

International Journal of Advanced Research in Business
Vol. 2, No.2, 2016

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Mindfulness: A requirement for multicultural leadership

Dr. Denise Fortier* and Lisa Tejpar**

***Abstract:** Success in multicultural leadership is contingent upon leaders' ability to display empathy, diplomacy and cultural sensitivity towards people from different cultures. Essential guidelines for multicultural leaders include having a solid awareness of the values, beliefs, and attitudes of people from multiple cultures as well as learning from experience so they can be motivated to display competent skills. However, there remains a gap in the literature in terms of 'how' leaders can follow these guidelines while experiencing a breadth of unsettling emotions when faced with multicultural challenges. Mindfulness offers the potential to bridge this gap by providing leaders with the tools needed to manage emotions, to increase self-awareness, to enhance self-regulation and provide a greater capacity for displaying empathy. Thus mindfulness should prove to be a requirement to facilitate the display of cultural intelligence, to enable mastery of multicultural managerial competencies and to prepare leaders to become interculturally effective persons.*

***Keywords:** Leadership, Multiculturalism, Management Education, Mindfulness*

Introduction

Leaders have increasingly been called upon to lead people from multiple cultures where success has been contingent upon their ability to display empathy, diplomacy and cultural sensitivity, by recognizing the characteristics of other cultures and remaining aware of the differences in behavior and communications (Comfort & Franklin 2011), among others. Corresponding requirements for multicultural leaders provide valuable guidelines on cultural intelligence (Earley & Ang 2003; Earley & Peterson 2004), on multicultural managerial competencies (Fortier 2009), as well as on competencies for the interculturally effective person (Kealey, Protheroe, MacDonald & Vulpe 2006). In short, there is agreement among scholars that success in multicultural contexts calls for an awareness of the values, beliefs, and attitudes of people from other cultures, where leaders must learn to make competent choices with regards to interpersonal skills, including communication and language skills.

However, beyond having a fairly clear understanding of the skills and competencies this type of leaders need to display, there remains a gap in the literature in terms of *how* leaders can learn to become more skilled at keeping an open mind, at displaying a flexible attitude, and at being adaptive. Indeed, when faced with significant cultural differences- sometimes causing culture shock- many global leaders continue to struggle with difficult emotions; namely confusion, anxiety, frustration, isolation, and even feelings of depression (Marx 2011).

Recent training programs grounded in mindfulness (which aims to deepen conscious awareness of present experience without imposing judgment or evaluation) offer a novel approach that could bridge this gap by providing leaders with the tools needed to better manage emotions in the face of multicultural challenges. In short, there is a need to go beyond issues of mindful communication and adaptation as building blocks for global competence (Thomas & Osland 2004) and embrace mindfulness training.

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Due to its capacity to enable leaders to reach higher levels of self-awareness, self-regulation and a greater capacity for displaying empathy, mindfulness appears to be a necessity for leadership (Boyatzis & McKee 2013; Tan 2012).

Grounded in the premise that people who display emotional intelligence are better at leading others (Goleman 2004), Tan (2012) developed a curriculum aimed at attention training, self-knowledge and self-mastery, and the creation of useful mental habits, benefits that could prove necessary for leaders working with a multicultural workforce.

Mindfulness holds the potential to enhance positive outcomes with regards to mental health, physical health, behavioral regulation, and interpersonal relationships thus leading to higher job satisfaction levels and enhanced performance (Brown, Ryan & Creswell 2007; Dane & Brummel 2013). Accordingly, this paper seeks to highlight how mindfulness might prove to be a requirement to facilitate the display of cultural intelligence, to enable mastery of multicultural managerial competencies and to prepare leaders to become interculturally effective persons.

Literature Review

Multicultural Leadership

Whether they are working at home with a multicultural workforce, on the road as global managers, or living abroad as expatriates, leaders are likely to experience a roller coaster of emotions in the face of multiple challenges (Fortier 2009; Marx 2011).

The process of adaptation for expatriates usually starts with an initial honeymoon phase, often described as exhilarating and euphoric, but often degenerates into culture shock. As the novelty of the new culture wears off and leaders are faced with fundamental differences in values, beliefs and attitudes, they can find themselves in emotional turmoil. This difficult period can be associated with feelings of confusion, anxiety, frustration, isolation, and depression. In such cases, it is crucial for expats to find a way to manage their emotions in order to recover and adjust to their new cultural reality. Indeed, when working in a new culture, the ability to manage culture shock can make the difference between failure and success (Marx 2011).

In order to assist leaders in regaining emotional balance, the literature offers several guidelines for minimizing culture shock. Accordingly, leaders are encouraged to prepare themselves for the transition to a new culture by building a network with other expats, asking for guidance, seeking professional help if necessary, and focusing on the positive while keeping a sense of humour (Marx 2011). We believe these guidelines are insufficient given the depth of emotional issues linked to culture shock.

Though not always abroad for extended periods, many leaders are called upon to travel the world or instead work with a multicultural workforce at home. In short, these people are also likely to experience unsettling emotional reactions to cultural differences. It appears that a toolbox for managing emotions is warranted for leaders working in several types of challenging multicultural contexts.

Several models guide the development of such leaders. One of the most comprehensive is Cultural Intelligence (CQ) (Earley & Ang 2003; Earley & Peterson 2004). High CQ individuals possess: 1)

cognitive and metacognitive skills, meaning that they have accurate knowledge of a given culture and can learn from experience, 2) they are motivated to act according to this knowledge and show perseverance by investing the required level of effort, and 3) possess competent responses in their behavioral repertoire (Earley & Ang 2003; Earley & Peterson 2004). As such, the culturally intelligent leader is someone capable of displaying the required flexibility to adapt to novel cultural situations.

In a previous study, we identified a repertoire of multicultural managerial competencies (MMC) for working with people from multiple cultures, both at home and abroad, in face-to-face contexts and via the use of technology (Fortier 2009). The MMC typology outlines skills that enable leaders to manage self and multicultural teams, all the while seeking to optimize business and to facilitate their expat experiences when necessary. We thus confirmed that multicultural management goes beyond traditional functions and demands a constant interplay between social and task dimensions.

The profile of the interculturally effective person (IEP) also outlines key behavior-based indicators (Kealey *et al.* 2003; 2006). Mostly aimed at expatriates, the IEP combines major competencies that point to the knowledge, skills, and attitudes that enable someone to live contentedly and work successfully in another culture.

As with CQ, the MMC and IEP guidelines provide comprehensive requirements for management-related interpersonal competencies as well as general multicultural-related issues. However, shortcomings are noted with regards to *how* leaders are expected to deal with difficult emotions given the multicultural context of their reality.

Mindfulness

Mindfulness is an ancient concept most firmly rooted in the Buddhist tradition and shares conceptual kinship with various other disciplines such as psychology and ancient Greek philosophy (Brown, Ryan, & Creswell 2007). In essence, mindfulness aims to deepen conscious awareness of the present moment (Nvanaponika 1998) without imposing judgment, evaluation, or assigned meaning (Glomb, Duffy, Bono & Yang 2011). It is a state of awareness that enables one to either consciously or unconsciously exploit the knowledge, skills and attitudes needed to interact effectively and appropriately across cultures (Comfort & Franklin (2001). Therefore, communication studies and applied linguistics scholars deem mindfulness an essential to successful communication.

Defined as a state of consciousness in which attention is focused on present-moment phenomena occurring both externally and internally (Dane 2010; Tan 2012), mindfulness has proven beneficial both at the individual and at the relational level. Indeed, it has been shown to enhance positive outcomes in several important life domains, including mental health, physical health, behavioral regulation, and interpersonal relationships (Glomb *et al.* 2011; Brown *et al.* 2007).

Workplace mindfulness has been studied according to the Mindful Attention Awareness Scale (MAAS) (Dane & Brummel 2013). Findings indicate a positive relationship between workplace mindfulness and job performance along three work engagement dimensions, namely vigor, dedication and absorption. Moreover, a negative relationship between workplace mindfulness and turnover intention was observed (Dane & Brummel 2013).

While studying the neurobiological processes underlying mindfulness-based practices and their corresponding power to enhance social relationships in the workplace, Glomb, *et al.* (2011) observed that mindfulness can support self-regulation of thoughts, emotions, and behaviors. This research was specifically focused on seeking to make employees more resilient in the face of challenges, and increase task performance (Dane 2010).

Furthermore, the MAAS is related to a variety of well-being constructs, where higher levels of mindfulness are associated with enhanced self-awareness, and hold the power to promote self-regulated behavior and positive emotion (Brown & Ryan 2003). Indeed, there is evidence for positive correlations between the MAAS and increased positive affect, vitality, life satisfaction, self-esteem, optimism and self-actualization. Conversely, mindful attention was linked to lower levels of neuroticism, along with an inverse relation to depression, self-consciousness, anger, hostility, and impulsiveness.

Hülshager, Alberts, Feinholdt, & Lang (2013) found that trait mindfulness, namely the *disposition* to be mindful as opposed to a temporary ‘state’ of mindfulness, is negatively related to emotional exhaustion and positively related to job satisfaction.

A study examining the effect of mindfulness on the psychological well being of managers and entrepreneurs showed that mindfulness was negatively related to dysfunctional outcomes such as anxiety, depression and negative affect for managers and fewer burnouts for entrepreneurs (Roche, Haar & Luthans 2014).

Several authors recognize the potentially significant benefits of integrating mindfulness within the repertoire of leadership training. For instance, Boyatiz and McKee (2013) describe “resonant” leaders as individuals who manage their own and other’s emotions in such a way that drives success. Moreover, training in resonant leadership offers a framework for teaching leaders to accurately read individuals and groups, to consciously attune to others, to build a sense of community, to foster hope, to remain optimistic and realistic, and to remain mindful; (Boyatiz & McKee 2013).

Conclusion

Mindfulness has been linked to self-regulation of thoughts, emotions, and behaviors, has been proven to make employees more resilient in the face of challenges, to increase positive affect satisfaction and optimism, and has been inversely related to depression, anger, hostility and impulsiveness. Accordingly, we believe that mindfulness can make a significant contribution to the display of cultural intelligence. It can foster individuals’ awareness of self and others, enhance their motivation to persevere when experiencing emotional imbalance, and facilitate the display of flexibility and adaption required in novel cultural situations.

Moreover, mindfulness can facilitate the mastery of multicultural managerial competencies and prepare leaders to become interculturally effective persons by fostering skills for interpersonal interactions while combatting negative emotional experiences, such as challenges associated with working in a multicultural context.

Should mindful practice contribute to bolstering the emotional intelligence, psychological well-being, interpersonal relations and task performance of multicultural leaders, then mindfulness can be the first step towards growth in the field of multicultural managerial and leadership training.

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Performance Measurement System for Processed Food Sector

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***Abstract:** Processed food Sector is getting lot of attention in India as this is being seen as panacea to reduce the wastage of agri produce and also mitigate the scarcity of food. To achieve the objectives of this sector it is important to develop and maintain a good supply chain and for which a relevant and effective performance measurement system is required. This paper attempts to understand the significant and easy to implement performance measures and also to develop a balanced approach where all the five criteria namely quality, cost, flexibility, dependability and innovations have equal importance*

***Key words:** Performance Measurement System, Processed Food Sector, Balanced Score Card, Radar Diagram*

1. Introduction

A performance measurement system (PMS) comprises of systematic methods of setting business goals together with periodic feedback reports that indicate progress against set goals (Simons, 2000). In order to be able to assess the success of supply chains, an adequate PMS needs to be developed. The measuring of the performance of processed food supply chains is rather difficult because they have many features that set processed food supply chain management (PFSCM) apart from general types of supply chains. The most of processed food (PF) is prepared from agri produce. It has seasonality effect and agri raw material is available at few geographical areas. The processed food demand is universal and throughout the year. Further food quality and food safety related aspects are unique to PFS, which is further compounded by short shelf life, deterioration in quality with time and need temperature control conditions. Aramyan (2007), also listed shelf life constraints for raw materials and perishability of products, long production throughput time, seasonality in production, sensitive properties like taste, odor, appearance, color, size and image, geographical distances, temperature sensitive processed food products etc. as important considerations in managing performance of PFSCM. Schoenherr et al. (2015) developed a framework for the assurance of food safety via relational networking.

2. Performance Measure for PFSCM: An Empirical Study

Tung et al. (2011) and Malina and Selto (2001) assessed the effectiveness of PMSs based on organizational processes (e.g. communicating strategic objectives, creating strategic alignment, motivating employees and serving as a management control device) as opposed to financial performance. The current techniques by Tiwari et al. (2010) for attaining a better understanding of internal business processes and knowledge intensive operations is also suggested by Baxter et al. (2009).

The questionnaire was designed keeping in view the available literature and experts' opinion. The responses were received on various parameters of performance measurement system divided into five categories namely quality, cost, flexibility, dependability and innovations. Corporate managers, researchers and academicians working on supply chain and food research were the respondents. The pilot testing of questionnaire was performed on 30 respondents. The final questionnaire was developed through incorporating suggestion from pilot testing such as few changes in the use of terminology, in the sequencing and presentation of questions. The questionnaire was administered by sending emails with a

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cover letter to the relevant and identified respondents. The appointments were fixed through emails and phone for getting the positive response. The personal interviews were scheduled and conducted to collect data. During personal interview the respondents were asked to rate the intensity of each factor on a five-point likert scale (1-strongly disagree, 5-strongly agree for example). The respondents from corporate were selected from the directories of All India Food Processors Association (AIFPA), Confederation of Indian Industries (CII), Associated Chambers of Commerce and Industry of India (ASSOCHAM) etc. In order to collect data, 1000 supply chain professionals were contacted to seek their response to the questionnaire and 252 responses were collected from Delhi and neighboring areas. The response rate emerged out to be 25.2%. Respondents were asked to rate the various performance measure for their significance and ease of implementation. The results are presented in Table 1.

Table 1 Significance and Ease of Implementation Score of the PMS for PFSCM

Processed Food Supply Chain Performance Measures		Significance		Implementation	
		Mean	SD	Mean	SD
A Quality					
1.	No. of defects per unit produced (period)	4.74	0.55	3.41	0.79
2.	No. of products returned per unit sold	4.72	0.60	3.25	0.86
3.	No. of suppliers used	4.59	0.71	3.23	0.87
4.	Lead time from defected to correction	4.57	0.66	3.33	0.97
5.	Setting global quality standards	4.68	0.55	3.48	0.97
B Cost					
6.	Scrap Losses per work centre	4.44	0.70	3.35	0.96
7.	Average inventory turnover	4.42	0.77	3.13	0.92
8.	Employees turnover	4.50	0.68	3.26	0.92
9.	No. of orders not delivered on time	4.62	0.66	3.44	0.94
10.	Down time due to machine breakdown	4.56	0.67	3.46	0.93
C Flexibility					
11.	Labour skill set	4.60	0.66	3.49	0.89
12.	Average production lot size	4.48	0.69	3.25	0.90
13.	No. of customized services available	4.44	0.75	3.24	0.98
D Dependability					
14.	Average service response time	4.61	0.65	3.44	0.97
15.	Percentage of delivery promises kept	4.58	0.62	3.44	0.91
16.	No of Delayed Shipments	4.57	0.61	3.44	0.93
17.	No. of stock outs	4.59	0.62	3.42	0.93
E Innovation					
18.	Annual investment in R&D	4.74	0.62	3.75	1.04
19.	Percentage of automated processes	4.56	0.67	3.22	0.85
20.	No. of new products / services launched	4.38	0.80	2.94	0.96
21.	No of process steps required per product	4.29	0.94	2.87	1.01

3. Significance and Ease of Implementation Matrix

Analysis is carried out to identify the performance measurement system (PMS) which are significant but difficult to measures. For this purpose, the PMS are divided into four categories as shown in figure 1. Significance of the PMS is taken on the X-axis. Median value of the significance of the PMS is calculated. The PMS with significance value higher than median value are taken as highly significant, whereas PMS with significance value less than median are taken as low significant. Similarly, the importance of PMS is taken on Y-axis and on the basis of median value, PMS are divided into easy to implement and difficult to implement categories. In this way, the four categories are listed:

a) **Highly Significant and Easy to Implement**

Nine performance measures like defects/unit, annual investment in R&D, numbers of orders not delivered on time, etc. are taken as significant by the respondents and they have been implemented. Since a large number, nine, performance measures are falling in this category implies that a good PMS is in place having a good number of significant PMs in the system for monitoring and controlling the supply chain.

b) **Highly Significant but Difficult to Implement**

This category is the most important from the improvements in the PMS view point and also for improving the PFSCM. On close observation, the performance measures in this category are related to quality and are required for the purpose of compliance to International Standards and export to Western and European countries. The three performance measures falling in this category are number of products returned per unit sold, identity of suppliers used and lead time from defected to correction.

Ease of Implementation	High	<ul style="list-style-type: none"> • Down time due to machine breakdown • Scrap losses per work centre 	<ul style="list-style-type: none"> • No. of defects per unit produced • Annual investment in R&D • Setting quality global standards • Average service response time • Labour skill set • No. of stock outs • Percentage of delivery promises kept • No of delayed Shipments 	
	Less	<ul style="list-style-type: none"> • Percentage of automated processes • Employees turnover • Average production lot size • No. of customized services available • Average inventory turnover • No. of new products / services launched • No of process steps required per product 	<ul style="list-style-type: none"> • No. of products returned per unit sold • Identity of suppliers used • Lead time from defected to correction 	
		Less	Significance	High

Figure1. Significance vs Ease of Implementation Matrix of PMs for PFSCM

c) Less Significant and Easy to Implement

The performance measures in this category are those which the organizations are maintaining presentably but simultaneously feel that they are not very important. Where ever possible a relook can be given regarding the continuation of these performance measures in the PMS. This category of undesired performance measures is unnecessarily consuming resources and sometimes misleads the management in measuring overall performance.

d) Less Significant and Difficult to Implement

A good number of performance measures are falling in this category, which are not significant and the organizations have not implemented them. No action is required as this is a good situation that less important parameters are not monitored.

4. Holistic and Balanced PMS for PFSCM

SCM regards the holistic, process-oriented, cross company management and coordination of processes regarding material and product flows as well as complementary, initiating and accompanying information flows (Fritz and Hausen, 2006). To manage such systems, a holistic and balanced approach is required. In the present research, quality, cost, flexibility, dependability and innovations are taken as five perspectives to measure the performance of the PFSCM. These perspectives represent an aggregation of the most common approach used in the study of performance management. The quality aspect is important parameter in measuring performance of processed food because a good quality food is an indicator of safer food. Therefore, manufacturers should give maximum focus through the process of PFSCM. Flexibility is the second parameter considered in present research for performance measurement system for PFSCM. It is concerned with number of labour skill set, average production size and number of customized services offered.

Cost incurs during scrap losses, average inventory turnover, employment turnover, number of orders not delivered in time and machine break down time. It is one of the challenging task to achieve target performance within given budget and cost. Innovation is the fifth parameter in the development of PMS and is required in cut throat competition faced by food firms. It includes annual investment in R&D, percentage of automated processes, number of NPDs etc. PFS is required to continually innovate to survive. This tact can be useful in managing not only the cost of all the operations but all save time and money.

The Radar diagram of the significance of the broad categories of PMS is given in figure 2 and the ease of implementation show in figure 3. The figure 4, illustrates the proposed conceptual research model for holistic and balanced PMS.

Hypothesis Testing:

One way ANOVA test is applied on the mean value of the five broad areas performance measures and the results are given in table 2. The table shows the p value of the test as 0.33, which is more than 0.05. This indicates that at five percent level of significance, there is no evidence to reject the hypothesis that there is a difference in the significance of the five broad areas of performance measures. This is a good conclusion that the PFS in India is giving same importance to all the parameters of a holistic and balanced PMS.

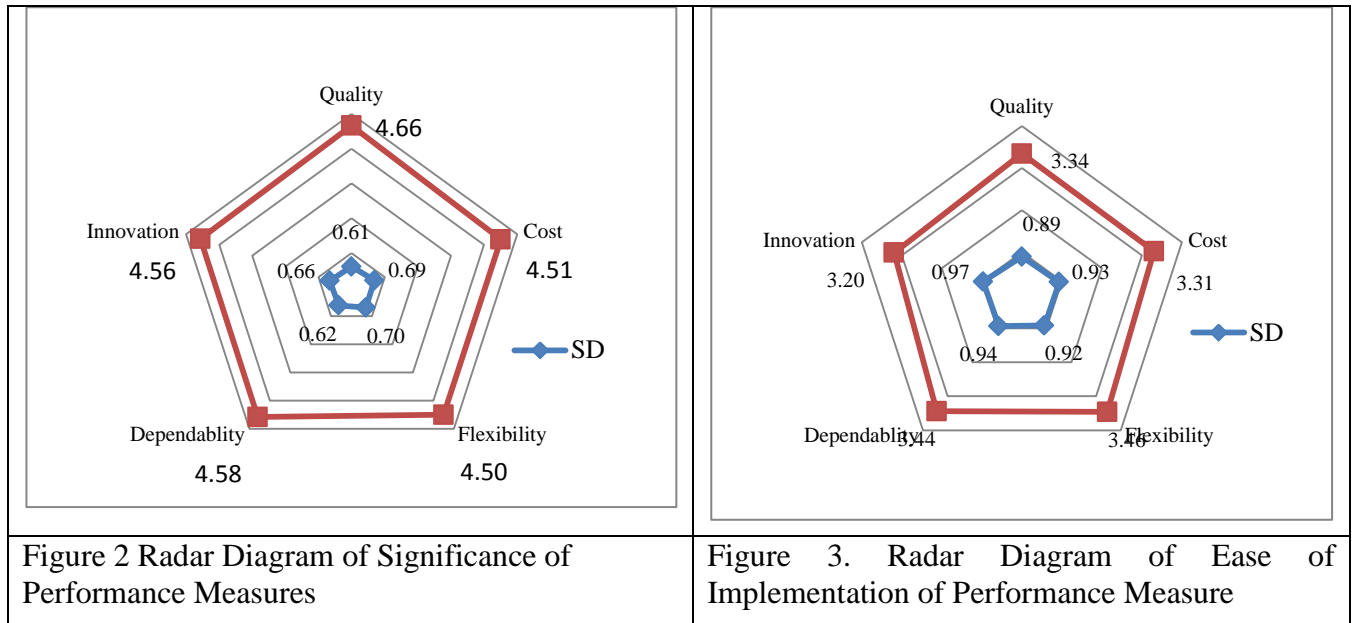


Table 2. ANOVA of the Significance and Importance of Performance Measure

Source of Variation	SS	df	MS	F	P-value	Fcrit
Between Groups	1.35	4.00	0.34	1.15	0.33	2.38
Within Groups	367.14	1255.00	0.29			
Total	368.49	1259.00				

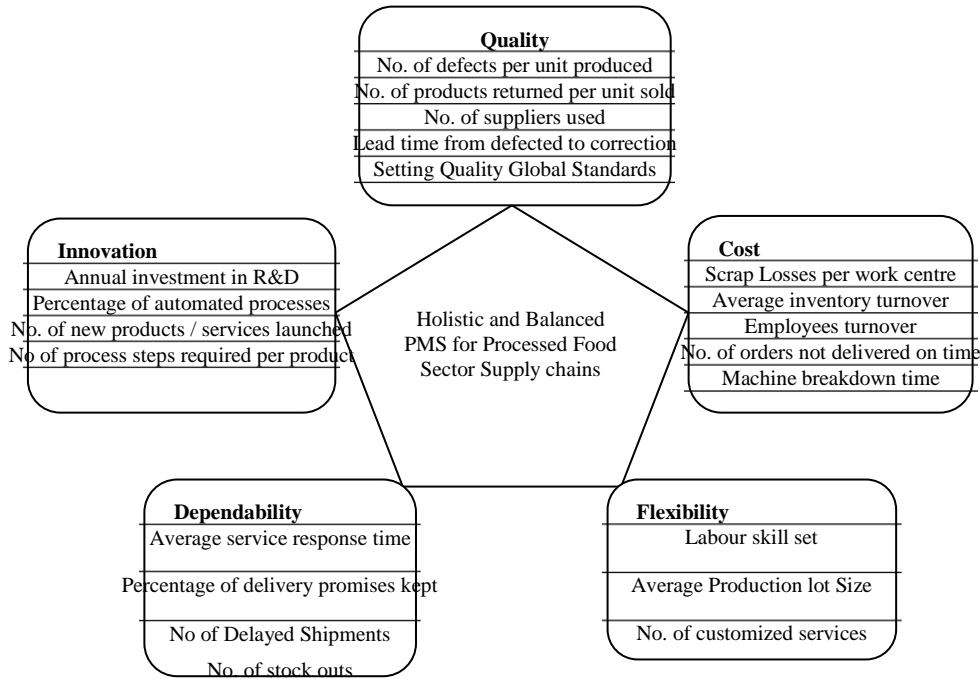


Figure 4. Proposed Holistic and Balanced PMS for PFSCM

5. Discussions and Conclusion

In the present paper the purpose was well achieved to depict preparation of a holistic and balanced PMS for PFSCM. The hypothesis was tested that all five perspectives of holistic and balanced PMS such as quality, cost, flexibility, dependability and innovation are equally important for the success of PFSCM. This indicated that at five percent level of significance, there is no evidence to reject the hypothesis that there is a difference in the significance of the five broad areas of performance measures. This is a good conclusion that the PFS in India is giving same importance to all the parameters of a holistic and balanced PMS.

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Organizational Trust in the Context of Diverse Workplaces: The Role of Cultural Intelligence

Gabrielle Patenaude*

***Abstract:** Organizational trust has become topical in recent years due to the demand for managers to foster commitment and performance in the age of globalization. Recent literature outlines that trust is characterized by a mutual willingness for vulnerability developed on a gradual basis. However, there is little literature on the development and maintenance of organizational trust in the context of diverse workplaces. Through a qualitative analysis of the relationship between cultural intelligence and organizational trust, I outline the crucial role cultural intelligence plays in facilitating trust development in culturally diverse settings. It is noted that when global managers acquire cultural intelligence competencies it fosters trust because (1) cultural awareness is gained, (2) appropriate behaviour is exhibited, (3) motivation to overcome barriers is nurtured, and (4) a repertoire of flexible abilities is cultivated.*

***Key Words:** Organizational Trust, Cultural Intelligence*

1. Introduction

The need for trust is apparent in every facet of business. Managers are tasked with cultivating trust-based relationships with their employees in order to foster an environment of positive and productive social and business processes. Without trust, organizational commitment (Cho & Poister, 2013), altruistic behaviour (Dirks & Ferrin, 2001), spontaneous sociability (Cho & Poister, 2013), knowledge exchange (Kramer, 1999), and job performance (Dirks & Skarlicki, 2004; Mayer & Gavin, 2005) are compromised.

Although there is an inherent need for trust, individual differences are often the barriers that prohibit the mutual willingness for vulnerability, which is essential in developing and maintaining trust (Mayer, et al., 1995). In other words, if a manager has a different background than their employee, they are less likely to identify with them and to have positive expectations regarding their behaviour. The latter can lead to negative feelings of trustworthiness (Baird & St-Amand, 1995). This is especially relevant as the business world is becoming increasingly interconnected, in turn generating diverse workplaces that combine various cultures.

Furthermore, culture is an element that differentiates employees. Consequently, cultural bias and misperception can hinder the natural development of trust in the workplace (Jiang, et al., 2011). Social psychologist and business consultant Geert Hofstede defines culture as the collective mental programming that distinguishes groups of people (Hofstede, 1987). A culturally diverse workplace translates to a melting pot of unique culture-specific values, knowledge, thinking, and behaviour. Indeed, there is a need for managers to develop certain cultural competencies in order to foster trust between employees of various cultural backgrounds.

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Correspondingly, this research seeks to contribute to the understanding of how managers can promote trustworthy work relations by examining the relationship between cultural intelligence and organizational trust, which will be achieved by studying past research on both of these distinct topics.

2. Literature Review

Organizational Trust

The underlying characteristic of organizational trust is vulnerability (Mayer, et al., 1995; Cho & Poister, 2013; Whitener et al., 1998; Korsgaard, Brodt, & Whitener, 2002). More specifically, trust is forged when workers are *willingly* entering a state of vulnerability, thus accepting the inherent risk of exploitation (Möllering, 2006). Studies have shown that in the workplace, the intention for this vulnerability is justified by positive expectations of another's future motives, actions, and conduct (Lewicki et al., 1998; Fulmer & Gelfand, 2012). In other words, if a manager is able to confidently rely on the prediction that their employee will behave a certain way and that they will not be exploited in an exchange, then trust is achieved.

Furthermore, the prediction of another party's trustworthy conduct is formed by constantly, consciously or unconsciously, evaluating interpersonal signals (Lewis & Weigert, 1985; Cho & Poister, 2013; Blomqvist & Ståhle, 2000). Meaning vocal and behavioural cues, as well as past interactions and experiences, are instrumental in assessing trustworthiness. Consequently, when the trustor and trustee share similar backgrounds, values, and characteristics, there is a higher propensity for trust to develop (Blomqvist & Ståhle, 2000; Creed and Miles, 1996; Ladegård, 1997). This occurs because identification with the other party makes their future behaviour more transparent and predictable, thus signaling that there is less of a chance for exploitation.

Cultural Intelligence

Cultural intelligence (CQ) is a relatively new concept that is primarily characterized by the ability to function effectively in novel or unfamiliar cultural settings (Earley & Ang, 2003; Moon, 2010; Earley, et al., 2006; Livermore, 2015). Management researchers suggest that international success arises when individuals look beyond their own cultural perceptions of a situation and exhibit mindfulness before acting in a certain way (Chua, et. al, 2012; Early & Mosakowski, 2004). Thomas and Inkson (2009) use the term "cultural cruise control" (p.18) to describe the opposite of cultural intelligence, which is observed when individuals ignore cultural differences when interacting with others.

Moreover, cultural intelligence is categorized into four components, most recently proposed by David Livermore: CQ Knowledge, CQ Behaviour, CQ Drive, and CQ Strategy (Livermore, 2015).

(1) CQ Knowledge

CQ knowledge is the cognitive component that entails an understanding of the cultural similarities and differences that determine why certain cultures act as they do (Earley, et al., 2006; Earley & Mosakowski, 2004; Livermore, 2015). This competency doesn't suggest individuals know everything about all cultures, but rather it implies that they must acknowledge that every culture has a diverse set of norms, practices, conventions, beliefs, and values (Earley, et al., 2006; Earley & Mosakowski, 2004). The ability to mentally accept dissimilar cultural behaviour is referred to as cognitive flexibility (Thomas & Inkson, 2009).

(2) CQ Action

Furthermore, cultural intelligence extends beyond an understanding of cultural differences to include the ability to *act* with appropriate behaviour (Early & Ang, 2003; Early & Mosakowski, 2004; Livermore, 2015). Additionally, CQ action includes altering conduct based on cognitions in order to adapt to culturally diverse settings (Livermore, 2015; Moon, 2010).

(3) CQ Drive

CQ drive is the motivational facet of cultural intelligence, which focuses on the propensity to be interested and willing to adapt (Livermore, 2010; Earley, et al., 2006), as well as to be confident and persevere in the face of a challenge or failure (Earley & Mosakowski, 2004; Moon, 2010).

(4) CQ Strategy

Finally, CQ strategy is the meta-cognitive facet that combines knowledge, behaviour, and motivation to reflect on cultural interactions, comprehend differences, and plan how to move forward (Livermore, 2015; Moon, 2010; Earley & Ang, 2003, Earley, et al. 2006; Chua, et. al, 2012). This requires a certain level of self-awareness in order to analyze cultural exchanges and strategize on the best way to proceed in the future.

3. Research Methodology

The purpose of this paper is to provide a link between literature on cultural intelligence and organizational trust. First, this paper outlines main findings discussed in previous research and reviews a comprehensive list of components that create both trust and cultural intelligence respectively. This is followed by a qualitative analysis of the intersecting ideas identified in past literature and an explanation of the role cultural intelligence plays in building trust in culturally diverse settings.

4. Main Findings

Cultural Intelligence (CQ) Knowledge and Trust

Trust is a highly subjective and intuitive process based on evaluating the intent of others' motives and behaviour (Lewis & Weigert, 1985). In a culturally diverse setting, if the knowledge that forms these evaluations is inaccurate, or even worse nonexistent, then false perceptions and judgments arise and lay the groundwork for mistrust. In other words, when a manager engages in what Thomas and Inkson (2009) refer to as "cultural cruise control"(p.18) and does not consider the cultural implications that influence one's behaviour, they are blind to the real motives behind one's actions. This is especially significant, as this can construe negative expectations of one's future conduct, and in affect cease trust development. Furthermore, trust means different things to different cultures, which further reiterates the point that Chua, Morris and Mor (2012) bring up when noting that differences can be "impediments to closeness" (p.117). In one culture, eye contact can be interpreted as honesty, whereas in others it can be a sign of disrespect. Without acknowledging that some cultures' non-verbal cues have varying significance, managers will not be able to develop trust as easily with people of different cultures.

Contrarily, when managers acquire CQ Knowledge they gain an understanding and awareness of cultural similarities and differences. Furthermore, these managers have a means to make sense of employees' motives, actions, and conduct, thus creating a more accurate and grounded basis for trust development and maintenance.

Cultural Intelligence (CQ) Action and Trust

Although trust is highly dependent on the mental evaluation of one's motives and future behaviour, it is also important to note that action-oriented exchange plays a crucial role in the development of trust-based relationships (Lewis & Weigert, 1985; Cho & Poister, 2013). Moreover, reciprocity is instrumental in nurturing trust because when a manager offers something with material or psychological benefit it strengthens perceptions of commitment and reliability (Whitener et al., 1998). This reinstates the importance of turning cultural knowledge into culturally appropriate action-oriented behaviour (Early & Ang, 2003; Early & Mosakowski, 2004; Livermore, 2010). In other words, in a culturally diverse workplace, managers must act on their cultural knowledge to demonstrate their acceptance of someone from another culture. This transpires because employees can identify with their managers and let down their guard to be vulnerable. This vulnerability stems from their willingness to believe they will not be exploited and is the root of trust development.

Cultural Intelligence (CQ) Drive and Trust

Following the concept that trust evolves from culturally appropriate exchange is the idea that trust can also devolve if negative trusting behaviour emerges frequently (Six, 2007). In a culturally diverse setting, managers will likely encounter challenges and cultural misunderstandings. If they are unable to face these setbacks, the trust development process will halt. Indeed, cultural intelligence literature proposes that it is essential that global managers demonstrate CQ Drive in order to be motivated to overcome cultural differences and barriers (Early & Ang, 2003; Early & Mosakowski, 2004; Livermore, 2010; Moon, 2010). Perseverance and willingness to adapt are two main characteristics of CQ Drive that will enable global managers to progress through the ups and downs of forming trust-based relationships. Trust is not simply a linear process (Paliszkievicz, 2011), so when managers are concerned with continuously functioning effectively in unfamiliar contexts the trust development process will advance.

Cultural Intelligence (CQ) Strategy and Trust

Finally, trust materializes as a result of a gradual and incremental process, rather than as a result of a static occurrence (Zucker, 1986). Indeed, trust is partly based on past experiences, meaning that positive trusting interactions reinforce and facilitate future trusting behaviour. For this reason, managers must be able to calibrate all the information learned from previous exchanges in order to move forward with the right knowledge, behaviour, and motivation that will signal trustworthiness to culturally diverse employees.

Similarly, the final component of cultural intelligence is CQ strategy, which is also known as the meta-cognitive competency. This facet of multicultural interaction consists of reflecting on previous exchanges and strategizing about how to approach future exchanges (Earley & Ang, 2003; Moon, 2010). In terms of the trust development process, CQ strategy plays a crucial role in reworking current beliefs and perceptions, by integrating new knowledge gained through past experiences. As managers constantly adjust their behaviour to reflect various individual differences, they are curating a repertoire of flexible abilities that they can use when exposed to an unfamiliar setting (Thomas & Inkson, 2009). Since every individual embodies their own combination of national culture, upbringing, work experience, and education, it is important to have this reflective skill in order to account for the differences that extend beyond knowledge of specific cultures. Consequently, although managers may not share similar cultural backgrounds in diverse organizations, when they adapt their behaviour to varying situations their employees are more likely to trust them because they can identify with their behaviour.

5. Conclusions

The purpose of this comprehensive review was to pinpoint ways in which managers can utilize cultural intelligence competencies in developing trust. Previous studies have detailed the underlying concepts that form organizational trust and cultural intelligence separately, but there has not been an explanation as to how these studies interrelate. By listing fundamental components to trust development, followed by the effect that each of the four cultural intelligence competencies has on this process, I have outlined the relationship that underlies these previously distinctive areas of global management research. Indeed, the end product is an integrative framework that global practitioners can use in training programs, as well as in everyday multicultural settings. This paper also provides foundational ideas that researchers can use as a jumping off point for further empirical research on trust development in culturally diverse workplaces.

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Corporate Governance issue at Islamic Banks

Salah Alhammadi*

***Abstract:** The research will address some key issues of CG particularly to Investment account holders (IAH) as a major stakeholder compared to the shareholders. Review the relationship of unrestricted Investment account holders (UIAH) with the Islamic banks, since UIAH and shareholders are likely to have a different perspectives and strategies toward investment with different risk appetites. A comparative analysis of the returns received between shareholders and IAH will be conducted to test whether the current practice of corporate governance in Islamic banks shows fairness of treatment of UIAH in terms of risk-adjusted returns. By examine the rate of return between shareholders and IAH according to their exposure to risk by using Coefficient of Variation, then using a panel data regression (fixed effects model). Theoretically, both IAH and shareholders should be paid a rate of return on their investment corresponding with the risk that they are facing.*

Keywords: Corporate Governance, IAH, Islamic banks, Panel data, Coefficient of Variation

1. Introduction

It has been observed by different researchers that Islamic banks do not sufficiently address the issue of Investment Account Holder (IAH) rights, especially the unrestricted profit share investment account. Islamic Financial Institutions lack clarity regarding their relationship with IAH. This issue raises a significant concern of corporate governance in term of IAH rights as a major stakeholder. IAH may be exposed to potential conflict of interest with the management of Institutions that offers Islamic financial services, where they may look after the interest of shareholders at the expense of IAH. Despite the fact that IAH is a major stakeholder and contributed the majority of the fund in Islamic banks, still they hold no power or governance rights to intervene with the policy of the bank or investment policy, which is exclusively the prerogative of board of directors (BOD) appointed by shareholders in Islamic bank as *Mudarib* (entrepreneur or asset manager). Such power and governance rights are normally granted to equity investors. In fact, IAH are type of equity investors but with no governance rights. According to (Williamson, 1996) equity investors need to have governance structure to be able to follow their investment and conduct any monitoring as part of their expectation of transaction costs of governance. Consequently, the lack of governance rights situation creates a form of separation between IAH and their invested capital that prevent them from exercising monitoring over management or accessing financial reports like shareholders.

On the other hand, shareholders have the right to vote, elect the BOD, and have a powerful influence to point out or dismiss senior management, through their control of the BOD if they are dissatisfied. In fact, BOD answers to shareholders in general meetings. However, IAH can only withdraw their funds from the bank if they are dissatisfied and with a possible loss according to the contractual agreement between them and the Islamic banks.

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Mindfulness: A Necessity for Effective Multicultural Leaders

Lisa Tejpar* and Denise Fortier**

***Abstract:** Mindfulness has been associated with copious phenomena. Often assessed by the Mindful Attention Awareness Scale (MAAS), mindfulness has been linked to self-regulation, vitality, autonomy, competence, relatedness, subjective well-being and ecologically responsible behavior. Conversely, it has resulted in reduced symptoms of depression, anxiety, negative affect, and turnover intention. Various experimental studies involving a mindfulness training intervention reveal the potential for mindfulness to enhance job performance, work engagement, job satisfaction and psychological capital. Moreover, mindfulness has been shown to mitigate several dysfunctional variables, such as mood disturbance, fatigue, stress, emotional exhaustion, surface acting, and job burnout. Accordingly, this paper takes a closer look at the results found in such empirical studies to evaluate its application for facilitating the display of cultural intelligence in multicultural leadership. Additionally, we outline techniques for cultivating mindfulness in the global workforce and offers suggestions for future research. In light of the evidence presented in this paper, we conclude that mindfulness training could prove an essential facet in the development of an effective multicultural leader.*

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Students Motivation for Engineering Education and their Expectations for Employment

Suresh Garg and O. P. Shukla****

***Abstract:** Engineering education in India has grown many folds in the last two decades primarily driven by the growth in GDP, boom in Information Technology sector and entry of private players. At this stage a need was felt to understand the issues like employability of graduates, the motivation of students in pursuing engineering and their expectations. This is required to develop a strategic plan so that the education remains relevant and fulfil the aspirations of the students and the requirements of the industry employing these graduates.*

***Key words:** Employability, Engineering Education, Students Expectations*

Introduction

Growth of any country depends upon the growth of quality education particularly technical education. It directly has a significant impact on the economy of the country. Accordingly the focus of the present government in India is on “Digital India”, “Skill India”, “Startup India”, & “Make in India” It will have direct impact on economy of the country as digitalization will enhance accuracy and transparency whereas skill will make the person more employable. To create jobs, the startups and product development need to be encouraged. The targets are to make manufacturing contribution in GDP as 25% from the present level of about 18%.

On the wings of economic growth due to liberalization and globalization, India has witnessed growth in engineering education institutions and the intake capacity. The 38 degree level institutes with intake of around 2500 in 1947 expanded to 1668 with intake 6, 53, 290 in 2007 & 3364 degree level institutes with intake of around 16,000,00 in 2015. This steep growth is also due to the fact that India lags behind in technical human resource as compared to many countries. Due to non-linkages with employment, the interest of admission seekers are reduced and as reported around 50% seats in B.Tech courses are lying vacant across India, although the international survey indicates that India has shortage of human technical resources comparing to other countries. India has only 3.5 per thousand S&T personnel against China 8.1, South Korea 45.9, USA 55, Germany 76 and Japan 110. These countries are optimally utilizing their resources that thus are much ahead of India in Innovation, and productive development. The flip side of the growth in technical education sector in India is deterioration in quality of education and thus causing low employability. The NASSCOM a Body to monitor quality of tech education especially in IT field indicated that out of passed degree holder engineers only 25% are meeting direct employable conditions.

The major stakeholders in the technical education system are students, employers, faculty and other staff, administration and the promoters of the institutions along with the government. In this paper, the employability perception with quality technical education has been captured through students to understand the various parameters involved in delivery of education.

Literature Review

Gupta (2008) had mentioned about the emergence of knowledge based technology driven economies, and observed a surge in the demand for highly skilled and technologically competent workforce.

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The powerhouses of the new global economy are innovation and ideas, creativity, skills and knowledge. These are now the tools for success and prosperity as much as natural resources and physical labour power were in the past century (Blunkett, 2000, para. 10).

Buck et. al (1987) reported that “student satisfaction helps to build self-confidence, which helps students develop useful skills, and acquire knowledge” which has significant role for making students more employable. Kazilan et. al, (2009) study suggested that Technical and Vocational Educational Department should provide a curriculum which includes employment elements and skills which are needed by the employers. The institutions and the industry should also create a compact joint-venture for students need in order to produce higher quality workers. Employability skill is a group of important skills instilled in each individual in order to produce productive workforce. This is parallel with individuals who have strong characteristics such as a high sense of self, innovative, productive, skillful, competitive, a strong sense of determination, and creative in facing the challenges of the nation as well as globalization in the 21st century. Besides that, employability skill is also crucial in all professions as well as in education (Overtoom, 2000).

It was observed that Employability skill is a non-technical skill. This skill consists of the characteristics required by employers. Another criteria required by employers in employees is the technical ability. The characteristics of employability skill are reading, counting (basic arithmetic), and other skills such as problem solving, decision making, broad mind, trustable, good attitude, able to cooperate and effective (Buck and Barrick, 1987).

Results and Discussions

To answer the above questions, a questionnaire-based survey was done for students of engineering institutions in India. Institute are selected both of self financing and government funded; located in urban and rural areas. Extensive literature review and discussions were held with faculty, students and executives from the industry to prepare the preliminary questionnaire for pilot survey. The final questionnaire was framed by the information obtained from the pilot survey. In this study, students were asked to rate the intensity of each parameter for their respective institute on a five-point Likert scale (1 – lowest, 5 – highest). A total of 783 students from 11 institutions participated in the survey. Out of 11 institutions, seven are self financing and rest are government funded. Further, six institutions are located in urban areas and others are in semi urban or rural areas.

Motivation of Taking Admission in Engineering

The students were asked to identify the three most important motivators out of the nine identified through literature review and discussions with educators and students. The results as given in Table1 are very encouraging and to some extent counter intuitive. Gain technical knowledge has been identified as the most important motivator whereas general perception is that the students are taking admission in engineering program so as gain immediate job offer with good salary. According to Raybould and Sheedy (2005), for graduates to be attractive to employers, it is important that they are able to show evidence of having the ability to cope with uncertainty, the ability to work under pressure, demonstrate action-planning skills, communication skills, information technology skills, team work, a readiness to explore and create opportunities, self-confidence, self-management skills and a willingness to learn

As shown in Table 2, students were asked to give their assessment regarding the percentage of students getting job in their area of study. The results shows that 25% students feel that only 25% students get job

in their area of study. Another 26% feel that 50% students get job in their area of study. It is quite satisfying that more than 30% students feel that 75% students get job in their area of studies.

Traits Developed by Education and Training

Lankard (1997) stated that the current working environment differs from the previous one. This is because with global competitions, cultural diversity, latest technologies and the process of new management required, workers to have critical thinking, able to solve problems besides excel in communication skill. Curriculum that could fulfill the criteria as required in the job market could assist and make it easier for students to face challenges and to secure a place for themselves in employment.

With the emergence of knowledge based and technology driven economies, we find a surge in the demand for highly skilled and technologically competent workforce. The powerhouses of the new global economy are innovation and ideas, creativity, skills and knowledge. These are now the tools for success and prosperity as much as natural resources and physical labour power were in the past century (Blunkett, 2000, para. 10). In this study, students observed that they have got technical skills (66%), personality development (47%) and communication skills (41%). More results are given in Table 3.

To a question to explore the role of various curricular and co curricular activities in preparing them for career, students feel internship training (24.63%), class room training (22.05%), project and Assignments (21%) play the major role (Table 4). Liew et al (2013) investigated the enablers in enhancing the relevancy of University Industry collaborations. The findings presented the strategic and tactical approaches on university and industry collaborations in contemporary commercial climate. The study also indicated that University need to maintain a strong sense of awareness with regard to research policies, market trends, financial governance, human capital development and day to day administration in order to maintain a group sense of control over the outcomes of a UIC.

Expectations of the students for Employment

To measure the expectations of the students, they were asked (a) most important criteria to consider oneself as successful, (b) Occupational characteristics desired by them, (c) what they want to do after graduation, (d) nature of job they may look for and (e) expectations from the job. The analysis of the responses on these issues is presented in Figures 1-2 and Tables 5-7.

Highest number of the students (47%) consider respectable job as the most important criteria to them to be successful followed by service to the society (23%) (Table 5). Regarding occupational characteristics they consider growth opportunity, learning opportunity, innovation opportunity and money orientation in descending order of preference (Figure 1). Regarding the composition of job, technical skills, leadership role are the two most sought after roles by the students (Figure 2). Starting the career with a job (49.5%) is the most preferred way followed by higher studies (38.9%) (Table 6). This information can be useful for policy planner in starting post graduate programs in Universities.

Table 1: Motivation for taking admission in Engineering

SN	Motivation for taking Admission in Engineering	Percentage Respondents
1	Good salary	49.6
2	Immediate job offer after B.Tech.	30.9
3	To gain technical knowledge	64.7
4	Opportunity available in hometown	13.2
5	Trend of the society	14.5
6	Large job opportunity	33.0

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7	Contribution to society	22.0
8	To go into R&D	24.3
9	To start own enterprise	21.4

Table 2: Percentage of students joining the job related to their branch

SN	Percentage Slabs	Percentage of Respondents
1	Below 25%	24.5
2	Between 25- 50%	26.2
3	Between 50-75%	30.1
4	More than 75%	16.8
	Missing	2.4

Table 3: Development Areas through Education & Training imparted during degree programme

SN	Development Area	%age Respondents
1	Technical skills	66
2	Personality	47
3	Communication skills	41
4	Analytical skills	28
5	Decision making skills	35
6	Co-ordination and liaison skills	19
7	Leadership skills	30
8	Group and team skills	35

Table 4: Role of various components of Education in preparing students for professional career (100 points distributed among components).

SN		Percentage Score
1	Classroom teaching	22.95
2	Project & assignments	20.98
3	Training/Internship	24.63
4	Infrastructure & Laboratory	16.08
5	Extracurricular & co – curricular	15.71

Table 5: Most important criteria to consider yourself as successful (Please tick most desired one only).

SN	Criteria of Success	Percentage Respondents
6	Money	14.0
7	Respectable position	45.3
8	Service to the society	23.4
9	A good working environment	15.6
	Missing	1.7

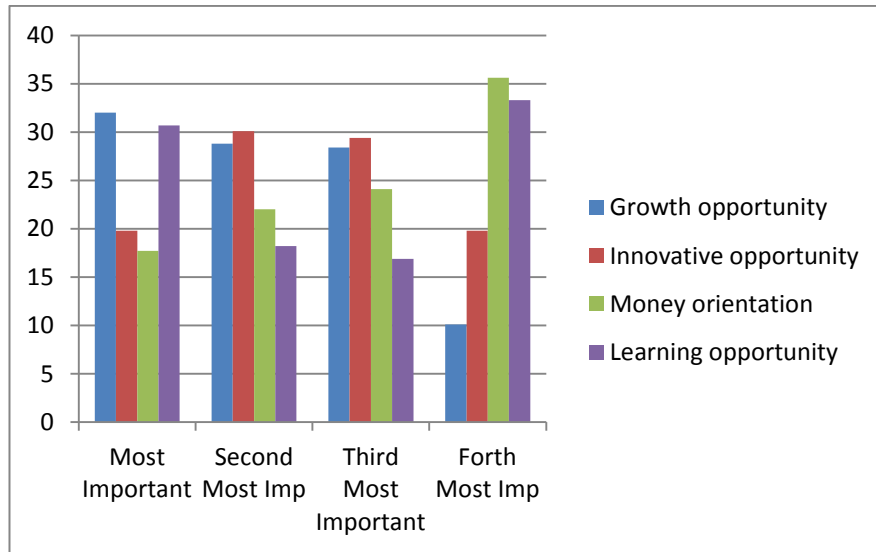


Figure 1: Importance of Occupational Characteristics

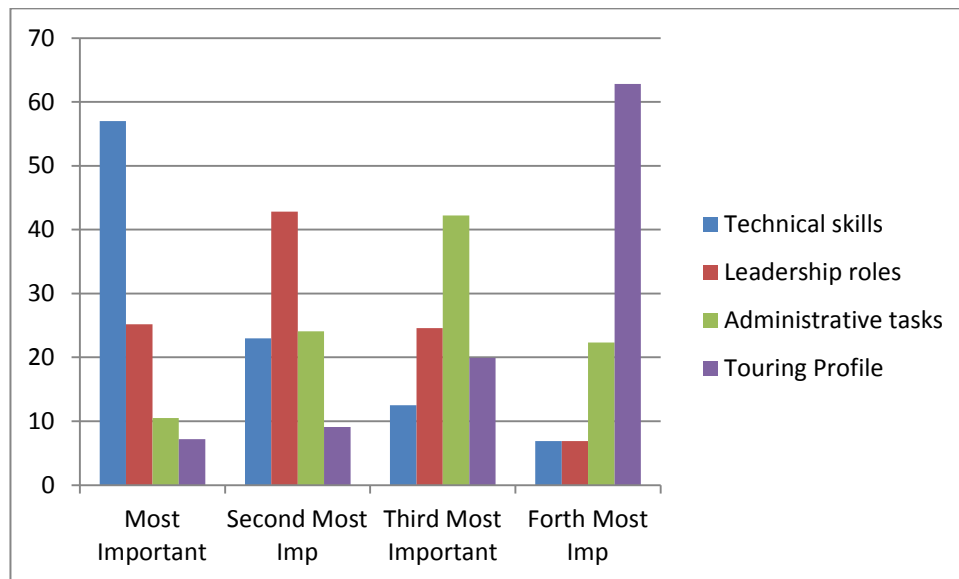


Figure 2: Importance of the Characteristics of the job

Table 6: Career Options after graduation (Only one was selected by each respondent)

SN	Career Option	%age respondents
1	Job	49.5
2	Higher studies	38.9
3	Own venture	7.4
4	Social work	4.2

Table 7: Criteria of Job Selection (Ranked 1-7, 1 most preferred and 7 least preferred)

SN	Criteria of Job Selection	Average Rank
1	Salary	2.88
2	Development	3.25
3	Job profile	3.31
4	Location	4.72
5	Reputation of the Organization	4.16
6	Overseas exposure	5.08
7	Learning opportunity	4.34

Conclusions

In the technical education, across the globe, the pressure on the institutions is to attract good students which depend upon the quality of the education leading to employability of graduates. The expectations of the students are different in different economies and also need different strategy and action plan to meet them. This study conducted to map the students expectations has given some unique insights and few are appears to be counter intuitive. The study has participants from institutions located in rural as well as urban areas and institutions are further of both types, ie self financing as well as sate funded. The study indicates that gaining technical skills is the most frequently reported reason for joining the technical education by the students and about 50% students are willing to join the job after completing their graduate studies. In the job also they prefer the application of technical skill along with leadership skills to succeed in the career. The study will be useful for the policy planners and educators to develop the right curriculum, right pedagogy and right teaching learning environment. This will lead to the fulfilment of the expectations of the students as well as industry will be able t get the right type of human resource productive immediately after joining.

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An impact study of Intellectual Capital Performance on Productivity, Profitability and Market Valuation of Knowledge Industries in India.

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***Abstract:** We are living in a world that is driven by knowledge economy, knowledge industries and knowledge workers. This inevitably calls for efficient and effective knowledge management. The existing financial measures of companies' performance and worth are essentially designed for manufacturing economy with high financial capital/tangible assets. It is clear from the current financial reports that these financial measures are not able to do justice to knowledge industries which rely heavily on intellectual capital/intangible assets. These 500 years old accounting and financial practices also have been criticized by many business leaders, and financial analysts as "not keeping pace" with the vast changes in the business world. Generally, a company's performance and worth are judged by different stakeholders on the basis of three parameters, i.e., Productivity, Profitability and Market Valuation. However, the reality of the existing financial tools' inability to measure and report authentically, the performance and worth of knowledge sector warrants new and appropriate measures. Hence, the VAIC™ model propounded by Pulic (1998) has been chosen for measurement and reporting of knowledge industries in this research. The Study is based on Secondary data collected from the audited financial statements of 300 listed companies in India. The collected data were converted into workable dependent and independent variables and then put through Multiple Regression Analysis. The results arrived at are quite revealing and striking.*

***Keywords** – Knowledge sector, Intellectual capital, Human capital, Structural capital, Physical capital, Productivity, Profitability, Market Valuation, VAIC™*

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Risk Management and Corporate Governance
Arcapita Case Study

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***Abstract:** As the first Islamic investment bank, Arcapita operates in private equity infrastructure, venture capital and real estate businesses. The bank invested on behalf of wealthy clients especially from the Gulf Cooperation Council GCC. However due to the global financial crisis in 2008, the bank had challenges, and despite that some potential financial lenders supported the bank but this support did not reach a timely deal because of certain non-bank creditors. This situation saw the bank selling off most of its several investments to meet the previous debt payments. Subsequently to the consequence of Shari'ah constraints in obtaining loan, Arcapita bank being an Islamic financial institution faces liquidity risks, and the bank sought the protection of chapter 11 after it was unable to refinance a loan. As a result of Arcapita example, Islamic financial institution should enhance and promote corporate governance in their management structures. This will facilitate efficient and entrepreneurship decision making process. The decision making process promote the activities of these institutions in a more transparent, fair and accountable manner that will help these institutions to meet the interests of their employees, investors and the top management. Islamic institutions should ensure that they implement corporate governance within their management to maximize the commitment and resourcefulness of the management team and other workers. This will facilitate a timely decision making process among all their operational units.*

***Keywords:** Corporate Governance, Islamic banks, Arcapita*

Introduction

It has As a relatively new emerging industry, Islamic banks today operate all over the world, mostly in the Middle East, North Africa region (MENA) and Asia; with some extend in Europe and the US. Even though the Islamic financial industry is still in their initial development stage and despite its small share of the global financial system, Islamic financial institutions remain effective and important part of the financial market. There are over 300 Islamic institutes globally in more than 75 countries offering Islamic financial services that serve both Muslim and non-Muslim. Islamic banking total assets today exceed US\$1 trillion with annual growth rate of more than 15 percent on the past five years (Grais and Pellegrini, 2006, Ariss and Saredidine, 2007). Institutions offering Islamic Financial Services (IIFS) activities are targeting Muslim people which represent about 22% of world population mostly in developing countries. Although the initial establishment of Islamic financial institutions in the 1970s was originally intended to attract Muslims into the financial market who had previously avoided the conventional interest-based financial system (Rammal and Parker, 2010), and find a good investment to the 'petrodollar' money which induced a large amount of capital into Muslim world, nowadays conventional banks globally are offering Islamic windows to customers, who are seeking Shari'ah compliance. Furthermore Islamic banks are trying to attract foreign investors and expand their businesses worldwide, for example Islamic bonds, are gaining popularity in the west as Islamic based funds management.

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¹According to Shari'ah (Islamic Law), Muslims are prohibited from lending or borrowing money in any transaction that has Riba (interest).

HR practices and project success: A study from Indian IT firms

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Abstract: HR practices are vital to project management, especially in the Indian IT industry. Based on a primary data from 431 observations, the research identifies 37 categorical variables that capture perceptions associated with HR practices to study the impact on overall project success. Akaike Information Criterion (AIC) was used to define to capture ten independent variables. The study uses three outcome variables namely meeting project goals, customer goals and organizational goals to simultaneously capture IT project success. Full Information Maximum Likelihood (FIML) estimation was used to analyse the impact on outcome variables. The results reveal that project leadership and people management skills, job-matching of project team members, training of project leaders, resolution of conflicts among team members and ensuring effective communication, extent of team member turnover, consultation with employees before assigning a project, turnover at the management level, and staff motivation play significant roles in IT project success.

Keywords: IT project success, Akaike Information Criterion, Full Information Maximum Likelihood Estimation

1. Introduction

Project-based organizations have a certain set of characteristics that highlight the significance of efficient HR practices, as compared to other organizations (Huemann et al. 2007, p. 321). For organizational value creation, setting strategic alignment of project deliverables is crucial. In order to achieve such strategic alignment, project-based organizations appreciate the significance of HR management (Gareis 2010, p. 317). Indeed, in this way HR practices impact project success (Khan and Rasheed 2015, p. 436).

IT industry in India has been the global powerhouse, exhibiting rapid evolution through expansion across vertical and geographical boundaries (Budhwar et al., 2006, p. 345). Certain factors that enable the Indian IT industry in an advantageous position include low cost human capital, quality assurance system and supportive government policies by creating special economic zones, transfer pricing mechanisms, tax incentives, and so on. (Sahoo and Nauriyal 2014, p. 457-461). In software projects with uncertain outcomes, shorter project life cycles, and openness in a leader's personality coupled with collaborative and interactive team dynamics have a stronger impact on performance (Iorio and Taylor 2015, p. 395).

In such a dynamic context, however, the tale is not always happy ending. In fact, IT firms encounter several criticalities in managing people including recruiting and retaining talent. Professional development of employees through training, aligning jobs assigned to performance, reward systems and motivating them to excel are tools used by Indian IT industry to recruit and retain talent (Stumpf, et al. 2010, p. 354). Nevertheless, often growth opportunities, work content, leadership support, incentive structures, work environment, team dynamics, and training and development opportunities, and good match with the prevailing work environment are some overarching factors associated with HRM that influence IT project success (Khan and Rasheed 2015, p.436-438).

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The main aim of this paper is therefore to address a set of HR related variables that affect the success of a project in the Indian IT industry. This is done by using data from a large-scale survey of 431 observations collected during 2014-15 from 18 organisations providing project management training to companies operating in the Indian IT industry.

2. Literature Review

While there are different factors that lead to successful project implementation, effectively managing HR and facilitating a conducive culture and collaborative work environment is of high relevance for IT companies (Khan and Rasheed 2015, p436-439). HR practices include recruitment and selection, personnel planning, training and development, performance management, teamwork, performance related pay, employment security, internal career possibilities, participation, communication, job design, job description and work-life balance (Van De Voorde et al. 2012, p. 392). However, such research from the perspective of Indian software projects is still nascent due to lack of information regarding uncertain competitive advantage from HRM to develop human resource strategies for projects (Scully 2014, p. 10; Thomas and Bhasi 2012, p. 41-42). The literature on HRM practices in the Indian software industry and the factors that drive project success is scant and evolving (Budhwar et al., 2006, p. 340). This study aims at addressing the aforesaid gap in research by discussing the HR factors that impact the working and success of software projects in India. While there is a consensus that project success includes efficiency and effectiveness of project implementation, there is a matter of perspective which surpasses the limits within which the project performs (Ika et al. 2012, p 107). The research discusses project success not only from the technical perspective, but also from organizational and customer perspectives.

Pinto and Prescott (1988, p. 5-18) prescribe a framework with ten variables linked with project mission and three moderating variables namely project life cycle, project organizational structure and project activity sector, which were used to study the impact on project success. Based on this framework, other HR frameworks like Belout and Gauvreau (2004, p. 2-10) were developed. Huemann et al. (2007, p. 316) differentiate between HR practices in project-based firms with classical firms. While the three phases of selection, employment and release are common to both, in a project-based firm the employment phase goes through a cycle of project assignment, project employment and project monitoring & control. These frameworks provided a strong foundation in selecting the initial 37 explanatory variables to be considered for the study. This was next validated using a pilot survey, leading to modifications relevant to the Indian perspectives.

Some of the variables include, consultation with employees before assigning a project (van de Voorde et al. 2012, p. 393), effectiveness of project team communication, diversification within the project team, employee retention at organizational level (Stumpf et al., 2010, p. 374), project leadership and people management skills (Iorio and Taylor 2015, p.396), extent of turnover (i.e., members resigning) of team members and at organizational level, training of project leaders, ensuring job-matching to enhance performance, freedom of project manager to select the project team, just and fair treatment of employees in workplace (Gareis 2010, p. 320; Abdel-Hamid 1992, p. 128), frequent conflicts between project team members, staff motivation, performance measurement and promotion of individual members (Nixon, et al. 2012, p. 204), and effects of work practices in individuals (Huemann et al. 2007, p. 317) that influence project success.

3. Research Methodology

The pilot survey helped pruning the questionnaire to make it more parsimonious and simultaneously incorporating variables relevant to Indian context. As all the questions were perception driven, a 5-point Likert scale was used for rating. The best possible option was assigned *excellent*, and the worst being

poor. Data was collected from 15 training centres that provide Project Management Professional® Certification preparatory course offered by PMI India. Cronbach’s Alpha was applied to check for internal consistency and reliability. All the 37 HR variables, complied with the reliability check. A pilot survey was conducted from seven PMI Trainers and 12 Project Leads to ensure content validity.

The outcome variables describing project success were captured by using a set of nine measures (Shenhar and Dvir 2007, p. 97). The measures were then adjusted to the software industry as applicable in the Indian context, after taking inputs from an expert panel of four project sponsors. The project success factors were first grouped into three dimensions namely, project goals, customer goals and organizational goals using factor analysis.

As the exploratory variables were correlated with one another in some way it was important to select a subset of good variables, without causing serious damage to the explanatory power of the model. The Akaike Information Criterion (*AIC*) (Akaike 1973, p. 255-265) with a finite sample size correction (called the *AICc*) with forward stepwise method was used as a criterion for entry/removal of variables.

Table 1: Predictor Importance (PI)

Variable	Description	<i>PI</i>	Sig.
HTT	Extent of team member turnover	0.221	0.000
ECP	Consultation with employees before assigning a project	0.182	0.000
FRC	Frequent conflicts among project team members	0.136	0.000
PPT	Training of project leaders	0.131	0.000
JMT	Job-matching to enhance performance	0.101	0.000
LMS	Project leadership and people management skills	0.073	0.000
TMM	Effectiveness of project team communication	0.065	0.000
TRI	Personnel turnover at organizational level	0.037	0.013
LSM	Staff motivation	0.033	0.029
PRF	Performance measurement of individual members	0.021	0.032

The forward stepwise method using *AICc* criterion is an algorithm that displays the last 10 steps, showing the importance of the variable selected, in each step (Table 1). This ensures selection of the most significant variables, minimizing information loss. The overall model summary displays an *AICc* value of 6.920 with an Adjusted R Square of 0.597. The results were cross-checked using the “Best Subsets” and “Overall Prevention Criterion” or the Average Square Error (*ASE*), which is computationally more intensive than the forward stepwise selection procedure.

As the objective was to jointly determine the impact of the HRM variables on the three dimensions of project success, the Full Information Maximum Likelihood Estimation (*FIMLE*) method was selected to evaluate the impact of the ten input variables. The rationale behind selecting *FIMLE* is manifold. It allows sorting missing data in a specific pattern, so that the rows that contain missing values are estimated together. It is a systems method of estimation and uses information of the endogenous variables effectively. As it also takes into account the error covariances across equations, it is also asymptotically efficient, in the absence of specification error.

As the number of predetermined variables in each equation is exactly the same as the number of predetermined variables in each equation, the system of equations can be considered as exactly identified.

FIMLE is often when data contains missing values, as it uses raw data as input, as opposed to the observed covariance matrix, which contains less data (Graham 2009, 549). The system of equations evaluates the influence of the selected HRM variables on the three dimensions of project success.

4. Main Findings

As observed from the results in table 2, the independent variables influence the dependent variables very differently. Going by the adjusted R-Squared values, the independent variables have highest influence on meeting customer goals, followed with meeting project goals and lastly meeting organizational goals. However, all the three dependent variables are impacted significantly by the independent variables, in different forms. Three of the independent variables namely, frequent conflicts and turnover at team level and turnover at management level, have inverse relationship with the dependent variables. The other six HR variables have direct relationships.

Project leadership and people management skills (LMS) have the highest impact on the dependent variables so that good leadership and people management skills positively influence customer goals, slightly more than the project goals and organizational goals. Project leadership and people management skills without communication and consent across team members can lead to failure in execution (Aubert and Schnepel 2013, p. 64). Similar is the situation with job-matching to enhance performance (JMT), which has the second highest influence on the dependent variables. When job matching is uncertain and improper, it is the responsibility of the change owner or project manager to ensure smooth continuation (Gareis 2010, p.326). The third most influential variable – training of project leaders (PPT) is different. Adequate and relevant training of project leaders has the highest influence on the project, followed by its positive impact on the customer and then on the organisation, although the difference of its impact is very marginal. Similar is the situation with frequent conflicts between project team members (FRC), with the highest adverse impact on the project. This is also permeated to the customer and lastly at the organizational level. The next most influential variable is effectiveness of project team communication (TMM), which is rather different.

Table 2: Full Information Maximum Likelihood Estimation

Sample: 1 431	Included observations: 431		
Total system (balanced) observations 1724	Convergence achieved after 26 iterations		
	Dependent variables		
Independent variable description	MPG	MCG	MOG
ECP	0.2012**	0.1948**	0.1817**
FRC	-0.4574***	-0.4198***	-0.3596***
HTT	-0.2188**	-0.2003**	-0.2187**
JMT	0.4617***	0.5232***	0.4740***
LMS	0.6542***	0.6757***	0.6521***
LSM	0.1472*	0.1218	0.1444*
PPT	0.4324***	0.4200***	0.4144***
PRF	0.1230	0.1217	0.0694
TMM	0.3664***	0.3423**	0.3789***
TRI	-0.1503*	-0.1604**	-0.1430*
Adjusted R-Squared	0.3649	0.3903	0.3474

*** significant at 0.01 level; ** significant at 0.05 level; * significant at 0.10 level.

Effective communication, consultation and discussions among team members and with top management always help projects to perform better (Nixon et al. 2012, p. 204-205). The findings show that team communication has the highest positive impact at the organizational level, followed by project goals and then, customer goals. Extent of team member turnover (*HTT*) is having an equally negative influence on project and organizational goals and slightly less significant influence on customer goals. Specific to the IT industry, Abdel-Hamid (1992, p. 133) discusses how frequent employee turnover can adversely affects project performance in terms of meeting project goals. If there exist a culture of consultation with employees before assigning a project (*ECP*) it positively influences project and customer goals, and slightly less project goals. Personnel turnover at the organizational level (*TRI*) adversely impacts the outcome variables, albeit less than team member turnover (*HTT*). While team member turnover adversely impacts project goals and organizational goals more than customer goals, turnover at the organizational level adversely impacts customer goals (at 0.05 significance level) more than other goals (Abdel-Hamid 1992, p. 128). The last influential independent variable is staff motivation (*LSM*) and it has the highest influence on meeting project goals, followed by a slightly less strong impact on organizational goals, and then customer goals. Motivating team members can potentially solve team conflicts and enhances team communication and project performance (Abdel-Hamid 1992, p. 130).

Most of the studies focus on the HR factors that can improve project performance. However, not much research is done to study the impact at organizational level or customer level. Here lies the uniqueness of the current study.

5. Conclusions

Considering that HR variables are largely perception-driven and cannot influence projects in an independent manner, the diversified factors under HR that impact the different facets of IT project success cannot be considered in silos. Often factors influence project success jointly as they interact with each other. This research looks at the impact of these explanatory variables, jointly. The principal contribution of the study is using the AICC to identify the best subset of HR factors that influence IT project success from three dimensions namely, meeting project, customer and organizational goals, simultaneously. The study reveals that the most important HR variables influence all the three goals, similarly. This, in turn, implies that for successful implementation of a project it is not sufficient to meet just the project goals, but also the customer and organizational goals.

Favourable project leadership with people management skills, training and development of team members to maintain currency and competence, job-matching to improve performance and motivating staff, contribute largely to ensure the success of IT projects from the aspects of meeting project goals, customer goals and organizational goals. Meeting projects goals goes hand in hand with customer and organizational goals; one without another, can adversely impact the overall outcome.

Our research has several limitations that future studies could overcome. The study is cross-sectional and this limits the possibility for rigorous testing of the cause-and-effect relationship between the independent and outcome variables. The study is also largely limited to the HRM factors that influence project success. Moreover, the study concentrates on a specific geographical context. Future studies could be extrapolated to other geographical locations, especially the other English-speaking countries which similar potential by considering other industries than the IT sector.

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