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Impact of FDI on SMEs – A Study of Andhra Pradesh

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Abstract

Impact Of Fdi On Andhra Pradesh Economy Has Been Phenomenal. The State Has Been Going Through A Developmental Spree In The Past Few Years. Hyderabad Is A Favorite Investment Destination Among Foreign Investors. But From The Last 3 Years The Fdi And Number Of Smes, Its Investment And Employment Are In Declining Trend. The Main Purpose Of The Study Is To Investigate The Impact Of Foreign Direct Investment (Fdi) On Number Of Enterprises Established, Investments On Small And Medium Enterprises (Smes) And Employment In Andhra Pradesh; To Know The Relationship Between Fdi And Number Of Enterprises Established, Fdi And Investments On Smes And Fdi And Employment Andhra Pradesh. The Present Study Is Used Secondary Data. This Paper Concludes That Fdi Is A Source To Create Employment Not Only In The Country But Also In Andhra Pradesh And Also Support The Smes Also And Helps Country To Put An Impression On The World Wide Level Through Liberalization And Globalization.

Keywords: *Fdi, Economic Growth, Impact On Smes, Andhra Pradesh.*

Introduction

Foreign Direct Investment (Fdi) Is Fund Flow Between The Countries In The Form Of Inflow Or Outflow By Which One Can Able To Gain Some Benefit From Their Investment Whereas Another Can Exploit The Opportunity To Enhance The Productivity And Find Out Better Position Through Performance. The Effectiveness And Efficiency Depends Upon The Investors Perception, If Investment With The Purpose Of Long Term Then It Is Contributes Positively Towards Economy On The Other Hand If It Is For Short Term For The Purpose Of Making Profit Then It May Be Less Significant. Depending On The Industry Sector And Type Of Business, A Foreign Direct Investment May Be An Attractive And Viable Option. Any Decision On Investing Is Thus A Combination Of An Assessment Of Internal Resources, Competitiveness, And Market Analysis And Market Expectations.

The Fdi May Also Affect Due To The Government Trade Barriers And Policies For The Foreign Investments And Leads To Less Or More Effective Towards Contribution In Economy As Well As Gdp Of The Economy. The Studies Try To Find Out The Implications Which Affect The Economic Scenario And Also Measure The Level Of Predominance By The Factors For Economic Contribution To India.

Contextual Background

After Independence In India 1947, Fdi Gained Attention Of The Policy Makers For Acquiring Advanced Technology And To Mobilize Foreign Exchange Resources. In Order To Boost The Fdi Inflows In The Country Indian Government Allowing Frequent Equity Participation To Foreign Enterprises Apart From Provides Many Incentives Such As Tax Concessions, Simplification Of Licensing Procedures And De-Reserving Some Industries Like Drugs, Fertilizers, Aluminum Etc. But Due To Significant Outflow Of Foreign Reserve In The Form Of Remittances Of Dividends, Profits, Royalties Etc In 1973 Government Of India Set Up Foreign Investment Board And Enacted Foreign Exchange Regulation Act In Order To Regulate Flow Of Fdi To India. Further Government Of India Set Up Foreign Investment Promotion Board (Fipb) For Processing Of Fdi Proposals In India. The Board Is The Apex Inter-Ministerial Body Of The Central Government That Deals With Proposals Relating To Fdi Into India For Projects Or Sectors That Do Not Qualify For Automatic Approval By The Reserve Bank Of India (Rbi) Or Are Outside The Parameters Of The Existing Fdi Policy.

It Could Be Observed That There Has Been A Steady Build Up In The Actual Fdi Inflows In The Pre-Liberalization Period. But Measures Introduced By The Government To Liberalize Provisions Relating To Fdi In 1991 Increased Fdi Rs.2,705 Crore In 1990 To Rs.1,23,378 Crore In 2010. The List Of Investing Countries To India Reached To 150 In 2010 As Compared To 29 Countries In 1991. Nevertheless, Still A Lion's Share Of Fdi Comes From Only A Few Countries.

The Existing Policy, Allows For 100 Per Cent Foreign Direct Investment (Fdi), In Single-Brand Trade, Subject To The Condition That In Respect Of Proposals Involving Fdi Beyond 51 Per Cent, Sourcing Of 30 Per Cent Of The Value Of Goods Purchased, Will Be Done From India, Preferably From Micro, Small & Medium Enterprise (Msmes), Village And Cottage Industries, Artisans And Craftsmen, In All Sectors As Per Circular 1 Of 2012 – Consolidated Fdi Policy Of Dipp.

Fdi Complements And Supplements Domestic Investment. The Small And Medium Enterprises (Smes) Would Be Benefited Through Fdi, By Way Of Enhanced Access To Supplementary Capital & State-Of-The-Art Technologies, Exposure To Global Managerial Practices And Technologies As Well As Opportunities For Integration Into Global Markets. “The Government's Decision Of Mandatory Sourcing Of A Minimum Of 30 Per Cent From Indian Micro And Small Industry Will Help Smes To Achieve Higher Growth In Sales, Size Of The Industry, Capacity Addition, Increased Orders, Qualitative Improvements And Branding Of The Products, Technology Upgradation, Employment Etc,” Said The Survey On The Impact Of Fdi In Retail On Smes.

According To The Survey, Mandatory Sourcing Will Provide For Expansion Of The Scales Of Production Facilitating Domestic Value Addition In Manufacturing, Thereby Creating A Multiplier Effect On Employment, Technology Upgradation And Income Generation, Demand And Further Investment.

Review of Literature

It Is Universally Acknowledged That Fdi Inflow Offers Many Benefits To An Economy. Unctad (1999) Reported That Transnational Corporations (Tncs) Can Complement Local

Development Efforts By (I) Increasing Financial Resources For Development; (ii) Boost Export Competiveness; (iii) Generate Employment And Strengthening The Skill Base; (iv) Protecting The Environment To Fulfill Commitment Towards Social Responsibility; And (V) Enhancing Technological Capabilities Through Transfer, Diffusion And Generation. However, Te Velde, (1999) Has Rightly Reported That In The Absence Of Pro-Active Government Policies There Are Risk That Tncs May Actually Inhibit Technological Development In A Host Country. Borensztein, Et. Al. (1998) Reveals That Fdi Has A Net Crowding In Effect On Domestic Private And Public Investment Thus Advancing Overall Economics Growth. Crowding In Effects Of Fdi Varies With Regions. There Has Been Strong Evidence Of Crowding-In In Asia And Strong Net Crowding Out Effect In Latin America (Agosin And Mayer, 2000). By And Large, Studies Have Found A Positive Links Between Fdi And Growth. However, Fdi Has Comparatively Lesser Positive Links In Least Developed Economies, Thereby Suggesting Existence Of “Threshold Level Of Development” (Blomstrom And Kokka, 2003 And Blomstrom Et. Al., 1994). Athreye And Kapur (2001) Emphasized That Since The Contribution Of Fdi To Domestic Capital Is Quite Small, Growth-Led Fdi Is More Likely Than Fdi-Led Growth. Dua And Rasheed (1998) Indicted That The Industrial Production In India Had A Unidirectional Positive Granger-Casual Impact On Inward Fdi Flows. They Also Concluded That Economics Activity Is An Important Determinant Of Fdi Inflows In India And Not Vice-Versa. Tseng And Zebregs (2002) Reported That Even In Case Of China Causality Between Market Size/Growth And Magnitude Of Fdi Holds True. There Is Global Race For Attracting Fdi, But How Much It Would Contribute To Host Country’s Economic Development Is To Be Assessed. Developing Countries Need To Have Reached A Certain Level Of Educational, Technological And Infrastructure Development Before Being Able To Benefit From A Foreign Presence In Their Markets. Blomstrom Et. Al., (1994) Have Rightly Observed That, The Host Country Must Be Capable Of Absorbing The New Technology Manifested In Fdi. An Additional Factor That May Prevent A Country From Reaping The Full Benefits Of Fdi Is Imperfect And Underdeveloped Financial Markets (Oecd 2002). India Appears To Be Well Placed In Terms Of Reaping Benefits Because It Has Relatively Well Developed Financial Sector, Strong Industrial Base And Critical Mass Of Well Educated Workers (Rajan Et. Al., 2008).

Andhra Pradesh Has Emerged As The Second Most Favoured Investment Destination For Overseas Investors In India With Around 19% Share In The Total Foreign Direct Investment (Fdi) Proposed In 2011-12, According To Trade And Industry Body The Associated Chambers Of Commerce And Industry Of India (Assocham).

Impact Of Fdi On Andhra Pradesh Economy Has Been Phenomenal. The State Has Been Going Through A Developmental Spree In The Past Few Years. Hyderabad Is A Favorite Investment Destination Among Foreign Investors. But From The Last 3 Years The Fdi And Number Of Smes, Its Investment And Employment Are In Declining Trend.

Objectives of the Study

The Following Are The Objectives Of The Present Study Area.

- To Know The Impact Of Foreign Direct Investment (Fdi) On Number Of Enterprises Established, Investments On Small And Medium Enterprises (Smes) And Employment In Andhra Pradesh;
- To Know The Relationship Between Fdi And Number Of Enterprises Established, Fdi And Investments On Smes And Fdi And Employment Andhra Pradesh.

Research Methodology

This Research Is A Descriptive Study In Nature. The Secondary Data Was Collected From Various Journals, Magazines, And Websites Particularly From The Department Of Industrial Policy & Promotion, Daily News Papers, Ministry Of Commerce And Industry Etc. The Study Is Based On The Time Period From 2004-05 To 2010-11. Graphs And Tables Have Also Been Used Where Ever Required To Depict Statistical Data Of Fdi During The Study Period.

Fdi And No. Of Enterprises' Growth Rates And Their Relationship

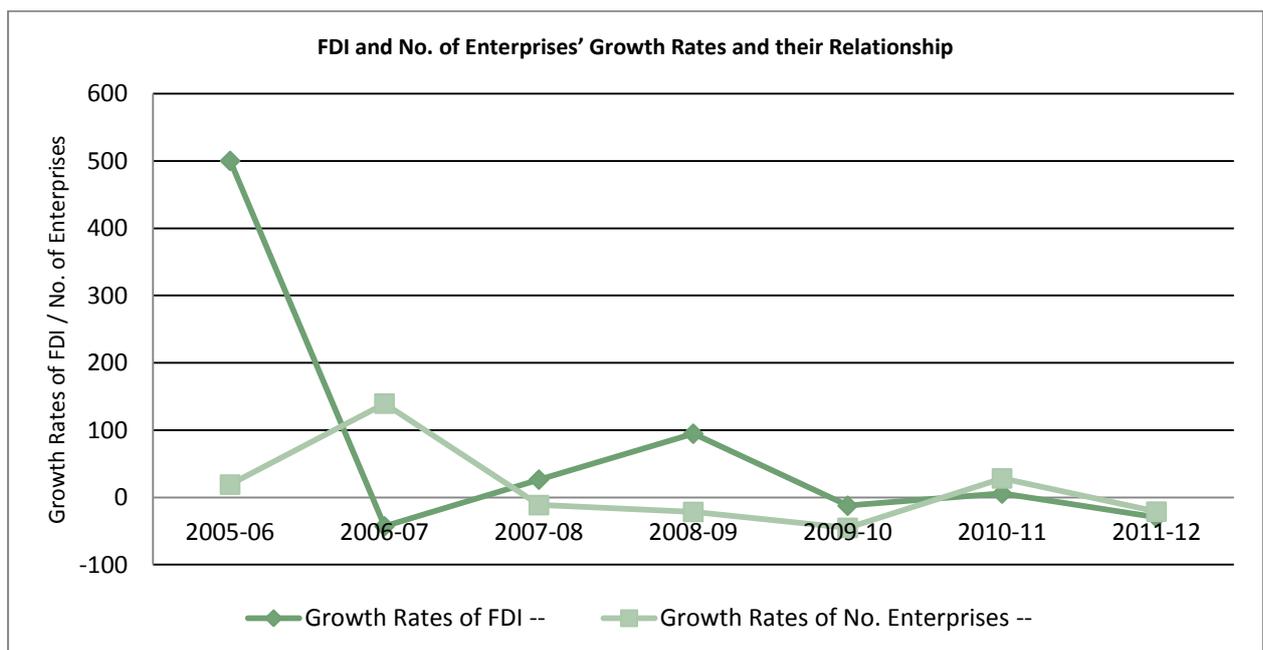
The Following Table Presents The Year-Wise Inflow Of Foreign Direct Investment And Number Of Enterprises Established In Andhra Pradesh, Their Growth Rates And Relationship

Fdi And No. Of Enterprises' Growth Rates And Their Relationship

Year	Fdi		No. Of Enterprises Established	
	Amount (Rs. Cr.)	Growth Rates	No. Of Enterprises	Growth Rates
2004-05	735	--	68	--
2005-06	4412	500.27	81	19.12
2006-07	2518	-42.93	194	139.51
2007-08	3185	26.49	172	-11.34
2008-09	6203	94.76	135	-21.51
2009-10	5440	-12.30	74	-45.19
2010-11	5753	5.75	95	28.38
2011-12	4039	-29.79	75	-21.05

R_{xy} = - 0.11834

Source: Eenadu Daily News Paper, March 19, 2013.



From The Above Table It Is Observed That There Is A Highest Growth In Number Of Enterprises Established During 2006-07 Because Of Increase In Fdi During 2005-06. It Is Also Observed That There Is A Highest Negative Growth In Number Of Enterprises Established Due To Decrease In Fdi In The Year 2009-10. It Is Also Interesting To Say That There Is A More Growth In Number Of Enterprises Established Than The Fdi Growth During The Year 2010-11. From The Year 2009-10 Both The Fdi And Number Of Enterprises Are Declining. On The Whole There Is A Negative Correlation Between The Fdi And Number Of Enterprises Established During The Study Period.

Fdi And Investment On Smes' Growth Rates And Their Relationship

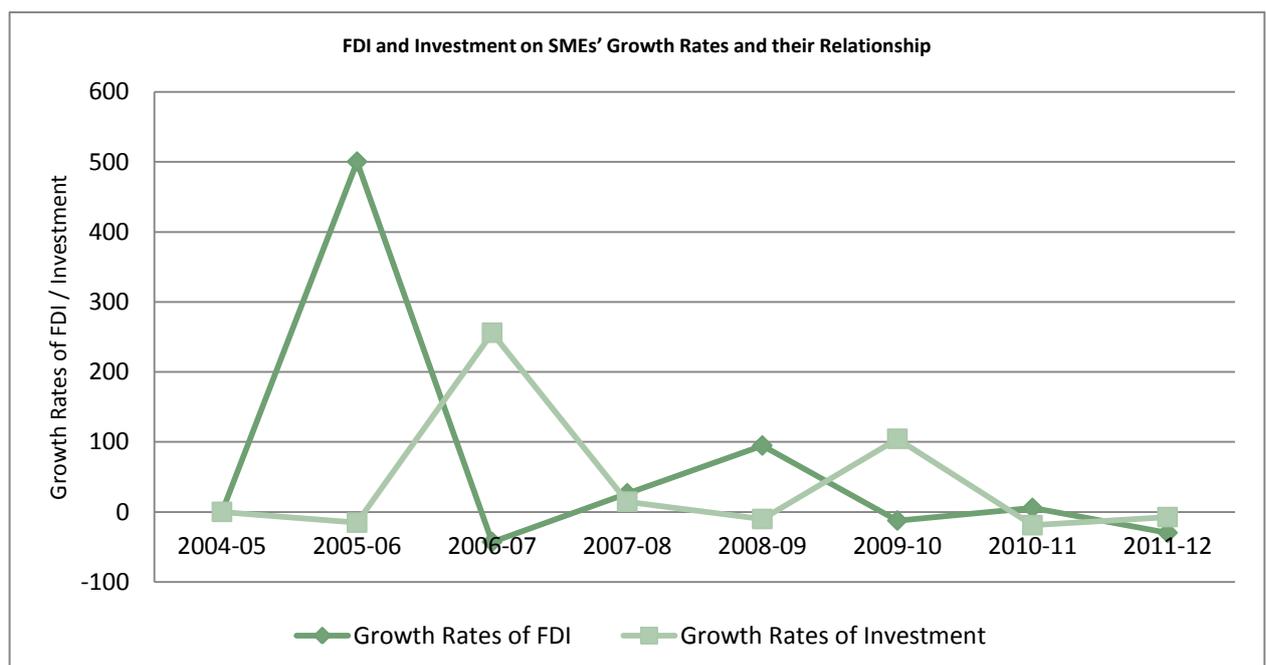
The Following Table Presents The Year-Wise Inflow Of Foreign Direct Investment And Investment On Smes In Andhra Pradesh, Their Growth Rates And Relationship

FDI and Investment on SMEs' Growth Rates and their Relationship

Year	FDI		Investment on SMEs	
	Amount (Rs. Crore)	Growth Rates	Amount (Rs. Crore)	Growth Rates
2004-05	735	--	1831	--
2005-06	4412	500.27	1550	-15.35
2006-07	2518	-42.93	5516	255.87
2007-08	3185	26.49	6320	14.58
2008-09	6203	94.76	5680	-10.13
2009-10	5440	-12.30	11610	104.40
2010-11	5753	5.75	9403	-19.01
2011-12	4039	-29.79	8707	-7.40

$R_{xy} = 0.563214$

Source: Eenadu Daily News Paper, March 19, 2013.



From The Above Table It Is Observed That The Fdi Impact On Smes Investment Is Negative In The Year 2005-06. In The Year 2006-07 There Is A Highest Growth In Investment On Smes During The Study Period. It Is Also Observed That In The Year 2009-10 The Growth Of Investment On Smes Is 104.40, But In The Same Year The Fdi Recorded A Negative Growth. It Is Also Interesting To Say That Both The Fdi And Investment On Smes Are Recorded Negative Growth Rates. The Fdi Decreases From The Year 2009-10 And Investment On Smes Decreases From The Year 2010-11. On The Whole There Is A Positive Relationship Between The Fdi And Investment On Smes During The Study Period.

Growth Rates Of Fdi And Employment And Their Relationship

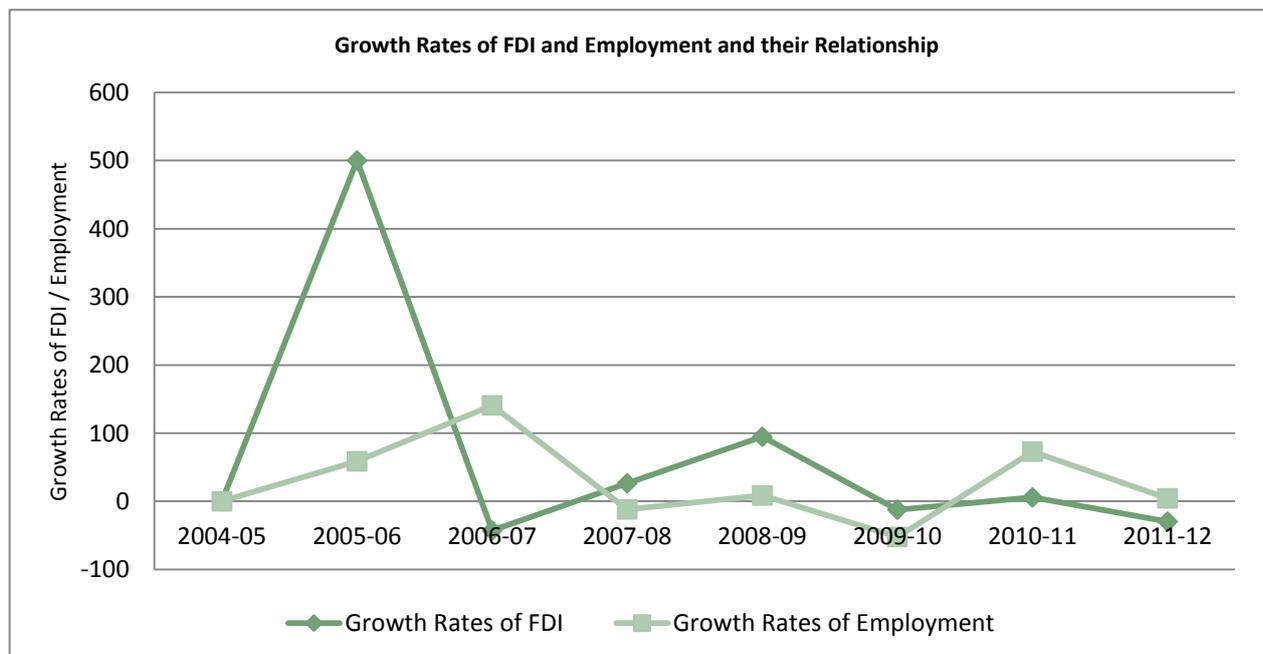
The Following Table Presents The Year-Wise Inflow Of Foreign Direct Investment And Employment Provided By Smes In Andhra Pradesh, Their Growth Rates And Relationship

Growth Rates Of Fdi And Employment And Their Relationship

Year	Fdi		Employment Provided By Smes	
	Amount (Rs. Crore)	Growth Rates	No. Of Persons	Growth Rates
2004-05	735	--	6852	--
2005-06	4412	500.27	10875	58.71
2006-07	2518	-42.93	26193	140.86
2007-08	3185	26.49	23075	-11.90
2008-09	6203	94.76	25058	8.59
2009-10	5440	-12.30	11933	-52.38
2010-11	5753	5.75	20626	72.85
2011-12	4039	-29.79	21543	4.45

$R_{xy} = 0.304788$

Source: Eenadu Daily News Paper, March 19, 2013.



From The Above Table It Is Observed That There Is A Positive Impact Of The Fdi On Employment Provided By The Smes During The Study Period Except In The Year 2006-07, 2007-08 And 2011-12. In The Year 2006-07 There Is A Highest Growth In Investment On Smes During The Study Period. The Fdi Decreases From The Year 2009-10 And Employment Provided By The Smes Decreased In The Year 2009-10 Only. On The Whole There Is A Positive Relationship Between The Fdi And Employment Provided By The Smes During The Study Period.

Conclusion

It Can Be Observed From The Above Analysis That Almost There Is A Positive Impact Of Fdi On Smes Establishment, Investment On Smes And Employment Provided By The Smes. So It Better To Offer The Fdi In India. It Leads To Provide Employment, Strengthen The Indian Economy, Increase The Gdp, Etc. On The Other Side Banking And Insurance Sector Help In Providing The Strength To The Indian Economic Condition And Develop The Foreign Exchange System In Country. So, We Can Conclude That Fdi Is Always Helps To Create Employment In The Country And Also Support The Smes Also And Helps Country To Put An Impression On The World Wide Level Through Liberalization And Globalization.

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A Case Study on Optimal Supplier Problem Using Data Envelopment Analysis and Artificial Neural Network

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Abstract

Supplier evaluation is an area that is continuing to receive significant attention in the literature. Effective evaluation and selection of suppliers is considered to be one of the research problems of purchasing managers as well as vendors. This paper evaluates the performance efficiency of suppliers based on variables Supplier Capability and Supplier Performance Assessment which is a reaffirmation of cost, quality, delivery time.... Also ANN is used as a logical tool to optimize the performance analysis intervened by DEA. Tables and graphs were provided for comparison of efficiency of 23 suppliers also conclusions were made for the improvement of suppliers by CCR method. This study proposes an optimization criterion between Data Envelopment Analysis (DEA) and Artificial Neural Network (ANN).

Key Words and Phrases

Supplier Evaluation, Data envelopment Analysis(DEA) ,Artificial Neural Network(ANN), Efficiency , Performance ,Optimization,

Introduction

DEA is a technique of nonparametric optimization of LPP on multiple inputs and outputs (Farrell 1957). Several researchers have emphasized the importance of the supplier evaluation process; Burt (1984) ; Burton (1988) ;Dobler et al. (1990). More recently, Banker and Khosla (1995) have identified the supplier evaluation issue as an important decision area in operations management. Supplier Evaluation and Rationalization via DEA-.An empirical Examination- by RamNarasimhan, Srinivas Thalluri and Mendez (2001) is an innovative practice on supplier performance. ANN with its powerful structure, has become one of the most popular non-parametric techniques of training, back propagation and evaluation of numerical data set. S. Wei, J. Zhang and Z. Li (1997) shows the use of ANN in supplier detection problems .This paper is a composition of DEA with ANN as in Dilek Özdemir, and Gül Tekin Temur (2009).

Supplier evaluation models provide advantage to managers about predicting what the success of the alternative suppliers will be in future. Evaluation process of suppliers is established on different attributes and it compares the success of suppliers in terms of performing their needs.

The DEA results were used in conjunction with managerial performance ratings in clustering suppliers into four different classifications and provide benchmarks for improving poorly performing suppliers. Artificial intelligence is also very useful in multi-criteria decision making problems. The main objective of supplier evaluation is to minimize the risks and

costs of purchasing, manufacturing and distribution processes by finding the best suppliers by measuring their performances in terms of certain indicators- Cost, quality, delivery time etc

Methodology

Following the identification of inputs and outputs, supplier evaluation system is grouped into two: Supplier Capability and Supplier Performance Assessment. For the purpose of DEA evaluation, items on supplier capability are grouped as input variables and items on supplier performance assessment are grouped as output variables. For the application of DEA we have selected a set of 6 inputs (1.Quality management practices and systems (QMP), 2.Documentation and self-audit (SA), 3.Process/manufacturing capability (PMC), 4.Management of the firm (MF), Design and development capabilities (DD), Cost reduction capability (CR)) as DMU(I) and five outputs (1.Quality, 2.Price, 3.Delivery, 4.Cost Reduction Performance (CRP) and 5.Other (O)) as DMU(O) - in CCRI Model for a set of 23 suppliers.

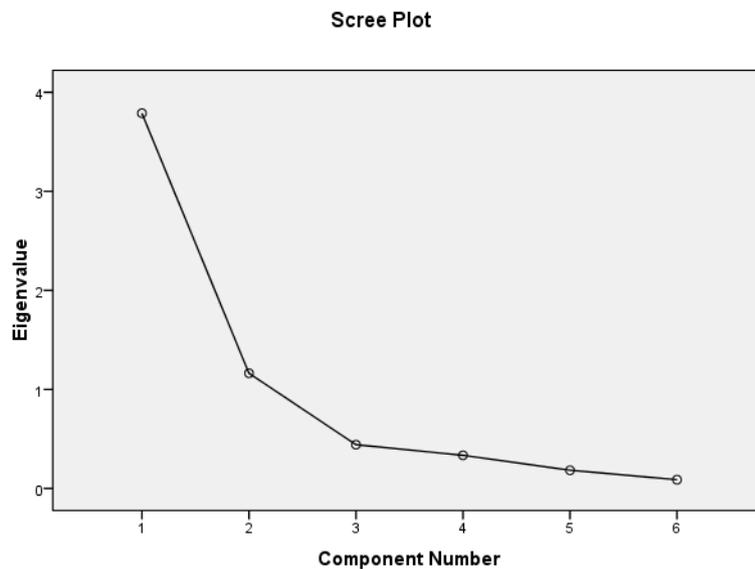


Fig:1 Scree Plot for Eigen values

	Component	
	1	2
V1	.758	.571
V2	.056	.972
V3	.918	.153
V4	.796	.305
V5	.851	-.219
V6	.839	.194

Table:3 Pricipal components of Factors

Factor analysis was conducted by principle of component analysis and varimax identification is adopted to distinguish the new factors . Using Scree Plot and eigen value greater than one, two factors were fixed taking into account of 83% variability and these are used as input and

output factors in DEA and were taken as hidden neurons. Efficiency Index (EI) and Management Index (MI) of the hidden layer are used for performing an ANN.

Table 1: Original Data On 23 Suppliers With Respect To Input And Output Dm

SUPPLIERS	(I)QMP	(I)SA	(I)PMC	(I)MF	(I)DD	(I)CR	(O)QUALITY	(O)PRICE	(O)DELIVERY	(O)CRP	(O)OTHER
2	0.9662	0.9742	1.0385	1.0808	1.1417	0.7839	0.6211	0.8922	0.1284	1.2107	0.6359
3	0.7054	1.0438	0.75	0.8782	0	0.875	0.6932	0.8922	0.3855	0	0.3179
5	0.5611	0.8947	0.7789	0.7205	0.8372	0.7404	1.0205	0.4341	1.542	0	1.2719
6	1.1272	1.0438	0.952	0.9607	0.9661	1.1402	1.6639	1.1333	1.542	1.2107	1.8019
9	1.1272	1.0438	1.1251	1.0808	1.256	1.2115	0.9983	1.3503	1.1565	1.2107	0.954
10	0.9877	1.0438	0.9376	1.0808	1.0466	0.9422	1.0426	1.3263	1.799	2.4214	1.2719
11	0.8051	0.8351	1.0385	0.9607	1.256	1.0768	1.2201	1.2056	0.771	2.4214	1.2719
12	1.1809	1.0438	1.1251	1.0208	1.0627	1.0096	0.8429	1.1333	0.6424	1.2107	0.8479
13	1.2346	1.0438	1.1251	1.0808	1.256	1.1442	0.6433	0.8922	0.3855	0	0.5299
16	0.5904	1.0438	0.6058	0.7629	0.5796	0.4038	1.4419	0.4341	1.4135	0	1.2719
17	0.8642	0.8118	0.8182	0.9536	0.9661	0.8076	0.4215	0.8922	1.0279	0	0.8479
20	0.6441	0.8351	1.0227	1.0208	0.9661	1.0768	1.0205	1.3263	0.771	1.2107	0.7418
22	1.2346	1.0438	1.1251	1.0808	1.256	1.2115	0.5546	1.1092	1.0279	1.2107	1.166
23	1.0662	1.0438	1.1251	1.0808	1.1593	1.2115	0.8208	0.8922	0.8994	1.2107	0.8479
24	1.01	1.0438	0.8654	1.0208	0.7322	0.6815	1.2423	1.5674	1.4135	2.4214	1.2719
25	0.8978	0.9742	1.0385	1.0208	0.942	0.8076	1.0205	0.8922	0.3855	0	0.424
26	1.1272	0.9742	1.0385	1.0208	1.256	1.0768	1.0205	0.8681	0.771	0	0.5299
28	1.1809	1.0438	1.1251	1.0808	1.256	1.2115	1.2201	0.2411	0	0	0.424
29	1.0735	1.0438	1.1251	0.9007	1.1593	0.9422	1.1647	0.8922	1.4135	1.2107	1.0599
31	1.0735	1.0438	1.1251	1.0808	0.6762	1.1442	0.8429	1.055	1.4135	1.2107	1.4839
32	1.2346	1.0438	1.1251	1.0133	1.256	1.2115	0.7764	0.8922	1.0279	0	0.954
33	1.2346	1.0438	0.952	1.0808	1.0466	1.2115	1.4642	1.3263	1.799	2.4214	1.4839
35	1.0735	1.0438	1.0385	1.0172	0.8695	1.0768	1.2423	1.3503	1.2849	2.4214	1.59

Total Variance Explained									
Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.789	63.149	63.149	3.789	63.149	63.149	3.481	58.010	58.010
2	1.163	19.389	82.538	1.163	19.389	82.538	1.472	24.528	82.538

Table: 2 Detected components in the 6 Factors

Table I is the original scaled composite cores relating management ,capability, quality,of the suppliers (input in 1st DEA) and performance variables (output in 2nd DEA) hold by the suppliers.

Suppliers	1	2	3	4	5	6	7	8	9	10	11	12	13
EI	0.185	-2.249	-1.527	-0.056	0.915	-0.066	0.586	0.389	0.912	-2.73	-0.376	0.252	0.987
MI	-0.399	1.125	-1.62	0.622	0.33	0.448	2.225	0.581	0.487	0.276	-1.951	-2.069	0.484
Suppliers	14	15	16	17	18	19	20	21	22	23			
EI	0.767	-0.949	-0.176	0.626	0.951	0.1	0.166	0.849	0.431	0.009			
MI	0.352	0.82	-0.323	-0.36	0.407	0.215	0.912	0.425	0.786	0.673			

Table 2: Resulting Factors from Factor Analysis (Efficiency Index and Management Index)

Table 2 shows the resulting components EI and MI due to factor analysis which is taken as the hidden neurons of ANN Analysis, output of 1st DEA and input of 2nd DEA .

1st DEA was applied to find optimum suppliers based on the above 6 management inputs and 2 hidden neurons as outputs. A successive DEA was performed on the optimum suppliers with the same hidden neurons as inputs and the supplier performance variable as outputs. The efficiency analysis of 23 suppliers was performed using DEA solver with CCR model and the results were obtained.

DEA Results

A primary data of 23 DMU’s of suppliers on six inputs and two outputs were considered.

Findings on DEA-1 CCR Model

Average score with SD of Factors

DMU		QMP	SA	PMC	MF	DD	CR	H1	H2
1 to 23	Average	1.000022	1.000004	1.000043	0.999957	0.99753	0.99993	-8.7E-07	-1.3E-06
1 to 23	SD	0.208186	0.07621	0.143743	0.099054	0.290529	0.21065	0.97801	0.97802

All input averages were nearly unity indicating maximum performance and output variables nearly zero showing only moderate efficiency as SDs vary reasonably high. Also there is significant correlation between most of the factors

DMU	1 to 23
No. of DMUs	23
Average	0.697432
SD	0.346991

Frequency in Reference Set	
DMU	1 to 23
Peer set	Frequency to other DMUs
S3	4
S9	2
S13	2
S22	4
S24	1
S28	1
S31	5
S33	3

From the set of 23 DMUs 8 suppliers were classified with no error in the projected performance. In all other suppliers an error factor is found on projections of performance with respect to the given factors. 5 suppliers reach optimum performance only if conditions of S31 is achieved. 4 suppliers each attain optimum level only if condition of S3 or S22 is realized. Similarly, 2 suppliers each attains optimum only if conditions of S9 or S13 is realized and 1 supplier each attains optimum conclusion only if conditions of S24 or S28 is realized. Similarly, 3 suppliers required S33 conditions,

Findings on DEA-2 CCRI Model

8 suppliers with rank 1 and score 1 with CCRI model are considered as DMUs and applying CCRI -DEA model taking hidden layers as input (I) and the performance variable as outputs (O).

Average score with SD of factors

	H1	H2	QUALITY	PRICE	DELIVERY	CRP	OTHER
Average	0.145639	0.66919	0.957363	1.054213	0.947675	1.0593625	0.953938
SD	1.092951	0.263497	0.3067	0.377779	0.585123	0.94510238	0.443421

Factors are not consistent in both input and output but unity in average output is found Average efficiency is consistently improved to 90% with SD15% indicating much stable performing DMU

DMU	1 to 8
No. of DMUs	8
Average	0.897138
SD	0.15878
Maximum	1
Minimum	0.51049

Frequency in Reference Set	
Peer set	Frequency to other DMUs
3	0
9	4
24	4
28	0

For the DEA of 8 DMUs 4 suppliers were seen alike the projections with maximum efficiency. In all other cases error is found on projections but it can be reduced by suitable modifications with respect to S9 or S24 is realized.

In Rank order			
Rank	DMU	Score	
1	28	1	Efficient
1	3	1	Efficient
1	9	1	Efficient
1	24	1	Efficient
5	33	0.943696	
6	22	0.912234	
7	31	0.810685	
8	13	0.51049	

From the data set of 8 DMUs 2 (3,28) are efficient with Rank and Score 1 with no restrictions on other suppliers and in the remaining 2 reaches optimum with additional

conditions on 4th Supplier Also Supplier 33 and 22 realises more than 90% performance efficiency.

Thus the procedure of detection of the efficient supplier is reliable by DEA and its validity is ascertained more by applying ANN technique.

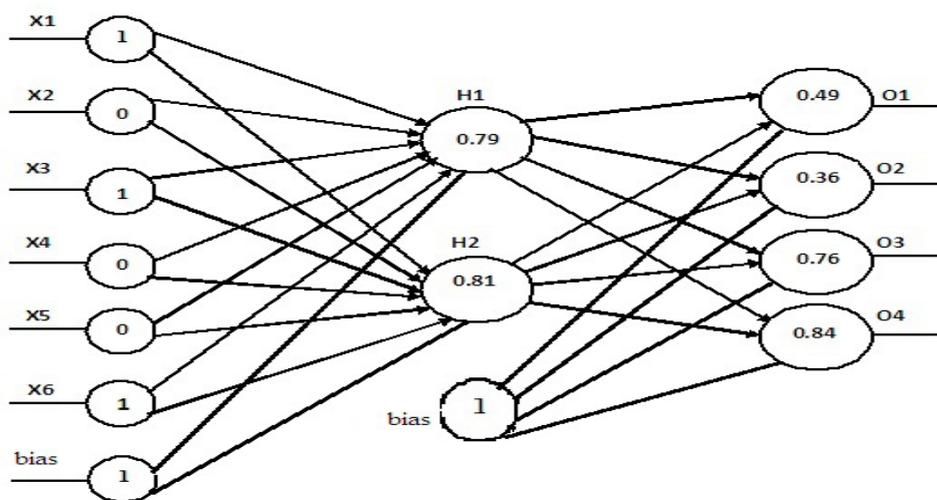
ANN Analysis

The DEA results were used for ANN analysis by taking the suppliers according to DEA conditions as the outputs of ANN system. Inputs in ANN were fixed from all the possible binary combinations of six variables and were selected as 1, 0, 1, 0, 0, 1 including the bias neuron with value 1. Figure 1 shows the artificial neural network with six input neurons in the input layer, four output neurons in the output layer and two neurons in the hidden layer. ANN training is performed using MATHCAD software and an optimum ANN is designed. In ANN, initially the weights on all the interconnections are set to be small random numbers which are initialized randomly to values between -1 and +1. The network then is presented with a training data set, which provides inputs and desired outputs to the network. Weight training in ANNs is usually formulated as minimization of an error function by iteratively adjusting connection weights. The probability of successful convergence will depend on the weight initialization scheme. For this reason back propagation can only be applied on networks with differentiable activation functions such as sigmoid function.

Sigmoid function, $f(x) = \frac{1}{1 + e^{-\sum w_i x_i}}$, where w_i is the weights and x_i is the input values. This gives values for hidden neurons and output neurons. At each training cycle, the error is calculated, and the weights are changed in the direction that minimizes the error. This process of changing the weights or updating the weights is called training. New weights are calculated by the formula

$$\Delta w(t) = -\varepsilon \frac{\partial E}{\partial w_t} + \alpha \cdot \Delta w_{t-1}, \quad \varepsilon = \text{learning rate}, \quad \alpha = \text{momentum}$$

All weights are kept until the end of training. Of all the possible outputs in the output layer, only one neuron will fire whose value is closer to 1.



The architecture of ANN

Figure 1 ANN Diagram

Mathematical Corroboration

DEA

Solving the DE problem gives the optimum solution for θ and also the corresponding values of the parameter (λ, s^+, s^-) . For an inefficient DMU a reference set, E_0 is constructed based on λ^* such that $E_0 = [j / \lambda_j^* > 0] : j \in 1, 2, \dots, n$.

Corresponding to each DMU we can formulate LPP in the form

$$\begin{aligned} & \text{(CCR}_I\text{) Max } h_0 = \sum_{r=1}^s u_r \cdot y_{r0} \\ \text{Subject to } & \sum_{i=1}^m v_i \cdot x_{i0} = 1 \\ & \sum_{r=1}^s u_r \cdot y_{rj} - \sum_{i=1}^m v_i \cdot x_{ij} \leq 0, j=1, \dots, n, \quad u_r, v_i \geq 0, r = 1, \dots, s; i = 1, \dots, m \end{aligned}$$

and the dual of CCR model is given as

$$\text{Min } \theta$$

$$\begin{aligned} \text{subject to } & \theta x_{i0} - \sum_{j=1}^n \lambda_j \cdot x_{ij} - s_i^- = 0, i=1, \dots, m, \quad \sum_{j=1}^n \lambda_j \cdot y_{rj} - s_r^+ = y_{r0}, r=1, \dots, s \\ & \lambda_j, s_i^-, s_r^+ \geq 0, j=1, \dots, n, r=1, \dots, s, i=1, \dots, m \end{aligned}$$

From the table "score" we have obtained the DEA score, reference set, λ^* values for each DMU in the reference set and ranking in input and in the descending order of efficiency scores. It is from these reference set we get an idea about how to improve the efficiency of inefficient DMUs.

For example, from the last result of DEA analysis, supplier 22 is inefficient.

Since $\lambda_{s9}^* > 0, \lambda_{s24}^* > 0$, the reference set for supplier 22 is $E_{S22} = S9; S24$ and $\lambda_{s9}^* = 1.088501, \lambda_{s24}^* = 0.100299$, shows the proportions contributed by them to evaluate supplier 22. Hence supplier 22 is technically efficient

The projection gives projections of each DMU on to the efficient frontier by the model input oriented CCR(CCR_I). General equation is

$$\begin{aligned} \widehat{x}_0 &= \theta \cdot x_0 - s^- \\ \widehat{y}_0 &= y_0 + s^+ \end{aligned}$$

The CCR_I projection is achieved by

$$\begin{aligned} \widehat{x}_{S22} &< \widehat{\theta} \cdot x_{H1} = 0.9122 \cdot 0.988 \text{ (-8.78 Percent reduction)} \\ \widehat{x}_{S22} &< \widehat{\theta} \cdot x_{H2} = 0.9122 \cdot 0.484 \text{ (-8.78 Percent reduction)} \\ \widehat{y}_{S22} &< s^{+*} + y_{\text{Quality}} = 0.555 + 0.6567 \text{ (118.40 Percent reduction)} \\ \widehat{y}_{S22} &< s^{+*} + y_{\text{Price}} = 1.109 + 0.5178 \text{ (46.68 Percent reduction)} \\ \widehat{y}_{S22} &< s^{+*} + y_{\text{Delivery}} = 1.028 + 0.3727 \text{ (36.26 Percent reduction)} \\ \widehat{y}_{S22} &< s^{+*} + y_{\text{CRP}} = 1.2107 + 0.3500 \text{ (28.91 Percent reduction)} \end{aligned}$$

In this case it is observed that out of 8 DMUs 4 are efficient and 4 are inefficient.

Weighted data shows the optimal weighted input, output value $x_{ij}v(i)$ and $y_{ij}u(r)$ for each DMU_j for $(j=1, \dots, n)$.

$$x_{ij}v(i) \rightarrow 0.266876 \cdot 0.98768 = 0.2636$$

$$y_{ij}u(r) \rightarrow 0.5546 \cdot 0 = 0$$

$$y_{ij}u(r) \rightarrow 1.166 \cdot 0.782362 = 0.9123$$

Slack shows the input excess s^- and output short falls s^+ for each DMU. DMU 22 shows a shortage of output Quality (0.656652), Price(0.517811), Delivery(0.372724) and CRP(0.350012).The DMUs without any excess of input and shortfalls of output is considered as efficient.

Here mix inefficiency is present as slack $s^+(1) = 0.65665173$. The removal of all inefficiencies is achieved by adding the outputs QUALITY, PRICE, DELIVERY and CRP by 118.40%, 46.68%, 36.26% and 28.91% respectively. In fact based on this reference set and we can express the input and output values needed to bring supplier 22 in to efficient status as,

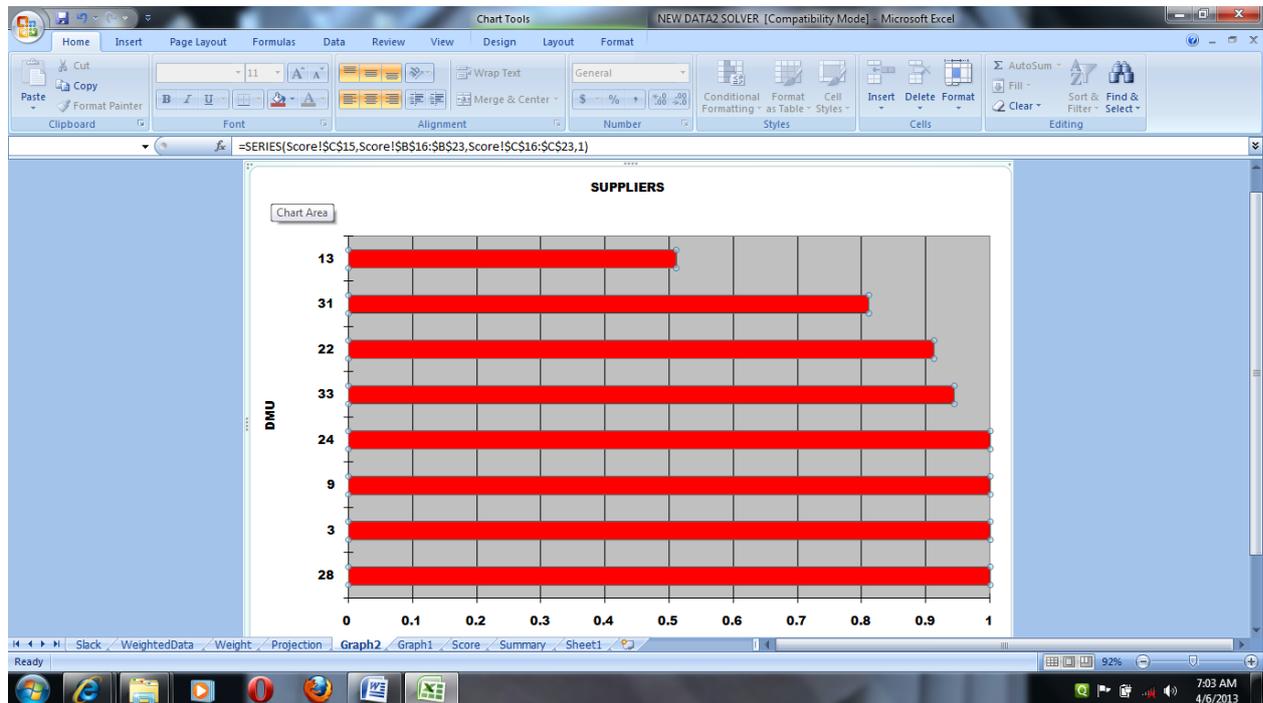
$$y = \widehat{y}_0 - s^{+*}$$

$$\widehat{y}_0 = \sum_{j \in E_0} y_j \lambda_j$$

[0.912234*(output Quality of supplier 22) = [0.1.088501*output Quality of supplier9] + [0.100299*output Quality of supplier 24] for remaining outputs.

For the improvement of supplier 22, it is recommended to add all output values projected by 0.912234 and add a constant 0.65665173 to the output Quality. Similarly all other inefficient DMUs are compared with their reference set, Rank order of all DMUs are obtained.

Bar Chart for the 2nd DEA



This shows efficient suppliers which reaches an optimum value 1 in rank order.

The graph shows the bar chart of DEA scores in the ascending order. The bar which does not reach the optimum level 1 represent the inefficient DMUs, which is very easy to identify. Considering the whole combinations (2^6) of 6 digit binary number and applying them to the training data of ANN, inputs are fixed which gives the maximum value for the output value

of hidden layer. Thus an input combination of 1, 0, 1, 0, 0, 1 is selected from the 64 combinations of 6 digit binary number.

Conclusion

Using DEA, 23 suppliers were tried for efficient suppliers and 8 only were initially efficient with 70% average efficiency and 35%SD. Repeated DEA leads to 4 stable suppliers of which two are unconditionally efficient with average performance 90% and SD 15%. Efficiency of 90% is achieved by two more suppliers

ANN analysis leads to a primary combination 1, 0, 1, 0, 0, 1 and wrt it by training and back propagation using iterative procedure a consistent sigmoid function is reached. From the ANN diagram it is found that 84% efficiency is realized for one supplier followed by 76% by the second supplier

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Appendix

Number of rows :=7

Number of columns :=2

$$\text{WEIGHT} := \begin{pmatrix} 0.74 & 0.94 \\ -0.37 & -0.59 \\ 0.48 & 0.35 \\ -0.18 & -0.45 \\ -0.82 & -0.63 \\ 0.29 & 0.29 \\ -0.21 & -0.10 \end{pmatrix}$$

$$\text{IN} := \begin{pmatrix} 1 \\ 0 \\ 1 \\ 0 \\ 0 \\ 0 \\ 1 \end{pmatrix}$$

IN1:=augment(IN,IN)

$$\text{IN1} = \begin{pmatrix} 1 & 1 \\ 0 & 0 \\ 1 & 1 \\ 0 & 0 \\ 0 & 0 \\ 0 & 0 \\ 1 & 1 \end{pmatrix}$$

$$\text{X} := \overrightarrow{(\text{IN1}.\text{WEIGHT})}$$

$$\text{X} = \begin{pmatrix} 0.74 & 0.94 \\ 0 & 0 \\ 0.48 & 0.35 \\ 0 & 0 \\ 0 & 0 \\ 0.29 & 0.29 \\ -0.21 & -0.1 \end{pmatrix}$$

i:=0.. number of

columns1-1

$$\text{SUMX}_i := \sum X^{(i)} \\ \begin{pmatrix} 0.7858 \\ 0.8146 \end{pmatrix}$$

$$\text{SUMX} = \begin{pmatrix} 1.3 \\ 1.48 \end{pmatrix}$$

$$\text{SIGMOIDX}_i := \frac{1}{1+e^{-(\text{SUMX}_i)}}$$

SIGMOIDX =

SIGMOIDX is the output value of the hidden layer.

Number of rows2 :=3

Number of columns2 :=4

OUTPUT:=stack(SIGMOIDX,1)

$$\text{WEIGHT2} := \begin{pmatrix} 0.22 & -0.16 & 0.95 & 0.83 \\ -0.78 & 0.34 & 0.61 & 0.24 \\ 0.42 & -0.73 & -0.11 & 0.79 \end{pmatrix} \quad \text{OUTPUT} = \begin{pmatrix} 0.786 \\ 0.815 \\ 1 \end{pmatrix}$$

OUTPUT1:=augment(OUTPUT, OUTPUT, OUTPUT, OUTPUT)

$$\text{OUTPUT1} := \begin{pmatrix} 0.786 & 0.786 & 0.786 & 0.786 \\ 0.815 & 0.815 & 0.815 & 0.815 \\ 1 & 1 & 1 & 1 \end{pmatrix} \quad \text{X1} := \overrightarrow{(\text{OUTPUT1}.\text{WEIGHT2})}$$

J:= 0.. numberofcolumns2-1

$$\text{X1} := \begin{pmatrix} 0.173 & -0.126 & 0.747 & 0.652 \\ -0.635 & 0.277 & 0.497 & 0.195 \\ 0.42 & -0.73 & -0.11 & 0.79 \end{pmatrix}$$

$$\text{SUMX1}_j := \sum X1^{(j)}$$

$$\text{SUMX1} = \begin{pmatrix} -0.042 \\ -0.579 \\ 1.133 \\ 1.638 \end{pmatrix} \quad \text{SIGMOID2}_j := \frac{1}{1 + e^{-(\text{SUMX1}_j)}} \quad \text{SIGMOID2} = \begin{pmatrix} 0.48938 \\ 0.35921 \\ 0.75647 \\ 0.83723 \end{pmatrix} \text{ is the}$$

output value.

$$\text{IDEAL} := \begin{pmatrix} 1 \\ 1 \\ 1 \\ 1 \end{pmatrix} \quad \text{ERROR} := \text{SIGMOID2} - \text{IDEAL} \quad \text{ERROR} = \begin{pmatrix} 0.511 \\ -0.641 \\ -0.244 \\ -0.163 \end{pmatrix}$$

$$\delta_j := -\text{ERROR}_j \cdot \left[\frac{1}{[1 + \exp[-(\text{SUMX1}_j)]]^2} \cdot \exp[-(\text{SUMX1}_j)] \right] \quad \delta = \begin{pmatrix} 0.128 \\ 0.147 \\ 0.045 \\ 0.022 \end{pmatrix}$$

$$\delta 1_i := \frac{1}{[1 + e^{-(\text{SUMX1}_i)}]} \cdot \exp[-((\text{SUMX1}_i))] \cdot (\text{WEIGHT2}^{(3)})_i \cdot \delta_3 \quad \delta 1 = \begin{pmatrix} 0.0031 \\ 0.0008 \end{pmatrix}$$

$$\text{GRADIENT} := \delta_3 \cdot \text{OUTPUT} \quad \text{GRADIENT} = \begin{pmatrix} 0.017 \\ 0.018 \\ 0.022 \end{pmatrix} \quad \text{GRADIENT1}^{(i)} := \delta 1_i \cdot \text{IN}$$

$$\text{GRADIENT1} = \begin{pmatrix} 0.003099 & 0.000804 \\ & 0 & 0 \\ 0.003099 & 0.000804 \\ & 0 & 0 \\ & 0 & 0 \\ 0.003099 & 0.000804 \\ 0.003099 & 0.000804 \end{pmatrix} \quad \alpha := 0.5 \quad \varepsilon := 0.005 \quad n :=$$

1..numberofrows2

$$\text{BACKPROPOGATION}_0 := 0 \quad \text{numberofrows1} = 7$$

$$\text{BACKPROPOGATION}_n := -\varepsilon \cdot \text{GRADIENT}_{n-1} + \alpha \cdot \text{BACKPROPOGATION}_{n-1}$$

numberofrows2 = 3

$$n := \text{numberofrows2} + 1..10$$

$$\text{BACKPROPOGATION}_n := -\varepsilon \cdot (\text{GRADIENT1}^{(0)})_{n-1-3} + \alpha \cdot \text{BACKPROPOGATION}_{n-1}$$

$$n := 11..17 \quad \text{BACKPROPOGATION}_n := -\varepsilon \cdot (\text{GRADIENT1}^{(1)})_{n-1-10} + \alpha \cdot \text{BACKPROPOGATION}_{n-1}$$

$$\text{BACKPROPOGATION} =$$

0	0	9	-0.000021
1	-0.000087	10	-0.000026
2	-0.000134	11	-0.000017



3	-0.000178	12	-0.000008
4	-0.000104	13	-0.000008
5	-0.000052	14	-0.000004
6	-0.000042	15	-0.000002
7	-0.000021	16	-0.000005
8	-0.00001	17	-0.000007

These values are added with the initial weights to get the new weights and the same procedure is repeated in different iterations until we get the maximum value of sigmoid closer to 1. Thus by back propagation a consistent output is derived.

An Evaluation of Remuneration Scheme In Relation To Staff Turnover in Kenyan Private Universities: Case Study of the Kenya Methodist University

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Abstract

The study evaluated employee perception on remuneration scheme on staff turnover in Kenyan Private Universities with the Kenya Methodist University as the case study. The objective of the study was to evaluate remuneration scheme in relation to staff turnover in Kenyan Private Universities and to ultimately come up with appropriate recommendations that would facilitate the reduction of staff turnover in private universities. It is hoped university administration, government and other human resource policy makers and employees will greatly benefit from the findings. The descriptive research design was used to obtain data from the targeted and accessible population which comprised of teaching and non-teaching staff at the Nairobi and Nakuru Methodist University campuses. 136 respondents were selected purposively. Self-developed questionnaires were administered personally to respondents to gather the information. The data collected was analyzed using tables, frequency distributions and percentages. The statistical package for social sciences (SPSS) was used to assist in the analysis process. Remuneration is key in retaining workers in any organization and it must be the purpose of any human resource management to design a competitive remuneration package which will serve to attract, retain, and motivate staff so as to ensure the ultimate organization's commercial and financial viability.

Key Words: *Employee Turnover; Morale; Remuneration*

1.0 Introduction

1.1 Background

Organizations invest a lot on their employees in terms of induction and training, developing, maintaining and retraining them in their organization. Therefore, managers at all costs must minimize employee's turnover. Although, there is no standard framework for understanding the employees turnover process as a whole, a wide range of factors have been found useful in interpreting employee turnover (Kevin et al 2004). Therefore there is need to develop a fuller understanding of their employee turnover, more especially, the sources-what determines employee turnover, effects and strategies that managers can put in place to minimize turnover.



With globalization which is heightening competition, organizations must continue to develop tangible products and provide services which are based on strategies created by employee. These employees are extremely crucial to the organization since their value to the organization is essentially intangible and not easily replicated (Meagher et al, 2003). Therefore, managers must recognize that employees are major contributors to the efficient achievement of the organization's success. Abbasi et al (2000). Managers therefore should control employee turnover for the benefit of the organization success.

Employee turnover is a much studied phenomenon, Shaw et al (1998). But there is no standard reason why people leave organizations, Employee turnover is the rotation of workers around the labour market, between firms, jobs and occupations, and between the states of employment and unemployment, Abbasi et al (2000). The term "turnover" is defined by Price (1977) as the ratio of the number of organizational members who have left during the period being considered divided by average number of people in that organization during the period . Frequently managers refer turnover as entire process associated with filling vacancy; each time apposition is vacated, either voluntary or involuntary anew employee used to be hired or trained. This replacement cycle is known as turnover. (Woods,1995). Although a moderate level staff of turnover is good for business, every organization needs to have a strategy in place to retain the high performers that give it a competition edge. The cost of not doing so can be severe, as high employee turnover can be very costly. It lowers internal morale and it could harm an organizations external reputation and costs it business.

Turnover costs for many organizations are very high and can significantly affect the financial performance of an organization. Direct costs include recruitment, selection and training of new people. Much time and expense go into this process. Indirect costs include increased workloads and overtime expenses for coworkers as well as reduced productivity associated with low employee morale. There are many potential causes for turnover. Area economic conditions and labour market conditions affect general turnover rates and can be very difficult to manager. However, certain causes associated with turnover in any specific job or organization can be managed. These causes include non-competitive compensation, high stress, poor working conditions, monotony, poor supervision, poor fit between the employee and the job, inadequate training, poor communications, and organization practices

A certain degree of turnover maybe desirable, expected and accepted since it creates opportunities to induce wider experience, new ideas to the organization and reduce inbreeding as well as providing career development opportunities/ paths for existing workers. However, persistently high levels of labour turnover are costly to both individual organizations and to the economy of a country as a whole as it adversely affects efficiency, productivity and morale. High labour turnover has impacts on organizations in relation to organizational costs, morale, training and customer services.

The analysis of labor turnover is a vital role of the Human Resource Development as the data may be used to forecast future recruitment and training requirements and also assist an organizations retention strategy. By measuring labour turnover on a regular basis (Usually annually) organizations can immediately recognize a change in levels and implement strategies for dealing with this. Once employees leave an organization, there is need to replace them with new recruits. Hall (2006) identifies the main reasons that make workers leave an organization as: resignations (both voluntary and due to incapacity pregnancy and ill-health, dismissal (including redundancy), retirement, inadequate wage levels leading to



employees moving to competitors, poor morale and low levels of motivation within the workforce, recruiting and selecting the wrong employees in the first place, meaning they leave to seek more suitable employment, a buoyant local labour market offering more (and per harps more attractive) opportunities to employees.

Hall (2006) further noted that voluntary resignations which are not foreseen by management can have particular cultural disruptive effects. He also adds that management has varying degrees of control over other reasons for leaving, for example an unusually high proportion of dismissals, calls for an examination of selection, disciplinary and planning procedures.

Torrington (2005) also noted that turnover always rises when the economy is strong and jobs are plentiful because there are more opportunities available for people to charge employers. In Kenya, the era of industrialization and liberalization of the economy resulted in the emergence of many institutions of higher learning. Today, Kenya is home to 7 Public Universities, 24 Public University Colleges, 1 chartered private Universities, 4 Private University constituent colleges, 11 Universities with letters of interim authority, 2 registered private universities (CHE, 2012). This state of affairs has led to authority competition for students as well as employees. As a result of this competition, staffs keep on moving from one employer to the other. Many organizations have now resolved to the poaching technique as a way of recruiting their staff. Staff turnover is indeed a tricky phenomenon that demands attention.

1.2 Statement of the problem

Employee turnover is expensive from the view of the organization. Voluntary quits which represents an exodus of human capital investment from organizations, Fair (1992) and the subsequent replacement process entails manifold costs to the organizations. These replacement costs include search of the external labour market for a possible substitute, selection between competing substitutes, induction of the chosen substitute, and formal and informal training of the substitute until he or she attains performance levels equivalent to the individual who quit John (2000). Output would be affected to some extend or maintained at the cost of overtime payment. Turnover has some significant effects on organizations (Darricco and Giridharan, 1987; Dyke and Strick, 1990; Contrell and Sararakh, 1991; Denvir and McMahan, 1992). Many researchers argue that high turnover rates might have negative effects on the profitability of organizations if not managed properly (Barrows, 1990; Hogan, 1992; Wasmuth and Davis, 1993). Hogan (1992) opines that nearly twenty years ago, the direct and indirect cost of a single hire employee quitting was between \$ 1400 and \$ 4000. Turnover has many hidden or invisible costs. Phillips (1990) and these invisible costs are as a result of incoming employees, co-workers closely associated with departing employees and position being filled while vacant. And all these affect the profitability of the organization. On the other hand turnover affects customer's services and satisfaction (Kamal et al, 2002).

Catherine (2002) argues that turnover include other costs, such as lost productivity, lost sales, and managements time. She estimates that the turnover costs of an hourly employee to be \$ 3,000 to 10,000 each. This clearly demonstrates that turnover affects the profitability of the organization and if it is not managed properly it would have the negative effects on profits.

Research estimates indicate that hiring and training a replacement worker for a lost employee costs approximately 50 percent of the workers annual salary (Johnson et al, 2000) but the costs do not stop there. Each time an employee leaves the firm, we presume that productively

drops due to the leaving curve involved in understanding the job and the organization. Furthermore, the loss of intellectual capital adds to this cost, since not only do organizations lose the human capital and relational capital of the departing employee, but also competitors are potentially gaining these assets. Meaghan et al (2002). Therefore if employee turnover is not managed properly it would affect the organization adversely in terms of personal costs and in the long run it would affect its liquidity position. In order to manage turnover properly entails appreciating the factors that influence the turnover.

The Methodist University is a private university in a highly competitive industry. The issue of staff turnover is an ever present reality that must be coped with. The question posed in “does remuneration influence staff turnovers in Kenyan Private Universities with the Methodist University as the case study? This research study will endeavor to determine this.

1.3 Objective of the study

The aim of the study was to evaluate remuneration in relation to staff turnover at the Kenya Methodist University.

1.4 Research question

What is the influence of remuneration on staff turnover at the Kenya Methodist University?

1.5 Justification and significance of the study

The Kenya Vision 2030 and its First Millennium Term Plan (2008-2012) identify education and training as key sectors under the social pillar that would enable the country develop requisite human capital for sustainable development (GOK 2007 and 2008) University education has always been a centre piece in nation building and economic development. It is universally conceded to be a critical engine for prosperity and growth (CHE, 2012).

Upon the implementation of the study recommendation it is hoped that Private universities and other organizations in Kenya will realize that measuring of staff turnover is important in strategic corporate planning and forecasting, hence these organization will adopt a proactive posture in dealing with the issue of staff turnovers. The universities management will benefit from the feedback given by the respondents as the reasons why they quit jobs. This in turn will avail then the platform from which to design strategic staff remuneration plans in order to remain competitive in the job market by making their employers of choice. The study will provide material to the Human Resource Departments at the private universities to model their remuneration policies. The study will provide material to enable the government to plan for higher education needs in the long-term. Employees will benefit because once the universities implement the recommendation arising from the study, they will enjoy improved working conditions hence improved work and hiring standards. The research findings will benefit society at large because once there is an improvement in the remuneration for employees at private universities; the workers will be in a position to invest in development projects that will result in overall societal development. Finally research findings will satisfy the researcher’s curiosity to know exactly how remuneration influence staff turnover at private universities in Kenya and thus be in a position to have appropriate recommendations.

1.6 Scope of the study

The study focused on remuneration’s influencing on staff turnovers in private universities. The case study of the Methodist University (KEMU) - a chartered private university founded by the Methodist Church in Kenya with the main campus in Meru. It has campuses in



Nairobi, Nakuru, Mombasa and Nyeri and centers at Maua Meru Town and Marimanti, Kakamega. The study was carried out at the Meru, Nakuru and Nairobi units and will involved university management staff, teaching staff and non-teaching staff who will be selected purposively.

1.7 Limitation of the study

The findings generated from the study at the Kenya Methodist may not be applicable to public Universities or such other settings because operational circumstances are different. The environment and practices at the private Universities is generally different from those at public University.

2.0 Review Of Literature

2.1 Introduction

The paper is informed by the Expectancy and the Equity theories

2.1.1 Expectancy Theory (1964)

Expectancy Theory formulated by Vroom (1964) states that, effort to satisfy needs will depend on the person's perception that he or she can expect the effort to be followed by a certain outcome which will bring desirable rewards. According to Vroom (1964), an individual behavior will be affected by; what the person wants to happen, his or her estimate of the probability of the things happening and how strongly the person believes that the event will satisfy a need. Individuals normally base their predictions of what will happen in the future of what has occurred in the past. New situations that workers have not previously experienced like job changes or succession, new working conditions and environment cause uncertainty and thus may reduce employee motivation because the individuals involved have no prior knowledge of the likely consequences of altered circumstances. For Vroom management should make clear to employees what exactly it expects from new working practices, workers should be able to see a connection between their efforts and the rewards these efforts generates, rewards should satisfy workers needs and complicated reward schemes are unlikely to increase employee's efforts because workers cannot relate hard work to higher wages. According to Armstrong (2006), succession management makes meaning when accompanied by rewards and work excitement. Okumbe (2001), on his part believed that employees will increase their productivity with the expectation of receiving appropriate rewards from their employers. The performance of employees, therefore, depends on both their expectation that the increased productivity will lead to increased rewards and the value they attach to the rewards. Satisfaction is highest when rewards meet expectations of employees and when the value of the reward is commensurate with effort and skill expended in obtaining it. All organizational expectations is making profits which is an indicator of organizational performance.

2.1.2 Equity Theory and the Workplace (as Developed by Adams 1965)

Equity theory is concerned with the perception people have about how they are being treated compared with others. To be dealt with equitably is to be treated fairly in comparison with other group or workers. Armstrong (2006), on equity theory stated that people will be motivated well if they are treated equitably and de-motivated if they are treated inequitably. This can lead to job satisfaction and will boost morale. It is the top management's role to treat workers fairly if they expect to retain them. Okumbe (2001), noted that, compensation levels must be perceived to be fair and just to all participants. He further stated that equity is concerned with felt justice according to natural law. For compensation to be fair, it must be

felt to match the level of work and the capacity of the individual to do work. It should be noted that workers have feelings of discomfort and guilt resulting from inequitably higher pay. And this in turn causes them to act in a manner that reduces dissonance. Thus, if the law of natural justice is followed, then staff turnover will not be a priority as employees will be willing to continue working at KeMU.

2.2 Costing staff turnover

When deciding what kind of measures to put in place in order to improve staff retention generally or retention of particular individuals, organizations need to balance the costs involved against those that are incurred as a direct result of voluntary resignations. Although it is difficult to cost turnover accurately, it is possible to reach a fair estimate by taking into account the range of expenses involved in replacing one individual with another. Once a figure has been calculated for a job, it is relatively straight forward to compute the savings to be gained from a given percentage reduction in annual turnover rates. Figure 2.2 below shows the approach to turnover costing recommended (Fair, 1992)

Figure 2.2 Costing Turnover

Enter number of employees	_____	(a)
Enter average weekly wage £	_____	(b)
Multiply (a) x (b) £	_____	(c)
Multiply (c) x 52 £	_____	(d) = total pay bill
Enter current turnover rate	_____	% (e)
Multiply (e) x (a)	_____	(f) = staff loss per annum
Enter average number of days to	_____	(g)
Multiply rate for overtime/turnips	_____	(h)
Multiply (b) x (h) £	_____	(i)
Multiply (f) x (g) x (i/5) £	_____	(j) –immediate cover
Preparation and interview time per applicant (days)	_____	(k)
Short listed applicants per position	_____	(l)
Enter average manager weekly wage £	_____	(m)
Multiply (f) x (k) x (l) x (m/s) £	_____	(n) = interview cost
Enter average recruitment fees	_____	% (o)
Multiple (d) x (o) £	_____	(p) recruitment fee cost

Length of induction training (days)	_____	(q)
Frequency of this training (p-a)	_____	(r)
Multiply (h/s) x (q) X (t + r) £	_____	(s)= induction training cost
Duration of learning curve (months)	_____	(t)
Enter non-productive element	_____	% (u)
Multiply (d) x (e) x (t/12) x (u) £	_____	(v) = non productive cost
Multiply (t) x (u) (months) £	_____	(w)
Multiply (d) x (e) x (h) x ((w)/12) £	_____	(x)= containing cover costs
Multiply (g) (b/5) x (t) £	_____	(y) salary savings
Add (j) + (n) + (p) + (s) + (v)+(x)-(y) £	_____	(z) = turnover cost p.a
<u>Potential cost saving</u>		
Enter expected turnover reduction	_____	% (1)
Multiply (z) x ((1)/(e)) £	_____	2) = labour turnover savings
Enter reduction in replacement time £	_____	% (3)
Multiply (j) x (3) £	_____	(4)=Added cost savings
Add: (2) + (4) £	_____	(5) = Total savings p.a

Source: H. Fair (1992)

Costing turnover each year permits organizations to state with some confidence how much money is being saved as a result of ongoing staff turnover programmes. It can also be used as a means of persuading finance directors of the case for investing money in initiatives which can be shown to improve retention. An example of an organization which has done this is positive steps oldhan, a note-for-profit company set up when two local careers service organizations merged (IDS 2005). The new organization employs 205 people and at the time it was formed had an overall staff turnover rate of 38 percent over a three year period as a result of various targeted initiatives, turnover fell to a much healthier.14 percent. Not only did this make the organization much more effective, it also substantially reduced overload (Torrington 2008)

2.3 Measuring staff turnover

Graham and Bennet (2006), defined staff turnover as the movement of people into and out of the firm. They further noted that it is usually convenient to measure turnover by recording movement of staff from the firm on the assumption that a new employee fills vacancies created due to normal labour wastage (Cole, 1998). The simplest measure involves calculating the number of leavers in a period (Usually a year) as a percentage of the number of employees during the same period. This is known as the “separation rate” or crude waste rate. For purposes of this study the following formula has been adopted

$$\text{Separation rate} = \frac{\text{Number of leavers} \times 100}{\text{Average number working}}$$

2.4 Factors influencing staff turnover in organization

Armstrong (2009) stated that employee turnover should be analyzed in order in to forecast future loses and identify reasons for people leaving the organization. Plans can then be made to attack the problems causing unnecessary wastage and replace uncontrollable losses. The human resource planner, therefore has to know how to measure wastage and analyze the census of staff turnover in his/her organization.

Blunt (1990) stated that in order to estimate the organization manpower retention capacity, it's not usually sufficient to calculate current labour figures and extrapolate these into the future. An organization ability to retain its employees is a function of many factors, most of which change with the passage of time. Even in cases where today's labour turnover figures out to be the same as or similar to turnover, the underlying causes may differ.

Blunt(1990) gives the following factors as having been found influencing staff turnover in organizations leaving for higher earnings, leaving for better career prospects/career progression, leaving to reduce strains in interpersonal conflicts, the induction crisis, leaving to reduce work under load or overload and leaving for alternative roles,/change of jobs.

Taylor at al (2000) interviewed 2000 people who had recently changed employers about why they left their last jobs. They found a mix of factors at work in most cases but concluded that push factors were a great deal more prevalent that pull factors as causes of voluntary resignations. Very few people appear to leave jobs in which they are broadly happy in search of something even better. Instead the picture is overwhelmingly one in which dissatisfied employers serve alternatives because they no longer enjoy working for their current employer.

Interestingly this study found relatively few examples of people leaving for financial reasons indeed more of the interviewees took pay cuts in order to move from one job to another than said that a pay rise was their principal reason for switching employers. Other factors played a much bigger role:

- a) Dissatisfaction with the conditions of work especially hours
- b) A perception that they were not being given sufficient career development opportunities
- c) A bad relationship with their immediate supervisor

The third facto was by far the most commonly mentioned in the interviews, lending support to the often stated point that people leave their managers and not their organizations

Branhan (2005) drawing on research undertaken by the Saratoga institute, reached similar conclusions. His seven "hidden reasons employees leave" are the job or workplace not living up to expectations; a mismatch between the person and the job; too little coaching and feedback; too few growth and advancement opportunities; feeling devolved and unrecognized; stress from overwork and work-life imbalance; loss of trust and confidence in senior leaders

Charter fee (1992) argued that when an organization loses the services of a competent employee, it is certainly a matter of concern to the organization. He further argues that every

effort should be made to look into reasons and make necessary changes in fundamental policies to improve the climate of working for the remaining staff. He says that firms which have got a well organized performance appraisal system experience low rates of turnover. The appraisal system should, therefore, include a survey of the future needs of the organization, identify the future job needs and conspire the skills and capability of different workers so as to fit them in different areas of work in due course.

According to Flippo (2008), the movement of staff into and out of the organization is an index of the stability of the workforce. However, an excessive movement is undesirable and expensive. High turnover from certain categories of staff suggests a need for improvement in working conditions and /or supervision. He concluded by stating that the reasons given for employee leaving must be analyzed carefully to ascertain their truth.

Leap (1993) noted that turnover may be voluntary or involuntary. Voluntary turnover recurs when the employee has an option to remain with the present employer but decides to accept a job elsewhere or leaves the labor force altogether. Involuntary turnover occurs when the employee is discharged or must resign for reasons outside his/her control (Layoffs, illness, permanent disability, dismissals, retirement, redundancy, death etc.

Mobley (2003) referred to the causes of turnover as determinants of turnover,. He states that the general classes or determinants of turnover are: - The state of the economy (for example, the availability of alternative jobs); organizational variables such as leadership, reward system, job design etc and individual variables. He further noted that there are various types of cessations. "A frequently used distinction is between voluntary separation (employee-initiated) and involuntary separation (organization-initiated plus death and mandatory retirement. The US Bureau of labour statistics (1980) classifies separation in three (3) ways: "Quit", "Lay off", and "others". Mobley further summarizes the variable related to turnover as the causes and correlates or determinants of turnover. The variables are related to turnover either directly, indirectly, causally, or correlationally.

According to Tretty (2006), people are ever joining and leaving organizations all the time. But some organizations find it more difficult to keep their staff than others. There are a number of reasons why organization might suffer high staff turnover. Rates of turnover from industry to another. The main factors, therefore, influencing high staff turnover are as:-

a)Reward schemes – Every industry has organizations that pay well and some that pay badly. There will always be a few employers who try to get away with paying as little as possible and high staff turnover is the inevitable result. Employees might stay a little longer in times of recession because no other work is available but they know they are being exploited and will be looking for a way out (Mobley 1998).

b)Staff training policy – asking someone to do a job but not giving them adequate training is de-motivating .Some people pick it up quickly and may even thrive on the challenge, but they are the exception. Often there are good intentions to train but others, apparently more important things keep getting in the way. Managers continually under estimate the value of training staff (Armstrong, 2009).

c) Weak leadership – In most organizations, people work as teams alongside colleagues performing complementary roles. Between them, they run a process or deliver a solution or



product, whether in a coffee shop or a bank. Teams perform at their best under clear leadership, where someone has a vision of how the team should work and the level at which it should perform. Weak leadership can lead to disagreements about purpose and direction, disharmony and employee discontent (Torrington 2008).

d) Unrealistic expectations – Some managers expect too much from their staff, often because they don't know how to do the job themselves and don't understand why it takes longer than they think it should. Or they want an unreasonable level of commitment to unpaid overtime or working through breaks. This is often accompanied by the absence of positive feedback and encouragement (Bernstein 1998)

e) Organizational culture – It can be difficult to break the cycle of high turnover. When new employees join an organization, they soon become aware of the culture and they quickly pick up on expectations about length of service. This will affect their own career planning and unless serious effort is put into breaking cycle, high turnover will continue. (Sigima Assessment Systems (2007)

The HR Chally group (2007) noted that a certain amount of employee turnover in a company is natural and desirable. Desirable turnover occurs when, for instance, it creates an opportunity for good candidates for managerial and leadership positions to be promoted into higher positions of responsibility. Another example is when poorly performing employees leave or one let to go, ideally to be replaced by more productive ones. Thus an acceptable amount of turnover prevents stagnation and brings in new and fresh talent.

The group further argued that undesirable turnover is another matter especially when good talents leaves, the replacement costs are often quite high due to loss of productivity, recruitment costs to find and select new candidates, training costs for new replacements that are hired. The group therefore identified the causes of undesirable employee turnover as: Job mismatch (the right people, but the wrong jobs for their talent). Poor job engagement, inadequate training in critical skills for the job, inadequate compensation plans, including incentive plans for sales people.

In conclusion, new starters are likely to leave; turnover is often high in expanding organizations, which have high proportions of new status. Turnover may also be high in organizations which hire staff on contract basis as workers tend to move to employers offering greater job security. Pay is perhaps most frequently assumed to be reason for workers leaving but is rarely the only reason. Where workers can compare their earnings unfavorable with those of others in the same industry, level, or the same locality, then pay levels do influence staff turnover. Even so people remain in jobs they like although higher paid work is available. Labour turnover will vary in different groups of employees and measurement is more useful if broken down by department or section or according to such factors as length of service, age or occupation.

2.5 Effects of remuneration schemes on staff turnover.

Remuneration or Reward is clearly central to the employment relationship (Torrington 2008). While there are plenty of people who enjoy working and who claim that they would not stop working even if they were to win a large lottery, most of us work because it is our only way of earning the money we need to sustain our families in the life style to which we are accustomed. How much we are paid and in what form is therefore an issue which matters

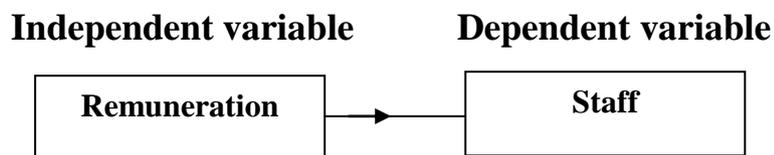
largely to us.(Torrington 2008). This therefore suggest that a worker will be willing to stay in a job where the remuneration has been set at the right level otherwise they will be persuaded to leave to a better paying job.

According to Okumbe (2001), an effective remuneration system is one that enables an organization to attract, retain and motivate its employees. The base compensation ,which is the cash payment or salary paid to employees in return for their standard (optimum) performance, enables organizations to attract and retain employees(Okumbe 2001).The objectives of a well –thought –out remuneration system include to i) enable organizations to attract and retain competent career personnel; ii) motivate personnel so as to attain optimum performance; iii) enable organizations to gain maximum return in service from the employees; iv) help minimize staff turnover and v) enable the personnel to develop confidence in organizations with respect to equity and objectivity.

It is clear from the above narrative that remuneration has an effect on staff turnover especially in a situation where competitors are able to offer competitive pay.

2.5 Conceptual Framework

A conceptual framework consists of independent and dependent variable. An independent variable is the presumed cause of change in the dependent variable. It is caused or influenced by independence variables. Dependent variable(s) is the variable the researcher wishes to explain. In this study it is turnovers. This study considers remuneration to be the variable that influence turnover of staff at the Methodist University, and thereafter have recommendations to reduce the problem (turnovers). It is worth noting that staff turnover is usually influenced by a combination of various factors each one of which may vary from organization to organization. In this study we focused on remuneration.



(Source: Author 2013)

Figure 2.5 Relationships of the Independent and Dependent Variables

Organization invests a lot in their employees in terms of induction and training developing, maintaining and retraining them in their organizations. Therefore, managers at all cost must minimize employee’s turnover (Kevin et al 2004). Turnover is measured for individual companies and for their industry as a whole. If an employer is said to have a high turnover relative to its competitors, it means that employees of that company have a shorter average turnover than those of other companies in the same industry. High turnover may be harmful to a company’s productivity if skilled workers are often leaving and the worker population contains a high percentage of novice workers (Wikipedia 2013).

In figure 2.2 staff turnover is determined by remuneration. The level of staff turnover is the dependent variable. Remuneration offered and paid can cause high or low turnover.

High turnover often means that employees are unhappy with compensation. Low turnover indicates that none of the above is true: employees are satisfied with the remuneration.

3.0 Research Methodology

3.1 Introduction.

The study sought to investigate factors influencing staff turnover in Kenyan private universities using KEMU as the case study. This chapter therefore gives a framework for conducting the research. It gives details and procedures necessary for obtaining information needed to test and answer the research questions. The chapter contains description of the study, sampling design, research instruments, data collection methods and analysis procedure and interpretation.

3.2 Research design

This study adopted the descriptive research design. This research design was used to accurately portray the characteristics of a particular individual, situation or even a group taking Kenya Methodist University as a case for this study. Descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way (Shuttle Worth, Martyn, 2008)

Descriptive research design is advantageous due to the following reasons: Firstly, it often yields accurate results since the subject under study is always observed in a completely natural environment without affecting their normal behavior in any way.

Secondly, compared to quantitative experiments, descriptive research designs is inexpensive and less time-consuming. The case study approach was used because since private universities in Kenya are geographically scattered, the decision to use KEMU as case study was to save on costs and time bearing in mind the limited time and financial resources available for the study. However, the findings from the study could be inferred to the other private universities.

3.2 Target population

The study population is as presented in table 3.1

Location	Category	Frequency
MERU	Management	20
	Teaching	70
	Non- teaching	70
	Sub-total	160
NAIROBI	Management	10
	Teaching	65
	Non- teaching	65
	Sub-total	140
NAKURU	Management	10
	Teaching	65
	Non- teaching	65
	Sub-total	140
	GRAND TOTAL	440

(Source: Author 2013)
Table 3.2 Target Population

Population is basically the universe of units from which a sample is selected (Allan, 2007). It could be an entire group of people, events or things of interest that a researcher wishes to investigate. With regard to this study, the target population will comprise of individuals with some common characteristics from which the researcher would make a generalization of the study. The Kenya Methodist University will form the target population. The management, teaching staff and non-teaching staff at the Meru, Nairobi and Nakuru establishments will be involved in the study for the purposes of affordability and convenience.

3.3 Sampling Strategy

Sampling is the process of selecting a subset of people or social phenomena to be studied from a larger universe to which they belong. The size of a sample to be used is determined by a balance of resources available, anticipated techniques of analysis, how much variation is believed to be in the universe and the level of precision needed in the estimates to be made about the universe on the basis of data from the sample (Geoff, 2007). By selecting a studying sufficient number of elements from the population, the researcher will be able to generalize these properties and characteristics to the entire population. The sample characteristics /statistics will be used to estimate the characteristics of the population and comprises some elements from the population.

Stratified random sampling method will be used to ensure that representatives from each department within the population will be represented in the sample. This will involve grouping the population that has similar characteristics together .In this case, the

Using stratified random sampling method, the researcher worked out a sampling size of 10% selected from each category /stratum as shown in the following table.

Table 3.2 Sample size

3.4 Data collection instruments

The data collection tools that were used in this study were self-developed questionnaires, interviews and document analyses. These methods yielded two types of data collected for the study: primary and secondary data.

3.4.1 Primary data

This included raw data that was collected from teaching and non-teaching staff through randomly distributed questionnaires and interviews (both face to face for the existing staff and exit interviews). Questionnaires were used to facilitate individual opinion and specific information respectively. The questions were administered to respondents randomly by the researcher with the assistance of the line managers. The respondents were required to complete the questionnaire in one week's time after which the researcher collected them. Questionnaire validity and reliability was be determined through piloting afterward. In addition exit interviews was conducted to 6(six) employees, 2 persons from each job group, that have left KEMU since January 2010 to find out exactly the reasons that made them quit KEMU. The researcher also observed the trend of turnover especially by studying the statistics from personnel data records so as to get a rough idea of the magnitude of the problem.

3.4.2 Secondary data

This involved visiting the library to get information on literature review, browsing the internet, analyzing documents like personnel data, training manuals, welfare manuals and other KEMU publications.

3.5 Validity and Reliability of instruments

3.5.1 Validity

Validity refers to the degree to which an instrument measures what it is supposed to measure for a particular purpose and a particular group (Hay, 1981). The instruments for this study were questionnaire and interview schedule that were validated through the application of content analysis determined by expert judgment. It was expected that content validity of the items in the questionnaire and interview schedule was ensured following the researcher's consultation with peers and the supervisors. Again, it was hoped that through scholarly criticism and advice on draft instruments for data collection, polished instruments which can stand validity tests was obtained.

3.5.2 Reliability

According to Coolican (1994) the reliability of an instrument is the measure of the degree of which a research instrument produces the same results when retested on the same people at different times (so long as nothing significant has happened to them between tests). A pilot study was carried out to pre-test the reliability of the instruments to be used in data collection. The researcher sought advice from experts to ensure that the tools for data collection were reliable.

3.6 Data analysis methods

The goal of data analysis according to (Ngau, 2004) is to clarify problems, identify alternatives and provide a sense of direction. Data collected from questionnaires and interviews was recorded in a diary for final tabulation and analysis using both qualitative and quantitative techniques. Editing was done to the questionnaires to check for any blank responses. Tabulation involved counting the number of cases that fell into each category.

Data analysis helped the researcher to check how well coding and entering of data was done. This was done by checking the central tendency and dispersion of data (mean, range, mode, median, standard deviation and variance of the data). Thematic approach was used to analyze qualitative data. Statistical Packages for Social Sciences (SPSS) was used for interpretation to make conclusions and finally draw effective recommendations.

4.0 Data Analysis, Presentation And Interpretation

4.1 Employee Background Information

The surveyor always wants that everyone chosen to respond to all the questions asked. Questionnaires were issued one week in advance to selected respondents and requested to complete them as soon as possible. The surveyor personally undertook to collect the questionnaires from the respondents and to engage some in a face to face interview for explanations where it was deemed necessary. Out of the 136 questionnaires that were issued out, only 10 were received back. This represented approximately 88% of the total questionnaires issued out. The surveyors considered this response rate as satisfactory. Those who did not respond to the questionnaire included 5 from management, 7 from the teaching staff and 4 from the non-teaching staff. 11 of those who did not respond cited their work

schedules as the impediment but the other 5 were non cooperative. The respond rate is depicted in table 4.2.

Category (Selected campuses)	Questionnaires given	Returned	% age
Management	12	7	5.0
Teaching	62	55	40.4
Non- Teaching Staff	62	58	42.6
	136	120	88.0

(Source: Author 2013)

Table 4.2. Respondents Response Rate

With regard to age, 30% of respondents reported that they were below 30 years, 45% were between 31-45 years, 20% were between 46-60 years and 5% were over 60 years. (See table 3.3 below). 72% responded that they were married while 28% were single. If turnover has been experienced at the KeMU this could be attributed to the relatively youthful workers (30% below 30 years and 45% between 31-45 years). Such workers tend to be very restless and active and will be looking to more other opportunities that present themselves elsewhere. And all KeMU campuses are within or close proximity to settings like Nairobi, Nakuru, and Mombasa which potentially can offer alternative job opportunities. Also, there has been tendency for institutions including private universities to prefer offering non-teaching staff jobs on a temporary, contract or casual terms. When this is the case that happens, the affected workers will be less attached and committed to their work because most of the time they will be looking for a quick exit to more to more secure jobs openings.

Age Brackets (yrs)	Frequency	% age
Below 30	36	30
31-45	54	45
46-60	24	20
Over 60	6	5
	120	100

(Source : Author 2013)

Table 4.2.1 Age of respondents

4.2.2 Number of years Worked

The number of years worked by an employee in an organization is a good and reliable measure of the staff retention policy. Staff retention is the process of ensuring that employees are kept within the departments especially employees with valued or needed skills or experience in scarce/critical fields (where recruitment is difficult). The aim of any staff retention is to prevent the loss of competent staff from the department, which could have an adverse effect on overall performance especially in a very competitive private higher education sector which boasts 14 chartered private universities, 4 private universities constituent colleges, 11 universities with letters of interim authority and 2 registered private universities. Staff retention stems from the employment process. Employment process is a crucial process that should receive careful and sufficient attention to ensure that its objectives and goals are achieved. The three employment processes (recruitment, selections, and

placement) pre-determine the effectiveness of the retention strategy of the department. For staff retention to be successful, it has to be linked positively with the processes and practices of recruitment, selection, placement, training and development, remuneration and performance appraisal.

The researcher/ surveyor through the questionnaire asked respondents to indicate the period they had served at the university and the findings are tabulated in table 4.2.2.

n= 120

Years worked	Frequency	% age
Below 1 year	5	5
2-5 years	62	20
6-10 years	24	52
Over 10 years	6	23
Total	120	100

(Source: Author 2013)

Table 4.2.2. Response on number of years worked

The Methodist University had been in existence since 1997 when a letter of interim authority was granted by the commission for higher education. It became a fully fledged chartered university in June 2006. It is therefore a relatively young institution of higher education. It started off with a batch of 9 students in 1997 and the population had grown tremendously to over 10,000, in 2013. It had 440 staff. The university also uses adjunct/part-time staff.

From the data tabulated in table 3.4, 75 of the sampled respondents indicated that they had been in employment from 6 to over 10 years. The institution is only 16 years old. This means that most workers have remained with the university since its inception and only 5% have been employed recently in less than one year. The newly employed were mostly due to expanding universities with increased activities. That most workers have chosen to work at KeMU for long is due, according to findings to relatively good working conditions based on a relatively sufficient retention policy. Field work also suggested that the ecumenical character that the university maintains helps to create conducive working environment. Field work also suggest that the few who left cost the university indirect financial of replacing them and also other repercussions were suffered such as the loss of very skills, knowledge and experienced, description to operation and the negative effect on workforce morals. There were also increased overload on the remaining staff which tend to reduce the productivity of the institution.

4.2.3 An Appreciation of Concept of Turnover

The quality of the research finding dependent on the respondents grasp of the research topic. Therefore, the level of education was crucial. Out of the 120 respondent that participated in the exercise, all the 7 management staff had a bachelor's degree or above, all of the 55 teaching staff had a bachelor's degree or above, 18 had a diploma, and 30 had certificate qualification. This reality is depicted in table 3.5. All the respondents indicated that they appreciated what the concept staff turnover is. The researcher/surveyor had the opportunity to have a face to face interview session with three lecturers at different times whether the matter of turnover was tackled in depth. It came out very clearly from them that overall high turnover often means that employees are unhappy with the work or compensation, but it can also indicate unsafe or unhealthy conditions, or that too few employees give satisfactory performance (due to unrealistic expectations, inappropriate process or tools, or poor

candidate screening). The lack of career opportunities and challenges, dissatisfaction with the job or conflict with the management were cited as predictors of high turnover.

From the interview with the three, low turnover indicate that none of the above is true: employees are satisfied, healthy and safe, and their performance is satisfactory to the employer. However, the predictors of low turnover may sometimes differ from those of high turnover. Aside from the fore-mentioned, career opportunities, salary corporate culture, management recognition, and a comfortable workforce seemed to have given the total picture on the subject of causes of high or low turnover. The respondent involved in the exercise contributed the high gravity of discourse and research findings by virtue of their academic qualification and grasp of the subject matter of them.

Category	No. of bachelors degree and above	Diploma holder	Certificate holder	Total
Management	7	-	-	7
Teaching staff	55	-	-	55
Non- teaching staff	18	10	30	58
Total	80	10	30	120

(Source: Author 2013)

Table 4.2.3 Academic Qualification of respondents

4.3 Remuneration And Staff Retention

Respondents involved in the study were to answer question relating to the influence of remuneration on staff turnover at the Methodist university .They agreed that remuneration is helpful in reducing staff turnover and findings were as tabulated in table 4.3.

Response	Frequency	%Age
Definitely agree	90	75.0
Probably agree	20	16.7
Neutral	10	8.3
Probably don't agree	-	-
Definitely don't agree	-	-
	120	100.0

(Source: Author 2013)

Table 4.3 Remuneration and turnover

75% of the respondents definitely agreed that a good well structured remuneration package will reduce staff turnover.

Asked whether a well administered remuneration system would boost the morale of the employees and reduce the staff turnover at KeMU, the findings in table 4.4indicated that83.3% of the respondents agreed that a well administered remuneration system enhances the morale of workers and tended to reduce the turnover of workers. Hence remuneration is central in retaining workers in an organization. Human resource management should design a competitive remuneration package which will serve to attract, retain, and motivate staff while minimizing cost so as to ensure commercial and financial viability.

Response	Frequency	%Age
Definitely Yes	100	83.3
Probably Yes	20	16.7
Neither Yes nor No	-	-
Probably No	-	-
Definitely No	-	-
	120	100

Table 4.4 Remuneration and Morale

5.0 Summary Of Findings, Conclusions And Recommendations

5.1 Introduction

The results highlighted that the quality of any research findings depends on the respondents grasp of the research topic. The level of education and experience contributed immensely to the satisfactory quality of the research findings. Reward or remuneration is always central to employment relationship. The amount and form paid is therefore an issue which matters hugely. Remuneration is key in retaining workers in any organization and the human resource management needs to design a competitive remuneration package which will serve to attract, retain, and motivate staff while minimizing costs ensuring ultimately commercial and financial viability. At KeMU, the remuneration system seems to be relatively competitive and has apparently reduced employee turnover.

5.2 Conclusion

The Methodist University is a relatively new entity that came into being some 16 years ago. It has grown very rapidly from a population of 8 in 1997 to over 10,000 currently, because of its relatively short lifespan, and the fact that it is growing rapidly in competitive private higher education sector, it has generally adopted measures that seem to have contained turnover, at least so far. And it is important to pay attention to certain realities relating to turnover. Research has uncovered a moderately inverse relationship between satisfaction and turnover.

According to T.W Lee and T. Richard (1987), high job satisfaction will not in and of itself, keep turnover low, but it does seem to help. On the other hand, if there is considerable job satisfaction, there is likely to be high turnover, obviously, other variables enter into an employee's decision to quit besides job satisfaction. For example, age, tenure in the organization and commitment to the organization may play a role. Some people remain regardless of how dissatisfied they feel. Also, when the general economy is performing well and be there can be an increase in turnover because people will begin looking for better opportunities elsewhere. On the other hand, if jobs are tough to get, dissatisfied will voluntarily stay where they are. Research findings verify that unemployment rates directly affect turnover.

Overall however, our conclusions from the review of literature and the filed study at the Methodist University indicate that remuneration influence staff turnover.



5.2 Recommendations

It will always be incumbent upon management to design the appropriate staff retention management policy aimed at minimizing potential staff turnover. University management needs to motivate employees to stay. It is absolutely necessary for management to compensate employees adequately. They should pay employees based on their performance and in addition, they should give employees incentives like individual bonus, lamp sum bonus, and other benefits. If these are put in place, they would minimize employee turnover.

5.3 Recommendation For Further Research On Turnover

Seminal literature on private higher education in Africa identifies Kenya to have a larger sector of private religious institutions. These institutions still account for the largest number of private universities in the country. All of them base their curricula on some ecclesiastical beliefs and teachings. Besides some like the catholic university of East Africa, Africa Nazarene University, and the Kenya Methodist University that offer both religious and secular curricula, the rest in this category offer purely religious syllabi for those of their followers who want to join the university as preachers. It is suggested that research be conducted to determine the influence of the ecclesiastical foundations at private religious universities on staff's turnover at the universities. A part from remuneration, there are many other factors that influence employee turnover. Research needs to be done on these other factors and compare their effect with that of remuneration and amongst themselves.

Appendix 1

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Old Habits Die Hard...? Stereotypes as Barriers to a Successful Intercultural Communication

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Abstract

The following paper brings into focus the phenomenon of intercultural communication – the issue that plays a significant role in today’s globalized world. The worldwide globalization can be considered as a reason responsible for various connection development among particular countries. The above-mentioned connections do not only concentrate on discovering the aspects of other cultures as a tourist and learning about language, traditions, habits, landscape and certain facets of everyday life. There can be also observed a more important meaning of intercultural communication – the international business relations that enable economic development and economic security of various countries all over the world. The lack of extensive knowledge of some traits or behaviors characteristic for certain cultures may lead to many intercultural misunderstandings. This article aims to clearly identify stereotypes as a chosen barrier to successful intercultural communication. It also shows the case study method as one of the most suitable teaching methods when it comes to solving different cultural matters.

Key words: intercultural communication, stereotypes, stereotype modification possibility, prejudice.

1. Introduction

The subject of intercultural communication in today’s globalized world can be regarded as one of the most significant issues concerning successful cooperation among countries. The afore-mentioned theme is being constantly analyzed from many different perspectives. This subject has already been investigated by a wide range of researchers, e.g. Göller (2000), Baumer (2002), Bredella (2002), Mikułowski Pomorski (2003), Thomas (2003), Myczko (2005), Scollon/Wong-Scollon (2005), Bolten (2007), Busch (2007) or Golka (2008).

The author of this paper decides to base on the research that was conducted while working on her dissertation from 2007 to 2011 at Adam Mickiewicz University in Poznań, Poland. The subject of the examination concerns an analysis of different approaches to intercultural communication. It also offers an investigation into barriers to successful intercultural communication. Worth mentioning is the fact that the obstacle presented in this article cannot be treated as the only existing one. Of course, there can be beheld a huge variety of many other issues that lead to unsuccessful intercultural communication or do not enable intercultural communication among cultures. After five years of dealing with intercultural communication the author decides to describe in this article the stereotype phenomenon as one of the most significant barriers.

2. The Definition of Culture and Intercultural Communication

The theme of intercultural communication cannot be analyzed without explaining what is understood as culture. Worthy of mention is the fact that there are hundreds of culture descriptions – „there is no general culture definition” (Bolten 2007: 39). By consulting the relevant literature the article examines the most important ones for this investigation.

Goodenough (1964) claims that „we should note that culture is not a material phenomenon; it does not consist of things, people, behavior, or emotions”. (Goodenough 1964: 36). Goodenough regards culture as an organization of the above-quoted aspects which are thoughts and feelings of a person, interhuman relations or the way of interpreting reality by certain people: “A society’s culture consists of whatever it is one has to know or believe in order to operate in a manner acceptable to its members, and to do so in any role that they accept for any one of themselves” (ibid.). Hall (1976) carries out an exploration of the high-context and low-context communication (Hall 1976: 91): “A high-context (HC) communication or message is one in which most of the information is either in the physical context or internalized in the person, while very little is in the coded, explicit, transmitted part of the message. A low-context (LC) communication is just the opposite: i.e., the mass of the information is vested in the implicit code” (ibid.). Heringer (2004), Markowsky and Thomas (1995) consider culture as away of orientation in an unknown reality. Similarly to culture definition there can be also observed a variety of intercultural communication explanations. Moreover, these definitions are usually connected with a certain context. This paper bases on the chosen descriptions given by such scientists as Lüsebrink (2005), Bolten (2007) or Thomas (2007).

After focusing on the term of culture putting an emphasis on interculture occurs to be worth mentioning. According to Bolten (2007) interculture refers to an international collaboration on various levels between different countries (Bolten 2007: 22): „Intercultures are created when the members of different worlds A and B cooperate with one another” (ibid.).

On the other hand communication can be – strongly simplified – contemplated as *message*, *announcement*, *exchange* or *connection* (Beck 2007: 13). Lüsebrink (2005) comprehends intercultural communication as „the communicative dimension of relations” (Lüsebrink 2005: 7).

Researchers who deal with social psychology also carry out an analysis of intercultural communication (e.g. Thomas). This approach should be viewed as a significant one because it provides a detailed explanation of intercultural communication from the perspective of human behavior. In Thomas’ opinion there should be a strong connection between intercultural acting and intercultural communication – the scientist recons acting as „a specific form of behavior” (Thomas 2007: 56).

An interesting way of perceiving culture present G. Hofstede, G.J. Hofstede and Minkov (2010) – the scientists regard culture as a kind of „mental programming” (G. Hofstede/G.J. Hofstede/Minkov 2010: 4) that consists of particular patterns of behavior and emotional attitude towards various matters (ibid.). The above-mentioned characteristic concerns a group of people treated as members of a certain culture (ibid.). The researchers explain what they mean by using the term „software of the mind” (ibid., 5) while concentrating on culture definition: “This does not mean, of course, that people are programmed the way computers are. A person’s behavior is only partially predetermined by his or her mental programs: he or

she has a basic ability to deviate from them and to react in ways that are new, creative, destructive, or unexpected. The software of the mind (...) only indicates that reactions are likely and understandable, given one's past" (ibid.). Moreover, according to G. Hofstede, G.J. Hofstede and Minkov the „mental programming" starts in the childhood – a period of time which is responsible for collecting a database of future reactions within the scope of a culture that one belongs to (ibid.)

3. Pictures in Our Heads (Walter Lippmann) as Barriers to a Successful Intercultural Communication

As already mentioned the author of this article aims to provide a description of stereotypes as possible barriers to successful intercultural communication. The following part of the paper carries out an exploration of stereotypes that can be recognized as obstacles interrupting international relations among certain cultures.

3.1 The Definition of Stereotypes

*„If stereotypes are a part of the general culture,
it would be a bit strange
if they were not generally believed”
David J. Schneider*

By considering the relevant literature one can come to a conclusion that: “Any form of stereotyping is potentially an obstruction to successful intercultural communication, because it will blind us to real differences that exist between the participants in a discourse” (Scollon/Wong-Scollon 2005: 171). The first publication that stressed the theme of stereotypes was „Public Opinion” by Walter Lippmann published in 1922. The above-mentioned book can be contemplated as a revolutionary work because its author formulated a definition of stereotypes as the first scientist – according to Lippmann they should be pinpointed as „pictures in our heads” (Lippmann 1922/ 2008: 37). Lippmann's observation can be explained in the following way: “For the most part we do not first see, and then define, we define first and then see. In the great blooming, buzzing confusion of the outer world we pick out what our culture has already defined for us, and we tend to perceive that which we have picked out in the form stereotyped for us by our culture” (Lippmann 1922/ 2008: 83).

An extensive body of literature exists on the analysis of stereotypes and their definition. Bartmiński supports Lippmann's idea and recons stereotypes as „elements of a linguistic worldview” (Bartmiński 1998: 65-66). Scollon und Wong-Scollon (2005) maintain that stereotypes should be described in the under mentioned way: “Stereotyping is simply another word for overgeneralization. The difference, however, is that stereotyping carries with it an ideological position. Characteristics of the group are not only over generalised to apply to each member of the group, but they are also taken to have some exaggerated negative or positive value” (Scollon/Wong-Scollon 2005: 168).

The author of this paper regards the above-presented stereotype definitions as the most significant ones for this article. More extended, a further detailed stereotype description analysis is beyond the scope of this investigation. The next subchapter presents two different ways of perceiving stereotypes: the positive and the negative one.

3.2 Positive and Negative Stereotypes

Juang and Matsumoto's (2007) standpoint refers to stereotypes as a kind of orientation in a foreign reality – the scientists point out that background knowledge (or imagination) of a particular culture may demonstrate the most appropriate ways of *savoir vivre* (Juang/Matsumoto 2007: 103). The researchers consider stereotypes from two different perspectives – they divide them into positive and negative ones (ibid.): “Stereotypes can be either positive or negative. For example, a common positive stereotype is that Asians are hard-working, the *model minority*. Another positive stereotype is that Germans are industrious and scientifically minded. Stereotypes can be generally true or completely false” (ibid.). It is arguable that stereotype research mainly focuses on negative aspects (Yzerbyt/Demoulin 2010: 1058): „Even members of groups who typically enjoy advantaged social status may at times be confronted with a negative stereotype on particular dimension” (ibid.). According to Scollon und Wong-Scollon (2005) negative stereotypes can be viewed as a barrier to successful intercultural communication and as a source of intercultural misunderstandings (Scollon/Wong-Scollon 2005: 171f). They prevent foreigners from regarding a particular country in a positive way (ibid.): “If we forget the deeper reasons why these rhetorical strategies are used, we can easily move into negatively stereotyping members of other groups who are working from different basic assumptions about the most respectful way to treat strangers. The result is an overall negative impression of members of the other group” (ibid., 172). Moreover, negative stereotyping also influences the international business environment – that is why some countries are not preferred to deal with their inhabitants as prospective business partners.

3.3 Stereotype Modification Possibility

This article refers to stereotypes as a kind of barrier to intercultural communication that does not enable successful international relations within the framework of private contacts and business cooperation. Taking into consideration the fact that there is a huge variety of different stereotypes concerning particular nations, the author of this paper would like to concentrate on stereotype modification possibility.

3.3.1 The Connection Between Stereotype and Prejudice

First of all, various studies revealed results regarding the reason of stereotype strong position in people's minds (e.g. Hansen 2000:322 or Schneider 1996: 440) - prejudice is treated as one of these significant aspects (Schneider 1996: 440): „There is no doubt that our prejudices, however derived, can sometimes drive our stereotypes and make them resistant to change“ (ibid.). Prejudice is defined as: “An antipathy based upon a faulty and inflexible generalization. It may be felt or expressed. It may be directed toward a group as a whole, or toward an individual because he is a member of this group” (Allport 1954: 9). Filner and Myers (1994) treat prejudice as an inevitableness and highlight the fact that it should be contemplated as a deep-rooted part of human nature (Filner/Myers 1994: 19). The scientists illustrate prejudice as „a reflection of cultural and psychological context (and) intrinsically human and therefore unavoidable“ (ibid.). Brown (1995) reflects Filner and Myers' (1994) opinion (Brown 1995: 7): “Prejudice which besets so many societies in the world today and which so urgently requires our understanding is the negative variety: the vary, fearful, suspicious, derogatory, hostile or ultimately murderous treatment of one group of people by another” (ibid.). Schneider (2005) focuses on the aspect that prejudice as an integrated part of a particular inhabitant group everyday life (Schneider 2005: 27). Mainly this facet makes stereotypes irresistible for modification: “Prejudging is as normal and almost as much a part of our basic (and, I dare say, primitive) mental toolbox as is categorization. Every day in

countless ways, I must decide whether to approach or avoid certain people, situations and things” (ibid.).

The connection between stereotype and prejudice leads to the following question: is there any possibility to modify the ways of perceiving other cultures? The next subchapter focuses on this aspect.

3.3.2 Stereotype Modification Analysis

In spite of certain stereotype and prejudice existing as a part of „pictures in our heads” (Lippmann 1922/ 2008: 37) some scientists do not exclude stereotype modification possibility: “Despite the obvious continued existence of stereotypes and prejudice, many cultural stereotypes have changed (and some quite dramatically) over the last half century or more (...). Of course, cultures can change without individuals’ changing, as defenders of the old die and are replaced by the generations of the newly enlightened – but real change *has* taken place” (Schneider 2005: 379). Stangor (2000) associates stereotype modification with individual relations between inhabitants of different cultures and traditions (Stangor 2000: 419): “We consider the process of stereotype change produced through contact with individual group members an example of the general cognitive process by which attributes of category members modify category attributes” (ibid.).

While considering stereotype modification possibility one should also take Fiske and Operario’s (2004) statement into account – within the scope of international relations a tourist or a businessman must take into consideration the variety of information about a foreign country and try to verify the read or heard „truths” (Fiske/Operario 2004: 134) „stereotype change can occur by revising categorical beliefs through motivated attention to information (ibid.). Schneider (2005) maintains instances of stereotype modification possibility (Schneider 2005: 380): “For example, attitudes toward people with mental illness improved at least from the early 1950s through the early 1970s (...). Attitudes toward homosexuals have become more favorable over the past 15 years or so (...). The gender stereotypes have probably lessened over time, although not dramatically (...). The most intensively studied area has been racial attitudes, and here there is considerable evidence of real change from the 1950s until at least the late 1980s” (ibid.). In the context of modifying stereotypes Schneider (1996) also mentions a particular difficulty when it comes to changing deep-rooted standpoints (Schneider 1996: 439): “Consider, first, the issue of whether some stereotypes are invulnerable to experimental change. Some stereotypes seem to be, but unless we want to define stereotypes narrowly in terms of this feature we also need to recognize that many are not” (ibid.). Schneider (1996) provides an explanation of the above-mentioned difficulty concerning stereotype change. According to Schneider’s (1996) statement there are four main reasons why stereotypes do not undergo any rapid modification (ibid.).

Firstly, some stereotypes cannot be modified in a fast way because they are strongly connected with some traditional images (ibid.). As an example Schneider (1996) maintains the traditional approach to female and male sex (ibid.): “Unyielding stereotypes are accurate at least in terms of mean tendencies. I doubt that spending even thousands of (boring) hours watching female bodybuilders would change my stereotype that men are stronger than women (ibid.).

Secondly, Stangor (1996) claims that it is particularly complicated to modify viewpoints concerning reality of chosen countries (ibid.). Moreover, certain human reactions in various

situations are beheld as emotional, stereotype and prototypical attitudes (ibid.). The scientist also contemplates another reason which is individual conviction that ordinarily remains constant (ibid.).

Such authors as Klin (1991) or Panasiuk (1998) also regard stereotype modification as difficult but not impossible (Klin 1991: 143 or Panasiuk 1998: 84-98). The arguments they put forward are comparable to these of Schneider (1996). According to Andersen and Taylor (2008) the stereotype modification problem stems from the fact that a certain group of stereotypes has never been considered in scientific works as modifiable (Andersen/Taylor 2008: 275): “Racial and ethnic inequality is peculiarly resistant to change. In society, the inequality produces racial stereotypes, and these stereotypes become the lens through which members of the dominant group perceive members of the minority group” (ibid.). Devine, Monteith and Zuwerink (2000) draw attention to the connection between stereotype and prejudice – if stereotypes are regarded as modifiable, the same aspect may concern prejudice and motivate members of certain cultures to change their viewpoints about the inhabitants of other countries (Devine/Monteith/Zuwerink 2000: 305).

The above-quoted researchers examined prejudice modification possibility and came to a conclusion that there are certain steps to be followed while attempting to change one’s position – these are: “Establishing nonprejudiced standards based on one’s personal beliefs for how one ought to respond; internalizing those standards by linking them to the self-concept, defining them as important, and feeling committed to them; learning how to inhibit stereotypic responses so as to respond consistently with one’s personal standards” (ibid.). Devine, Monteith and Zuwerink’s (2000) prejudice reduction concept pertains prejudice reduction possibility of each group member – even of the most prejudiced ones (ibid., 307): “Given the relatively overt and controllable nature of prejudiced behavior, coupled with existing social norms prohibiting their expression, there is reason to believe that high prejudiced people may at least have established nonprejudiced standards for behaviors” (ibid.). The authors carry out an exploration of the above-mentioned opinion in the following way: “Whether these standards are based on their own standpoint or that of others (e.g., society) is an open question, the answer to which could have important implications. If high prejudiced subjects have established nonprejudiced standards based on the own standpoint for their behaviors, tactics for encouraging them to generalize such beliefs to other types of responses [...] might be devised” (ibid.).

The above-presented analysis shows various difficulties concerning stereotype modification. To sum up, the most significant barrier to successful intercultural communication seem to be the deep-rooted attitudes towards other cultures.

4. Case studies concerning stereotypes and communication

After focusing on theory describing intercultural and stereotypical issues the autor of this article would like to suggest a certain way of working on above-mentioned aspects in the classroom. An investigation into the existing teaching methods shows that the case study method can be regarded as one of the most suitable teaching methods while dealing with difficult cross-cultural matters. The aim of a case study is to motivate the course participants to find the best solution or a diversity of solutions to a particular problem. Students usually work in groups and discuss different possibilities. They may learn how not to perceive other nations in a stereotypic way, how to respect other cultures in everyday life or in the business area. Finally, they also exercise certain skills: „It is possible to train managerial

communication skills, such as holding a meeting, negotiating a contract, or giving a presentation. Case studies force students into real-life situations that require them to get involved in managerial communication” (Odrakiewicz/Zator-Peljan 2012: 130). The proper case study preparation and the ability to use other sources/research plays a very important role while working on a chosen case: „The most important consideration case study preparation and teaching is thorough case review and appropriate Internet-based support provided to each group commensurate with their level. The use of e-learning resources support business, intercultural management communication and managerial skills acquisition in addition to language skills“ (Odrakiewicz/Zator-Peljan 2012: 130).

The author of this investigation would like to present here a few case studies that can be used during an intercultural training or a Business English course combined with cross-cultural issues. The below-quoted case studies are written by Shanti Consulting, a company that deals with improving one’s performance by using the cultural intelligence (<http://www.shanticonsulting.com/multicultural-communication-case-studies/>):

a) **Monsooned**

A case study on project deadlines, the Indian ‘yes’ and high-context versus low-context communication.

Rebecca works with United Technologies, a Chicago based company. She is talking on the phone to Abhinav, the manager of one of United Technologies vendors for customer service outsourcing.

Rebecca: We really need to get all of the customer service representatives trained on our new process in the next two weeks. Can you get this done?

Abhinav: That timeline is pretty aggressive. Do you think it’s possible?

Rebecca: I think it will require some creativity and hard work, but I think we can get it done with two or three days to spare

Abhinav: Ok.

Rebecca: Now that our business is settled, how is everything else?

Abhinav: All’s well, although the heavy monsoons this year are causing a lot of delays getting around the city.

Two weeks later...

Abhinav: We’ve pulled all of our resources and I’m happy to say that 60% of the customer service representatives are now trained in the new process. The remaining 40% will complete the training in the next two weeks.

Rebecca: Only 60%? I thought we agreed that they all would be trained by now!

Abhinav: Yes . The monsoon is now over so the rest of the training should go quickly.

Rebecca: This training is critical to our results. Please get it done as soon as possible.

Abhinav: I am certain that it will be done in the next two weeks.

Reflection...



- Did Abhinav agree to the initial timeline requested by Rebecca?
- What might Rebecca be thinking about Abhinav?
- What might Abhinav be thinking about Rebecca?
- How will this incident affect their future interactions

b) Jim's Mistake

A case study on virtual teams, hierarchy, and direct versus indirect communication styles.

Based in Cleveland, Ohio, Jim has been managing a software development team in Pune for the past two years. He has been working closely with Aruna, the Indian team leader, to develop a new networking program. While Jim has over 25 years of experience in software development, Aruna knows the program inside and out.

While reviewing his work from the previous week, Jim discovers that he made a mistake in the programming code. He notices that Aruna corrected his error, but wonders why Aruna did not bring it to his attention so that he could avoid delays and keep from making the same mistake in the future.

Reflection...

- a. Should Aruna have informed Jim of his mistake? Why or why not?
- b. If Jim wants to be notified of his mistakes in the future, how should he proceed?

c) Sandeep is out of the office

A case study on miscommunication in multicultural teams.

Sandeep has just joined the Bangalore office of a New York based MNC. As part of his training he will be spending 3 months in the US, but has already been assigned to a team with members in New York, Tokyo and Bangalore. Sarah, the New York based project manager, has scheduled a teleconference meeting for Tuesday. Sandeep will be traveling to Delhi to get his US visa over the meeting time. Here's their conversation...

Sarah: Can we do the teleconference tomorrow, 7 pm for you, or should we wait until you get back?

Sandeep: Better if we can wait, but I can do it if you like – if it's necessary.

Sarah: Do you want to postpone it? Tell me, yes or no?

Reflection...

- a. What cultural and/or personality traits are influencing the communication?
- b. What is Sarah likely to be thinking/feeling?
- c. What is Sandeep likely to be thinking/feeling?

d) Promotion

A case study on cultural conflict and the values of status and community.

Mayank has been working as an Information Officer at a foreign consulate in New Delhi for several years. His boss, Hendrick, wants to reward Mayank for his hard work and offers him a promotion and pay raise to become an Information Clerk. Mayank politely declines the offer, leaving Hendrick confused.

Reflection...

- a. Why would Mayank refuse the promotion?
- b. How should Hendrick proceed?

e) And Also Meet with Others

A case study on cross-cultural partnerships, intercultural communication and high-context versus low-context communication.

Mark is an American living in Delhi and is meeting with Ajay, who is a government official that frequently deals with the public. Mark is interested in forming a partnership with Suresh, a local businessman with whom Ajay has worked in the past. Mark wants to know if Ajay thinks partnering with Suresh is a good idea.

Mark: Do you happen to know Suresh?

Ajay: Of course, I have worked closely with him on a number of projects over the past 10 years. I know him very well.

Mark: I was thinking about meeting him and seeing if there might be a possibility for collaboration. What do you think?

Ajay: Yes, you should meet with him, and you should also meet with others.

Mark: Thanks. Who else should I meet with?

Ajay: You know there are some girls who fall in love with a boy who is very popular, well dressed, and good looking. After they get married, they realize that they made a mistake because the boy has no substance. Other girls will look for a guy with good character – checking out his family situation and talking with his friends about him. When she gets married, she is much happier than the girl who married the popular guy.

Reflection:

- a. Should Mark meet with Suresh? Why or why not?
- b. Why does Mark ask about other people to meet with?
- c. Why does Ajay talk about a hypothetical marriage?

5. Conclusions

As already mentioned, intercultural communication is considered as a significant aspect while creating positive international relations among different countries in today's globalized world. Expanded it means that the intercultural communication phenomenon influences not only various spheres of everyday life, but also global business environment. The main focus the presented paper investigates is putting a lot of emphasis on examining stereotype as one

of barriers to successful intercultural communication. The author decided to explore stereotypes within the framework of this article after conducting research from 2007 to 2011 at Adam Mickiewicz University in Poznań, Poland.

What this all amounts to is that stereotype modification could exclude certain barriers affecting human behavior on international level and enable successful collaboration between particular countries. According to some researchers stereotypes can be regarded as possible to modify. On the other hand it is contemplated as quite difficult. The above-quoted scientists study the variety of aspects serving as examples of a difficult stereotype modification process e.g. it is hard to modify standpoints concerning reality of chosen cultures, traditional approach to female and male sex or individual belief that remains constant. Moreover, human behavior is beheld in various situations as emotional, stereotype and prototypical. Worth of mention is also the fact that some groups of stereotypes have never been considered in scientific works as modifiable. To sum up, it can be stated that as long as stereotypes are a part of „pictures in our heads” (Lippmann 1922/2008: 37) they will be considered as a barrier to successful intercultural communication.

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