The Change Drivers in Business Context: Evidence from Pakistan

Saquib Yusaf Janjua¹ and Javaid Sobia²

The paper reveals the anticipated changes taking place in Pakistan and their influence on business practices. It focuses on exploring the significant changes in internal and external business environment and provide the in depth analysis of these drivers of change on business environment in country. The findings present in this paper are result of the first phase of a survey launched as a part of a large project. The findings reveal that in external environment global & national economic situation, innovation, law & order situation anticipate to mostly affect the business organizations in Pakistan. Whereas on the internal side new product design and quality in service delivery seen as great opportunity for business growth. The changes in HR policies and programs aim at introducing modern HR practices in recruiting and promoting employees are also perceived as healthier sign for development of human resource. This paper provides the useful information to the policy makers and educationists regarding changes taking place in business environment in Pakistan. This information will assist in re-thinking of human resource development strategy and re-designing the business education curriculum respectively in anticipation to prepare future managers for upcoming challenges.

Field of Research: Business Environment, Drivers of Change, Pakistan

1. Introduction

The economy of Pakistan continues struggling to attract foreign investment in order to boost up the dwindling economy for better social and human resource development outlook in the country. There are many factors that are at the root of this problem. For instance political instability, poor law and order situation, and recent wave of violence in the country etc. In addition to these issues, the part of the problem hindering the economic progress is also associated with the human resource development status in the country (Hussein, 2005a; Hussein, 2005b; Qureshi, 2009). It is argued that human capital is valuable asset for a firm, but like other assets, return on investment in this

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resource is also not certain and stable over time due to the uncertainties associated with the changes in business environment (Bhattacharya & Wright, 2005). The concept of formulating business strategy keeping in view the developments in company's environment is not new rather propagated by Michael Porter in early 80s (Porter, 1979a, 1979b). It is essential to appreciate the developments in internal and external environment of organization in order to develop human resource strategy that addresses the current management development needs. Consider the case of Pakistan, the factors affecting the business organizations and job demands of the managers are still unknown and their specific influence on competence requirement of future managers is also unclear. With this milieu, one main research question was designed “what internal and external factors anticipate to influence the business organizations and consequently the job competencies of practicing managers”. This main research question set the theoretical framework of the study. The current paper reports the initial findings of the internal and external factors that anticipate to influence business organizations and competence development needs of the managers in Pakistan.

The reset of the paper is organized following. First brief review of literature is present to set the scope of the study. Second section explains the research methodology followed to collect the data and procedure of data collection is described. In addition to this, method adopted for coding of data is defined. In third section, the detail analysis of internal and external drivers of change anticipates to influence the job competencies of managers and their business are explained. In this section critical analysis of drivers of change is presented. In final section some implications from findings of the study are discussed with concluding remarks.

2. Literature Review

Acquiring and applying management competencies assessed and acquired in one country to other is criticized by Chong (2008) and Aycan et al. (2000) on the ground that it does not consider the local business and societal contexts. They argue that it has very little management implications and applicability for the practitioners and scholars to apply the management concepts in education and practice without taking into consideration local, social, and cultural contexts that mostly shape the management behavior. In this paradigm, the concentration of management research in developed countries of the world, in fact, represents significant gap in literature both from theoretical and empirical point of views. This is even more relevant for the developing and emerging economies of the world particularly the Asian countries (such as India, China and Pakistan) those are at the verge of competitive business pressure from foreign companies and globalization (Aycan et al., 2000; Chong, 2008; Khilji, 2004; Khilji, 2003; Khilji & Wang, 2007; Khilji & Wang, 2006; Li & Scullion, 2009). These challenges are entirely different from those faced by the developed countries with stable institutional and economic structure. This different business context represents unique set of challenges that are being faced by the managers requires specific management competencies in order to cope with competitive and upcoming challenges to be effective in new business environment. This research gap, therefore, poses challenge to the researchers to explore management competencies in developing and emerging economies of the world.

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It is argued that human capital is a valuable asset for a firm, but return on this asset quite uncertain due to the changes in business environment (Bhattacharya & Wright, 2005). The pressure on organizations for being flexible and adaptable to incorporate these changes demands dynamic adjustment of competence with external and internal change factors instead of focusing on static job person fit model. Therefore, organizations are taking interest to value the competence management as an important strategic lever to exploit core competence of the organization (Naquin & Holton, 2006) and prepare their workforce for future challenges (Mühlbacher et al., 2009). Earlier research on management competencies overlooks to probe the influence of internal and external drivers of change and the impact of these drivers of change on competence development. In recent works on managerial competencies by Mühlbacher (2007) and Mühlbacher et al. (2009), this important dimension of studying competence in context of drivers of change on competence development has been introduced in the organizational literature.

The occurrence of change in business environment may contribute in alteration of organization policies and priorities that influences the importance of certain management competencies in future. Further events in life particularly outside political and economic development have important consequences on pervading many aspects of personal life and may change the family and work priorities resultantly the work behavior and performance (Sparks & Gentry, 2008). Therefore, it is essential to explore uncertainties and changes in internal and external environment of the firm to address them in development of the human competence strategy for maximum and stable return on investment return on this strategic asset (Bhattacharya & Wright, 2005). In this perspective the approach to study competence at micro level in relation to drivers of change is of great strategic value and is a more practical approach for business practitioners, strategic planners, and policy makers. This assists in formulating effective strategy and making decisions regarding management development needs to prepare the managers for upcoming managerial challenges. Moreover, Pakistan has a unique and diversified cultural context, which is an important factor in defining management practices and influence on managerial behaviour (Hofstede, 1980, 2005).

In Pakistan, the factors affecting the business organizations and job demands of the managers are still unknown and their specific influence on competence requirement of future managers is also unclear. Therefore, internal and external drivers of change and the implication of these changes on management competence requirement are yet to be uncovered to answer the influence of these drivers on the change in managerial competence requirement for future workforce in Pakistan. With this milieu, this research project aims to identify the drivers of change through following sub research questions.

**Research question:** what internal factors anticipate to influence or change the business environment in Pakistan?

**Research question:** what external developments anticipate to influence or change the business environment in Pakistan?
A Case under Study (Pakistan)

Pakistan got independence in 1947 from British rule, located in South Asia occupying central and strategic location neighboring China, India, Afghanistan, and Iran. Due to its strategic location it also has been center of international politics. Since its independence agriculture sector has been largest contributor to GDP of the country. At present the rising contribution of manufacturing and service sector showing sign of transition toward more developed and modern economic infrastructure. Pakistan is a very attractive place for foreign investors due to its strategic location, cheap labor force, and having large potential consumer markets being ranked 6th in terms of population. Further, in recent years, educated and competent young force entering into job market, particularly in the information and telecommunication sector, offering a promising investment and growth opportunity for the foreign companies. In this regard, the only means towards economic progress can be devising and implementing coherent and comprehensive strategy ranging through education and investment at the national level to develop and exploit the human resource potential in the country (Hussein, 2005a; 2005b). But in face of changing business scenario, the central question remains there what internal and external factors anticipate to change the business outlook in the country. With this pre hand information, one can develop the appropriate human resource development strategy at macro and micro level that will certainly improve human development outlook in the country.

3. Research Methodology

To know the anticipated drivers of change presumes to influence the business organizations in Pakistan, we make use of data collected from two major and business cities namely Rawalpindi and Islamabad. These two cities are at the forefront of political and economic development. Thus results of the study represent the fast changing business environment in the country. In survey, practicing managers were asked to mention internal and external factors referred to as drivers of change that anticipate to mostly affect their organizations and job competencies. The respondents were required to rank each of the factors in order according to the magnitude of their influence. They were also asked to mention whether it is seen as opportunity or threat to their job or organization. For coding of empirical data holistic framework of internal and external developments categorization was followed.

This method of asking respondents themselves seem to be more appropriate as Peter Drucker suggested that “work on knowledge worker productivity, should begin with asking the knowledge workers themselves (Drucker, 1999, p. 85, italics in original). Therefore, the present study that intend to explore the drivers of change that might influence on their job competencies find asking practicing managers themselves most appropriate way to gather the perception of managers regarding probable changes and their influence on work of knowledge worker.

This method of data collection is close to Delphi approach in which opinion of the respondents were gathered and summarized to identify the probable future scenarios in order to reach to valid conclusions (see Helmer, 1967). The probable reaction to this
approach of data collection and findings can be related to supporting of findings on some predefined theory. In contrast to personal interviews, the questionnaire survey seems to be more effective as it assist to reach to the larger population and increase the generalizability of study. While in interview, only small number of the respondents might be included in the study. As far as the objections concern relating to findings void of any predefined theory, it is pertinent to mention the study is exploratory in nature. Therefore, keeping in view the nature of the study the empirical findings can only serve to develop theory.

Data Collection

To enhance the response rate, self-administrated survey technique was employed keeping in view the general trends and attitudes of respondent towards research in Pakistan. The survey instrument was delivered by hand to the company and to individuals at their business addresses. The distribution was conducted in this way to avoid the problems associated with the mail delivery system and unwilling & uncooperative attitude of the participants towards research work in the country. This method fits to the cultural issues such as knowing the background of the researcher and understanding the purpose of research increases the probability of true responses and high response rate. The empirical data collected through open ended questionnaire were coded and analyzed with regard to anticipated drivers of change.

Table 1: Technical Detail of the Research Sample

<table>
<thead>
<tr>
<th>Geographical Area</th>
<th>Pakistan</th>
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<tbody>
<tr>
<td>Methodology</td>
<td>Questionnaire Survey (Open ended questionnaire)</td>
</tr>
<tr>
<td>Procedure</td>
<td>Random Sampling (questionnaire distributed in different sectors and size organizations based on convenience and approachability)</td>
</tr>
<tr>
<td>Universe of Population</td>
<td>All practicing Managers working in Pakistan</td>
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<tr>
<td>Sample Size</td>
<td>500</td>
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<tr>
<td>Response Size (Usable questionnaire)</td>
<td>158 (31.6 %)</td>
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<tr>
<td>Year</td>
<td>2009</td>
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External Drivers of Change

The analysis of external and internal drivers of change presents the approximation of perceived anticipated change in organization internal and external environment that have significant influence on competence development in Pakistan. As far as external drivers of change are concerned, the figure 1 provides an overview. In Pakistan, innovation, competition based on market, global/national economic situation, law and order situation, and unstable political situations are seen as most important drivers of change in external environment. The most important factor innovation is perceived very positively whereas competitive situation is seen mostly as threat by Pakistani managers. The political situation and law and order condition is obviously seen as threat for business by Pakistani managers. While global and economic situation is also major concern for practicing managers. Recent trend of down turn in world economy also affect the economic condition of Pakistan due to which major economic targets set by government were not achieved in last year (Economic Survey of Pakistan, 2009). This deteriorating economic condition worries practicing managers.

The current government policies are seen both positively and negatively. The real concern in terms of governance is volatile political situation and issues relating to bad governance in Pakistan. This is because of the fact that after 10 years of doctoral regime; new democratic government set up is in place since last two years after election. This government is still in evolutionary stage and engaged in setting up short term and long term agendas for attracting and promoting business investment in the country. So still there is uncertainty and lack of confidence of investors in new government policies and political stability in the country. However, this factor hopes to perceive positively in future with the passage of time and continuation of democratic process in the country which will surely strengthen the political and economic infrastructure in Pakistan.
The high rate of inflation is seen as threat. In last couple of years the inflation rate was hovering around average 20 to 25 percent but the percentage value is considerably low compare to previous year figures (see, http://www.finance.gov.pk/finance_blog/?p=61). This continuous trend of hike in prices in food and non food commodities since last couple of years are matter of concern for both businessman and common people. In this regard the soaring oil and gas prices in international and domestic market posing serious threat to small and medium sized industry. The consequences of inflation in petroleum products appeared into increase in production cost making Pakistani products less competitive in international market. In recent years high inflation rate and considerable depreciation in currency value seriously affected the trade deficit of Pakistan. The other major threat for business in Pakistan is worsening law and order situation prevailing since last of couple of years. The volatile law and order situation in Pakistan have badly hampered the economic growth particularly the recent wave of violence and presence of NATO forces in neighboring country Afghanistan caused 35 billion dollar losses to Pakistan economy (quoted by Shah Mehmood Qureshi, Foreign Minister of Pakistan). However, successful operation in Northern areas of Pakistan by Army has improved the law and order situation to some extent. In this context the government has to take stringent security measures to restore the confidence of the foreign and local investors in the country. However, with the pull out of US forces from Afghanistan by 2011, as announced by President of USA, Barack Obama, the law and order situation expected to get better in the South East Asia region.
The legal and procedural requirement for setting up business in Pakistan is quite complex and opaque to some extent. Therefore, it is perceived negatively. The globalization is seen as something very positive. This is also evident that cheap and competent labor in IT sector has brought huge foreign investment in IT and telecom sector in Pakistan. The colossal investment in Telecom sector made by UAE and China encourage the promotion of IT education and culture. Therefore, the investment of foreign companies in energy, telecom, and banking sector widely linked to the growth and innovation which are seen as considerable opportunity for business companies.

**Table 2: External Drivers of Change Frequency of Mention**

<table>
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<tr>
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<th>Opportunity</th>
<th>Threat</th>
<th>Total</th>
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<tbody>
<tr>
<td></td>
<td>95</td>
<td>146</td>
<td>241</td>
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In sum, there were 241 external drivers of change mentioned and out them 95 perceived as opportunity and 146 viewed as potential threats. This is clear from the fact that generally the outside forces are difficult to manipulate or change in their favor as compared to internal factors that can be easily shaped or influenced according to attribution theory. Therefore, external drivers of change are mostly seen as threat or challenge.

**Internal Drivers of Change**

In contrast to external factors, internal drivers of change are perceived generally positively and high acceptability as in most cases these changes being internal to the organization initiated by management. Therefore, total 146 internal drivers of change mentioned out of which 117 seen optimistically and only 29 perceived as potential threats. The synopsis of internal drivers of change mentioned in empirical data is illustrated in figure 2 below:

**Table 3: Internal Drivers of Change Frequency of Mention**

<table>
<thead>
<tr>
<th></th>
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<th>Total</th>
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It is quite interesting that HR change is seen highly positively by Pakistani managers. There are different aspects of looking into this issue. In recent years the trend of modern HR management concepts derived by the initiative of multinational corporations that introduced the state of the art practices for attracting, managing, developing, and motivating employees in their organizations (Khilji, 2004) bringing fresh wave of HR management practices in workplace. The modern recruitment and selection procedures based on assessment of skills through psychological and subject specific tests and interviews followed in private and public sector organizations have provided ample opportunity to the talented people for getting into job market on the other hand it allows
organizations to attract, retain, and keep motivated competent employees. The other reason for positive evaluation of HR change in Pakistan might the introduction of modern management practices in terms of promotion and salary in both private and public sector that act as motivational force for young managers and offer growth prospects as well. This fresh wave of human resource management policies also observed in public sector where implementation of tenure track systems and performance based promotion system are in practice contrary to long term employment and seniority based promotion. The other interesting factor that is connected with HR change process is empowerment or increased responsibility in business decision making viewed as positively albeit at low rate. In face of gradual increase in unemployment ratio job insecurity is also perceived as negatively, though at very low level. The introduction and use of information and communication technology in business processes is highly seen as positive collide with the innovation and growth as significant drivers of change in external environment. In last couple of years implementation of IT and computerized systems in both public and private sectors particularly the e-government project initiated by last government to streamline the business processes in public sector clearly derive the strong need of computer and IT literacy by the managers in future.

The organization politics is negatively perceived. In public sector this position is even worse where numbers of appointments are made based on quota system and political influence. Therefore, people coming into workforce from different regions, ethnic groups and political parties split into diverse groups following their personal or group interests thus favouritism is common place in work environment. Conversely loyalty and organization commitment perceived very positively.
The new product and service is seen as opportunity, this seems to be connected with ability to innovate or growth as mentioned in external environment very positively. This also linked to the structural changes that are perceived optimistically. As large number of respondents belong to Oil and Gas sectors, therefore, discovery of large energy reservoir in Pakistan offer opportunity for growth to energy companies. According to some estimate, discovery of Thar Coal Reserve (in Sindh, Southern province of Pakistan) are around 850 trillion cubic feet which are equal 400 billion barrels of oil equal to the oil reserves of Suadi Arab and Iran if put together. The total worth of this reserve estimated at USD 25 trillion (see, hubpages.com/hub/THAR-COAL-RESERVES-in-Pakistan). In addition to this, discovery and exploration of minerals and precious metals in Baluchistan (South- West province of Pakistan) provides expanding opportunity to foreign conglomerates in energy sector. Further, one of the largest sea port Gawader (in Baluchistan province) operational from last year is the strategic and shortest route from Central Asia and China to Europe offering great prospect for economic growth of the country. The China and USA are very keen to use this port for their strategic and logistic needs, yet conflicting interests creating tension in the region. These all factors might be linked to positive perception regarding the growth and new
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product & development. However, in this regard the only way to exploit these abundant resources and turn into fortune political will and peace in the country is required.

The other interesting fact in internal drivers of change is perception of quality assurance with highly positive value. This quality conscious behavior or concerns of quality obviously connected to the fact that in recent years most of the companies have registered or aiming to subscribe their products and procedures according to the standard set by ISO or other international standardization authorities. This increasing trend to comply with the quality standards is due to the restrictions from the European Union and USA to have ISO certification to ensure product meeting international quality standards for export permit. The other aspect that is deriving the interest of the organization to introduce the total quality management philosophy in organization is growing pressure from end users who demand quality product and services conforming to the standard due to increase awareness amongst the customers. This quality consciousness is also observed in education and research centers which are forced by regulatory authorities such as Higher Education Commission (HEC) to improve standard and quality of education and research at tertiary level. Therefore, quality in work environment and processes were rated high owing to the inclusion of education and research institutes in the sample. Coinciding with this the positive change in work environment is, therefore, also seen as opportunity by the managers in Pakistan.

4. Discussion

The findings detailed out the approximation of anticipated development in Pakistan. However, the outlook and composition of these developments may present some different picture with the passage of time and increase in sample size. But analyzing current situation in Pakistan, it is observed that the two immediate and major threats for industry is economic conditions and law and order situation. These two issues are interlinked with each other. With the improvement in law and order situation it is expected that economic condition will also get better. Whereas the positive sign for economy of Pakistan is technological development particularly the growth potential in telecom sector. The availability of competent and qualified IT professionals and large potential consumer market for mobile services offers promising investment opportunity for foreign companies. This business potential can be used as leverage to give boost to the dwindling economy of the Pakistan. However, in order to tap these opportunities organization has to pay heed to apply modern human resource practices. The current priority of the organizations should be to rethink their HR strategy and give due importance to the training and development needs of their employees in order to prepare them for future challenges. The business strategist should also consider to bring quality in services and products to sustain competition in market. It requires their attention to improve the production processes and streamline their supply management activities in order to provide quality and cost effective product coupled with agile customer services. For policy makers, it is advisable to revise their present policies and readjust their current priorities to tackle most obvious threats bursting out in near future. The law & order, economic and political situation are matter of concerns and need immediate attention of those who are at the helm of affairs. The stable political environment and strong institutions are also critical elements to boost level of
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confidence of foreign investors. In current perspective, the initial findings revealed in this paper hence serve as an important input and feedback for business practitioners and policy makers.

5. Conclusion

In contemporary organization behavior literature, the human resource takes precedence over other resources in generating financial profit and sustaining comparative strategic advantage. The company’s intellectual capital is in fact everlasting source of competitive advantage that is difficult to imitate or acquire. Therefore, progressive business organizations have started focusing on exploiting human resource base through development of effective management development strategy. The successful companies are those whose management development strategy is in consensus with its current strategic orientation and directions. But this rhetoric is challenging to achieve in face of changes and uncertainties taking place in business environment. In this paradigm, the proactive approach should be to rethink company’s human strategy on regular basis. Perhaps it is need of time to integrate human resource management operation with corporate strategy bring in change management themes and management development agenda together (Mühlbacher et al., 2009). This objective can be achieved only if we realize and appreciate the changes in internal and external business environment while formulating business and management development strategy. The present study in this perspective divulge the challenges and opportunity that business organization in Pakistan going to face in time to come. These internal and external developments have important implications for development of intellectual human capital of the country. In short, the understanding influence of these drivers of change will probably assists in setting the right context for appropriate corporate and human resource development strategy. The study emphasizes the ability of organization to innovate and rethink strategy to exploit market potential and cope up with the challenges coming ahead.

However, before considering the findings of the study for management training and formulating organizational strategy care must be taken. As current study also have some limitations. The limitation concerning research methodology is that it is based on views of practicing managers working in various industries. In contrast to Delphi approach, in present study the respondents were not approached again to take their feedback on probable future business scenarios in order to reach to the consensus based on expert’s opinion. The data collected in two cities of Pakistan may not necessarily present the complete picture of business environment and drivers of change influencing management practices in Pakistan. The data is collected from managers working in different positions in various industries; therefore, the drivers of change identified are generic applicable to overall business developments in Pakistan. While each industry has its own dynamics and every company has its own internal environment representing through culture, policy, people, and history. In addition to this we may not be determinative in statistical sense what exactly is the influence of these changes on business in Pakistan particularly we may not be definitive about the degree of impact on each industry. In future some unforeseen events, natural disaster, shift in business and economic policy, and radical developments at global level may affect the
business environment. In this case the present perceptions of practicing managers regarding the changes may become irrelevant. However, despite these limitations, the study provides the careful overview of developments in business environment in Pakistan. It provides the basis for future research on internal and external developments in the country that anticipate to influence business organizations. The findings of the study can serve as a starting point to explore further the drivers of change or probable developments in each industry to make an effective business strategy in order to sustain competitive advantage.

References


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Other Sources