

**New Economy**

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**JOB MARKET PREPARATION  
AND JOB PERFORMANCE, GRADUATE  
PERCEPTION VERSUS MARKET REALITIES  
IN THE CASE OF INSTITUTE OF BUSINESS  
ADMINISTRATION SUKKUR**

**Abstract**

A survey of different organizations, firms identifies characteristics associated with above average starting salary offers in allied fields of, management sciences, business and economics. A complementary survey made by the students at IBA\_Sukkur-Sindh from – 1995–2007–08 batches, data were collected from 100 students and 50 organizations and firms respondents by using simple random technique. Results showed that firms value work experience and leadership experience more than students do, where as student's value raising grade point average and interview preparation more than do firms. Students seeking a firm's maximum starting salary offers will need to enhance academic performance with substantial work experience and leadership experience. It was revealed that leadership qualities and job performance and GPA were not correlated. It was revealed that the faculty and teaching methodology and technology all they are positively associated with the student's performance.

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### **Key words:**

Management Sciences Business, Economics, career, IBA, , GPA, Recruiting salary.

**JEL:** J01, J31, M1.

### **Introduction**

The starting salary a new graduate receives is set in market place of buyers and sellers. The university setting put the professors in daily contact with graduate's students who will constitute the eventual sellers. However, the buyer's perspective is not accessible to professors or students. Speaking as an employer, Engro foods processing executive Dr. Riaz Ahmed states that students do not fully understand the world into which they are heading and the skills that they need. He further mention that salary premium an employer might be willing to offer a new graduate already equipped with the right skills, and sound in their fields. We have hired few graduates from IBA-Sukkur they are well equipped with market knowledge and they proved their worth in the organization. I have interviewed more than thee banks executive regarding the job performances of our graduates, HBL, MCB and NBP. When spoke with Agha Shazado Khan he is Vice president at NBP Sukkur he was very happy regarding the performance of the graduates of IBA-Sukkur.

The value of the desired skills set at graduation is not easily assessed by considering the historic relationship between skills indicator, such as grade point average (GPA) and salary. Model based on current salaries are ex post in nature and therefore reflects not only the value of the skill set at a graduation, but also of previous job performance. Of course students would like to know the value their skills upon graduation [3].The literature examining college education in relation to monetary compensation reveals a myriad of complex relationships. With the exception of some recent important work by Barkley and Barkley, stock and Sylvie's, little is known about the relationship between starting salary and skill sets or indicators. Given that many students are getting high paying jobs, it is important that professors be able to provide the most accurate information available regarding the value of alternative career preparation steps [1: 785–800].

The purpose of this research is to address the student's allocation of time problem when the graduation objective is to obtain an above average starting salary. In the process of answering this overall question, we also concerning students' priorities in time allocation versus how firms feel students should allo-

cate their time. We also consider how these allocation decisions differ by certain student's characteristics such as gender and GPA, and by certain firm characteristics, such as type of firm (e. g. food manufacturer) and sales.

In the following section we review the literature. Many different student characteristics are positively associated with current and starting salary level. Knowledge gaps exists not so much regarding what should be done (what is good) as they do regarding how intensively a student should engage in an activity.

### **Current Salary Models**

Wise addressed the employer perspective by analyzing the record of 100 individuals who are working in the technical, non-technical, government as well private organization. Examine the monthly salary of the graduate of Management sciences with Engineering, Library science, and, Information technology, and years of experience, socioeconomic background, and employee desire for security, leadership ability and supervisory experience. *Shaikh* was able to account for 49% of the variation in monthly earnings solely based on years employed with the firm. *Shaikh* found the engineering majors earned higher salaries compare to agriculture graduates but lower compare to business graduate (Primary research).

We have studied 100 graduates from Institute of Business and Administration Sukkur, from graduate batches of, 1995 to, 2007–08. With average annual income is Rs.2, 00000 compare to Engineering graduate and Arts Graduate their annual salary income is Rs.80,000 to 70,000 respectively. Technical majors were found to be negative associated with starting salary. Most job search methods indeterminately associated with starting salary. However, job search through personal relationship was found to be positive associated with starting salaries, where as job search through one's work experience was positively associated with starting salary. Other variables positively associated with starting salary included the holding of an advanced degree the existence of more than one job offer in the business market.

### **Survey design and data**

The student must know the benefits from each activity to allocate time optimally across activities firms and The Data were collected from 100 graduates and 50 organizations where those graduates are working there by using simple random technique. This type of information potentially cab be obtained in one or two ways: (1) use observational data on salaries and activities to estimate the

benefits associated with each activity; (II) survey employers and ask how they would rank alternative activities in terms of importance. Not surprisingly, each approach has its advantages and disadvantages.

The literature to date has focused on the first approach of using observational data to estimate the benefits from each activity. Starting salary is regressed on several determinants such as GPA percentage, and then inferences are drawn regarding the marginal impact of the variable on the starting salary. The advantage of this approach is that the data reflects actual market conditions and salary offers. More formally, the relationship between employer and students can be considered in the context of Rosen's classic hedonic price determination analysis. In that context, the student is the supplier of the good (labor) which has multidimensional characteristics (skills) and the employer is the buyer. The starting salary is the price of labor and as such, it is the function not only of the characteristics of the individual but also the characteristics of the firm.

The alternative way of ascertaining how employers value different characteristic of the students is to conduct a survey and ask them directly. The main disadvantage of this approach is that answers to surveys may not be the same as actual employer behavior. However, the advantage is that the employer and student's valuations are not confounded in the measurement. The survey approach should therefore not to be considered a substitute for observational data based studies, but rather should be considered complementary approach that may shed a different light on the same issue. This study surveys employers and students concerning how they think a student should allocate time across various activities to increase starting salary.

### **Employer Dataset**

Survey dataset were collected via two separate sampling efforts, one pertaining to employers and the other pertaining to IBA-students. The employer data came from Organizations, firms, food market chains and was intended to correspond to the job market served by Graduates of Institute of business and administration Sukkur. Employers selected to participate in the study were those with a national reputation in their industry segment. Once cooperating individual was identified, a one-page questionnaire was fixed to that individual. Occasionally, firms returned a completed survey on the same day. Those firms not responding were called again or sent additional faxes. The producer was to continue contacting each employer until receiving either a completed questionnaire or a refusal. In all cases, those responding had an intimate knowledge of their firms hiring practices. In smaller firms the questionnaire was usually completed by one of the company owners. In large firms the questionnaire was often completed by some one in personnel department who specialized in hiring decisions. In all cases, an effort was made to find a person with appropriate authority with in each firm.

The firm's survey was administered during a period extending from the fall 1999 to spring 2007–08. In total 50 different firms were contacted of which 45 firms participated for a response rate of over 90%. As in all survey work, non-response bias warrants cautious inference.

Table 1

**Description of Surveyed Firms**

Name of Organization	No. Of IBIAN Employed in Various Organizations	Average Salaries per person	Total Number of Employees
Position in Food Marketing Chain	10	25000	23,000
NADRA	19	14000per month 168,000 Annual	15000
Engro Foods	15	24,000 p. m 288,000 p. a	1000
FFC	02	35,000 p. m 4,20000 p. a.	30000
HBL-Zurich	01	50,000 p. m 6,00000 p. a	30000
Askari Bank	8	20,000 p. m 2,40,000 p. a	500000
HBL	03	25,000 p. m 3,00000	1240000
UBL	03	28,000 p. m 3,36000p.a	120000
Bank Al -Falah	5	25,000 p. m 3,00000	239000
Pharma Industries Gates Pharma	02	40,000 p. m 4,80,000 p. a	2456000 40000
Adventis Pharma	01	30,000 p. m 360,000 p. a	3557882
Hilton Pharma	02	30,000 p. m 360,000 p. a	400000
Novartus	03	23000	50000
Telecommunication	05	2,0,000 p. m 240,000 p. a	580000
IBA-Faculty	05	30,000 p. m 360,000 p. a	200

*Table 2*

**Description of Surveyed Students**

Students Characteristics	Mean Standard Deviation
Class 1995 Batch	0.05 (0.21)
Class 1996	0.22 (0.41)
Class 1997	0.40 (0.49)
Class 1998	0.24 (0.43)
Class .1999	0.06 (0.23)
Class 2000	0.07 (0.34)
Class 2001	0.072 (0.28)
Class 2002	0.076 (0.079)
Class 2003	0.081
Class 2004–05	0.080 (0.034)
Class 2005	0.770 (0.0.334)
Class 2006	0.885 (0.418)
Class 2007–08	0.6765 (0.6765)

**Students Dataset**

How closely do these firm's hiring practices compare to students perceptions? Seeking answer to this question, during the fall of 1999 a student survey was conducted in the classes taught by the management sciences department IBA-Sukkur.

As with the firms, students were asked the same question regarding time allocation across the five alternative salary enhancement activities. Students were also asked to supply background information regarding their graduation class year, current GPA and their graduate school plans. Both the mean and standard deviations are presented for each student characteristics. Forty percent of the students were in the class of 1996. An additional 24% were in class 2000 and 22% were in class of 2005 and 27% of class 2006 and 30% from class

2007-08. Seventy eight percent of the students surveyed were male. The average GPA was 2.86 on a 4.0 scale.

### Students Model and Results

The statistical model for the student data takes the same general form as the firm model, but the interaction design matrix is defined differently. The student model is of the same form.

$$Y = \mu + X_1 \beta_1 + X_2(X_1) \beta_2 + \varepsilon,$$

Where now  $Y$  is the  $mn \geq 1$  vector of allocation time stated by students  $\mu$  is the overall allocation time mean for students,  $X_1$  is a  $mn \geq$  vector of main or treatment effects (i.e. the five time allocation categories)  $X_2 X_1$  is a  $mn \geq mk$  matrix of interaction of cross effect between the student characteristics (i.e. classes of 1995-2004 batches) male GPA planning graduates of IBA-Sukkur, and the treatment effect  $\beta_1$  and  $\beta_2$  are conformable parameter vectors, and  $\varepsilon$  is disturbance term. The index  $m$  denotes the number of categories, which again is five and the index  $n$  now denotes the number of students, which is 100.

Table 3

#### General Linear Model Time Allocation Selected By Students to Receive a Maximum Starting Salary

	Technical Course Work (TCW)	Raising GPA (RGPA)	Work or Internship Experience (WIE)	Leadership Experience on Campus (LEC)	Interview Preparation	F-test
Mean % Time	0.1711* (0.0001)	0.1397* (0.0002)	0.3222* (0.0001)	0.2212* (0.0001)	0.1455* (0.0001)	30.75 (0.0001)
Deviation	From Mean % Time					
Class of 95	-0.03369 (0.3307)	0.0208 (0.5485)	0.0243 (0.4826)	-0.0033 (0.9233)	-0.0059 (0.8655)	0.37 (0.87)
96	-0.03470 (0.2539)	0.0410 (0.1787)	0.00270 (0.9297)	0.0082 (0.7885)	0.0009 (0.9770)	0.64 (0.67)
97	-0.0473 (0.1132)	0.0562 (0.0602)	-0.0097 (0.7451)	0.0035 (0.9057)	0.0027 (0.9287)	1.23 (0.29)
98	-0.022 (0.2333)	0.0552 (0.12343)	0.00453 (0.000543)	(0.06675) -0.06756	(0.08978) 0.06553	0.66 (0.65)

	Technical Course Work (TCW)	Raising GPA (RGPA)	Work or Internship Experience (WIE)	Leadership Experience on Campus (LEC)	Interview Preparation	F-test
99	-0.34555 (0.4543)	0.223132 (0.29799)	-0.56565 (0.68757)	-0.65345 (0.25634)	-0.5645 (0.22333)	0.70 (0.68)
2000	-0.22345 (0.2334)	-0.5757 (0.4363)	-0.06675 (0.2345)	-0.45452 (0.45434)	-0.0655 (0.45643)	0.75 (0.72)
2001	-0.300 (0.3794)	-0.0543 (0.1269)	-0.67867 (0.9315)	-0.05645 (0.7055)	-0.334 (0.08158)	0.80 (0.76)
2002	-0.088 (0.8413)	-0.0360 (0.56465)	-0.0007 (0.78676)	-0.00087 (0.78786)	-0.0898 (0.564654)	0.85 (0.81)
2003	-0.0678 (0.7857)	-0.06876 (0.57657)	-0.02786 (0.6868)	-0.678687 (0.65589)	-0.07979 (0.7896)	0.90 (0.85)
2004	-0.0088 (0.8414)	-0.0360 (0.4115)	-0.0085 (0.56545)	-0.07876 (0.267856)	-0.022 (0.2333)	0.93 (0.89)
2005	-0.0777 (0.7686)	-0.0360 (0.4115)	-0.0085 (0.56545)	-0.07876 (0.267856)	-0.022 (0.2333)	0.93 (0.89)
2006	-0.0777 (0.7686)	-0.0360 (0.4115)	-0.0085 (0.56545)	-0.07876 (0.267856)	-0.022 (0.2333)	0.93 (0.89)
2007-08	-0.0777 (0.7686)	-0.0360 (0.4115)	-0.0085 (0.56545)	-0.07876 (0.267856)	-0.022 (0.2333)	0.93 (0.89)

## Results

Comparison to the results of table 2 for firms with those in Table 3 for students indicates certain differences between the firms and students responses. To statically test these differences, a general linear model can once again be implemented by redefining the matrix. The model is again of the form

$$Y = \mu + X_1 \beta_1 + X_2(X_1) \beta_2 + \varepsilon,$$

Where  $Y = mn \geq 1$  vector of allocation time mean for student and firms,  $X_1$ , is  $mn \geq m$  vector of amin or treatment. Again  $\beta_1, \beta_2$  are parameters vectors  $\varepsilon$  is the disturbance term,  $m =$  number of categories. The five types of firms, sales in 1000 number of employees and the treatment effects,  $\beta_1, \beta_2$  are comfortable parameter vectors and  $\varepsilon$  is the disturbance term. The index  $m$  denotes the number of categories, which in this case is five, and the index  $n$  denotes the number of firms, which is 56. The first hypothesis is ( $H_1$ ) the allocations of time across activities do not differ for firms. Testing this hypothesis is equivalent to testing the restriction  $\beta_1 = 0$ . The second hypothesis is ( $H_2$ ), the allocations of time cross activities do not differ by firm characteristics. Testing this hypothesis is equivalent is testing the restriction =  $\beta_2$ .



Table 3 presents the results for the firm or employee model. The row labeled Mean % Time presents the employers mean responses to the question regarding how junior level students should allocate their time among the five alternative activities to obtain the maximum starting salary offer. These means sum to equal 100% of the time in equation. The F-test indicates that the First hypothesis is rejected at 0.001 levels. Therefore the allocation time across activities do differ for firms and are not uniformly distributed. However, only work and internship experiences (WIE) and leadership experiences on campus (LEC) are significantly different from zero till 90%. This is evident by associated in values of 0.001 and 0.0012 respectively. In addition to mean of the three categories Technical course work raising GPA and interview preparation do not differ from each other statistically. Among the activities in question, employers recommended that junior students seeking a maximum possible starting salary should spend 38.78% of salary enhancement time in WIE and 23.5% of the salary enhancement time in LEC.

The results of the second Hypothesis test are shown in subsequent rows of Table.3 under the heading «Deviation from Mean % Time» By looking at the p values associated with F-test statistics and the individual categories, there are no significant differences across different types of firms, with sales, or with number of employees, except for one. The only deviation significantly different zero at 90% level or above pertains to distributor's view of the lesser importance of WIE. In comparison to an overall employer mean of 45.77% this deviation is -17.9%. However, like other employers, food distributor still holds the view that WIE is the most important salary enhancement time allocation among the alternates.

Table 3 present the levels for the student model. The row labeled «Mean» percentage Time now presents the student's mean responses to the question of how a junior – level student should allocate time the five alternates' activities to maximize the salary offer. Again these means sum to 100%. The F-test indicates that the second hypothesis is rejected at 0.001 levels. Therefore the students the allocation of the time across activities does differ and are not uniformly distributed. In this case all individual time at allocation activities are significantly different from zero at a 99% level. This is the evident by the associated p values of 0.0001 or 0.0002 for each of the activities. Among the activities in question, student believe that those seeking a maximum possible starting salary should spend 18% of the salary enhancement time in technical course work (TCW), 14% of the salary enhancement time in WIE. The salary enhancement time in interview preparation (IP). Furthermore, in terms of grouping statistics (not shown) the only activities that are not significantly different from on another there are RGPA and interview preparation (IP). On the other hand and perhaps not surprisingly, this column also shows that the RGPA activity declines in importance by 1.53% of the total salary enhancement time for each additional GPA point that a student possesses.

Regarding the percentage of the time devoted to WIE, the importance of this activity increases by 3.45% of the total salary enhancement to activity time

for each additional GPA point a student possesses. Those planning graduate school immediately viewed WIE as worthy of 4.76% more of the total salary enhancement time than average. Those planning to attend graduate school after later viewed time devoted to WIE as worthy of 3.66% less of the total salary enhancement time than average. Regarding time devoted to WIE, students attending the Sukkur-IBA viewed this activity as 4.55% more important than average. In contrast the regarding time devoted to LEC, students attending Sukkur-IBA viewed this activity as 5% less important than the average. These last two results showed that Sukkur-IBA students placed less emphasis on WIE, and more emphasis on LEC time. When compare with IBA-Karachi and CBM, employer recommendations for WIE are match closely by IBA-Sukkur-students.

### **Study Implications**

The focus of this study is on the very specific issue. Namely, how should a junior level student spend his remaining time until graduation to obtain the maximum possible starting salary from the food and manufacture firms? Consequently this study does not address all the major determinants of starting salary. On the basis of this research regarding junior-level students majoring business we can say the following while perspective of Agro-food and manufacture sector employers. These findings can be understood within the context of the debate on human capital versus screening. The human capital school of thoughts holds that higher education enhances earnings because it signals employer that the valuable skills have been learned. In contrast the screening school of thought holds that due solely to college education and completion of higher education, the employer receive a signal that the perspective graduate is above average, again enhance earnings [15]. Consequently one can infer that the emphasis that the employer place on WIE and LEC is that these activities may signal the presence of skills that command a premium in the business world. From the professors perspective the value of internship may improve the students motivation for the future course work and provide a set of experiences in which the place of subsequent course work into richer context. In this sense, having held an internship after BBA –final or MBA-Final can be GPA enhancing force most pleasing the professors. This is perhaps one reason why BBA-and MBA programs often require extensive career experience prior to completing their studies. Business students have more advantage of doing different internship programs compare with all other fields.

From the employer's perspective, one way to internship the demand for more internship experience is to take a broader view. Work and leadership experience is not a substitute for classroom experience, but rather a complement. A college degree for the job market is minimum requirement for enter in the job market. Beyond the minimum requirement employers are looking for students who have been exposed to the real work learning experiences. Such learning

experiences do not necessary have to occur off-campus on a one student to employer basis.

### Conclusion

The focus of this study is on a very specific issue. Namely how should the junior level students enrolling in MBA program or business studies? We can say the following. While prospective business students of Business Administration Sukkur believe in merit, quality and Excellence. The graduate of IBA-Sukkur compare to other business schools in interior Sindh has a good brand image, which they are producing according to the demand of the market in Pakistan as well overseas. Kazim and Safia Shaikh both are working in UK. These findings can be understood within the context of the debate on human capital versus screening. The human capital school of thoughts holds that higher education enhances earnings because it signals employers that valuable skills have been learned. In contrast, the screening school of thought holds that due solely to college admission and completion of a higher education, the employer receives a signal that the prospects graduate is above average again enhance earnings. From the Professor's perspective, the value of internships may improve the student's motivation for future course work and provide a set of experiences in which to place subsequent course work into richer context. In this sense, having held an internship can be GPA enhancing force most pleasing to Professor's. This is perhaps one reason of MBA graduate who are getting good exposure of market, and as well relationship with the market people. For the employers to place greater our curriculum, they need to better understand what we are teaching and also take active role in assessing students market knowledge once they completed the internship program from their chosen major.

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The article was received on March 13, 2009.