However, despite its effectiveness the system has been suffering from critical and inherited issues as higher student dropout rate and lower academic excellence of students. Even though previous studies emphasize on services offered by distant education institutes as solutions, students have a significant role to play as self-responsibility towards academic matters is crucial in the context. Therefore, this paper investigates the impact of core services and peripheral services offered by distance education institutes on student involvement in distance education in Sri Lanka. For this purpose, quantitative research approach based on cross-sectional survey design was adapted. Sample consisted of 400 undergraduates of the Open University of Sri Lanka, drawn using simple random sampling technique and data were collected using a structured questionnaire. Data which were analyzed using Structural Equation Modeling revealed that there is a positive significant impact of peripheral services on student involvement. Since the primary focus of this paper, service package in distance education context, which has not been concerned before, theoretically it provides a novel contribution. Essentially, findings are important for the management of distance education institutes in designing and redesigning their service offering. Well-designed services can improve student performance and lower their dropout via student involvement and ultimately result in effective distance education system which contribute to improve the literacy of the nation as a whole.*

**Keywords.** *Core services, Peripheral services, Student involvement, Distance education*

## **1. Introduction**

### **1.1 Research Background**

Communication revolution along with technological developments have been influencing and altering each and every aspect of human life, both personal and public. Business, healthcare, transportation, construction and all most all the industries are being affected and improved as a direct consequence of telecommunication revolution hence, education, particularly the Higher Education (HE) is not an exception (L. He & He, 2015; Rajesh, 2015; Wang & Liu, 2003).

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Since the ancient era, teacher-teaching and student-learning is the primary mode of academic education. Particularly in the HE, the traditional delivery system is characterized by professor delivering a lecture and student listening and taking notes in a classroom environment which is predetermined (O'Malley & McCraw, 1999; Sachar & Neumann, 2003). However, with the telecommunication and technological advancement over time as postal services, printing machine, telephone, radio, television and most importantly the internet enable to build new modes and platforms upon which education could be delivered. Physical face of HE has been changing gradually since online classrooms, libraries and study material play a prominent role nowadays by replacing traditional physical establishments. Students are provided with the comfort of studying at home or office without commuting to university. Prevailed geographical and temporal constraints for HE have been eliminating consequently and thereby making education and learning possible at anywhere, anytime and any pace. This resulted in proliferation of study programmes based on Distance Education (DE) platform (Gunewardene & Lekamge, 2010; O'Malley & McCraw, 1999; Sachar & Neumann, 2003; Wang & Liu, 2003).

As the name stipulates, DE is an educational system or a process of providing education or any instructional arrangement where most of the time teacher and student are based on different geographical locations and timing, resulting teaching behaviors are executed apart from learning behaviors (Moore, Dickson-Deane, & Galyen, 2011; Moore, 1973 as cited in Rumble, 1989; Simonson, Albright, Smaldion, & Zvacek, 2008; Woolls, Dowlin, & Loertscher, 2002). This demands special course designing techniques, instructional techniques, organizational and administrative arrangements and effective methods of communication to bridge the gap between the teacher and the student (Woolls et al., 2002). Students are provided with relevant study material and other required information, instruction and guidance through printed or electronic or any other format which enable them to work by themselves at any time as per their convenient and requirement (Moore et al., 2011; Shachar & Neumann, 2003; Moore, 1973 as cited in Rumble, 1989). Instructional delivery includes an instructor who is physically located in a different place from the learner, as well as possibly providing the instruction at disparate times. Therefore, most importantly in DE, almost all the educational decisions, as what to learn, when to learn, how to and in which pace to learn are taken by the student rather than in the classroom (United Nations Educational, Scientific, and Cultural Organization [UNESCO], 2002) by offering students with high level of flexibility and responsibility towards their studies (Bates, 1995).

The rationale for DE from its earliest days has been to open opportunity for learners to study regardless of geographic, socio-economic or other constraints (Maxwell, 1995; Rumble, 1989). It can be referred to type of education of those who, for one reason or another, choose not to attend conventional schools, colleges, or universities but to study at home (Attri, 2012). It provides opportunity to those who missed education opportunities due to various economic or social factors and thereby ensuring lifelong learning concept which enable learners to start their education from the lowest level and reach the highest possible desired level (Attri, 2012; Gunewardene & Lekamge, 2010; UNESCO, 2002). Further, student characteristics are diverse where majority are adults who are employed, married, pay their own tuition fees and empowered by the DE system itself to become self-learners (Sachar & Neumann, 2003). This diversity in learner profile can have considerable impact upon

the learning outcomes and performance of individual learners as well as the performance of the entire system (Dadigamuwa & Senanayake, 2012; Sachar & Neumann, 2003).

DE has been gaining a momentum and becoming more popular than traditional on campus education system in the recent past which can be attributable to unique structure and features of the system (Attri, 2012). Further, changes in the demographic factors as rising adult population and changes in social requirements of people as increasing interest towards education as well as imposed pressure on working crowd to obtain educational qualifications as part time learners have placed an ever increasing demand on DE as the most appropriate mean of accomplishing educational requirements (Wasala, 2010a, 2010b).

### **1.2 Research Problem**

In the Sri Lankan context, the Open University of Sri Lanka (OUSL) is the pioneer in DE which was established in the early 1980s. It has been established as per the exact characteristics of DE to deliver study programmes in different disciplines with the primary aim of providing HE to working adults. The university admission policy allows persons with basic literacy to enroll to study programmes at the lowest level and proceed towards the highest possible level such that study programmes range from foundation courses, certification courses, diplomas, degrees, master's degrees and doctoral degrees with the option of quitting at any level (The Open University of Sri Lanka [OUSL], 2016). This can be identified as one of the most effective educational initiatives in Sri Lanka since the inception as there is ever increasing demand and popularity among not only the working adults but also students who missed the admission to conventional national universities due to competitiveness and restricted entrance backed by resource constraints (Bataduwaarachchi, 2011; OUSL, 2016; Wasala, 2010a, 2010b). However, during the recent past the statistics relating to student enrollment, graduation and academic performance indicate existence of critical problems. This can be elaborated using the data extracted from the Management Information System (MIS) of the OUSL relating to the Bachelor Management of Studies (BMS) degree programme. This is a four year degree programme which has an increasing demand and recognition since the inception in 1980s.

As per the Table 1, students who graduate in each year as a percentage of registration count in the same year is less than 10%. On the other hand, considering the academic performance, majority has completed the degree with a general pass and the proportion of completing the degree with a first class or second class upper division is considerably low. Further, as per the pilot survey conducted through unstructured interviews with the management of the OUSL in June 2016, it was identified that on average 800 – 1000 applicants register for the degree programme yet, less than 100 students complete all the courses and become eligible to obtain the degree. Irrespective of high registration numbers in the level 3, around 500 - 600 students register for the level 4 academic activities. Drop in the registration rates can partly be attributable to lower examination results and thereby they have to repeat the courses, yet, major portion of the drop has resulted from giving up on studies. Since the university allows students to complete the degree within 12 years period, they do not bother to complete the degree within four years of registration. Considering the academic performance, majority of students merely complete the degree programme

with the objective of obtaining the paper qualification rather than reaching the standard required for the first class or second class upper division degree.

Table 1  
*Statistics of BMS Degree Offered by the OUSL*

Academic Year	Number of Registered Students	Number of Graduates	Academic Performance			
			First Class (Honours)	Second Class (Inner Division)	Second Class (Lower Division)	General Degree
2008	478	41	1	3	6	31
2009	574	36	3	3	2	28
2010	797	53	1	7	7	38
2011	813	58	0	6	9	43
2012	886	71	1	3	7	60
2013	873	90	1	6	15	68
2014	1033	91	0	7	13	71
2015	973	88	0	3	14	71

However, these circumstances are not unique to the OUSL as previous studies on DE system in different countries have emphasized that student dropout and comparatively lower academic excellence are two of the critical and inherited issues in the DE system (Attri, 2012; Dadigamuwa & Senanayake, 2012; Li & Killian, 1999; Willging & Johnson, 2004). They arise due to student related reasons as well as reasons associated with the DE system itself. Inadequate knowledge on DE, not possessing special characteristics to succeed in DE platform and also personal and professional responsibilities are categorized as student related reasons (Aktan, 2010; Attri, 2012; Battalio 2009; Cui, 2013; Dadigamuwa & Senanayake, 2012; Li & Killian, 1999). Lacking face to face interaction, de-personalization of learning environment, technological issues are categorized as system specific reasons (Attri, 2012; Dadigamuwa & Senanayake, 2012; Willging & Johnson, 2004).

In order to overcome the identified issues, previous studies have emphasized mainly on contextual factors. Lectures and style of delivery, nature of study material and face to face sessions, appropriateness of student evaluation, teacher student communication and prompt feedback using multiple delivery methods and provision of correct information on time can be identified as suggestions related with the academic factors (Attri, 2012; Dadigamuwa & Senanayake; 2012; Farajollahi & Moenikia, 2010; Edge & Loegering, 2000; Lowes, Lin, & Wang, 2007). Non-academic related suggestions include comprehensive student support and orientation to the DE system specifically at the point of registration which are designed considering the student characteristics, background, needs and expectations to be fulfilled. Further, administrative services, financial aids and facilities, counseling and career guidance activities need to be properly organized in order to create a hassle free learning journey with the university. Specifically, physical facilities as library, computer labs, student areas and other recreations facilities need to be well designed to provide better learning environment at the institute (Dadigamuwa & Senanayake, 2012; Attri, 2012; Lowes et al., 2007).

HE is a professional service which caters to the need of learning and acquiring knowledge, expertise and skills of students who are the primary customers (DeShields, Kara, & Kaynak, 2005; Licata & Maxham, 1999; Nyangau & Bado, 2012; Raj, Raguraman, & Veerappan, 2013). DE institutes are therefore one category of HE service providers and above discussed suggestions as a whole represent what they offer to the market which consists of core services as teaching and evaluation and, peripheral services as administrative support and recreational facilities. Nowadays services are offered as a bundle of tangible and intangible elements, combination of core and peripheral is known as the service package offered by organizations to their customers to address unmet desires (Gronroos, 1978; Roth & Menor, 2003). Accordingly, previous studies on suggestions to overcome the identified issues mainly emphasize on service package offered by the DE institutes. However, it is arguable that service package by itself can overcome the identified issues as students have to play a prominent role since they are expected by the DE system to be self-learners who are responsible towards own academic work. As Pace (1984) highlights, even though institutes are responsible for establishing an environment with the capability of enhancing student learning and development, students by themselves have to dedicate their time and effort on academic activities in order to become successful. This has further elaborated by Astin (1984) as one of the five postulates in his theory of student involvement emphasizing that student learning and development is positively related to their investment of time and effort on academic activities which is termed as student involvement. Role of the student emphasized by both these authors can be identified as the mediator that links input and output of the learning process where input is what is offered by HE institutes and output is student success, retention and performance (Astin, 1984; Y. Neumann & Neumann, 1993). Therefore, this paper attempts to link core services and peripheral services offered by DE institutes as suggestions specified by previous studies with student involvement in order to overcome identified issues. Accordingly, research problem addresses by this paper is “what is the impact of core services and peripheral services offered by DE institutes on student involvement in DE in Sri Lanka?” For this purpose two research questions are to be answered as “Do core services offered by DE institutes affect student involvement in DE in Sri Lanka?” and “Do peripheral offered by DE institutes affect student involvement in DE in Sri Lanka?”

## **2. Literature Review**

### **2.1 Service Package**

Nowadays services are offered as a mix of tangible and intangible elements together which provides benefits and adds value to target customers. All these value generating elements as a whole is termed as service package (Gronroos, 1978; Roth & Menor, 2003). They describe the characteristics of service, what needs these characteristics will satisfy and how they will be satisfied. Service package is typically consists of core and peripheral services where core services offer the basic problem solving benefits customer seeks or needs trying to fulfill and thereby the reason for their service transaction. This includes sensual or experiential benefits of customers (Explicit services), psychological benefits that customers may sense vaguely (Implicit services), physical or structural resources that must be in place for the service to be delivered and material that are consumed in service delivery process (Supportive facilities and goods). On the other hand, peripheral services are supplementary to core services which provide additional benefits, enhance service value and contribute to differentiate service from substitutes. It includes services that facilitate the use of core

services (Facilitating services) and elements that enhance the value and appeal of core services (Enhancing services) (Edvardsson & Olsson, 1996; Gronroos, 1978; Lovelock & Writz, 2013; Roth & Menor, 2003; Fitzsimmons & Fitzsimmons, 2000 as cited in Roth & Menor, 2003; Sasser, Olsen, & Wyckoff, 1978 as cited in Roth & Menor, 2003).

## **2.2 Service Package Offered by Distance Education Institutes**

Reviewing scholarly work on DE revealed that studies that have specifically focusing on service package offered are limited (Astin, 1999; Fraser, Walberg, Welch, & Hatties, 1987). Yet, there are studies on quality dimensions of, and assessment of quality in DE which can be used to identify the service package since quality is the totality of features and characteristics of a product that bear on its ability to satisfy stated or implied needs of customers (Dursun, Oskaybas, & Gokmen, 2013). Thus, in order to deliver a value to customers, product should possess characteristics that can meet and exceed customer expectations which in turn can be identified as elements of service package. Accordingly, nature of courses, teacher characteristics, teaching and learning, assessment and evaluation can be considered as the explicit services provided. Implicit services include how students are treated and feeling that their best interest being served. Physical and technological infrastructure as lecture halls, computer laboratories, Learning Management Systems (LMS) and their usefulness as well as course material, other recommended and supportive study materials can be considered as supporting facilities and goods (J. Douglas, Douglas, & Barnes, 2006; Jung, 2012; Mbwesa, 2014). These explicit services, implicit services and supporting facilities and goods together form core services of service package offered by DE institutes. Similarly, peripheral services offered include facilitating services as enquiry, admission and pre-study advisory services, career guidance and counseling services, record keeping, provision of timely and relevant information and information management and other administrative support as well as enhancing services as multiple payment methods and related applications, financial aids, online registration and related online support, differentiated services for students with special needs of one sort or another and extra-curricular and recreational facilities (Foreman, 2013; Jung, 2012; Douglas et al., 2006; Kretovics, 2003).

## **2.3 Student Involvement**

Theory of student involvement defines student involvement as the amount of physical and psychological energy that a student devotes to college experience (Astin, 1984). This is a behavioral phenomenon connected with the individual student hence if a student is involving, it can be observed through behavior and measured quantitatively and qualitatively (Astin, 1984; D'arcy, 1984; Foreman, 2013; Wolfe-Wendel, Ward, & Kinzie, 2009). Student involvement can take place inside or outside the classroom. It can be in-class as participate in class room discussions and out-of-class as studying for class and reading course material at home (Sidelinger & Booth-Butterfield, 2010). When a student is academically involved, he or she utilizes considerable amount of available time on reading course material, other relevant books, use library, logging to LMS frequently, make separate notes on subject matters, utilize their learning into day to day activities specifically in their work settings, attend lectures and actively participate in classroom discussions. They interact with lecturers to discuss subject matters, academic plans and tend to look for feedback on their performance as well as other academic and career related matters. Similarly, they take part in collaborative learning with peers, spend time with them in studying and tutoring as well as share

their experience on study programmes and future plans (Astin, 1984; Huang & Chang, 2004; Pass, 2013; Sidelinger & Booth-Butterfield, 2010).

#### **2.4 Impact of Core Services, Peripheral Services on Student Involvement**

Empirical studies that have explicitly investigated the problem addresses by this study as impact of service package on student involvement specifically in the DE context are limited. Majority of studies have focused on consequences of student involvement rather than identifying what drives students towards academic involvement. They have considered student involvement as an independent variable which is contrary to this study where this paper investigates it as a dependent variable (Astin, 1999, 1984; Pace, 1984, Fraser et al., 1987). However, by analyzing scattered findings in the same study context, it can establish a relationship between core services and peripheralservices on student involvement.

Core services consist of explicit services, implicit services and supportive facilities and goods. Programme structure and curriculum enable active student participation in academic activities and well-designed study materials encourage student to seek for new knowledge by themselves which is essential in DE. Interactive nature of study material bridges the gap between teacher and student and makes the student feel that they are interacting with teachers (Astin, 1984; Attri, 2012; Dadigamuwa & Senanayake, 2012; Farajollahi & Moenikia, 2010). Teacher characteristics and teaching style are other important aspects. If the teacher is aggressive, rude, not friendly and not willing to maintain a cordial relationship with student, it will negatively affect student academic involvement (Myers, Edwards, Wahl, & Martin, 2007; Powell, 1979). When teacher uses active and collaborative teaching techniques rather than passive learning approach, students tend to participate more in learning. Therefore, effective teaching can affect and sustain student involvement (Pintrich & DeGroot, 1990; Skinner & Belmont, 1993). When student assessment is based on higher order learning skills as critical thinking and synthesis and if they are targeted at learning rather than mere grades, it naturally demands more effort from student's side making them more involved in studies than mere memorizing of facts (Pass, 2013; Webber, Krylow, & Zhang, 2013). Further, provision of adequate facilities as well equipped and arranged lecture halls can make environment more comfortable, appealing for studies and encourage students to attend lectures and visit university frequently (Astin, 1984; Sam et al., 2013). Student interface of LMS, its user friendliness and continuous functioning of it without failure is paramount important (Jung, 2012; Mbwesa, 2014).

Other than the above identified factors relating to core services, peripheral services provided are also important in enhancing student involvement. It has identified that student support services result in effective student involvement in previous studies (Foubert & Grainger, 2006; Huang & Chang, 2004; Pascarella, 1985). Facilitating services as administrative support and provision of timely information address alienation feature unique to DE whereas enhancing services as multiple and flexible payment methods in line with modern technological innovations make it convenient for students to execute their studies without constraints. For instance, majority of learners in the DE system are working adults with family responsibilities. Thus, financial support in terms of scholarships or payment in installments can assist students in continuation of their studies. These support services provide a hassle free supportive learning environments and conditions for students where they feel



committed and comfortable with the institution resulting better performance and reduced dropout rates (Foreman, 2013; Kretovics, 2003; Sam et al., 2013).

## 2.5 Conceptualization

As per empirical findings, they suggest a positive impact of core and peripheral services on student involvement. When students are offered with better services they are more likely to involve in academic activities. Theory of student involvement provides the theoretical foundation for this relationship. The theory suggests five postulates and one of them, which is subject to empirical validation, proposes that if educational policies and practices of HE institute are effective, it will increase student involvement in academic matters. Policy and practices indicate the implicit or explicit specification of courses of purposive action being followed, or to be followed in dealing with a recognized problem or matter of concern, and directed towards the accomplishment of some intended or desired set of goals (Harman, 1984 as cited in Bell & Stevenson, 2006). On this platform educational policies and practices of an institute provide the ground rules for its functionality. They determine the nature of service offer; study programmes, their content, teaching methods and also infrastructure facilities they use. This indicates that service package is also influenced by and part of these educational policies and practices. Students are more likely to be involved if they have access to high quality programs and services that stimulate and challenge their learning (Astin, 1984).

Accordingly, as per the theoretical foundation provided by the theory of student involvement and empirical findings, the following hypotheses and conceptual framework are proposed in this paper.

H1: Core services offered by DE institutes positively influence on student involvement in DE in Sri Lanka.

H2: Peripheral services offered by DE institutes positively influence on student involvement in DE in Sri Lanka.

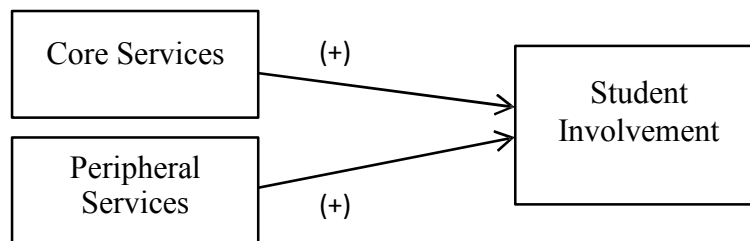


Figure 1. Conceptual framework

## 3. Methodology

This paper attempts to establish relationships among study variables hence can be identified as an explanatory study where hypotheses were tested using quantitative approach based on cross sectional survey design (Sekaran & Bougie, 2014; Saunders, Lewis, & Thornhill, 2011). Sample consisted of 400 undergraduates of the OUSL following the BMS degree, drawn using simple random sampling technique. Structured self-administered questionnaire was the primary data collection tool developed by modifying and adapting to existing scales. Table 2 presents the

operationalization of study variables. All the variables were measured using 5 point likert scale and points were anchored as 1 = Strongly Disagree to 5 = Strongly Agree.

Table 2  
*Operationalization of Study Variables*

Variable	Dimension	Literature Source
<b>Core services</b>		
□ Basic problem solving benefits of the service package offered by the DE institute that fulfills the needs of students	Explicit services Implicit services Supporting facilities and goods	Douglas et al., 2006
<b>Peripheral services</b>		
□ Supplementary to core services offered by DE institutes which provide additional benefits and enhance service value to students	Facilitating services Enhancing services	Jung, 2012
<b>Student Involvement</b>		
□ Amount of physical and psychological effort devoted by a student for academic activities	Active participation Self-learning Student faculty interaction Learning with peers	National Survey on Student Engagement [NSSE], 2016

*Note.* Adapted from literature review.

In order to overcome the Common Method Variance (CMV) at the designing stage procedural remedies were taken as attaching a cover letter to make respondents aware of the study and to ensure their anonymity. Further, measures were psychologically separated by providing clear instructions (P. M. Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Total of 700 questionnaires were distributed using online method and reminder messages were sent to improve the response rate. After removing the incomplete questionnaires 382 were used in initial screening process.

Collected data were initially purified by treating for missing values and outliers, and 356 questionnaires were used in preliminary analysis. Parametric assumptions of normality, linearity, homoscedasticity and multicollinearity were tested and ensured as the next step. Exploratory Factor Analysis (EFA) was performed and ensured the unidimensionality of scales. Reliability of scales was tested using Cronbach's alpha value. The calculated Cronbach's alpha for all the constructs and dimensions were above 0.60 indicating high internal consistency (Sekaran & Bougie, 2014; Saunders, et al., 2011; Hair, Black, Babin, & Anderson, 2009).

Thereafter, data were entered to AMOS 21.0 version to derive the measurement model and tested with Confirmatory Factor Analysis (CFA). In order to enhance the model fit, modification indices were used and items with standardized factor loading below 0.45 were removed (Hair et al., 2009). After the modifications, Goodness-of-Fit (GOF) indices of the measurement model indicated good fit as they met the cutoff values. Average Variance Extracted (AVE) and Composite Reliability (CR) of each dimension of constructs were calculated to ensure convergent validity whereas AVE was compared against squared correlations among dimensions to ensure discriminant

validity (Hair et al., 2009). Accordingly, all the CR values of dimension are greater than 0.60 and that of all the constructs are greater than 0.60. AVE value of all the dimensions are greater than 0.50. Further, standardized factor loadings of all the dimensions are greater than 0.50 (Hair et al., 2009). Therefore, based on CR, AVE and factor loading values, it could establish the convergent validity of the measures used in this study. On the other hand, discriminant validity also established as AVE values for all the dimensions are greater than the corresponding squared correlation coefficients (Hair et al., 2009).

Absence CMV was ensured using Harman's single factor analysis (Podsakoff et al., 2003). Result revealed the presence of eight distinct factors with eigenvalue greater than 1.00. The eight factors together accounted for 62.02% of the total variance; the first (i.e. the largest) factor did not account for a majority of the variance (24.14%). Thus, no general factor is apparent. Accordingly, these results do suggest that CMV is not of great concern and thus is unlikely to confound the interpretations of results. Finally, using the validated measurement model, structural model was derived in order to test the hypotheses of the study (Hair et al., 2009).

## 4. Results and Discussion

### 4.1 Sample Profile

Table 3

*Sample Profile*

Characteristic	Frequency	Percentage (%)
Gender		
Male	153	40
Female	229	60
Marital status		
Single	286	67
Married	96	33
Regional center student attached to		
Colombo	194	54
Kandy	113	32
Matara	49	14
Level in which student studying		
Level 3	36	9
Level 4	96	25
Level 5	79	21
Level 6	171	45
Employment status		
Employed	254	67
Unemployed	128	33
Family commitments of the student		
Only income earner	38	10
One of the income earners	217	57
Dependent	127	33

The sample consisted of undergraduates of the BMS degree programme. The above Table 3 summarizes the sample characteristics. Respondents are from Colombo, Kandy and Matara regional centers of the OUSL and majority belong to the Colombo

regional center. Among the respondents, majority are female when unmarried students. Aligning to typical characteristics of DE, 67% are employed and altogether, 67% contributing to the financial status of the family by bearing being the only income earner of one of the income earners. Further, when considering the age distribution, range ranges from 20 to 47 years where 27 is the average age. Contrary to the feature that majority of DE based students are adults, in the sample 81% is less than 30 years and 45% consisted of students who are 22-25 years old.

#### 4.2 Descriptive Analysis

This study focuses on three variables as core services, peripheral services and student involvement. Following tables 4 presents the summary measures of those variables. Mean and standard deviation of constructs vary from 3.47 to 3.51 and 0.48 to 0.56 respectively. Student involvement variable has the highest mean whereas core services represents the lowest variation from the mean with the minimum standard deviation.

Table 4  
*Descriptive Statistics of Study Variables*

Construct	Minimum	Maximum	Mean	Standard Deviation
Core services	1.79	4.82	3.47	0.48
Peripheral services	1.75	4.90	3.44	0.55
Student involvement	1.77	4.75	3.51	0.56

#### 4.3 Results

Based on the validated measurement model, structural model was developed to test the hypotheses of the study developed based on theoretical and empirical findings. The following Figure 2 presents the structural model used to test the hypotheses.

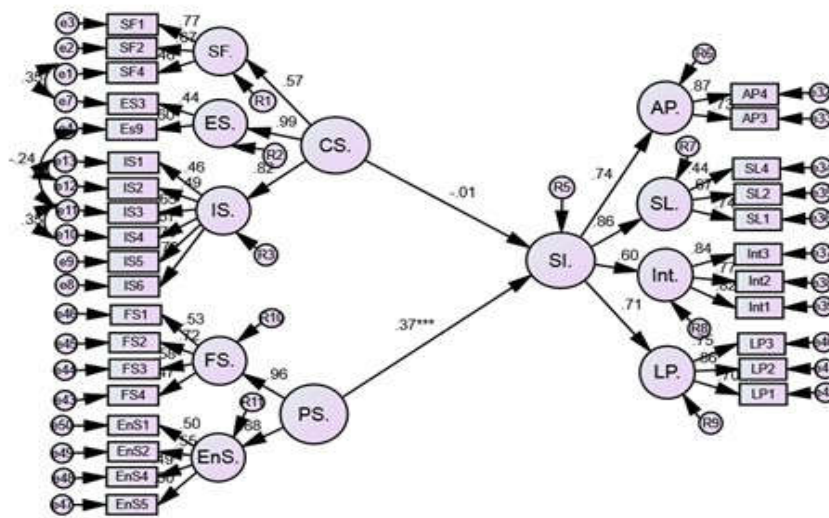


Figure 2. Structural model

The goodness of the model was evaluated based on number of GOF measures which are presented in the following Table 5 (Hair et al., 2009). As per the table, absolute, incremental and parsimony indices have met the appropriate cutoff values. CIMIN/

DF is below 3, GFI, AGFI, IFI, TLI and CFI are closer to 0.9 whereas PRATIO has reached 0.9 and RMSEA is well below 0.08. Therefore, it can conclude that GOF for the structural model is an acceptable level. Accordingly, this model was used to test the hypotheses of this study. Table 6 summarizes the statistical findings of hypotheses testing.

Table 5  
*Goodness-Of-Fit Indices of the Structural Model*

CIMIN/DF	Absolute			Incremental			Parsimony
	GFI	AGFI	RMSEA	IFI	TLI	CFI	PRATIO
2.42	0.85	0.82	0.06	0.84	0.82	0.84	0.90

Table 6  
*Results of the Hypotheses Testing*

Hypotheses	$\beta$	P	Result on Hypotheses
H1:Core services offered by DE institutes will positively influence student involvement in DE in Sri Lanka	-0.01	0.91	Not supported
H2:Peripheral services offered by DE institutes will positively influence student involvement in DE in Sri Lanka	0.37	0.00*	Supported

Note. \*P<0.05

As per the results of the hypotheses testing, impact of peripheral services on student involvement is significant at 95% confidence level and has a positive impact. However, the impact of core services on student involvement is negative and not significant. Therefore, the first hypothesis was rejected and the second hypothesis was failed to reject. Thus, it can conclude that core services offered by DE institutes do not positively influence student involvement in DE in Sri Lanka whereas peripheral services offered by DE institutes positively influence student involvement in DE in Sri Lanka.

## 5. Discussion

Theoretical foundation for the impact of core and peripheral services on student involvement was mainly based on the theory of student involvement. Even though studies which are specifically focused on service package offered by DE institutes are limited (Astin, 1999; Fraser et al., 1987), based on studies that have indirectly focused on elements of service package, it was hypothesized that core services and peripheral services positively influence student involvement in DE in Sri Lanka. Despite the suggested relationship, as per the findings of this study, the impact of core services on student involvement was not validated in Sri Lankan context. This is contrary to previous studies as core services represent the basic problem solving benefit that the service offers to customers hence the main reason behind customer purchase decision. This finding can be attributable to student own intentions as students enroll to DE based study programmes since they have the real need for higher studies. Therefore, irrespective of programme structure, curriculum, teacher and teaching style and also physical and other supportive facilities they tend to utilize their time and effort on academic matters. However, this need to be further investigated by incorporating

students from different DE institutes to give a wider coverage. Therefore, the first finding of the study opens new avenues for further studies.

On the other hand, as per the findings of this study, impact of peripheral services on student involvement was validated in Sri Lankan context. This aligns to the previous findings with respect to DE (Foubert & Grainger, 2006; Huang & Chang, 2004; Pascarella, 1985). Specifically, previous studies have identified that peripheral services as effective administrative support, financial aids, psychological assistance, career guidance, well designed orientation and advisory programmes for students, proper dissemination of information, use of modern technologies and opportunities for extra-curricular activities would result in enhanced student involvement (Myers et al., 2007; Zhao & Kuh, 2004; Astin, 1984). These peripheral services are supplementary to core services which facilitate the use of the latter and enhance its value while differentiating. Specifically, majority of students in the sample were part time students with numerous commitments. When they are offered with better supportive services as administrative support, multiple and flexible payment methods, quick response to academic related matters and also career guidance and counseling, it makes the learning process more convenient and interesting without creating extra burden. These well designed peripheral services make the student closer to the institute who is typically detached from the DE institute. Provision of comprehensive peripheral services therefore makes sure that student can continue academic activities in a hassle free environment. It encourages them to get involved in academic activities. Accordingly, the second finding of the study supports the existing knowledge claiming that student involvement is directly and positively influenced by the peripheral services offered by the DE institutes in Sri Lanka.

## **6. Conclusion, Implications and Further Studies**

This paper investigated two of the prevailing critical and inherited problems in the DE context in Sri Lanka. Even though, previous studies have identified higher student dropout rate and lower academic excellence as problems in the DE context and have provided suggestions to overcome them, there was no any study that attempted to link contextual elements of those suggestions with contribution of student to overcome them. Therefore, this paper investigated how core and peripheral services offered by DE institutes influence the student to utilize their time and effort into academic activities. Findings revealed that peripheral services offered by DE institutes have a significant positive impact on student involvement such that when better and comprehensive peripheral services are offered it will positively influence students and encourage them to utilize time and effort on academic matters.

The findings of this study are enriched with both theoretical and practical implications. Two of the five postulates of the theory of student involvement provide the theoretical foundation for this study. As per Astin (1984), these two postulates are subject to empirical validation hence this study fulfills this requirement. Further, rather than considering student involvement as an independent variable as in most of the previous studies, this study has diverted its direction in identifying its antecedents. Most importantly, the identified antecedent, the service package has not been well defined specifically in the DE context and also the conceptual framework has not been previously tested such that they provide a novel contribution to the existing knowledge base.

Most importantly, there are practical implications in the study findings as this paper addresses prevailing issues in the DE context. Even though, those issues are attached to the system perhaps due to its uniqueness, purpose of any DE provider would be enabling their students to complete study programmes within the permitted time with excellent results and encouraging and facilitating them to climb up in their academic and professional ladders. Therefore, not only investigating root causes but also identifying solutions for them are paramount important. Since the findings affirmed that better the peripheral services offered higher will be student involvement, as emphasized by previous studies as well as the theory of student involvement, it will eventually result in higher student performance and lower student drop out. Therefore, the study findings facilitate to divert the management focus on designing and redesigning the services offered, particularly the peripheral services. DE based student always demand for hassle free learning environment such that convenient administrative procedures, online based service provision and use of modern high technology based services, online based flexible payment methods, examinations, virtual classrooms make peripheral services more appealing. Career guidance, consultancy and advisory services need to be provided as and when student requires. Specifically, a well-designed orientation programmes which provide an overall introduction to the DE system and guidelines for success emphasizing self-learning concept will make the student prepared from the inception. However, these need to be well matched with educational philosophies along with existing market trends and organizational capabilities in order to reap the maximum benefits. As a whole, findings are enriched with societal value since DE offers the opportunity to learn while working for those who missed the educational opportunities due to socio-economic or demographic factors. Therefore, finding loopholes in the system and coming up with suggestions will not only facilitate the students to accomplish their targets but also will contribute to improve the literacy of the nation and ultimately influence on their wellbeing.

However, despite theoretical and practical contribution, this study has number of limitations which open avenues for further studies. The sample of the study was selected only from the undergraduates of the OUSL following the BMS degree programme. Since there are number of public and private institutes that operate on the DE platform, further studies can expand sample into these institutes as well as different disciplines of study programmes. The independent variables of the study are contextual variables related to the institute. Thus, future studies can incorporate other student specific variables as their intentions, experience, and entry qualifications and investigate their impact on student involvement or consider them in the same study framework as control variables. On the other hand, even though same core and peripheral services are offered by DE institute to all its students, student background or characteristics as well as student perception on those services, particularly the perception on experience they gain by consuming services can have an impact on the relationship considered. Therefore, further studies can incorporate these variables as mediators or moderators on the same framework used in this study. Most importantly, contrary to the previous findings, impact of core services on student involvement was not validated in the Sri Lankan context. This can be further explored in future studies by considering a diversified sample from different DE based institutes.

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**International Business, Marketing, Tourism and  
Hospitality Management**

## **Trust as a Mediator of the Relationship between Perceived Online Deception and Online Purchase Intention**

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### **Abstract**

*The problem of deceptive practices and the impact of deceptive practices on consumer behaviour has been extensively discussed in marketing, both in relation to off and online marketing. However, surprisingly, the direct impact of perceived online deception on consumers' purchase intentions has not been established so far. In addition, in the Sri Lankan context, the literature on online marketing and consumption has paid scant attention to ethical concerns. This study investigated the impact of consumers' perceived online deception and their purchase intentions with trust as a mediator in the Sri Lankan context. The study was a cross sectional survey utilising 110 consumers. Analysis utilising regression analysis indicated that although perceived online deception does have an impact on consumer purchase intentions, it is at a low level of significance. This impact was found to be completely mediated by trust.*

**Keywords.** *Deceptive practices, Online marketing, Trust, Purchase intentions*

### **1. Introduction**

Technological advancement has contributed to the tremendous changes in the lifestyle of people today. Accordingly, the trend towards online shopping is increasing rapidly throughout the world, where people find the internet as an attractive and convenient mode of purchasing. This increase in e-commerce has also given rise to questionable ethical practices of e-commerce participants (Roman, 2010). As a result, ethical issues relating to online retailers have surfaced as one of the biggest challenges to online shopping (Ahuja, Gupta & Ramann, 2003). Among various ethical concerns, one of the most common issues is deceptive practices adopted by online retailers (Grazioli & Jarvenpaa, 2003).

Deception refers to intentional alterations when presenting a product or service's details (Olson & Dover, 1978). When considering research initiatives on deception, the studies on impact of deception on consumer behaviour has a long history. Specifically, in the offline context it has been identified to create many adverse consequences such as reduction in trust, satisfaction and loyalty (Fayyaz & Lodhi, 2015) and purchase intention (Olson & Dover, 1978). Similarly, deceptive practices in the online environment has been shown to lead to unfavourable outcomes such as reducing trust (Limbu, Wolf & Lunsford, 2011), loyalty and satisfaction (Roman, 2010) towards a website. However none of the studies have focused upon whether online deceptive practices influence customers' online buying intention. This constitutes a theoretical gap in literature and prompted an attempt at testing the direct impact on perceived online deception on online purchase intention. In addition to

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testing the direct impact of perceived online deception on online purchase intention, the mediating role of trust is also examined in the study.

In the Sri Lankan context, the studies related to online purchasing have examined different factors affecting on-line purchase intention (e.g., Yatigammana, 2010) such as, attractive and content rich website, up-to-date delivery, easily downloadable content, secure transactions and faster and trustworthy services. However, discussions on virtual ethical issues and influence of ethics in e-commerce engagement among Sri Lankans appear to be lacking, indicating an empirical gap, which provided further impetus for the study.

Among the different types of online deceptive practices, namely, B2B, C2B, C2C and B2C, the present study focused on B2C e-commerce dealings since majority of the deceptive practices are found in these types of online businesses (Grazioli & Jarvenpaa, 2003) and also compared to businesses (i.e.B2B) the accessibility to remedies for individual users is comparably limited due to various reasons. Further, this study is focused on online deception that people encounter in internet sources only; since the deceptive claims are higher on the internet compared to other mobile devices included under the term „online“ (Federal Trade Commission (FTC), 2015). Empirically, data collection was mainly from Colombo because in addition to being the capital city, much of the online retail activity takes place in Colombo (“Online retail is booming”, 2016).

The remainder of the paper initially presents the prevailing literature in the study area and highlights the gap in the available literature. The literature review starts with a broad area of marketing ethics and narrows it down to a specific marketing concern called deception. In relation to deception, the effect of deception on consumer behavioural responses is presented. Then it further narrows its focus to online deceptive practices and affected consumer behavioural variables. This discussion leads to the identification of the theoretical gap in the research area. Next the conceptual model used to test the hypotheses is presented along with the hypothesis of the study. Thereafter the elaboration on the methodology and the findings and discussions are provided. Finally the limitations of the study are highlighted and the paper concludes with some indications for further research areas.

## **2. Literature Review**

Under the conditions of global competition, the necessity of monitoring the observance of the ethical principles of marketing is highly considered (Lache, 2013). Marketing ethics can be considered as a subset of business ethics. According to Laczniak (2008) marketing ethics is the systematic study of how moral standards are applied to marketing decisions, behaviours and institutions. Among various areas of marketing, the argument developed in relation to advertising, with high emphasise on deceptive advertising.

The transformation towards a virtual market from a traditional market place has constituted a concern in terms of ethical marketing practices in the online forum as well. It has been identified that consumers are mostly worried about privacy of financial information, web security, fraud, retailer reliability and quality when making online purchases (Adam, Aderet, & Sadeh, 2008). Further a study by Roman and

Cuestas (2008) highlights that with the increasing acceptance of the internet as a source for retail, ethical issues concerning internet usage have prompted serious concerns to consumers and created new challenges to practitioners. In addition a study by Roman (2010) proposes four a scale to measure the consumer perception regarding the ethics of online retailer (CPEOR) using four dimensions namely security, privacy, fulfilment, and non- deception. This indicates that in the online forum too deception is considered as an important ethical issue.

There is no distinct definition provided to online deception. In the offline context deception is usually defined in relation to advertising, “if an advertisement leaves the consumers with an impression/belief different from what would normally be expected if the consumers had reasonable knowledge and that impression is factually untrue/misleading that amounts to deception” (Gardner, 1975, p. 42). Further the FTC defines a deceptive advertisement as any “representation, omission or practice that is likely to mislead the consumer acting reasonably in the circumstances, to the consumer’s detriment” (FTC, 1983, p.3). In the online context, perceived deception has been discussed by previous scholars in terms of the extent in which users felt that the quality of information about the store is “accurate” versus “misleading,” “truthful” versus “deceptive,” and “factual” versus “distorted” (Newell, Goldsmith, & Banzhaf as cited in Grazioli & Jarvenpaa, 2000).

The online retailer can manipulate the information content by withholding, equivocating, or falsifying the content of information presented to consumers in the web- site (Grazioli & Jarvenpaa, 2003). Also, the online retailer can manipulate the information presentation by altering individual features (e.g., size, colour, and interactivity) to either inhibit correct product understanding or foster incorrect product understanding and/or manipulating the level of presentation vividness so as to focus consumers' attention on irrelevant information or distract their attention from relevant information (Grazioli & Jarvenpaa, 2003). It was found that the detection of online deception seems to be a difficult task due to the lack of opportunities for face-to-face interactions (Ben-Ner & Putterman as cited in Roman, 2007). Also, the recognition of deception is restricted because of the high media richness (the attractive presentation of the information) in the online environment (Mitra, Raymond, & Hopkins, 2008). This indicates online deception is one of the important ethical aspects, which need to be studied in depth.

## **2.1 Deception and Consumer Behaviour**

As previously noted, deception was initially discussed in the literature in relation to advertising. One of the core objectives of any advertising attempt is to influence consumer behaviour. A number of studies have analysed the relationship between deceptive practices and consumer behavioural elements. Any intentional alterations when presenting a product or service’s details through advertisements in the form of misleading or false information (deception) were found to have significant negative consumer reactions (Olson & Dover, 1978). If individuals fear they are prone to be cheated in many or most ordinary transaction they will inclines to take costly precautions and end up in purchasing less (Kovacic,2007). A study concerning the consumer reactions for deceptive experiences by Maysonnave and Delorme (2013) concludes consumers care about deceptive advertisements and will be reluctant to buy

the brand anymore and feel distrust about the company once they experience deception.

A study by Fayyaz and Lodhi (2015) using empirical evidence from Karachi and Pakistan mobile phone industry revealed that over promising (deception) in mobile advertisements affect customer trust and make customers less satisfied thereby affecting loyalty. A study by Olson and Dover (1978) states that the deceptive advertising claims had a strongest impact on the cognitive structure of 64% of consumers who got strongly deceived. Further the same study recognised that the deceptive claims prevails in the customers' mind for a long term and leads to unfavourable subsequent product related behaviours. These clearly show deceptiveness has potentially led to negative consumer behaviour.

In terms of online deception and consumer behavioural aspects a study by Reichheld & Scheffer (2000) identified that in the online context, customers can easily switch from one web site to another therefore maintaining the loyalty is a crucial task in online businesses. According to a study by Limbu et al. (2011) deception leads to dissatisfaction and eventually has a negative impact on loyalty. The study by Roman (2010) states consumer's perception of online retailers' deceptive practice is one of the major drivers of customer dissatisfaction. For example, online shoppers do not have an opportunity to touch, feel, and evaluate the product physically, thus, their product evaluation and purchase decisions largely rely on information available on the web site (e.g. product description and graphics, customers, reviews). Therefore, online shoppers are more likely to experience post-purchase dissonance when they are deceived, possibly leading to dissatisfaction.

## **2.2 Deception and Online Purchase Intention**

Most specifically, in the offline environment deceptive practices have been found to result in adverse effect on purchase intention (Olson & Dover, 1978). Similarly, online deception has been shown to lead to unfavourable outcomes such as reducing loyalty with regards to online purchase. However, the impact of perceived online deception on purchasing intention of consumer has not been studied yet, and as will be shown in this section, perceived deception could be expected to have an impact on online purchase intention.

Online purchase intention is defined as a situation where a consumer is willing and intends to make online transactions (Pavlou, 2003). There are different research initiatives which have focused upon the factors affecting the online purchase intention such as trustworthiness, privacy, security (Adam et al., 2008), pleasure, web features (Belanger, Hiller & Smith, 2002), perceived risk, consumer trust (Kim, Ferrin, & Rao, 2008), perceived usefulness and perceived ease of use (Zarrad & Debabi, 2012). A UK study reveals perceived ethics of an internet retailer's website significantly affect consumers' trust and attitudes to the retailer's website that eventually have impacts on purchase and revisit intentions (Limbu et al., 2011). In addition, this research suggests in order to convey a sense of ethics of the website, websites should ensure that privacy policies are easy to understand, explain clearly how customer information is used, offer secure payment methods, display clearly the terms and conditions of the online transactions, fulfill the orders and avoid deceptive practices and exaggerations of product characteristics.



Although it has been already identified that the ethical perception of a website affects the online purchase and repurchasing intention and perceived deception has been identified as one of the core e-ethical elements, surprisingly, the direct impact of perceived deception on purchase intention has not been studied. This is a theoretical gap in the literature. However, the literature discussed above that indicate the relationship between ethics of a website and purchase and revisit intentions (Limbu et al., 2011), and previously discussed literature on the impact of perceived deception on purchase intentions in the offline context (Kovacic, 2007; Maysonave & Delorme, 2013; Olson & Dover, 1978) suggest that perceived online deception could impact purchase intentions in the offline context as well. Further, previously discussed literature that indicate the relationship between perceived online deception and other concepts that are closely linked to purchase intention such as satisfaction (Roman, 2010) also provide support for a possible direct relationship between perceived online deception and purchase intention. Therefore this study proposes a relationship between online perceived deception and online purchase intention with the hypothesis:

H<sub>1</sub>: There is a negative relationship between perceived online deception and online purchase intention

### **2.3 Trust as a Mediator**

Trust is a concept closely related to perceived ethics Kramer (as cited in Grazioli & Jarvenpaa, 2000) defines trust as “a state of perceived vulnerability or risk that is derived from individual’s uncertainty regarding the motives, intentions, and prospective actions of others on whom they depend” (p. 571). Trust must exist between a trustor and a trustee. The trustor needs something from the trustee, but the trustor must have faith the trustee will act appropriately (Limbu et al., 2011). In the online marketing context, the operator of the website occupies the position of the trustee, with the consumer assuming the role of trustor. When analyzing the available literature about the independent and dependent variables of the study, namely, online deception and online purchase intention, separately, studies have indicated that trust plays a role in relation to both these variables.

Grabner (2002) mentioned that “trust” plays an essential role in the development of e-commerce and exists as a long term memory in the event of violation, thus influence the acceptance of e-commerce. Trust has been identified as a key challenge for the rapid growth and development of online transactions (Austin, Ibeh & Yee, 2006). A study that attempts to examine the internet customer trust model has highlighted, one of the most important issues faced by internet merchants is how to engender trust in a consumer when that consumer might be located in another country or even a continent away and the consumer has had no prior interactions with the merchant either in traditional or Internet channels. Therefore a consumer's willingness to buy from an Internet seller (i.e., behavioral intention) is contingent on the consumer's attitude towards the store, which, in turn, is affected by the seller's ability to evoke consumers' trust (i.e., belief). Consumers are less likely to patronize stores that fail to create a sense of trustworthiness (Jarvenpaa, Tractinsky, & Saarinen, 1999). In addition, it has been noted that higher trust will not only directly improve attitudes towards a store, but might also have an influence indirectly by way of reducing the perceived level of risk associated with buying from that specific store thus increasing the purchasing

intention (Jarvenpaa et al., 1999). In simple terms trust reduces the perceived risk in the online store and creates a positive attitude towards the retailer, which could finally trigger the intention to buy. These studies clearly indicate that trust impacts consumers' online purchase intention. Hence the second hypothesis of the study.

On the other side of equation, perceived deception has been identified as having an effect on trust (Grazioli & Jarvenpaa, 2000). Further, in a UK study on the effects of consumers' perceptions of the ethics of retailers' web sites on intention to revisit and purchasing intention suggests consumers' perceived ethical behaviour of the web site will shape consumers' attitudes and trust and ultimately affect intentions to purchase from and revisit the web site (Limbu et al., 2011). Here consumer attitude and trust plays a mediating role in the relationship between perceived ethical performance and purchase/repurchase intention towards a website.

The above evidence indicates the following: first, trust has an impact on purchase intention. Second, perceived deception has an impact on trust. Third, trust mediated the relationship between the perceived ethical behaviour of a website and purchase intention towards the website.

Based on the above evidence it can be concluded that deception negatively impact trust and trust plays a vital role in the engagement of e-commerce. Therefore we can argue that, trust acts as a mediator in the relationship between the online perceived deception and online purchase intention. In other words, the perceived deception could influence the purchase intention through its influence on trust. The discussion has demonstrated the plausibility of placing the trust as a mediating factor in explaining the relationship between perceived online deception and online purchase intention. Hence the second hypothesis of the study:

H<sub>2</sub>: Trust mediates the relationship between perceived online deception and online purchase intention.

These relationships are depicted in Figure 1.

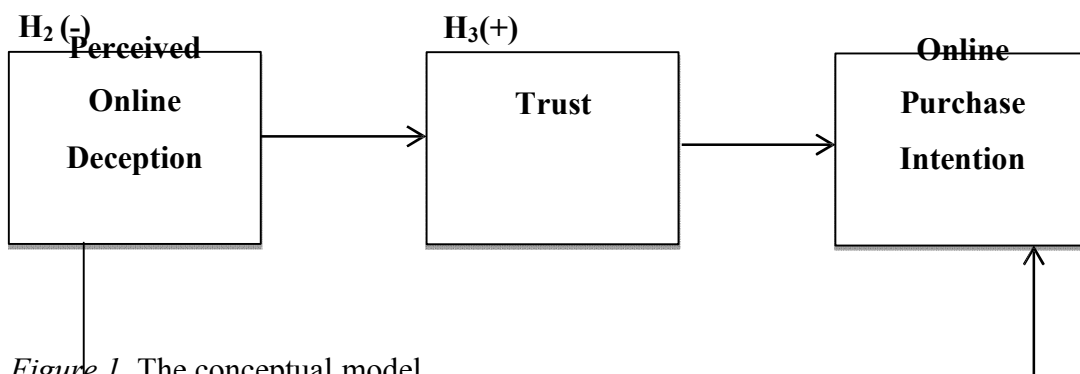


Figure 1. The conceptual model

### 3. Methodology

This was a positivistic quantitative research. In operationalising the variables, measurement instruments used in previous research were utilized in order to ensure validity and reliability. Perceived online deception was operationalised using the scale

adopted by Roman (2007) in which five indicators have been used. Scales adopted by Limbu et al. (2011) were used to measure both trust – with three indicators, and online purchase intention – with four indicators. All scales were five-point Likert scales.

The research utilized a cross sectional survey strategy. The sample comprised 110 male (44) and female (66) respondents who engage in online shopping. They were from the age category 18-34. This age category demonstrates a high computer literacy (Department of Census and Statistics, 2016) and has purchasing power. The educational attainment of sample was GCE O/L or above – an education level demonstrating higher computer literacy (Department of Census and Statistics, 2016). All except two participants were from the Colombo district. In order to overcome the difficulty in identifying the research participants who involve in online purchases frequently and have experienced online deceptive practices, snowball sampling was employed as a sampling technique. Data was collected through a self-administered questionnaire which was distributed mainly as a Google form through the Facebook. In addition, a few hard copies were personally distributed and collected.

Data analysis was performed using SPSS 16 software. Hypotheses were tested using regression analysis where the method proposed by Kenny and colleagues (as cited in Frazier, Tix & Barron, 2004) was utilized in the mediation test.

#### **4. Findings**

Prior to hypotheses testing, one indicator, „exaggerates offerings“, had to be dropped from the perceived online deception scale due to internal consistency problems. With the omission of this item all three scales – perceived online deception, trust, and purchase intention – had acceptable Cronbach alpha values above 0.6 (Malhotra, 2010). In testing the two hypotheses the method outlined for mediation testing by Kenny and his colleagues using multiple regressions was utilized. This approach involves testing three equations (as cited in Frazier et al., 2004). First, the outcome variable is regressed on the predictor to establish that there is an effect to mediate (total impact; Path c). (In this study this was H<sub>1</sub>: There is a negative relationship between perceived online deception and online purchase intention.) Second, the mediator is regressed on the predictor variable (Path a). In the third equation, the outcome variable is regressed on both the predictor and the mediator. This provides a test of whether the mediator is related to the outcome (Path b) as well as an estimate of the relation between the predictor and the outcome controlling for the mediator (direct impact; Path c<sup>1</sup>). Depending significance of the direct effect of the predictor, there may be a partial or complete mediating effect. These different paths are presented graphically in Figure 2.

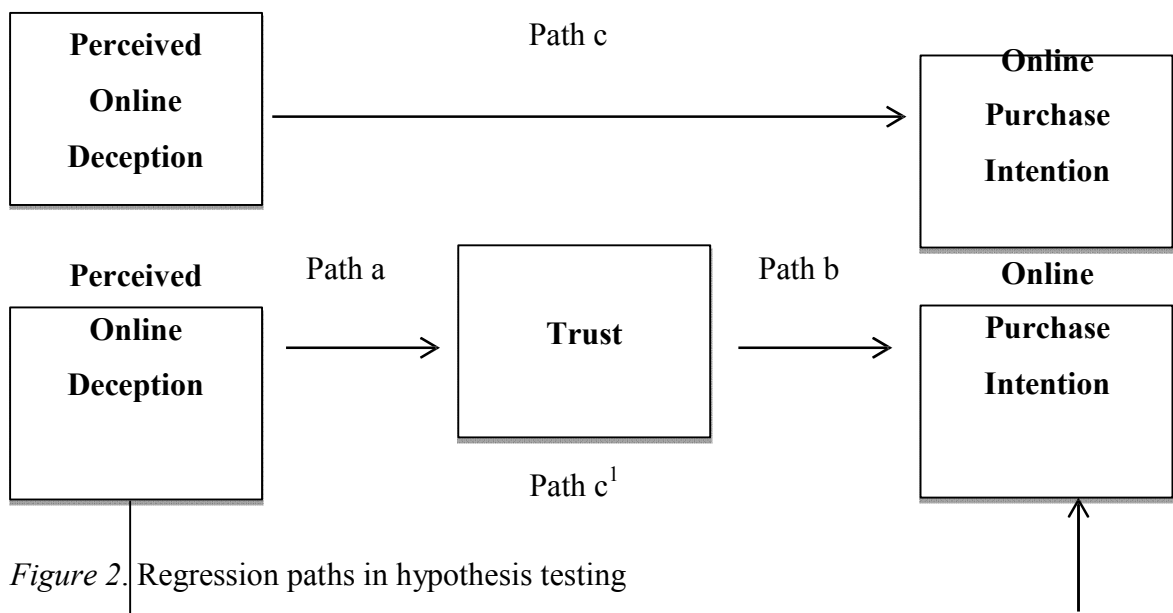


Figure 2. Regression paths in hypothesis testing

In a regression analysis several assumptions have to be met in order to be able to generalize the findings to the wider population (Field, 2009). Accordingly, the first assumption is “Independent errors”. This says the residual terms should be uncorrelated. Durbin-Watson test can be used to check this assumption which tests the serial correlation between errors. Field (2009) specifies that as a rule of thumb, Durbin – Watson value less than 1 or greater than 3 are considered as problematic. The Durbin – Watson statistic in these regressions were between 1.9 and 2.5. The other assumptions are homoscedasticity and linearity of the regression model. These assumptions were examined using the standardized residual plots (Field, 2009) and were found to be randomly scattered, satisfying the assumptions. In the third regression, which is a multiple regression, multicollinearity was also tested. According to (Field, 2009), if average VIF is substantially greater than 1 and tolerance below 0.2 indicates a potential problem. The current model shows a VIF value of 1.075 and the tolerance value of 0.931 which indicated there was no multicollinearity.

Results of the hypotheses tests are given in Table 1. As indicated,  $H_1$  was not supported at the significance level of  $p < .05$ . However, at  $p < .1$  level of significance, it was established that perceived online deception has a negative impact on purchase intention. Further as per the statistical analysis perceived online deception accounts for 3% of the online purchase intention. This shows fairly a low percentage of the variation in online purchase intention can be explained by perceived online deception.

As previously noted, in testing the mediation effect of trust ( $H_2$ ) the method outlined by Kenny and his colleagues using multiple regressions was utilized (as cited in Frazier et al., 2004). The total impact of perceived online deception on purchase intention (Path c) was established in  $H_1$  ( $p < .1$ ). Regression 2 in Table 1 indicates that perceived online deception has a significant ( $p < .05$ ) negative impact on trust (Path a). Regression 3 indicates that when purchase intention is regressed on both trust and perceived online deception, trust has a significant positive impact ( $p < .05$ ) on purchase

intention (Path b) and that the direct impact (Path c<sup>1</sup>) of perceived online deception on purchase intention is insignificant (p<.1). This indicates that trust completely mediates the relationship between perceived online deception and purchase intention (Frazier et al., 2004).

Table 1  
*Results of Hypothesis Tests*

Model	B	Std. Error	Beta	p
<u>Regression 1 (Path c)</u>				
Dependent: Purchase intention				
Predictor: Perceived online deception	-.204	.112	-.172	.072
<u>Regression 2 (Path a)</u>				
Dependent: Trust				
Predictor: Perceived online deception	-.321	.113	-.263	.005
<u>Regression 3</u>				
Dependent: Purchase intension				
Predictors:				
Perceived online deception (Path c <sup>1</sup> )	.003	.089	.002	.976
Trust (Path b)	.645	.073	.663	.000

#### 4.1 Significance of the Mediation Effect

As a final step the significance of the mediating effect was established using the following method (Frazier et al., 2004). The product of Paths a and b (which is the mediated effect) divided by a standard error term a z score of the mediated effect. If the absolute value of this z score is greater than 1.96, the mediating effect is significant. The error term used by Kenny and colleagues (as cited in Frazier et al., 2004) is the square root of  $b^2sa^2 + a^2sb^2 + sa^2sb^2$ , where a and b are unstandardized regression coefficients and sa and sb are their standard errors. According to this method the formula with relevant values are given in Table 2.

Table 2  
*Z Score of Mediation Effect*

$$Z \text{ score} = \text{Path a} \times \text{Path b} / \sqrt{b^2sa^2 + a^2sb^2 + sa^2sb^2}$$

$$Z \text{ score} = -0.321 \times 0.645 / \sqrt{(0.645^2 \times 0.113^2) + (-0.321^2 \times 0.073^2) + (0.113^2 \times 0.073^2)}$$

$$Z \text{ score} = -2.97$$

As shown in Table 2 the mediation effect is significant at p<.05. Thus H<sub>2</sub> is supported, where trust is established as fully mediating the impact of perceived online deception on purchase intention.

#### 5. Discussion

The intention of the study was to examine the relationship between perceived online deception and online purchase intention. This relationship is explained by introducing trust as a mediating factor.

In identifying whether perceived online deception has an impact on online purchase intention, prevailing literature has established that in offline environments deceptive practices have been found to result in adverse effect on purchase intention (Olson & Dover, 1978). As previously noted perceived deception has been previously identified as having a negative impact on various aspects of consumer behaviour such as satisfaction, loyalty, both in the on and offline contexts (Fayyaz & Lodhi, 2015; Limbu et al., 2011; Roman, 2010). In offline contexts, perceived deception has long been found to have an impact on purchase intention (Olson & Dover, 1978).

Somewhat contrary to the offline findings, the findings of this study indicate there is an influence of perceived online deception on online purchase intention only at  $p < 0.1$  significance. In a previous study, Limbu et al. (2011) have similarly found that in the online context, perceived deception has no direct impact on loyalty, although they found an indirect impact via satisfaction. Grazioli and Jarvenpaa (2000) have identified that actual fraud of websites have little direct impact on purchase intention, and they note that this could be because people often fail to detect fraud and also because there is a “complex relationship” among variables such as “assurance and trust mechanisms, perceived deception, risk, trust and attitude toward the store” (pp. 406-407) in predicting purchase intention. Thus, the low significance of the impact of perceived deception on purchase intention could be a phenomenon to be expected in the online context.

The second hypothesis of the study which was to identify whether trust mediates the relationship between perceived online deception and online purchase intention, was tested using three relationships. First, the relationship between online deception and purchase intention which was discussed earlier. Second is the relationship between online deception and trust where several studies have identified that perceived deception and ethical practices of websites have an impact on consumer trust (Grazioli & Jarvenpaa, 2000; Limbu et al., 2011). The present study also identified this relationship. Finally, when online purchase intention was regressed on both trust and perceived deception, trust was found to be mediating the impact of perceived deception completely. The importance of trust in consumers’ willingness to engage in purchasing in the online platform has been established in several studies (Austin et al., 2006; Jarvenpaa et al., 1999). Further, a study highlights consumers’ perceived ethical behaviour through the web site shape consumers’ attitudes and trust and ultimately affect intentions to purchase from and revisit the web site (Limbu et al., 2011). Therefore this research complements these studies by establishing the mediating role played by trust in the impact of perceived online deception on purchase intention.

## **6. Implications, Limitations and Further Research**

This study indicated that perceived online deception has an impact on purchase intentions through trust. In other words, perceived online deception affects trust and that leads to an adverse impact on online purchase intention. This finding enhances the current body of literature which highlights that non-adherence to ethical practices and misleading marketing initiatives leads to negative consumer responses. It also strengthens Limbu et al.’s (2011) claim that avoiding deceptive practices plays an important role in conveying a sense of ethicality of a website.

One limitation of the study is the use of scales that have been developed to be used in Western countries. Although the research instruments were adopted from previous literature, as noted in the findings, there were some internal consistency issues that necessitated one indicator to be dropped from the study. This suggests possible issues of the measurement instrument in relation to the Sri Lankan context. Thus, future studies could test the measurement instrument in the Sri Lankan context and adapt it to the socio-cultural context of Sri Lanka if necessary. In addition, some of the characteristics of the data suggest another avenue for further research. A previous research has identified that educational level of consumers moderates the relationship between perceived deception and loyalty of consumers (Roman, 2010). The possibility of demographic variables moderating the relationship between perceived deception and purchase intention was not hypothesised in this study. This was because the sample size precluded subdivision of the sample into groups.

However, an examination of the data of the study (not presented in the paper) indicates that there appears to be some differences in the perception of online deception as well as online purchase intention depending on the age and educational level of consumers, suggesting a possible moderating influence of these demographic variables on the relationship between the two variables. Future studies with larger samples could examine the impact of such demographic differences on the relationship between perceived deception and online purchase intention, especially in the Sri Lankan context.

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## **The Role of Celebrity Endorsements in Intensifying Parent-child Conflicts: A Sri Lankan Study**

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### **Abstract**

*Scholarly attention is been paid to the impact of marketing on young children where literature has identified the influence of advertising as a potential means of creating conflicts between parents and children when parents refuse to purchase products that children demand. Among different techniques of advertising, celebrity endorsement is effective method in persuading children. However, the literature has hitherto paid no attention to the potential role played by celebrity endorsements in contributing to parent-child conflicts. This is the focus of the current research. The study utilised an interpretive qualitative approach where 18 in-depth interviews were conducted with 9 pairs of parent-child dyads in Colombo. The findings indicate that celebrity endorsements create purchase desires in children through a social learning process and that the resulting purchase demands lead to conflicts between parents and children. In these conflicts, both children and parents attempt to use coercive, reward and referent powers in order to gain the upper hand; however, such attempts rarely lead to resolving the conflicts.*

**Keywords.** *Celebrity endorsements, Parent-child conflicts, Advertising, Young consumers*

### **1. Introduction**

Children are considered as potential customers by marketers due to their growing participation in the family purchase decisions (Saraf, 2013). To exploit this opportunity marketers seek various ways to reach children (Calvert, 2008). One of these is increased advertising; according to the American Academy of Pediatrics (as cited in Television and Children, 2010), on average children watch about four hours of television a day and see more than 20,000 commercials each year. Young children often do not identify the persuasive intent of advertisements (Pecora, 1998) and hence are easily manipulated by advertisers who incorporate attractive associations in advertisements that influence children's purchases intentions more effectively (Calvert, 2008). One such attractive association utilised by advertisers is celebrity endorsement since celebrity endorsements could have significant influence over children (Chan, 2000; Chan & McNeal, 2004; Saraf, 2013; Singh & Aggarwal, 2012).

Research has established that greater exposure to advertising induces children to make more purchase requests to their parents and when children do not receive the requested products, they may become disappointed, dissatisfied, and hence, unhappy (Buijzen & Valkenburg, 2003). As a result, parental denial of children's purchase requests could lead to conflicts between the parents and children (Calvert, 2008). This latter group of research discussing adverse effects of advertising on children, including parent-child conflicts, does not pay special attention to celebrity endorsements. However, the previous discussion on the influence of celebrity endorsements indicates that the use of celebrity endorsements could potentially

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contribute to parent-child conflicts since such endorsements are likely to increase children's desire to purchase advertised products. Therefore, this research examined the role played by celebrity endorsements in intensifying parent-child conflicts. The research utilised two main theoretical lenses, namely, social learning theory (Bandura, 1973) and bases of social power (French & Raven, 1959). The former was used to theorise the celebrity influence over children and the latter to theorise parent-child conflict. Empirically, the study focused on children between the ages of 8-12 years residing in the Colombo district. The study makes a contribution to the body of literature on the impact of marketing activity on children by examining the adverse impacts of celebrity endorsements which has hitherto not been explored.

The next section of the paper covers an overview of the literature relating to the study which discusses literature on celebrity endorsements, children targeted advertisements and parent-children conflicts in terms of purchase decisions. Then it explains the research methodology, namely, an interpretive qualitative approach. This is followed by sections on findings and a discussion related to the theoretical lenses and previous literature. Finally the paper concludes with directions for further research.

## **2. Literature Review**

Literature review would focus on exploring three sub areas of literature: effectiveness of celebrity endorsement in advertisements, advertisements, celebrity endorsement and children, and parent-children relationship and purchases decisions.

### **2.1 Effectiveness of Celebrity Endorsement in Advertisements**

A "celebrity endorser is defined as any individual who enjoys public recognition and who uses this recognition on behalf of a consumer good by appearing with it in an advertisement" (McCracken, 1989, p.110).

Celebrities play a vital role to influence the attitude and buying behaviour of consumers. Sharma (2006) posited that celebrities could increase consumer awareness of the advertisement by capturing their attention and make the advertisements more memorable. This takes place by generating persistent appeal in the consumers' mind through advertisements, which remain in the brain of TV viewers long (Saraf, 2013). This enables the consumers to recall the information or image that was conveyed through advertisements, when they are taking purchase decisions. It was found that advertisements of products with high psychological and social risk were evaluated more favourably when a celebrity features in those advertisements than an expert or typical customers, and celebrity was more effective in getting consumers to buy the product (H. H. Friedman & Friedman, 1979). Consumers feel secure in purchasing those products, which are promoted by celebrities because they place high trust over the celebrities and their statements (Khatri, 2006). Consumers prefer to buy some products even though those products do not deliver the promised outcome because of their affinity towards the celebrities (Khatri, 2006). In addition, the product being endorsed by a celebrity has been the centre of attraction for many customers because celebrities transfer their goodwill to the brand to make it highest appealing brand among the targeted audience (Khan & Lodhi, 2016) beating other similar brands. Due to these advantages, celebrity endorsement has become a popular technique among advertisers.

## **2.2 Advertisements, Celebrity Endorsement, and Children**

Some companies target children as their target market in selling their products and hence promotional activities of such firms are purely based on attracting children and motivate them to purchase their products (Calvert, 2008). The firms are using various advertising strategies in order to encourage the purchase intention of children. They focus on developing and improving the associations and elements of advertisement to make the advertisements more effective to reach children (Calvert, 2008).

It has been found that children are vulnerable consumers due to their limited cognitive ability and consumer knowledge. The ability of children to recognize the purpose behind marketing messages and distinguish them from other information is usually thought to be low (Pecora, 1998). Young children often do not identify the persuasive intent of advertisement, hence manipulated by the advertisers through attractive associations in their advertisements to make it more effective to influence their purchase intention (Calvert, 2008). According to Martin, Kennedy and Richins (as cited in Buijzen & Valkenburg, 2003) children watch television advertising and compare their own situation with this idealized world in the commercials. This discrepancy between the two worlds might cause unhappiness and advertising would lead to materialistic behaviour among children.

According to Saraf (2013), TV advertising, including celebrity endorsement, plays a dominant role in shaping children's product preference. He stated that using celebrities in advertisement could increase children's preference for that product since they are believing that the celebrity was an expert on its subject. In addition, children consider commercials with famous person endorsements more credible (Chan & McNeal, 2004) and they tend to believe the statements or promises given by the marketers through advertisements. Children are largely influenced by celebrities (Singh & Aggarwal, 2012) and among various types of advertising tactics, children easily identify celebrity commercials as they like commercials with famous characters (Chan, 2000) and hence they are very much interested in purchasing the celebrity endorsed products.

In summary, advertisements can effectively influence children's interest towards buying products and create a desire to purchase advertised products. Various strategies are used by advertisers to communicate commercial messages continuously through their advertisements in order to increase the purchase requests of children, and as a result of this advertised brands catch a place in the children's mind and motivate them for more purchase requests from their parents. In addition, celebrity endorsement can make the advertisement more effective in reaching the children and this has been identified as effective in stimulating purchase intention of children.

## **2.3 Parent-child Relationship and Purchases Decisions**

Today children including young adolescents are being considered as potential consumers, since children can influence their family consumption by persuading and pressurizing parents to buy new products (Saraf, 2013). Parents provide the financial resources that allow their children to purchase products. Further, as previously noted, greater exposure to advertising causes children to make more purchase requests to their parents and when children do not receive the requested products, they may become disappointed, dissatisfied, and hence, unhappy (Buijzen & Valkenburg, 2003).

According to Calvert (2008), certain negative outcomes can arise due to the exposure of children to commercial messages through advertisement. Those negative outcomes are parent-child conflict, cynicism, obesity, and possibly materialistic attitudes. Conflict is typically defined as arguments and disagreements (Hay, 1984) and as parents and children's resistant and oppositional behaviours toward one another (Huang, Teti, Caughy, Feldstein, & Genevro, 2007).

Parent-children conflict was identified by Calvert (2008) as a negative outcome of advertisements which arises when parents refuse the purchase request of their children. The refusal can be due to the negative feel of parents towards the product as they feel that is not good for children or they cannot afford the price of the product. Buijzen and Valkenburg, (2003) clearly pointed out that advertising exposure directly influences parent-child conflict, and that this relation between exposure to advertising and parent-child conflict is mediated by children's purchase requests and parent's denial of these requests.

According to a study carried out to identify the perception of the advertised products among children, children were told a story about a boy who asked his father for the advertised toy, but did not receive it (Goldberg & Gorn, 1978). Then the children were presented with pictures representing two hypothetical responses of the boy. The first picture showed a child happily hugging his father, while the second showed a child glumly walking away from his father. The children were asked how they thought the boy in the story would react. The results showed that children who had seen the commercial more often choose the picture of the boy walking away from his father (Goldberg & Gorn, 1978). This clearly shows that extent to which television advertisements can influence the happiness and psychological satisfaction of the children and the impact it could have on their relationship with parents.

The above discussion on parent children relationship in relation to purchase situations reveal that there is a possibility of conflicts between parents and children due to the mismatch in the purchase intention and decisions of parents and children and that advertising could contribute to intensify these conflicts. The previous discussion relating to celebrity endorsement and its effectiveness indicate that celebrity endorsement enhances positive perception regarding the brand among audience and it increases purchase intention of target customers, especially children. These advertisements play a vital role in stimulating the purchase intention of children. Therefore, it can be argued that celebrity endorsements could increase the parent-children conflicts and that is an unexplored theoretical problem.

#### **2.4 The Sri Lankan Context**

In the Sri Lankan context, not many studies appear to have been undertaken in relation to impact of advertising on children. However, a study by Samaraweera and Samanthi (2010) has identified that advertising contributes to increased demand by children for the food advertised. Another study on advertising unhealthy food products notes that Sri Lankan advertisements use various techniques to influence children, including themes of fun, fantasy and taste (Fernando, Abeykoon, & Ganegoda, 2015). Further, a paper on the content of food advertisements targeting children in Sri Lanka suggests "what was implied in the advertisements could change children's mentality and, thus, could increase the pester power of children for that particular food product" (Prathapan, Wijewardena, & Low, 2015, p. 305). These

studies indicate the influence of television advertisements on Sri Lankan children and also that this influence could lead to increased „pester power“ in demanding unhealthy food products. Thus, Sri Lanka provides a good site to examine the possible role of celebrity endorsements in increasing conflicts between parents and children.

### **3. Theoretical Lenses**

Two theories were used as theoretical lenses in this study and those are, social learning theory of Bandura (1973), and bases of social power of French and Raven (1959).

#### **3.1 Social Learning Theory**

The Social learning theory by Bandura (1973) states that children observe the people around them and encode their behaviors and that they try to imitate those behaviors later. In addition, the individuals around those children would respond to such behaviors either positively or negatively. He further posited that children would have number of models with whom they identify and learn behaviors. This identification depends on children's affection towards an individual and the attractiveness and prestige of the model. According to Bandura (1973) individuals do not automatically observe the behavior of a model and imitate it. There is some thought prior to imitation and this consideration is called mediational processes. This occurs between observing the behavior (stimulus) and imitating it or not (response). Four mediational processes have been identified as follows: attention, retention, reproduction and motivation.

Zipporah and Mberia (2014) stated that this social learning could happen through watching celebrity-endorsed advertisement that affects or influences audience consumption intentions. In this case the audience watch, listen observe and would want to consume what the celebrities endorse. Given this, this study utilized the social learning theory to examine the influence of celebrity endorsement on children

#### **3.2 Bases of Social Power**

French and Raven (1959) presented five bases of power that could determine the influence one party could have over the other in social relations. These are coercive power, reward power, expert power, legitimate power and reference power. These power bases have been utilised in previous studies in order to examine parent-child conflicts. Palan and Wilks (1997) state that when there is a conflict between children's and parents' view regarding a consumption decision, children might strategically use their power to persuade parents to gain influence in the purchase decision. This influence varies by product, decision stage, parental and family characteristics and child (Flurry & Burns, 2005). Thus, this study used these bases of social power to explore the parent-child conflicts that could result from children's exposure to celebrity endorsements.

### **4. Methodology**

This was an interpretive study utilising a qualitative approach. The sample was purposively selected and comprised 18 participants which included 9 pairs of a child and a parent. Children of both genders were represented in the sample and there was a mix of mothers and fathers among the parents. Among those 9 parent participants, 7 were females and 2 were males while among the 9 children participants, 6 were male and 3 were female. It was noted that among the 9 parent participants 4 were working

in managerial positions and remaining 5 were house wives having GCE A/L or above as educational qualifications.

Data was collected using in-depth interviews, which were transcribed verbatim. The interviews were conducted based on an interview guide which comprised questions that were developed in line with the conceptual themes of the theoretical lenses of the study (Kvale, 2007). Most interviews were conducted in Tamil, which is the native language of the participants as well as the first author, and excerpts included in the paper were translated at the time of writing the paper. The data were analysed using a thematic analysis approach, progressing from codes to themes and overarching themes (Braun & Clarke, 2013). Initially 29 open codes were derived from the interview data. These were then grouped into themes. The themes were, in turn, categorised under three overarching themes: celebrity influence on children's behaviour, celebrity influence on children through advertisements, and purchase intentions leading to parent-child conflicts. The findings presented below are based on the data categorised under these three overarching themes.

## 5. Findings

The interview findings were summarized under number of themes that would be presented in this part. The themes would be supported by the interview quotes relating to the respective theme.

### 5.1 Celebrity Influence on Children's Behaviour

Children have their own way in choosing a celebrity and they recognize a celebrity as their favourite. The findings revealed that even though different children consider different attributes in choosing their favourite celebrities, every one of them has a favourite celebrity whom they think is best and they got connected very deeply with them.

I love Dhoni..., he is my all-time favourite ... (Respondent 3 – Child)

Yes my favourite hero... the best Paul Walker... (Respondent 7 – Child)

The above answers were given by different children when they were asked about their favourite star in any field (such as Cinema, Sports, Cartoon, Music, Entertainment etc.). They were spontaneous responses without any hesitation. They have clearly chosen a star as their favourite and he/she was strongly rooted in their mind. All other Respondents were also responded in the same way and all those rejoinders indicate that children especially in the age range of 8 years to 12 years, have favourite stars. The children are highly attracted to these celebrities and take pains to establish that they are special.

Yes... Dhoni is the best in the world. Only he can score runs more quickly because he is very energetic. His batting and his speed in running on the pitch are wonderful to watch. He likes kids like me! (Respondent 3 – Child)

Cinderella is gorgeous and she can dance well and yes she is the best and the most beautiful girl I have ever seen and no other character impressed me like her. I only like Cinderella. I do watch other cartoons but I don't like anyone as Cinderella.  
(Respondent 5 – Child)

These responses reveal how much children see exclusivity in their stars and how they differentiate their star from others to prove that they are the best. Children observe the explicit characteristics observable of the star in the surface level and connect those with their favourable view on the star. These beliefs are rooted deeply in the mind and strengthen the favourable image about the star.

It was witnessed that after getting any new information about their stars, children try to relate those with the positive attributes they recognized already in their favourite star. In almost all the cases children receive consistent information about their star which continuously enhance the positive perception on their favourite star. The continuous positive information boost children's level of attraction towards the star and this would make them to develop highly positive views of the star in their mind firmly.

Paul Walker's very own style in selecting and driving cars. Since he is an actual car rider his movies are interesting to watch and especially he loves riding cars more than anything. Even he died while he was riding a car. He is that much passionate towards it which he said in an interview too. That is why I like him a lot. (Respondent 7 – Child)

Children believe what they see and hear regarding the star are the real behaviours and nature of the star, without verifying reliability of the information. As previously stated children's perception of the star is highly depends on the information they get about their star which has been indicated by Respondent 7's answer above since the child believe all what he hear about his favourite star and his infatuation towards the celebrity was increased based on his belief. Therefore it is clear that the image of the star would be built strongly in children's mind through consistent and favourable information.

The attractive behaviours of star reach children's mind and strengthen the interest of children on their favourite star as children closely observe the behaviors of their favourite star. Also children would be motivated to share what they know about their favourite star and their behaviours with others since they want others to see them as a fan/follower of their favourite star. Processing positive information enable children to place high attention on the behaviours of celebrities and thus motivate them to reflect those behaviours in themselves. Children like to do things as same as their favourite star once they realize something special in their favourite star's behaviours and when they feel the act would make them look similar to their favourite star.

Yes he is very much interested. The moment he saw Dhoni's matches or advertisements, he will increase the volume of the TV and sometimes do things as same as Dhoni does in those matches or advertisements. (Respondent 4 – Parent)

The above response indicates, children are keen to observe the behaviours of their favourite star and the observation would further stimulate the interest of the children on their favourite star. All these celebrity behaviours are firmly stored in children's mind and easily recallable.

Yes. I always bring a Milo packet whenever I go to cricket practices and once the practices are over I drink it in the ground itself just like Mathews and my



friends say that I'm doing it exactly like Mathews. I have written Mathews' name in my bat just to show others that how much I like him. (Respondent 1 – Child)

Children do not keep their desires with them and they like to show others what they know and what they like. Here in the above response, it was noted that children like to show others that they like a celebrity and copy celebrity behaviours to make others recognize similarities between celebrities and them. This was also noted by parents as shown below.

Yes. He used to run like Dhoni and he tries to imitate some of his mannerisms like holding the bat in a unique way, wearing upturned collar t-shirt etc. (Respondent 4 – Parent)

Sometimes she dances like Cinderella and I even watch her combing hair as same as Cinderella. (Respondent 6 – Parent)

The responses suggest that children try to adopt the behaviours or styles of their favourite star.

After identifying the selection of a celebrity and imitating celebrity's behaviours by children, now the next step is to see how celebrity influence on children is exerted through endorsements in advertisements and commercial messages.

## **5.2 Celebrity Influence on Children through Advertisements**

Children show high interest in watching their favourite star's advertisements and they actively listen to what their favourite star says in those advertisements. This is the foundation to make children follow what their favourite star says in the advertisements.

Children more likely to have various purchase desires as they wish to possess the products that they think the celebrities like and they get this information through advertisements.

Dhoni is appearing in Boost drink advertisement (An energy drink). I have watched it several times on TV. I never missed it anytime it shown in the TV. (Respondent 3 – Child)

Yes. He likes that advertisement very much. I noticed him watching that advertisement several time and I think he watches that advertisement because of Dhoni and it is the interest on Dhoni that increases his curiosity of watching the advisement. (Respondent 4 – Parent)

The above responses indicates the fact that children are very much interested in watching their favourite star's advertisements and they are very curious in watching the content shown in the advertisements. Children watch these advertisements several times without getting bored since their favourite star is starring in it. Hence celebrity endorsed advertisements make children watch them more than once with high level of attention.

I like that soap since Spiderman asking me to buy that soap and I know that he only recommends good things for kids. (Respondent 11 – Child)

Actually I saw an advertisement of a car racing game which has Paul Walker's car collection. A statement of Paul Walker also comes along with the advertisement saying that we can find all his car collection in the game and therefore I was very much interested in it and wanted it very badly. (Respondent 7 – Child)

The attraction of children on celebrities, makes them actively listen the recommendation of star in the advertisement and encourage them adopt those in their real life. In the responses of Respondents 11 and 7 above, we can see that the children emphasize, it is clearly their favourite star who created a positive perception on the relevant products and strong purchase desire was created as a result of it. Therefore we can state that celebrity endorsed advertisements influence the thoughts of children and lead to new desires relating purchases/products. In addition to this, repeated exposure to these advertisements strengthens the purchase desires.

Yes he shows high level of interest. The moment he sees the advertisement he will increase the volume of the TV and sometimes do the same thing as Dhoni does in the advertisement. Also after watching advertisement he would never forget to check the Boost bottle to ensure that it is not empty. In case if it is empty he ask me to buy it. (Respondent 4 – Parent)

Children show high level of enthusiasm in watching their favourite star's advertisement in each and every time it is telecast in the TV and based on the answer of Respondent 4 it can be argued that celebrity endorsed advertisement continuously arouse purchase desires of children and make them think about the product each and every time they see the advertisement.

She only gets to know about the new flavours of Maggie noodles from those advertisements and after watching them she would ask me if I can buy it for her. In every new Maggie advertisement Preity Zinta appears first and at that time her attention automatically turns to the TV. I have tried so many times to change the channel when that advertisement comes but she notices the advertisement before me most of the time. (Respondent 14 – Parent)

The answer of Respondent 14 indicates that by watching advertisements children get updated on the new products introduced to the market. Further, celebrities play a vital role in conveying the availability of those products and details to children. Since children recognize the advertisements of celebrities very quickly and they watch these advertisements with interest. Therefore, altogether celebrities with their endorsement in advertisements effectively educate children on the products available in the market. Overall, both by reminding the children of the previously created desires (e.g. quote of Respondent 4), and providing new information about the brands introduced (e.g. quote of Respondent 15), celebrity endorsements further reinforce the initially created desires.

### 5.3 Purchase Intentions Leading to Parent-child Conflicts

Children need their parent's support in order to make an actual purchase. Therefore, children ask their parents to purchase the products shown in the advertisements and this is referred to as purchase requests of children. The frequency of purchase requests of children increases along with their level of purchase intention of children.

I like Ben ten and Avengers and therefore I want to have things that have their name or logo in it. I immediately asked my parents to buy Ben ten watches, Avengers T-shirts, Avengers school bags after watching the advertisements of those products in TV. I continuously asked them for a week to buy those for me. (Respondent 9 – Child)

He wants it very badly. He wants Milo every time when he goes for the cricket practice and he never forgets it. Initially he asked us to buy it for him and now he asks us money to buy it himself. Sometimes he takes the money from his father's purse without his knowledge. I believe that he is this much interested in it only because of Mathew's advertisement. (Respondent 2 – Parent)

From Respondent 9's answer it is evident that advertisements play a main role in creating purchase requests of children from their parents. Further, in the Respondent 2's answer we could also understand a point that some parents believe that their child's purchase motives are backed by their favourite celebrities. From the parent's statement we can identify that this is a belief of the parent based on the continuous observation of her child's behaviours. Children would ask or demand several times from their parents to purchase the products and this shows the children are trying to convince or influence their parents to achieve their desires (Respondent 9). Respondent 2's answer indicates that sometimes children would go even further than simply making requests in order to satisfy their desires as the child takes money from his father's purse without the knowledge of his father.

The purchase intention of parents and children should be in the same direction to have an actual purchase. There are situations where parents are against their children's decision based on their own perception regarding the products and the affordability of purchasing those products. In those situations the parents would deny the purchase request of their children and that results in some responsive behaviours by both children and parents with an intention to convince each other to achieve their intended results.

I do not like her eating Maggie noodles since earlier there was a news that Maggie is made with many artificial ingredients that are harmful to human especially children. Because of that I do not encourage her to have an interest in buying Maggie. However, she asks me whenever we go for shopping. Even though initially I bought it for her, I changed my decision after hearing the negative news. Usually, first I will explain it in a polite manner and if she is not convinced and stubborn I need to be very strict in those occasions. (Respondent 14 – Parent)

The answer of the above Respondent clearly reveals that the opinion of parents might differ from children's view and hence parents would take a decision that is against children's wish. Based on their underlined thought regarding the products, they are

against children's request and this creates dissension between parents and children. Further, parents use aggressive mechanisms to stop the continuous request of children that annoy them. Therefore, it can be said that the purchase intention of children and parents are not always in the same direction and parent's would try to convince their children and they go for aggressive measures to control the situation if the expected outcome does not occur in the first step.

Further, children would also keep their demand strong and try to convince parents to fulfil their purchase desires. Children's perception towards parents changes when the parents do not support them in fulfilling their desires and they hardly give up on their requests.

I will ask again and again and I hate my parents when they say no. They would buy if my brothers ask anything. They do not care me since they are not pay attention to what I want. I would not speak to my mom if she rejects my requests. (Respondent 9 – Child)

The answer of Respondent 9 shows that the children engaged in several attempts to convince his parents through repeatedly asking for the product and after realizing that his wish is not supported by his parent, he started thinking something that damage the positive perception that he holds on his parents. This indicates that children's positive perception regarding their parents gets damage when the parents are against their children's purchase desires.

All the above findings reveal that children's purchase request denial by parents enhance the dissension between children parents as after the denial situation both parties try to achieve their intended results in whatever the way possible. This situation would continuously stimulate the simmering conflict and therefore we can state that advertisements with celebrities gradually leading to disagreements between parents and children which then ends up in a conflict.

The dissension between parents and children starts with the initial denial of children's purchase request by parents. After the denial, children would insist on their demand and use certain measures to influence their parents in order to change parent's decision. Children with their knowledge and experience use some mechanisms to influence their parents to make parents accept their purchase requests. These mechanisms are referred to as powers where children use certain power bases to achieve their intended results. Further, parents also use the same approach to emphasize their intention and change children's purchase intention. The powers are used after the initial dissension between parents and children or before the dissension when they expect a possible dissension.

Both children and parents use threatening as the mechanism to control the opponent in a conflict situation to ensure success in their intention.

I would not talk to anyone and if they ask me to do anything I ask them to buy that soap if they want me to do it. I do not eat or study for the whole day and just lay on the bed. I know that they don't like to see it and then only my mom would come me and listen to me. (Respondent 11 – Child)

The answer of Respondent 11 indicates that children are exposing their frustration with an aggressive behaviour if their purchase requests are denied by their parents. In the case of purchase request denial, the child was trying to threaten his parent that he would not do certain things that are not encourage by the parents. Even though the child not directly threatening his parents, his counter behaviours and the expected results clearly show that the child is exerting threatening mechanism to achieve the intended results. Similarly, parents also use threatening mechanism.

I do not encourage those stubborn behaviours and I get angry if I notice something like that. In certain situations I had to shout and beat him to control him from asking it repeatedly and aggressively. He knows that I would become very angry if he continues and that fear actually works. (Respondent 10 – Parent)

The response of Respondent 10 shows that the parents use threatening mechanism in order to control a situation where children demanding the products in an irrepressible way. In this situation the parent with no other option had to use threatening measures in order to control the behaviours of her child. By doing this parents try to establish a fear mentality in her child's mind which the parent believe is enough to stop the aggressive behaviours of the child immediately. It is clear that the parent's measures were the responses to her child's behaviours after the denial of purchase request.

Children and parents also use rewards to meet their expected outcome in terms of purchase decision.

Yes. If he ask to buy something in a situation where I cannot afford it. I would promise him, I would buy a bigger one for his birthday in order to convince him in that situation. This happens when he is requesting Ben Ten cake while we go to bakery and the cake is very expensive to buy. He accepts it since he knows I would do if I promise. (Respondent 10 – Parent)

Yes I usually use that kind of things where I promise him to purchase what he wants if he studies every day and do what I ask him. I would say to him that he would receive the product only if I feel that he is following what I ask him. (Respondent 12 – Parent)

The responses of Respondent 10 and 12 show the influence of parents with the use of rewards. Based on the Respondent 10's response, the parent is trying to convince her child by giving promise to buy a bigger cake on his birthday. The parent believe that she can control her kind in a situation where she cannot afford the product by promising the child to buy it in the future. Further, the response of Respondent 12 shows that parents would use reward power in another way too and in this situation the parent ask her child to follow what she says and be nice to her if the child wants her to purchase the product. This is a way of promising the child to give the product he requests as a reward to his adherence to the expectations of the parent. Conversely, children use behaviours desired by parents as rewards for getting the products they desire.

Yes. He would promise me to score more marks in terms exams if I buy what he requests. He would be more kind when he says it and wants me to accept it

and therefore would accept it since it seems reasonable. He knows it very well.  
(Respondent 10 – Parent)

The response of Respondent 10 clearly reveal that child providing some promise to score more marks in the term exam which the parents appreciate, if the parent buy the product that he requests. This indicate that the child was promising to give a reward to their parents in the future for the acceptance of purchase request at present. Children know that their parents accept the purchase request if they give such promise and it is referred to as excreting reward power by children.

However when the parent or children use reward power, their expected results would occur only in some situations and in other situations it could lead to negative consequences.

Yes sometimes he would promise me to do everything I want him to do when I say no to his request. But I know he says it to get what he wants at that time and never follow it afterwards. Hence I do not appreciate those claims and it annoys me when he repeatedly says it and makes me angry. I strictly say do not repeat it since I would never accept it. Then of course he would also become angry towards me. (Respondent 17 – Parent)

Based on the response of Respondent 17 it is clear that the reward does not work in favourable way all the time where in this case the parents are aware that the child is making promise just to get the product he wants and will never follow up on the promise. This would make the parent angrier and further worsen the dissension between parent and children.

Expert power is exerted by children and parents in a dissension state when children's purchase requests are denied by parents.

Yes he would start to argue with me saying that he knows about cars more than me. He used to search about cars in the internet and tell those information to me. This was inspired by his favourite celebrity Paul Walker since he also used to update himself on the information of new cars. Whenever I say no to buy car games for him he would tell that I don't know anything about cars and those games are very useful to him to learn about cars more which could help him in the future. When he argues, I could clearly see that he has a very strong thought that he knows about it better than me. (Respondent 8 – Parent)

The response of the parent clearly indicates that the child is having a strong belief that he has more knowledge about cars and car racing games than his father and when his father refuse to buy new car game CDs for him, he directly use his belief on the knowledge of cars to argue with his father and try to change his father's decision. This is a clear way of using expert power by the child where he exert expert power during a disagreement between parent and him to achieve his intention. Further, the parent stated that his child's behaviour of updating latest information about cars inspired from his child's favourite celebrity. This indicate that the expert power of children was induced by his favourite celebrity.

Most of the time parents deny the requests of children with a belief that they have more knowledge than their children about the markets and products.

Yes. That's the truth. We know what is good for them better than anyone. I strongly believe that we should not bend to their unwanted demands. Unlike them we have enough knowledge to evaluate and take a right decision about purchasing a product. I always think twice before going for a decision. I have seen so many allegation emphasizing Maggie is not good for health. She was attracted by the advertisements due to her favourite star and doesn't have enough ability to understand that the advertisements do not assure the goodness of people who buy the products. Therefore I strongly say "No" when she asks. (Respondent 14 – Parent)

The response of Respondent 14 demonstrates that the parent strongly believes that she is having more ability and knowledge to take a right purchase decision than her child. The parent also states that her child does not have enough ability to understand the reality of the advertisements which indicates that the parents believe that her child is vulnerable to advertisements especially with celebrity endorsements. In this situation the parent was exerting expert power to control the requests of her child.

All the findings reflect a systematic process where one activity leads to another activity to occur. The process starts with selection of a favourite celebrity by children, which makes them want to follow the behaviours the celebrity. These behaviours include the consumption of products the celebrities endorse. Children desire to possess the products endorsed by celebrities and demand that their parents buy them. Conflicts result in the instances that parents deny the purchases, and in these conflicts both parents and children use coercion, promise of rewards, and their relative expertise in order to convince the other party.

## **6. Discussion**

Findings of the study indicate that children have a highly positive view of their favourite celebrities and that they like to imitate the behaviours of these stars. This is in line with the observations of Saraf (2013) who posited that celebrities' behaviours and endorsements play a dominant role in shaping children's preference and thoughts. As noted by Chan and McNeal (2004) the children in this study also consider celebrity endorsements as highly credible and they tend to believe the claims made in advertisements by their favourite celebrity. Thus, the goodwill children hold towards the celebrities spill over to the brands that is recommended in the advertisements (Khan & Lodhi, 2016). Repeated exposure to advertisements with endorsements of their favourite celebrities was identified as strengthening force of the purchase desires of children in the study, lending support to Calvert's (2008) argument that the effects of advertisements depend on how well children remember the behaviours of celebrities in the advertisement.

The findings also indicate that induced by these celebrity endorsements, children often request their parents to purchase the advertised products. Similar to previous research, parents' refusal to accede to these demands make the children unhappy (Kraak & Pelletier, 1998), which sometimes lead to conflicts between the parents and the children (Buijzen & Valkenburg, 2003).

It was also identified that the process through which celebrity endorsements influence children could be theorised using the social learning theory (Bandura, 1973), and the parent-child conflict using the bases of social power (French & Raven, 1959).

### **6.1 Celebrity Influence and Social Learning Theory**

The social learning theory states that children learn from the society around them and adopt the behaviours of the people whom they feel attractive or special; this is referred to as observational learning. According to the concept of observational learning, a „model“, which can be a person, influences children to engage in learning mainly through informative functions and symbolic representation. Therefore, information about the model and its unique symbolic features/characteristic are considered as the key factors in influencing a person’s behaviours (Bandura, 1973). In this study the celebrities function as the models that influence children’s behaviours.

The theory emphasise that the influencing happens in a systematic process comprising four stages. All four components in the observational learning process were identified as relevant to the celebrity influence of children and the resulting inducement of purchase desire.

The theory states that the process of adopting behaviours by children starts with „attention“, which means the model’s behaviours should draw attention of children in order to influence them. Accordingly, the interview findings indicate that children get attracted by celebrities’ unique characteristics that interest them. Each of the interviewed children has a celebrity who is considered as his or her special favourite, each selected based on various attributes that the child finds attractive, be it Paul Walker the television actor, Dhoni the cricketer or Cinderella the fairy tale character. Further Bandura (1973) noted that a televised model could hold the attention of people for extended periods and that this is more effective in capturing attention since viewers learn depicted behaviours without any extra effort. From interviews, it was clear that most of the time the children observe their favourite star through television and that they are interested in watching advertisements depicting their favourite celebrity.

The second component of observational learning is „retention“ and this states that the long term retention of any activities or behaviours in the mind of a person is important to influence that person’s behaviours. The theory also states that the retention of behaviours effectively happens when the person observes the model’s behaviours in both visual and verbal form and through repetitive exposure to the observed behaviours. Research findings indicate that children receive information about celebrities and carefully observe their behaviours mainly through television due to their interests towards celebrity, which enables verbal and visual encoding. Further, it was evident that repeated exposure to advertisements enhances the children’s desire to purchase the endorsed products.

The third component of the theory is „reproduction“ which concerns with the overt action of a person backed by his/her observational learning. According to Bandura (1973) the behavioural reproduction occurs when a person puts together a set of responses similar to the observed behaviours of the model. The interview findings indicate that children attempt to imitate the behaviours of their favourite celebrity



with high interest. It is for this reason that they request parents to purchase products endorsed by the celebrity.

The final component of the theory is „reinforcement and motivation“ which states that to activate a model’s behaviour into a person’s overt performance or action, the learning should be positively sanctioned or favourably received. In other words, there should be a positive incentive for a person to imitate a model’s behaviour (Bandura, 1973). For the children in this study the primary incentive for imitating the celebrities’ behaviours and purchasing products endorsed by them is „to be like“ their favourite star. In addition, possessing various paraphernalia related to the celebrity also enables them to get recognition among their peers.

In summary, the findings indicate that celebrity endorsements induce purchase desire in children through a social learning process.

## **6.2 Parent-child Conflicts and Social Power**

Of the five bases of social power proposed by French and Raven (1959), expert power, coercive power and reward power were identified in the dynamics of parent-child conflicts.

French and Raven (1959) stated that expert power would be exerted by a person with a belief that he/she is having more expert knowledge in the subject matter; however the other person has to believe it for the expected outcome to occur. In the case of celebrity endorsements, children believe that they have expert power regarding the purchase decisions because they believe the celebrities who endorse the products have expert knowledge. On the other hand, parents are not willing to accept this since they believe that they know what is best for the children. This leads to dissension between the parties and to conflict.

The execution of coercive power is based on threatened punishment by one person for the non-conformity to the expected results of another person (French & Raven, 1959). The findings show that children use coercive power to influence their parents by threatening negative behaviour for not complying with their requests. In these situations, parents sometimes accede to the requests in order to avoid negative consequences. However, it was evident that in most of cases parents are not influenced by children’s coercive power and instead they themselves use coercive power to control the aggressive behaviours of children. This in line with the argument of French and Raven (1959) that in order to achieve the intended results using coercive power, the opponent should be within the range of the person’s coercive power and if the opponent is not within the range of coercive power the expected results cannot be achieved. The coercive power of parents over children is far greater than vice-versa.

It should be noted that as stated by Flurry and Burns (2005), even in the instances when coercive power is successful, it ultimately leads to negative outcomes in the long term. The findings of this study also revealed that the requests of children do not end permanently with the usage of coercive power by parents and continuous use of this power creates some negative feelings in children regarding their parents. This could further intensify the conflicts between parents and children in the long run.

The concept of reward power states that a person can be influenced by another person through providing rewards for the conformity of an expected behaviour (French & Raven, 1959). Children use this power base when they promise good behaviour as a reward for the requested purchase. However, parents are often not persuaded by such promises; this creates conflict since the children realise that they have failed in influencing their parents. On the other hand, parents have better success in denying the children's purchase requests by promising other rewards or a delaying purchase as a reward for good behaviour.

## **7. Conclusion**

This study established that celebrity endorsements influence children's purchase desires through a social learning process and that they use various social power bases in attempting to persuade their parents to purchase the advertised products. However, these attempts often fail, resulting in conflicts between the parent and child. These findings contribute to knowledge in relation to the influence advertising and marketing has on children. The study also has implications for ethically minded marketers, indicating the necessity of being prudent when using celebrities in advertisements that could have adverse impacts on children. The findings of the study also provide information to policy makers who are intent on regulating advertising practices.

A limitation of the study was that much of the data regarding parent-child conflicts had to be obtained from the parents. Although children were interviewed, they were not probed on the subject of conflict since it is a sensitive area and they could have become uncomfortable if they were pressed to provide details. This was an unavoidable limitation since it would have been an unethical research practice to subject children to questions that would have made them uncomfortable.

In terms of further research, although this study broadly established the celebrity endorsement influence of children through the social learning process and the resulting parent-child conflicts, a more detailed study of the dynamics of the social learning process could enrich this area of investigation. In particular, further research could pay greater attention to the role played by advertising and media hype in making these celebrities and their endorsements attractive to the children, and in enhancing the retention of learned observations.

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## **The Impact of Perceived Value on Tourists' Satisfaction in Adventure Tourism: With Special Reference to Sri Lankan Domestic Tourists**

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### **Abstract**

*This study was conducted to examine the relationship between perceived value and tourists' satisfaction in particularly under researched area of adventure tourism with special reference to Sri Lankan domestic context. The multidimensional perceived value framework (PERVAL scale) was used to measure the perceived value and it was expected that this broader conceptualization of value would provide a more accurate and holistic perspective of perceived value perception in adventure tourism context. Three hundred fifteen responses were evaluated through a self-administered questionnaire and confirmed that customer value is indeed a multidimensional construct, and the major conclusion was established that there is a direct and positive influence of perceived value on tourists' satisfaction in an adventure tourism setting by confirming the adaptability of PERVAL scale in this particular service context.*

**Keywords.** *Tourists' satisfaction, Perceived value, PERVAL value scale, Adventure tourism*

### **1. Introduction**

Tourism industry is one of the fastest growing sectors in the world economy (World Travel & Tourism Council, 2015). In many countries of the world, the activities of tourism are considered as more important than production and other services activities, concerning the economic and social aspects (Agaraj & Murati, 2009). In the post era of 26 years of war, now the Sri Lanka is benefiting the development of tourism industry (Lokuhetty, Jayawardena, & Mudadeniya, 2013; Sri Lanka Tourism Development Authority, 2016). The total contribution of tourism sector to Sri Lankan GDP was 11.1% in 2014 (World Travel & Tourism Council, 2015) and employment generation in tourism sector (both direct and indirect) was 10% of total employment which was 819,500 in 2015 (World Travel & Tourism Council, 2015).

Majority of tourists (53%) visit to a destination for leisure, recreation and holiday purpose (World Tourism Organization, 2016) and adventure tourism has become an important component within that segment. The tourism culture of adventure and ecotourism are the fastest growers within the tourism industry all over the world with an approximate growth of 15%-20% per year which represent more than 25% of the tourism market (Agaraj & Murati, 2009). New trends such as, baby boomers being more interested to have adventurous experiences, women being as likely as men to take adventure trips, increasing trend in family adventure travels and more concern to the eco-tourism have caused to the risen demand in adventure tourism (World Tourism Organization, 2014). However, despite of the growing popularity in adventure tourism

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worldwide and locally, little research investigation has been attempted on this topic (Naidoo, Ramseook-Munhurrun, Seebaluck, Janvier, 2015; Sung, 2004) and it creates new and exciting research opportunities (Buckley, 2007; Keeling, 2003).

Tourists' satisfaction is important to successful destination marketing, because it influences the choice of destination, the consumption of products and services, and decision to return (Kozak & Rimmington, 2000). Hence, in order to uplift the repeat visitation and the recommendation intention, tourists' satisfaction is a prerequisite. However, satisfaction of adventure tourists was under-researched. From the service marketing perspective, customer value is a critical element in consumers' consumption and decision making behavior (Sweeney, Soutar, & Johnson, 1999). Although several studies have examined the impact of tourist perceived value on different aspects, lack of studies focused on the impact of different value dimensions of PERVAL value scale. This study used a multidimensional value model as its core framework which was initially suggested by Sheth, Newman, Gross (1991) and developed by Sweeney and Soutar (2001) into multi-dimensional PERVAL value scale. As per this scale, consumer choice is a function of multiple consumption value dimensions (social, emotional, functional, novelty and value for money). Consequently the perceived value, levels of expectation, interest and satisfaction of Sri Lankan tourists may significantly differ from other nations and international adventure tourists. In this setting, to fill the above mentioned gaps and to endow important insights this formal investigation on domestic adventure tourism in Sri Lanka was undertaken.

### **1.1 Scope of the study**

Tourism can be in the form of domestic or international. The flow of overseas tourists to Sri Lanka is seasonal (Bandara, 2003), but domestic tourism has less seasonality fluctuations comparing to international tourism. Thus, development of domestic tourism will result in proper utilization of resources by minimizing the unused capacities. Nowadays more Sri Lankans are seeking leisure time activities with productive and satisfactory level experiences (Sri Lanka Tourism Development Authority, 2016). Hence, the findings of this study are expected to be supportive to reveal the behavioural patterns of Sri Lankan domestic adventure tourists, and it will be useful to the development of tourism sector of the country.

## **2. Literature Review**

World Tourism Organization (2016) has defined tourism as "the activity of person travelling to and staying in places outside the usual environment, for not more than one consecutive year for leisure, business or any other purpose" and domestic traveler as "any person residing in a country who travels to a place within the country, outside his or her usual environment for a period not exceeding 12 months and whose main purpose of visit is other than the exercise of an activity remunerated from within the place visited". By following the definitions of Weiler and Hall (1992) and Sung, Morrison and O'Leary (1996), Fluker (2005, p.5) has defined as "Adventure tourism represents a broad spectrum of risk oriented outdoor tourist activities that are delivered on a commercial basis where profit is the key motive for provider and are characterized by the deliberate seeking and/or acceptance of risk by the tourist and in which the outcome is influenced by the participant, the setting and the careful management of the experience". Millington, T. Locke, and Locke (2001) have noted that an adventure travel is a leisure activity which takes place in an unusual, exotic,

and remote or wilderness destination, which tends associated with high levels of physical activity.

Adventure levels can be based on the individual perception of risk and this will be inherent to the traveler, his/her background and previous life experiences (Weber, 2001). Adventure is an engagement rather than passive experience and this engagement can be on physical, intellectual, emotional or spiritual level combing with the effort, commitment, and often mental and physical preparation or training (Beard & Swarbrooke, 2011). According to Ewert and Hollenhorst (1989) risk and uncertainty of outcome associated with adventure activities. Furthermore the desire to participate may decrease, if the risk is absent. Hence in this context risk is most commonly equated to the physical risk of serious injury or death (Buckley, 2010). The term adventure can actually mean differently to different tourists because things that fill up the fear of one tourist may not fill up for another (Buckley, 2010). Thus adventure is not an absolute concept which is highly personal and depend on experience and personality of people (Beard & Swarbrooke, 2011).

Adventure activities can be even hard adventure or soft adventure (Patterson & Pan, 2007; World Tourism Organization, 2014). Hard adventure activities comprise high levels of risk, requiring intense commitment and advanced skills, where soft adventure activities are with low levels of real risk, low physical effort and most of these activities are led by experienced guides (Schott, 2007). If any tourist seeks challenging, novel and exciting consumption experiences while on holiday, then he/she is called as an “adventure tourist” (Williams & Soutar, 2009). Tran and Ralston (2006) found that most of the adventure tourists are people who are motivated by their achievements.

## **2.1 Customer Satisfaction**

Satisfaction is one of the most researched topic in tourism research field (Correia, Kozak & Ferradeira, 2013). As defined by Oliver (2014, p.8), “Satisfaction is the consumer’s fulfillment response. It is a judgment that a product/service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption related fulfillment, including levels of under or over fulfillment”. Bruhn and Egan (2003) defined customer satisfaction as an experience-based assessment done by the customer regarding how far his own expectations about the individual characteristics or the overall functionality of the services obtained from the provider have been fulfilled. Further Kotler & Keller (2006, p.144) defined satisfaction as a person’s feeling of pleasure or disappointment resulting from comparing a product’s performance (outcome) in relation to his or her expectation.

Keeping the satisfaction of tourist is the key, for development of any tourism business since tourists’ satisfaction can determine the success or the failure of that business and thus satisfaction plays a central role in the planning process of marketable tourism products and services (Khuong & Luan, 2015). It is important for both consumers and service providers. As per Xiaojuan (2012) in consumers’ perspective, satisfaction is a self-evident pursuit to be obtained by using a service and in providers’ point of view, satisfaction gives both short term and long term impacts.

Too high expectations are not always lead to high satisfactions since, the actual experience of customers should close to what they expected (Lee & Lee, 2015).

Therefore the efforts should always be directed towards either not to rise too high expectations nor too low expectation since it may not translate a potential demand into an effective one (Lather, R. Singh, & Singh, 2010).

## **2.2 Customer Perceived Value**

The concept of „perceived value“ emerged as the defining business matter in 1990s, and it is continuing of receive extensive research interest in the present era (Mayr & Zins, 2012; Sanchez-Fernandez & Iniesta-Bonillo, 2007). Khalifa, cited by Sanchez-Fernandez and Iniesta-Bonillo (2007), the customer loyalty and profits are strongly linked to the value that is created for customers.

Zeithaml (1988), Zeithaml and Bitner (2003) have defined „value“ as, consumer“s overall assessment of the utility of a product based on perceptions of what is received and what is given. This view hypothesizes „perceived value“ as uni-dimensional construct. Later some researchers argued that „Perceived value“ is a multidimensional construct in which a variety of notions (such as perceived price, quality, benefits, and sacrifice) are all embedded (Roig, Garcia, Tena, & Monzonis, 2006; Sweeney & Soutar, 2001). In unidimensional approach, perceived value is viewed as an independent concept and measured as a single variable, while in multidimensional approach analyzes value as a construct composed of multiple variables (Sanchez-Fernandez & Iniesta-Bonilla, 2007).

Furthermore widely accepted definition for perceived value among marketing researchers is consumers assessments of the trade-offs between benefits and sacrifices in selecting a given product from the options available at market (Chen & Dubinsky, 2003; McDougall & Levesque, 2000; Sanchez-Fernandez & Iniesta-Bonilla, 2007). Perceived benefits are what the customer feels they have received from a product or service such as perceived quality, internal and external features of the product, and other psychological benefits (Zeithaml, 1988). Perceived sacrifices can be identified as primarily associations with price as monetary cost and nonmonetary costs as cost of time, physical and mental effort and lifestyle changes associated with consuming the product or service (Snoj, Pisnik, & Mumel, 2004).

## **2.3 Perceived Value of Tourism Industry**

A multi-dimensional perspective of value is often considered as more appropriate in services contexts (Petrick, 2001; Sweeney & Soutar, 2001; Williams & Soutar, 2009) as the psychological and sociological aspects of consumption are more important for buildup a better interaction between service provider and the consumer, along with the heterogeneous nature of the service experience (Holbrook, 1994).

According to Murphy, Pritchard, and Smith (2000), perceived value represents a trade-off between the travel time and/or money invested by travelers and the experience gained through the visit of the destination. Tourist would estimate the value of a tour based on the difference between the perceived benefits and costs arising from the destination“s offerings (Bajs, 2015). However in the evaluation process of perceived value of a tour or a destination, emotional benefits might be very important (Sanchez, Callarisa, Rodriguez and Moliner, 2006), as they affect both the satisfaction and likelihood of revisit with the effect of factors such as enjoyment, relaxation, novel experience, etc.(Bajs, 2015). Tourists perceive positive value when



the benefits received by traveling are greater than the costs they have invested in travel (Williams & Soutar, 2009).

#### **2.4 PERVAL Value Scale**

This model was initially suggested by Sheth et al. (1991) and developed by Sweeney and Soutar (2001) into multi-dimensional PERVAL scale. As the broader theoretical framework of perceived value developed by Sheth et al. (1991), consumer choice is a function of multiple „consumption value“ dimensions and these dimensions make varying contribution in different choice situations. They have suggested five dimensions as social, emotional, functional, epistemic and conditional value relating specifically to the perceived utility of the choice (Sweeney & Soutar, 2001). This has been initially applied to different consumer products, later on to different services even in tourism sector(Williams & Soutar, 2009).

Heung, Qu, and Chu (2001) argued that tourists make decisions of satisfaction based on how they perceived the experience; hence it is vital that they perceive the service as a value creation, to satisfy them. Many researchers have confirmed that value perception is positively linked to post-consumption constructs of satisfaction and repurchase intentions (Cronin, Brady, & Hult, 2000; McDougall & Levesque, 2000). Furthermore findings of the studies done by Bradley and Sparks (2012), Khuong and Luan (2015), Oh (1999) identified that a direct and strong positive impact by tourist perceived value on tourists“ satisfaction. Bajs (2015); Williams and Soutar (2009) have found a strong positive correlation between perceived value and satisfaction in a tourism context. Thus the following hypothesis was formed.

H<sub>1</sub>: There is a direct and positive relationship between tourists“ perceived value and tourists“ satisfaction in adventure tourism.

Functional value was defined as the “perceived utility acquired from an alternative“s capacity for functional, utilitarian or physical performance” (Sheth et al 1991, p.160). It was seen as the primary driver of consumer choice (Helkkula, 2009; Sweeney & Soutar, 2001). The functional value perspective is based on the assumption that customers are objective and rational (Rust, Zeithaml & Lemon, 2000). Therefore, before a customer makes a purchase, they have considered the traditional functional value as trade-offs involving quality, monetary and behavior price (Rintamaki, Kanto, Kuusela, & Spence, 2006). Other than quality and reliability, in tourism number of attractions seen, on time performance, comfortableness and safety all together influence functional value perceptions (Williams & Soutar, 2009). Further Williams and Soutar (2009) identified positive effect of functional value on tourists“ satisfaction and thus the following hypothesis was devoted.

H<sub>2</sub>: There is a positive impact of functional value on tourists“ satisfaction in adventure tourism

Value for money/ monetary value has stated as what a consumer gets for what a consumer gives and it considered as the monetary cost of the product/experience (Bajs, 2015). Monetary cost influences consumer choice in two distinct ways, as an amount of money the consumer must give up in exchange as purchase or use and as a quality indicator, implies as high price reflects high quality. These two components of monetary cost have different impacts on perceived value in the sense that the amount

of money paid has a negative impact on perceived value while having a positive impact as an indicator of quality (Oh, 2003). However, some studies have shown (e.g., Cronin et al., 2000) that the negative impact of price on perceived value is greater than its positive impact on the perception of quality. Since monetary value has a direct and positive effect on satisfaction (Wang, Lo, Chi, & Yang, 2004), and confirmed that impact in adventure tourism context (Williams & Soutar, 2009), researcher developed the hypothesis to test it in Sri Lankan context as,

H<sub>3</sub>: There is a positive impact of value for money on tourists' satisfaction in adventure tourism.

Emotional value has identified as a social-psychological dimension which is depend on product/service ability to arouse feelings or affective states (Sheth et al., 1991). Emotional responses are more likely in adventure tourism experiences and contribute a large. In adventure tourism, emotions that precede and lead to the emotional highs of exhilaration and excitement are often fear, hesitation and apprehension. Previous studies have found a direct and strong influence of emotions on satisfaction (Lee, Lee, & Choi, 2011; Liljander & Strandvik, 1997; Flucker, 2005) and according to Williams and Soutar (2009), emotional value is the most influential value dimension on satisfaction in adventure tourism. Consequently, researcher expected a positive relationship between emotional value and tourists' satisfaction.

H<sub>4</sub>: There is a positive impact of emotional value on tourists' satisfaction in adventure tourism.

Social value has been defined as the „perceived utility acquired from an alternative's association with one or more specific social groups“ (Sheth et al 1991, p.161). It relates to social approval and the enhancement of self-image among other individuals (Bearden & Netemeyer, 1999). Social value associates users of the service with a social group and includes such aspects as social self-concept, social image, social identification, expression of personality and quest of social class membership (Holbrook, 1994; Sheth et al., 1991; Sweeney & Soutar, 2001). In tourism, factors such as interactions between people during the tour, relationship between passengers and tour guide, individual recognition and the prestige value obtained from undertaking the trip may create social value (Williams & Soutar, 2009). Social value has been suggested to be positively related to commitment (Hennig-Thurau, Gwinner, and Gremler, 2002; Wang et al., 2004). Further, in adventure tourism context, social value supposes to enhance satisfaction (Williams & Soutar, 2009), and hypothesis was developed as;

H<sub>5</sub>: There is a positive impact of social value on tourists' satisfaction in adventure tourism.

Novelty value/epistemic value was not initially included in the PERVAL framework, but it is a key component of the adventure tourism experience as it includes the novelty of the activity and the destination (Williams & Soutar, 2009). Novelty is one of the major contributors to uncertainty in adventure activities and this is what the activity involves an element of doing or experience something new (Beard & Swarbrooke, 2011; Williams & Soutar, 2005). Epistemic value is created when the product/service experience arouses curiosity, provides novel experience (Sheth et al.,

1991). According to Beard and Swarbrooke (2011), if an experience is a straightforward, predictable and repeated, it is not considered as an adventure. Thus, novelty value is a key factor in many adventure tourism products due to tourists' desire for exploratory, novelty seeking and variety seeking behavior. Williams and Soutar (2009) has identified positive impact on adventure tourists' satisfaction by novelty value and thus the hypothesis was devoted as;

H<sub>6</sub>: There is a positive impact of novelty value on tourists' satisfaction in adventure tourism.

Williams and Soutar (2009) have explained that all five value dimensions have direct and positive impact on tourists' satisfaction in adventure tourism. Moreover socio-psychological dimensions of value (emotional value and novelty value) have greater influence on customer satisfaction than the cognitive dimensions of value (functional and value for money). Thus the following hypothesis was developed to identify the salient factor.

H<sub>7</sub>: Emotional value is the most influential variable on tourists' satisfaction.

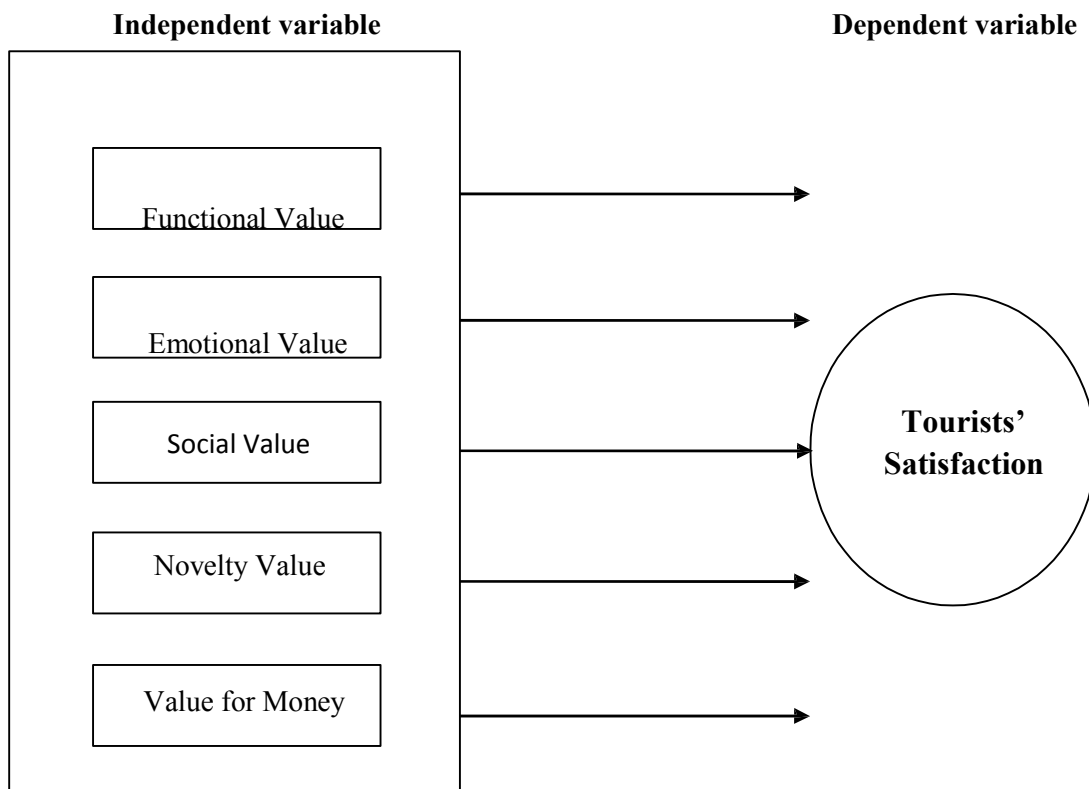


Figure 1. Conceptual framework

### 3. Method

#### 3.1 Study Design

As this study attempted to examine specific phenomena (shown in Figure 1) and to test specific hypotheses according to Birks and Malhotra (2006) this can be categorized as a conclusive research. Furthermore, this study can be identified as descriptive research, since it attempted to describe adventure tourist market by prior

formulation of specific research questions and hypotheses. The impact of each value dimensions on dependent variable was studied by PERVAL scale which was already developed and empirically tested. The researcher involved the collection of data from the sample element only at once. Therefore this study can be identified as a single cross sectional analysis (Birks & Malhotra, 2006). Furthermore, this study can be identified as a correlation and regression study since researcher was intended to delineate the important variables associate with the problem (Sekaran, 2003). The extent of researcher interference to the study was minimal and the study was conducted in a natural environment with a normal flow of procedures with regard to the research environment. Hence this study setting was considered as a non-contrived setting.

Target population for this study was considered as all the local adventure tourists in Sri Lanka. An individual who has participated to any kind of land, water or air based adventure activity (Appendix 01) within Sri Lanka was identified as the sampling element and it included both male and female who resident in Sri Lanka. The researcher used convenient sampling technique to select the respondents for gather data for the study. The sample size of the survey was set at 300 as believed to be managed.

### **3.2 Measures**

In this study primary data were collected by using survey method through a questionnaire. The questionnaire was built based on major concepts of literature and it consisted with three sub sections. First section consists of questions developed based on indicators of five perceived value dimensions (Functional value, Value for Money, Emotional value, Social value, Novelty value) as per the PERVAL scale. Even though, Perceived value has been examined by several researchers this study was mainly focused on Williams and Soutar 2009, study which has been developed by Sweeny and Soutar, 2001. According to Sweeny and Soutar (2001), functional value, value for money, emotional value and social value have operationalized by using four items per each and confirmed the reliability and validity of the variable with 0.86, 0.91, 0.85 and 0.94 Cronbach's alpha values respectively. Novelty value was also taken from the study of Williams and Soutar (2009), as another dimension of perceived value which was initially developed by Weber (2001) and measured using 4 items with Cronbach's alpha value of 0.84 .

Second part of the questionnaire was devoted to measure the dependent variable (tourists' satisfaction) which was measured by four items. This study was mainly focused on Williams and Soutar (2009) study which was initially suggested by Oliver (1997) and operationalized using four items with 0.92 Cronbach's alpha value (Appendix-02). Even though, those dimensions have operationalized used 7 point Likert scale where 1 represent strongly disagree and 7 for Strongly agree, researcher has used 5 point Likert scale for this study since many other social science studies have used 5 point Likert scale.

Third part of the questionnaire consisted with five questions related to identify the respondent's gender, age , marital state, educational level and income level to which the respondent belong.

### 3.3 Sample Profile and Data Analysis

After conducting a pilot survey, since the overall responses were at satisfactory level questionnaire was distributed among respondents by electronic media and hard copy distribution. The response rate was considered as high since many were interested in adventurous activities. A total of 315 questionnaires were collected and after checking the quality of responses, 7 cases were omitted due to missing values and 28 cases were ignored since the respondents had not ever participated for any kind of adventure activity. Based on 280 complete cases basic analyses were carried out. After removing the outliers (13 cases) in normality test hypotheses tests were carried out by using 263 responses. SPSS 16.0 statistical package was used for analysis and preceded as two-stages. First, researcher carried out reliability and validity tests and demographics factors analysis. Secondly, correlation and regression analysis were used to test the developed hypotheses in the proposed conceptual model.

### 3.4 Reliability and Validity

Internal consistency reliability is where each item of a scale measures some aspect of the construct and the items should be consistent in what they indicate about the construct. As the Table 1 devoted, Cronbach's Alpha values of all the dimensions and the dependent variable were greater than 0.7. Thus, it emphasize the reliability of these scales were high.

Table 1  
*Results of Reliability Test*

Variables	Cronbach's Alpha value Standard 0.7<
Functional Value	0.892
Value for Money	0.907
Emotional Value	0.883
Social Value	0.924
Novelty Value	0.923
Satisfaction	0.912

Since all the indicators had been taken from the literature, content validity was already satisfied which indicated that the scale items adequately cover the entire domain of the construct measured. Convergent validity is the extent to which the scale correlates positively with other measurements within the same construct (Malhotra & Dash, 2011). As shown in the Table 2 Kaiser-Meyer-Olkin Measure (KMO) value of five dimensions and dependent variable were greater than 0.5, Sig values of the Bartlett's test of Sphericity were less than 0.05, Average Variance Extracted (AVE) values were greater than the recommended minimum of 0.5 and Composite reliability (CR) values were greater than 0.7. Therefore, convergent validity of all five dimensions and dependent variable was satisfied.

Discriminant validity is the extent to which a scale item does not correlate with other constructs from which it is supposed to be different (Birks & Malhotra, 2006). All squared Pearson Correlation values among constructs were lower than the AVE on the individual constructs and respective other constructs, that satisfied the discriminant

validity criterion. To test the Uni-dimensional validity factor analysis was carried out and when it comes to final pattern matrix one indicator from novelty value was eliminated. The rest of 19 indicators were used for further analysis.

Table 2  
*Summary of Convergent Validity Results*

Variable	KMO >0.5	Bartlett's test of Sphericity		AVE >0.5	Composite reliability >0.7
		X <sup>2</sup>	Sig <0.05		
Functional Value	0.826	646.125	0.000	0.756	0.842
Value for Money	0.837	750.421	0.000	0.785	0.866
Emotional Value	0.798	641.482	0.000	0.744	0.833
Social Value	0.841	876.174	0.000	0.817	0.890
Novelty Value	0.759	636.568	0.000	0.867	0.901
Satisfaction	0.842	757.692	0.000	0.791	0.870

## 4. Results

### 4.1 Demographic Factor Analysis

Table 3  
*Summary of Demographic factor analysis*

	Characteristics	Frequency	Percentage (%)
Gender	Male	163	58.2
	Female	117	41.8
Age	Below 18	7	2.5
	18-25	139	49.6
	26-30	67	23.9
	31-40	43	15.4
	41-50	15	5.4
	Above 50	9	3.2
Marital Status	Married	107	38.2
	Unmarried	170	60.7
	Other	3	1.1
Education level	Upto O/L	6	2.1
	upto A/L	69	24.6
	Degree	121	43.2
	Above Degree	25	8.9
	Other professional qualification	59	21.1
Income level	Below 30,000	79	28.2
	30,000-60,000	95	33.9
	60,000-100,000	73	26.1
	Above 100,000	33	11.8

The respondent profile is summarized in Table 3. Of the 280 respondents, 163 were male and 117 were females. Most of them were in between 18 - 25 age category (n=139) and 170 (60.7%) were unmarried. Majority of the respondents were having Degree which was amount as 43.2% and 33.9% respondents were belong to Rs.30,000-60,000 income level while 28.2% belong to below 30,000 income level. However, for this question some respondents have marked their own income level and full time students have marked their parents' income level.

## 4.2 Hypothesis Testing

### 4.2.1 Correlation Analysis

Table 4

*Summarized Correlation results*

Pearson Correlation	.704**
Sig. (2-tailed)	.000

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

Since perceived value can be identified as second order formative construct Mayr and Zins (2012), a total mean value for the perceived value can be generated in order to identify the relationship between independent and dependent variable. The researcher has applied Pearson correlation coefficient and as indicated in Table 4, a strong positive relationship between perceived value and satisfaction was identified since the Pearson correlation value was 0.704. This relationship was statistically significant as correlation was significant at 0.01 level (2 tailed). Thus, H1 was accepted by emphasizing the strong positive relationship between these 2 variables.

### 4.2.2 Regression Analysis

Table 5

*Regression Analysis*

	B Constant	Beta Value	R Square	F	Sig
Functional value	2.017	.545	.270	98.156	.000
Value for money	2.700	.384	.246	86.595	.000
Emotional value	1.777	.555	.385	165.821	.000
Social value	3.111	.283	.170	54.406	.000
Novelty value	1.905	.547	.418	190.670	.000

Table 4 indicated the results of regression analysis of how each dimension of independent variable predict the dependent variable, tourists' satisfaction significantly well. „Sig value“ indicated the statistical significance of the regression models and strongly suggests the significance of the fitted models. Here, all the sig values were less than 0.05 indicated that the regression models statistically predict the dependent variable of tourist satisfaction significantly well.

R square value of functional value, 0.270 expressed that 27% of the total variance of tourists' satisfaction was explained by the fitted model with the Beta value of 0.545. In another word functional value has 27% impact on predicting the satisfaction in an adventure tourism context. R square value of value for money, 0.246 expressed that 25% of the total variance of tourists' satisfaction was explained by the fitted model

with the Beta value of 0.384. In another word value for money has 24.6% impact on predicting the satisfaction in an adventure tourism context. R square value of emotional value, 0.385 expressed that 38.5% of the total variance of tourists' satisfaction was explained by the fitted model with the Beta value of 0.555. R square value of social value, 0.170 expressed that 17% of the total variance of tourists' satisfaction was explained by the fitted model with the Beta value of 0.283 and R square value of novelty value, 0.418 expressed that 41.8% of the total variance of tourists' satisfaction was explained by the fitted model with the Beta value of 0.547. In another word novelty value has 41.8% impact on predicting the satisfaction in an adventure tourism context.

#### 4.2.3 Multiple Regression Analysis

Table 6  
Summarized Multiple Regression Results  
Panel a

Model	R	R Square	Adjusted R Square
4	.732 <sup>d</sup>	.536	.529

Note. d. Predictors: (Constant), NV mean, EV mean, FV mean, VM mean

#### Panel b

Model	Unstandardized Coefficients		Sig.
	B	Std. Error	
4 (Constant)	.908	.198	.000
NV mean	.298	.047	.000
EV mean	.227	.052	.000
FV mean	.157	.055	.004
VM mean	.112	.039	.004

#### Panel c Excluded Variables<sup>e</sup>

Model	Beta In	Sig.	Partial Correlation
3 VM mean	.145 <sup>c</sup>	.004	.174
SV mean	.040 <sup>c</sup>	.435	.048
4 SV mean	.024 <sup>d</sup>	.639	.029

Note. d. Predictors in the Model: (Constant), NV mean, EV mean, FV mean, VM mean

e. Dependent Variable: Mean

The multiple regression model examined the impact of the respective dimensions of independent variable had on satisfaction. The results of the stepwise regression procedure were indicated in Table 6. R square value was 0.536 (Table 6 (Panel a)) which emphasized that 53.6% of the dependent variable, tourists' satisfaction was explained by the collection of 4 dimensions of independent variable, novelty value, functional value, value for money, emotional value. As Table 6 (Panel c) Sig value of novelty value, emotional value, functional value and value for money were less than 0.05 indicating that they were statistically significant. But significant value of social value was greater than recommended level of 0.05 which indicated that social value was not statistically significant. In other words it emphasized that any change caused on social value was not associated with changes in tourists' satisfaction. Thus social value dimension was eliminated from the model.



Based on the Table 6 (Panel b), the following linear equation was formed.

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

$$Y = 0.908 + 0.298 X_1 + 0.227 X_2 + 0.157 X_3 + 0.112 X_4 + \varepsilon$$

Y = Tourists' satisfaction

X<sub>1</sub> = Novelty value

X<sub>2</sub> = Emotional value

X<sub>3</sub> = Functional value

X<sub>4</sub> = Value for money

Regression coefficient of novelty value was 0.298 which highlight the level of tourists' satisfaction increases by 0.298 when the novelty value increase by one unit while other value dimensions remains constant. Among all the dimensions, novelty value had the strongest influence on tourists' satisfaction. Thus, novelty value was the most important predictor of tourists' satisfaction and then emotional value with a beta of 0.227. Thus, it was concluded that the most salient value dimension that impact on tourists' satisfaction was novelty rather than emotional value, where the H<sub>0</sub> was accepted.

Table 7 shows a summary of all the hypotheses tests conducted.

Table 7  
*Summary of Hypotheses Tests*

Objectives	Alternative Hypothesis	Results
1: To examine the relationship between perceived value and tourists' satisfaction in adventure tourism.	H <sub>1</sub> : There is a direct and positive relationship between tourists' perceived value and tourists' satisfaction in adventure tourism	H <sub>1</sub> accepted
2: To examine the impact of functional value on tourists' satisfaction in adventure tourism	H <sub>2</sub> : There is a positive impact of functional value on tourists' satisfaction in adventure tourism	H <sub>2</sub> accepted
3: To examine the impact of value for money on tourists' satisfaction in adventure tourism	H <sub>3</sub> : There is a positive impact of value for money on tourists' satisfaction in adventure tourism	H <sub>3</sub> accepted
4: To examine the impact of emotional value on tourists' satisfaction in adventure tourism	H <sub>4</sub> : There is a positive impact of emotional value on tourists' satisfaction in adventure tourism	H <sub>4</sub> accepted
5: To examine the impact of social value on tourists' satisfaction in adventure tourism	H <sub>5</sub> : There is a positive impact of social value on tourists' satisfaction in adventure tourism	H <sub>5</sub> accepted
6: To examine the impact of novelty value on tourists' satisfaction in adventure tourism	H <sub>6</sub> : There is a positive impact of novelty value on tourists' satisfaction in adventure tourism	H <sub>6</sub> accepted
7: To identify the salient dimension that affect tourists' satisfaction in adventure tourism.	H <sub>7</sub> : Emotional value is the most influential dimension on tourists satisfaction	H <sub>7</sub> rejected

## 5. Discussion and Conclusion

When considering the respondent profile, 58% of the majority was males and greater part of them was between 18-25 years of age. Because, the subjective topic of the study, male respondents were more eager to respond the questionnaire than female respondents. Within the particular sample of the study 60.7% of them were not married and it shows that the single youngsters who were free from family responsibilities and commitments more preferred to have adventure experiences. A greater part of them were between the income levels of Rs.30,000-60,000 and below 30,000. This indicates that most of the adventure seeking youngsters were having considerably low spending pattern and it implies that adventure activity organizations should pay their keen consideration on it when set the price levels for domestic adventure tourists in Sri Lanka.

The present study attempted to clarify and application of a number of suggested associations between perceived value and satisfaction in an adventure tourism context in Sri Lanka. The results generally confirmed the findings of a number of previous studies in which customer value has been found to be an important antecedent on customer satisfaction (e.g., Anderson, Fornell & Lehmann 1994; Bajs, 2015; Cronin et al 2000; Mcdougall & Levesque, 2000).

The explanatory power of the combined various value constructs was particularly moderate to strong in relation with satisfaction (explaining 53.6% of variance). Novelty value plays a major influence on tourists' satisfaction followed by emotional value. It seems adventure tour operators who provide value, particularly novelty value and emotional value, are likely to have satisfied adventure customers. The influence of a multidimensional framework of value was notable and confirmed the prior findings (Roig et al., 2006; Sanchez-Fernandez & Iniesta-Bonilla, 2007; Sweeney & Soutar, 2001) as the socio-psychological variables (emotional value and novelty value) added worthy beyond the traditional value for money paradigm. Social value dimension was eliminated from the model, since it was not statistically significant, which was contrast with the findings of Williams and Soutar (2009).

Satisfaction of adventure tourists' and together all five perceived value dimensions are positively correlated (Williams & Soutar, 2009) with Pearson correlation value of 0.704 which highlight the strength as strong positive relationship. But, when removing the Social value variable from the model that established relationship was further strengthen as 0.732. This finding was supported to the existing literature of strong positive relationship between perceived value and tourists' satisfaction (Bradley & Sparks, 2012; Khuong & Luan, 2015; Oh, 1999).

Sri Lankan adventure travelers' need to gain novelty highs like thrill, fear, curiosity and authentic experience, while emotional value has been noted as the salient value dimension in previous studies (Williams & Soutar, 2009). This may be caused because of the cultural and behavioral differences across different nations (Lather et al., 2010). However, emotional value plays the second prominent role in Sri Lankan adventure tourism context and there is a little difference between these two variables when concerning the impact on satisfaction (B Coefficients of 0.298 and 0.227). Adventure tour operators need to explore ways to be innovative by time to time to offer an authentic experience and to manage tourists' positive emotions, such as happiness, enjoyment, excitement and thrill. This result is perhaps not surprising in an

adventure tourism domain, where hedonism and the pursuit of emotional highs, such as excitement play the key motivation role (Arnould & Price 1993; Christiansen 1990; Xiaojuan, 2012).

Fluker (2005) has suggested that feelings of satisfaction arise when consumers compare their perceptions of service performance with their expectations. If perceived performance exceeds expectations, then the tourist is satisfied (Fluker, 2005) without considering the kind of adventure activity he/she has participated. Thus, the findings of the study confirmed that any kind of land, water or air base outdoor adventure activity which is having considerable level of risk generates considerably similar kind of satisfaction to the participants. As another major conclusion, findings supported to the argument of Buckley (2010), as behavior of adventure tourists differ from that of the other kind of tourists, unlike other major sectors of the commercial tourism industry.

As a conclusion, it was evidenced that adventure tourism in world context and even in Sri Lankan context has been growing rapidly. The present study improved the existing understanding of the value construct and its relationship to post consumption construct, satisfaction in an adventure tourism context with special reference to Sri Lankan domestic adventure tourists. An existing customer value scale (PERVAL) was adapted which was included a range of dimensions applicable to the tourism context. Number of previous studies has tended to use simplistic value scales, which was uni-dimensional value for money constructs (a trade-off between the quality of the products and price). However, the present study has proven and confirmed, value is more complex phenomena within the tourism context, requiring a multidimensional value conceptualisation that includes utilitarian (functional value and value for money) and socio-psychological (emotional value, and novelty value) dimensions.

## **6. Implications**

Since the uniqueness of adventure tourism than other kinds of tourism activities, this study is significant within that field. This research contributes to existing marketing literature. When considering the Sri Lankan context, there were no empirical studies undertaken on the subjective field. Since the uniqueness of different nations (Lather et al., 2010) application of developed theories may results differently. Hence, this study provides an understanding of Sri Lankan domestic tourist perceived value and satisfaction. Thus, it covers the scarcity of knowledge in this area.

The analysis of consumer behaviour is important for market adventure experience, because it explains how and why customers make decisions to spend their available resources (i.e., time, money and effort) on finding, purchasing and consuming such kind of experience. A better understanding of consumer behaviour could be effective in formulating marketing strategies and communication. To strengthen the favourable behavioural intentions of consumers, adventure tourism operators should acknowledge the expectations that consumers hold, because consumers will compare their expectations with the benefits they have received, minus the sacrifices they have made when judging value. This means that adventure tourism operators should ensure that their consumers are satisfied.

The researcher suggests that the authorities who are focusing to improve the tourism, especially within the country and adventure tourism business entities to more concern

on the novelty experience that they are offering and pay the major attention on thrill, fear and authentic experience on their promotions. Since the novelty value plays the dominant role in the perceived value and satisfaction association, it suggests adventure tour operators need to be innovative and keep exploring the latest developments in equipment, to allow them to offer new, dynamic and challenging experiences. When considering the adventure tourism industry, the only focus is not going to the tour operators who sell and run pre-packaged retail tour products. Number of firms attached with it as adventure equipment, clothing and property development firms. Hence the insights generated from this research are valuable to all those parties for sustainable development of their businesses.

### **7. Limitations and Future Research**

This study was done in a context where there is apparently slight recorded information on domestic tourism especially on participation of adventurous activities. Accordingly, the statistics used in this study are not totally reliable to make judgments. Convenience sampling method is used to obtain data which is a non-probability sampling method. Hence, the estimates obtained are not statistically projectable to the population.

Recommendations that can be made for future studies on this field as it would be more beneficial to conduct over a wider time period by using quantitative and qualitative methods. The impact of demographic factors on behavioural construct (satisfaction) can be examined. This research focuses only on the perceived value with tourists' satisfaction and further reflective constructs can be increased by adding more constructs like revisit or recommendation intention. As the findings of the current study, novelty experience is vital in adventure experience, the impact of it on revisit intention could be generate significant findings, since the risk, thrill and fear may generate different experience in second participation than in the first-hand experience.

Further research is also needed to explore more dimensions in perceived value. The present study was focused on the application of existing developed PERVAL value scale, there may be other specific value dimensions relevant to adventure consumption. Moreover, tourists can be divided into various categories (explorers, drifters, wanderlust, sunlust etc) based on their individual characteristics. Future research can be undertaken in order to identify diverse preferences of different type of tourists in Sri Lankan domestic tourism context.

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