CHANGE FACTORS DRIVING MANAGEMENT DEVELOPMENT NEEDS: EMPIRICAL EVIDENCE FROM PAKISTAN

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ABSTRACT

The paper explores the impact of external and internal organizational changes on competence development needs of managers in Pakistan. The study examines internal and external developments in the business environment. It provides a detailed analysis of the impact of these change drivers on Pakistan business organizations. Additionally, the research examines the influence of these change drivers on theoretically derived competence classes by performing multivariate analysis. The findings indicate, in the context of the external environment, the global & national economic situation, government policies, political instability, energy crisis and above all technological changes affect the business organizations in Pakistan. The internal environmental examination reveals that workplace changes, technological innovation, and changes in HRM and HRD policies influence competence development needs of managers. This paper provides useful information to policy makers and business practitioners regarding changes taking place in Pakistan. The knowledge generated with this research may assist in re-designing the business education curriculum and ignite re-thinking of human resource management and development strategies in Pakistan.

JEL: M1, M12

KEYWORDS: Pakistan, Drivers of Change, Growth, Competence Management

INTRODUCTION

In the 21st century, the most formidable challenge for developing countries like Pakistan is to attract foreign direct investment for sustainable economic development. Foreign direct investment is the most critical factor needed for improvement in social and economic outlook of the country. In Pakistan, there are many factors responsible for the poor economic development including political instability, deteriorating law and order and the energy crisis. Besides governance, political and economic issues, a major problem lies with human resource development in the country (Hussein, 2005a; Hussein, 2005b; Qureshi, 2009). In Pakistan’s case, there is a dearth of academic research on competencies needed by managers to perform their jobs effectively. Moreover, the internal and external developments aspects for business organizations and job demands of the managers are still unknown, and their specific influence on competence development needs of future managers is also ambiguous.

This research reports the initial findings of internal and external factors that organizations should consider in developing their business policies. Additionally, a causal model showing the influence of these changes, referred to as change drivers, on competence classes determines competence development manager needs in Pakistan. The findings in this paper are based on the results of the first phase of a survey conducted as a part of a large project. The remainder of the paper is organized in four sections a) Literature review, b) Research Methodology, c) Research Results and d) Discussion and Conclusion. The third section (c) discusses the drivers for change, with respect to their frequency counts.
LITERATURE REVIEW

In recent times, competence management has attracted interest from the research community and practitioners (Soderquist, 2010). The concept of competence is diversified and multidimensional covering a wide range of issues from different fields of research in management. Competence management is discussed and analyzed from individual and organizational perspectives. From an organizational perspective competence management is seen as the “organization’s ability to integrate different streams of technologies and exploit their distinctive strength to achieve comparative competitive advantage in the market” (Prhalad & Hamel, 1990) p. 90). The term “core competence” is often used when the concept is analyzed from an organizational perspective. The other stream of research focuses on studying competence management from an individual perspective. The beginning of the competence movement from an individual perspective can be traced back to the work of David McClelland in early 1970. In one of his attempts to improve recruitment and selection procedures, he identified behavioral characteristics and personality traits causally related to on job performance. Similarly, Richard Boyatzis (1982) conducted a large scale study to identify management competencies that differentiate between successful and average performers. The research here is pivotal for further research in the field of competence management. Since then, competence management has emerged as a key concept and area of research in organizational behavior literature.

Although competence management is a fundamental and critical concept in the management arena, the idea is new and in the early stages of development and acceptance in Pakistan. One important reason is that in organizational practice, utilization of competence-based management perspective to manage and develop employees lacks a set of evidences. Particularly, in educational institutions, competence-based courses and programs are not in place. Also, management development professionals have not realized the value of competence management in improving HR processes and performance. The knowledge shows that competent human resources can play a significant role in developing an economy towards its maximum potential. This backdrop calls for devising and implementing coherent and comprehensive human resource development strategies based on current management development needs (Hussein, 2005a; 2005b). The organizations in Pakistan are hesitant in investing in human resource development because of risks and uncertainties associated with continuous changes taking place in the business environment (Bhattacharya & Wright, 2005). One possible solution to this problem is internal and external developments for developing human competence strategies to ensure maximum and stable return on this strategic asset (Bhattacharya & Wright, 2005). It is imperative to appreciate the developments in the internal and external organizational environment to develop human resource strategies that addresses the current management development needs. The idea of competitive based strategy was first coined by Michael Porter in early 80s (Porter, 1979a, 1979b).

The classification of competencies based on an underlying set of assumptions and theoretical perspective is a common world-wide practice. The arrangement and grouping of similar sets of qualities, traits, behaviors and attitudes under a larger category increases theoretical and practical understanding and makes it easier to conceptualize its meaning (Boyatzis, Goleman, & Rhee, 2000; Marelli, Tondora, & Hoge, 2005; Viitala, 2005; Woodruffe, 1993). To further the argument, Jacobs (1989) classifies competencies into two major categories “soft and hard competencies”. Management scholars, however, critiqued the development of these two categories on the assertion that it is difficult to differentiate between soft and hard competencies limiting their practical implications (Woodruffe, 1993). The recent literature asserts and backs the argument by providing a strong support for categorization of competencies based on skills, knowledge, behaviors and personal traits (Bartlett & Ghoshal, 1997; Le Deist & Winterton, 2005; Ley & Albert, 2003; Marelli, Tondora, & Hoge, 2005; Mühlbacher, 2007; Mühlbacher, Nettekoven, & Putnova, 2009). Additionally, the recent empirical work on competence by Mühlbacher (2007) has signified five competence classes, a) Methodological competencies b) Self dispositive competencies c) Social competencies d) Leadership competencies and e) Personal competencies. These
five competencies cover a wide range of skills and knowledge from individual to group level. In a related research Kaufeld (2006), categorized competencies into a) Professional b) Methodological c) Social and d) Self competence (Kaufeld, 2006) based on similar logic of differentiating into knowledge, skills, and personality traits. The professional and methodological competencies having close proximity with each other shall be placed under one class (Mühlbacher, Nettekoven, & Putnova, 2009). Our research expands the knowledge by adapting a similar pattern of classification and categorizing competencies based on a) knowledge, b) skills, and c) personal attributes. Following are the six competence classes illustrated in table 1 that form the basis for coding of empirical data.

Table 1: Six Competence Classes

<table>
<thead>
<tr>
<th>Competence Class</th>
<th>Feature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Methodological Class</td>
<td>Technical and subject specific knowledge and skills.</td>
</tr>
<tr>
<td>Self-Dispositive Class</td>
<td>Ability to use personal resources and know how in more efficient and effective manner.</td>
</tr>
<tr>
<td>Social Competence Class</td>
<td>Social level skills need to maintain healthy business relationship with different business stakeholders</td>
</tr>
<tr>
<td>Business Management Class</td>
<td>The set of behaviors and skills considered to be generic and much needed to accomplish common and routine managerial tasks</td>
</tr>
<tr>
<td>Leadership Class</td>
<td>The cluster consisting of behaviors and characteristics that are needed to motivate and influence behavior of subordinates.</td>
</tr>
<tr>
<td>Personal Competencies</td>
<td>The core personality attributes and characteristics.</td>
</tr>
</tbody>
</table>

Note: The table shows broad features of competence classes. There are six competence classes and the key differences are given.

RESEARCH METHODOLOGY

A survey questionnaire was employed as the data collection instrument. In order to determine the needs of managers, respondents were asked to describe tasks and competencies required to accomplish their present and future job responsibilities. Respondents were requested to assign percentage weightings to each task and competency. This objective assessment of opinion provides quantification of qualitative data. Data regarding competencies was coded against the predefined theoretically derived competence classes as given in Table 1. In the survey, practicing managers were also asked to mention internal and external factors referred to as drivers of change anticipated to mostly affect their organizations and job competencies. Respondents were required to rank each of the factors according to the magnitude of their influence. They were also asked to mention whether it is an opportunity or threat to their job or organization. In the data coding process, internal and external factors were grouped together into a larger category based on relevance and similarity. The research mainly made use of data collected from two major business cities, a) Rawalpindi and b) Islamabad. The empirical data collected through an open ended questionnaire was coded and analyzed with regard to competence development needs of managers in Pakistan. The research sample statistics are given in Table 2.

The data analysis was performed by utilizing different programs and techniques. First, the data was analyzed with the perspective of competence development needs of managers. In order to analyze the trend of competence classes over a period of time, a paired sample t-test was performed. In the analysis of the impact of internal and external developments on six competence classes, only significant relationships were taken into account for further interpretation. In order to determine the significant factors included in the causal model, the Tetrad III program was used to develop a theoretical model. This theoretical model was then tested in AMOS 18.
Table 2: Research Sample Statistics

<table>
<thead>
<tr>
<th>Geographical Area</th>
<th>Pakistan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Methodology</td>
<td>Questionnaire (Open ended format)</td>
</tr>
<tr>
<td>Procedure</td>
<td>Random Sampling, Self-administered Survey in 2009</td>
</tr>
<tr>
<td>Research Population</td>
<td>Practicing Managers working in Pakistan</td>
</tr>
<tr>
<td>Sample Size</td>
<td>500</td>
</tr>
<tr>
<td>Response Size (Usable questionnaire)</td>
<td>158 (31.6 %)</td>
</tr>
</tbody>
</table>

The table shows descriptive statistics of the research sample. In total approx 5 hundred questionnaire were distributed and only 158 were received that were usable for final analysis.

RESULTS

Table 3 shows the trend of six competence classes over a time. From the initial analysis of competence classes it is evident that methodological and social competence classes are currently in the development phase.

Table 3: Trend of Competence Classes

<table>
<thead>
<tr>
<th>Competence Classes</th>
<th>Mean</th>
<th>T Value</th>
<th>sig (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Methodological Present</td>
<td>31.297</td>
<td>-0.217</td>
<td>0.829</td>
</tr>
<tr>
<td>Methodological Anticipate</td>
<td>31.765</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Present</td>
<td>12.721</td>
<td>-0.323</td>
<td>0.747</td>
</tr>
<tr>
<td>Business Anticipate</td>
<td>13.284</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self Dispositive Present</td>
<td>4.936</td>
<td>-0.122</td>
<td>0.903</td>
</tr>
<tr>
<td>Self Dispositive Anticipate</td>
<td>5.094</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Present</td>
<td>24.905</td>
<td>3.931**</td>
<td>0.000</td>
</tr>
<tr>
<td>Social Anticipate</td>
<td>16.278</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leader Present</td>
<td>4.519</td>
<td>-2.70**</td>
<td>0.019</td>
</tr>
<tr>
<td>Leader Anticipate</td>
<td>7.930</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Present</td>
<td>9.202</td>
<td>-1.309</td>
<td>0.192</td>
</tr>
<tr>
<td>Personal Anticipate</td>
<td>11.088</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The table shows mean difference between present and anticipated perception regarding competence classes. In order to determine the significance difference in mean values of the competence classes paired sample t-test was applied. The significance level of 10 percent was used instead of 5 percent level keeping in view the nature of study which is exploratory in nature. ** indicate significance at 10 percent level.

The value of the methodological class increases slightly in the future. Social class occupies second place in current competence needs. Social competence class shows significant decline at the 10 percent level. Its mean value decreases sharply almost by 8 percent. The value of personal competence class gains focus in the future with increase in the mean value. Interestingly, leadership class that comprise of competencies essential for influencing behavior and motivating subordinates, show noticeable change at 10 percent significant level. With this increase in value, leadership class moves above the self-dispositive class in the future. The self-dispositive class also shows an increasing trend and occupies last position in future rankings. The business management class, consisting of management behaviors needed to accomplish routine managerial tasks, shows a marginal increase. The competence classes demonstrates relatively stable patterns. With regard to future expectations, the configuration of competence classes appears to be similar to some extent. The self dispositive and leadership classes switch their position in future rankings.
Initially the results regarding internal and external drivers of change are analyzed with respect to their frequency of mention. Figure 1 provides an overview of external changes anticipated to influence business practices. Approximately 246 external drivers of change are mentioned, 98 are perceived as an opportunity and 148 are considered potential threats. In Pakistan, the most immediate and biggest threats to business organizations in the external environment are the law and order situation, political instability, and deteriorating economy. These three factors are well connected to each other. Political uncertainty and poor law and order are major hurdles for economic progress. When investors sense uncertainty they are reluctant to invest in the country. From economic perspectives, inflation is seen as a threat. Interestingly market based competition is the third most important negatively perceived factor. In external environment, the most significant development is technical changes which are viewed optimistically. Pakistani managers consider technological advancement and innovation critical for business success. In the future, organization adaptation to technology and introduction of innovation in service and products will mainly determine competitiveness in a dynamic business environment. Globalization is also viewed optimistically albeit with low frequency of mention. However, socio-demographic changes are perceived both positively and negatively.

![Figure 1: External Drivers of Change](image)

This figure shows perception of managers regarding anticipated external drivers of change. The perception as opportunity and threat is mentioned with respect to frequency of count. Sample size n = 158, frequency of mention is approx 246.

Internal factors are mostly evaluated optimistically. In the internal environment, a total 143 internal drivers of change are recognized of which 107 are perceived positively and only 36 as a threat. Figure 2 illustrates the frequency of mention in terms of opportunity and threat regarding internal changes. Interestingly HR changes and policies are evaluated positively. In recent years significant changes in HR practices and policies are derived by multinational companies (Khilji, 2001). In this context, changes at the workplace is considered favorable from an employment perspective. However, organizational politics is anticipated to be a potential threat for management performance. Undoubtedly, organizational politics create destructive competition and de-motivate competent managers. In a highly politicized work environment employees mostly put their efforts towards non-productive work activities and use their social contacts for personal gains. Interestingly, an effort to introduce new products and services through active R & D is considered critical for success in a fast changing business environment. It is encouraging that practicing managers view it quite optimistically. This is apparently connected with the highly positive evaluation of technological changes in the external environment. This suggests the need to place emphasis on re-innovation and re-engineering of business processes. In particular the use of IT is perceived as an opportunity and is essential for smooth transition from manual to automated work process. In this context, organizational change and favorable work environment are perceived as great...
opportunities for growth. Despite dilapidated economic conditions, multinational companies see enormous growth potential and investment opportunity in the telecom and energy sector.

Figure 2: Internal Drivers of Change

This figure shows perception of managers regarding anticipated internal drivers of change. The perception as opportunity and threat is mentioned with respect to frequency of count. Sample size $n = 158$, frequency of mention is approx 143

After preliminary analysis of drivers of change, the influence of these developments on competence development needs of managers is tested. The causal model illustrated in Figure 3 shows the influence of only significant internal and external factors on competence classes. The causal model evidently points to the sensitivity of Pakistani managers towards issues influenced by political economy and technological changes. It is apparent from the causal model that perception of external developments as a threat mainly influences management development needs. Interestingly, from Figure 3, it is evident that factors which were ranked high in terms of opportunity or threat seem to be irrelevant in determining changing competencies.

The methodological competencies show minor increases, primarily due to only one factor in the external environment; technological changes if it is perceived negatively. The strong negative perception of technological changes results in increases of 59.911 percentage points. Rapid advancement in technology often puts pressure on managers to equip themselves with appropriate skills. This mainly shifts the focus of managers to attain proficiency in specific trades and functions in order to retain competitiveness and performance. The positive influence of technological change as a threat and the inverse relationship of social competence class together explain 3.1 percent of the variation in methodological class.

A surprising connection is found between negative perception of HR changes and social competence classes. In this case, perception of HR as a threat results in change in social competence class by -30.275 percent. Optimistic evaluation of customer orientation results in positive changes in social competence class by almost by 14.409 percentage points. This change points to a transition from inner traditional organizational perspectives towards market based orientation. It is critical for employees to have strong social skills to develop meaningful and profitable customer relationships in a market based economy.

Interestingly, the business management class reacts to three external factors. Technological changes if it is perceived as a threat results in decreases in the business management class almost by -66.415 percent. The optimistic viewpoint regarding changing political scenarios causes a negative change of -16.880 percent. Similarly, perception of innovation as an opportunity results in a -6.776 percent change in business management class. These three external developments, with negative influence of social competence class, together explain 9.5 percent of the variation in business management class.
Self-dispositive competencies are influenced by two external factors namely government policy and economy. In case of a negative perception of the economy, a decline in value by -5.226 percent is observed while a positive perception towards the political situation results in a -10.10 percentage change. These two issues are well connected to each other. Government policies provide an idea about the economic priorities consequently determining the economic position. If the business community feels comfortable with the government policies they will be willing to invest in the market and plan their business activities accordingly. These two factors together explain 3.7 percent variation in the self-dispositive class. The personal competence reacts sensitively to negative perceptions of the economy which cause a -7.131 percent change. This might be linked to the reason that in time of crises, managers find little chance of getting ahead and making progress despite considerable efforts and hard work. This one external factor, along with the inverse relationship of leadership class, accounts for 4.5 percent variation in personal competence class. Finally, leadership competence responds to positive perception of the work environment. In case of a positive evaluation of the work environment, there is 12.730 percent change in leadership class occurred. This might be associated with the fact that shifting focus towards more collaborative work environment requires active participation from top leadership. The inverse relationship with personal competence class and work environment, if they are perceived positively, explains 1.8 percent variation in leadership class.
This preliminary assessment provides a snapshot of relationship between drivers of change and competence classes. This causal relationship might have a different picture and more holistic view with the passage of time and with the increase of sample size as planned in future. In order to test the validity of causal model different tests were applied. The chi square test, with the value of $\chi^2/df = 1.66$ ($C_{\text{min}} = 129$ and df $= 78$), provides indication to fitness of model (see Joreskog & Sorbom, 1993). The other criteria of model fit, the goodness of fit indices ($GFI = 91.3$), the adjusted goodness of fit indices ($AGFI = 88.4$), and Root Mean Square Error of Approximation ($RMSEA = 0.065$) also fall in acceptable limits.

Discussion

The analysis reveals interesting findings that can serve as guidelines for policy makers and human resource practitioners. The results allow managers aiding to prepare themselves for upcoming challenges. The literature review reveals that most studies in competence management have been conducted in western countries that have relatively strong institutional infrastructure and economies. Therefore, it raises questions when we begin to apply managerial practices and competencies from one culture to other without considering the local context (Chong, 2008; Hofstede, 1980). This study with this backdrop attempts to explore management practices and competencies in developing countries like Pakistan. Analysis of changing competence management is needed to respond to developments in the business environment (Mühlbacher, Nettekoven, & Putnova, 2009).

In this regard, the initial findings suggest that the competence class shows relatively stable patterns. The methodological competencies remain in fashion while social competencies lack focus in the future but remain critical for the success of mangers. This suggests keeping focus on training programs aimed at developing social skills. Business management competencies marginally increase in absolute value but their importance remains similar over time. This endorses the notion that management jobs need generic competencies and skills because of similar job natures as well as tasks and responsibilities managers perform in management positions (Yeung, 1996). Leadership class increases significantly in value suggesting a strong need for leadership development programs in organizations.

The findings regarding drivers of change indicate that Pakistani managers are more sensitive to technological, political and economic issues. Developments on these grounds will predominantly determine the competence requirement of future managers. Pakistani mangers are more concerned about deteriorating economic conditions and are anxious to adapting emerging technologies. In general, internal drivers of change are evaluated very positively and seen in an optimistic manner. This also points toward need for change in organizational structure, systems, and policy to become more innovative, flexible, and adaptable to market changes. In particular, work place changes and conducive work environment require specialized training programs designed for young mangers preparing them to take leadership roles more effectively. If we interpret the highly positive evaluation of technology, with the influence of negative perception of technological advancement on changing composition of methodological class, we can infer the great demand and significance for professional and IT skills in the future.

CONCLUSION

This research points to several factors that contribute to slow economic growth such as political instability, power shortages, safety and security, low levels of foreign investment and a lack of focus on human resource development strategy. Particularly, for a developing economy like Pakistan, the significance of human resource management and development cannot be understated. In Pakistan, considering the current crises situation, organizations must focus on managerial performance through effective management development strategy. The results provide evidence to conclude that, in Pakistan, the application of individual competence management is in the initial stage in both education and organizational practice. The findings suggest paying attention and focusing on managerial competence so that issues relating to managerial performance can be addressed. In particular, the results indicate that
internal and external developments have influence on determining management competencies. Therefore, due consideration must be given in designing training programs.

Despite its usefulness, this study has some limitations. Data was mainly collected from two major cities of Pakistan. Therefore, the results can not be generalized to larger population. In the sample, the independent industrial context was not taken into account while in practice each factor has varied impact on different industries. Moreover, we can not be definitive about the findings as they are based on the perception of practicing managers. The results provide estimates of probable future scenarios and their likely impact on competence development needs of managers in Pakistan. In the future, research using close ended format questionnaires, based on items elicited from present findings, can be used to judge the perception of practicing managers. Further research also needs to be done on large samples in various industries in Pakistan for developing independent causal models of management development needs in each sector.

REFERENCES


BIography

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