

Effect of Training and Development on Organizational Performance

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Abstract: *The purpose of this study was to find out the impact of training and development on organizational performance. Organizations have been spending a substantial portion of their budgets on training and development in the belief that this would translate to an increase in employee productivity. This study was carried out in three companies namely Kenya Power, KenGen and Mumias Sugar Company using a descriptive survey design was adopted in the study. The study population was 5866 employees in the three companies. Results showed that training and development had a significant effect on organizational performance. It is recommended that organizations should provide training and development as important ingredients to improving organizational performance.*

Keywords: Development, Employee Performance, Organizational Performance and Training.

Introduction

Training and development is crucial for survival of any organization in the competitive world. Because employees give an organization competitive advantage, there is need invest in training and development to enhance employee productivity. According to Nda & Fard, (2013) there are long term and short term benefits accruing from investing in human capital. This would potentially improve their ability to adapt to the changing business environment and technology and increase their capacity to develop creative and problem solving skills (Falola, Osibanjo & Ojo, 2014).

General Electric for example invests approximately \$1 billion each year for training and education programs for its employees (Noe et al, 2015). The justification for such expenditure can be realized through measurement of return on investment in the form of organizational performance. It would thus be important to establish the relationship between training and development and organizational performance in the second decade of the 21st century.

Problem Statement

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Public enterprises were formed to meet commercial and social goals through promotion of general welfare of the people, to encourage investment in activities that require capital but take long to bring returns, avoid wastage and inefficiency, make revenue, create employment and to control prices of products. However, these public enterprises have been riddled with poor performance and inefficiency. There is therefore a need to enhance performance of such through training and development (Tzafrir, 2006) hence a choice for this study.

Objectives

- The objective of the study was to examine the impact of training and development of employees on organizational performance in three state corporations listed state corporations in the Nairobi stock exchange.

Literature Review

Training and Development

Training has been defined by different authors. According to Bernadin and Russell (2013), training refers to any attempt to improve employee performance on a currently held job or one related to usually through changes in specific knowledge, skills, attitudes and behaviors. Dessler (2017) define training as the process of teaching new or current employees the basic skills they need to perform the job. Elsewhere, Abiodun (2010), defined training is a systematic development of knowledge, skills and attitudes required by employees to perform adequately on a given task. While Armstrong (2009) defined training as the practice of equipping employees with skills, knowledge and abilities, with the aim of building organizational capabilities and organizational performance, employee training and development are seen as the most important formation of any competent management. Development refers to learning opportunities designed to help employees grow. Such opportunities do not have to be limited to improving employees' performance on their current jobs but has long term focus to help employees prepare for future work demands while training focuses on the immediate period to help fix any current deficits in employee' skills (Bernadin & Russell, 2013).

Training programmes increase employee productivity and reduces job dissatisfaction that results in employee turnover (Huselid, 2010) and increases employees' productivity, commitment and lowers turnover. Companies may also assist their employees in career planning encouraging employees to take more responsibility for their own development, including the development of skills viewed as significant in the company (Doyle, 2009).

Barringer *et al.* (2005) compared rapid – growth and slow-growth firms and found that rapid – growth firms depend heavily on the abilities and efforts of their employees to maintain their growth oriented strategies. The fast – growth firms used training programs to achieve their objectives and emphasized employee development to a significantly greater extent than slow-growth counterparts.

Aragon-Sánchez *et al.* (2003) investigated the relationship between training and organizational performance of 457 small and medium-size businesses in the United Kingdom, the Netherlands, Portugal, Finland, and Spain. Results showed on-the-job training including training inside the organization using in-house trainers, were positively related to effectiveness and profitability.

Imran and Tanveer (2015) in a Pakistanian study reported a strong relationship between training and development and employee performance. Yousafzai, et al (2014) carried out a study on the impact of training and development on employee performance and productivity.

Falola, et al (2014) conducted a study in the Nigerian banking industry and results observed that training and development affects employees' performance and organizational effectiveness.

Nda and Fard (2013) in their study reported that training and development ultimately upgrade not only the productivity of employees but also of the organization.

Elsewhere Githinji (2014) conducted a study in Somalia and observed that training positively enhanced employee enthusiasm and

engagement in innovation with better performance. Ombui, et al (2014) conducted a study in research institutes in Kenya and observed a significant relationship between training and development and employee performance.

Organizational Performance

Organizational performance is the achievement of organizational goals in the pursuit of business strategies that lead to sustainable competitive advantages (Gephardt and Van Bureu, 2008). There are many indicators other than pure financial figures that indicate an increase in organizational performance (Huselid, 2010). One such indicator is the actual behaviour of employees, through the way they affect turnover and labour productivity (Huselid, 2010).

This study investigated the impact on employee training and development on organizational performance using the following hypothesis;

H0: There is no significant effect of training and development on organizational performance in listed state corporations in Nairobi stock exchange.

Figure 1: Conceptual Framework

The various variables under study were conceptualized to be related as shown below:



Research Methodology

This study employed survey research design to establish the relationship between employee training and organizational performance among three companies. The study was conducted in three companies trading on the Nairobi Stock Exchange namely: Kenya Power, Kengen and Mumias Sugar. Descriptive survey design was used to allow the researcher to gather information, summarize, present and interpret data for purpose of clarification. Of the 5866 employees in the three state corporations, 361 respondents were randomly sampled; using stratified sampling technique 126 from Kengen, 122 from Kenya power and 1123 from Mumia Sugar Company.

Stratified random sampling was used to group the employees into two so that each gender was included in the sample.

Data analysis and Presentation

Data was analyzed using descriptive and inferential statistics. To test the hypotheses, F-test was used. Multiple regression was applied in analyze the effect of training and development on organizational performance. The following model was adopted:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

where:

Y = Organizational performance

X₁ = Training and development

β₀ is a constant which denotes organizational performance that is independent of training and development

ε is a random variable introduced to accommodate the effect of other factors that affect organizational performance

The model was first subjected to correlation to establish whether the variable was significant. F-test was further computed for the individual variables' coefficients to determine its significance in the model. Null hypothesis was accepted or rejected based on the p-value obtained. The test was done at α =0.05 level of significance.

Results and Discussion

To investigate the effect of training and development of employees on organizational performance, nine items were analyzed. Reliability test of items on training and development achieved a Cronbach Alpha of

0.8363 indicating a strong internal consistency. Data presented on Table 1 revealed that, workshops and seminars were always held for employees in the organization to improve their skills (mean = 4.01, standard deviation 0.68), the organizations rarely provided employees with formal job training either on or off the premises (mean = 3.69, standard deviation 1.24), employees in the organization always received intensive/extensive training on specific skills; task or firm-specific training (mean = 3.65, deviation 1.05), employees in the organization had always been trained on a variety of jobs or skills and could perform more than one job (mean = 3.53, standard deviation 1.07) and the core group of workers in the organization had off-the-job training in the past year and had improved communication and team work (mean = 3.52, standard deviation 1.01). Based on the results, those firms that embraced training and development had positive effects on organizational performance.

67.2% of the respondents reported that employees in the organization were rarely trained on skills related to their jobs. However, 72.1% reported having always received intensive/extensive training on company-specific skills (task or firm-specific training). 87.8% respondents reported that workshops and seminars were always held for employees in their organization to improve their skills. 61.5% indicated that the core group of workers in their organization had off-the-job training in the past year and that it improved communication and team work. 41.4% of the respondents agreed that they were fully satisfied with the organization induction/orientation/job related training as a result of training and development.

Table 1: Employee Training and Development on Organizational Performance

Opinion on statement	SD %	D %	N/O %	A %	SA %	Mean	Std
Employees in the organization are rarely trained in skills related to their jobs	7.0	18.8	7.0	44.9	22.3	3.57	1.22
Employees in the organization always receive intensive/extensive training in company - specific skills (e.g. task or firm - specific training)	3.1	17.4	7.3	55.4	16.7	3.65	1.05
Workshops and seminars are always held for employees in the organization to improve their skills	1.7	8.0	2.4	63.5	24.3	4.01	0.68
Employees in the organization have always been trained in a variety of jobs or skills and can perform more than one job	2.8	20.5	13.5	46.9	16.3	3.53	1.07
The core group of workers in the organization has had off - the job training in the past year and it improved communication and team working	3.5	15.4	19.6	48.6	12.9	3.52	1.01
Organization rarely provides employees with formal job training either on or off the premises	3.5	19.2	8.7	44.8	23.4	3.69	1.24
Employee training in the organization is always effective	4.0	17.8	18.5	48.7	10.9	3.45	1.03
Employer rarely provides employee with sufficient opportunities for training and development	6.7	25.6	9.1	41.8	16.8	3.36	1.22
Employees in the organization are fully satisfied with organizational induction/orientation/job related training	3.9	27.4	26.3	34.0	8.4	3.16	1.04

Reliability Alpha - Employee training and development = 0.8363

Ranked on a scale where 1 = SD- Strongly disagree; 2= D-Disagree; 3= N/O- No opinion; 4 =A-Agree; 5 = SA-Strongly agree. n = 291.

Respondents suggested that: organizations should have both international and local trainings, organize conferences, workshops and seminars, increase employees' salary, conduct job evaluation and enrichment. They felt that organizations should have personal development forms filled every six months by employees and team building activities and release them on study. Organizations should also give them study leave to pursue further training.

There was a significant relationship between organizational performance and training and development ($r=0.360$, $p\text{-value} < 0.001$). This implied that training and development independently explained 12.96% of the variation in organizational performance.

Using the study model $Y = \beta_0 + \beta_1 X_1 + \varepsilon$, the equation for establishment of organizational performance in the regression formula therefore is $Y = 0.360X_1$. The model equation shows that standardized organizational performance will increase by 0.360 units with one-unit increase in standardized training and development. The findings showed a positive impact of training and development on organizational performance.

Similarly, the F -test for this factor in the regression model was found to be significant $F_{(1, 284)} = 42.268$, $p\text{-value} = 0.001$.

Table 2: ANOVA Table of Training and Development on Organizational Performance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	19.739	1	19.739	42.268	.000 ^a
Residual	132.162	283	.467		
Total	151.901	284			

H0 was therefore rejected since the factor of employee training and development significantly influenced organizational performance. It was therefore concluded that training and development had a

significant effect on organizational performance. These findings are consistent with the findings obtained in other studies (Imran & Tanveer, 2015; Nda & Fard, 2013; Githinji, 2014).

Conclusion

Training and development has a significant effect on organizational performance and was associated with 12.96% of the variation in organizational performance.

Recommendations

Organizations should strive to provide training and development as it is an important ingredient in improving organizational performance. To achieve this end, the following should be embraced:

- i) Training should be based on a careful needs assessment.
- ii) Employees at all levels should get equal training opportunities.
- iii) Organizations should make training and development of their employees a continuous activity.
- iv) Training should be thoroughly evaluated to inform future decisions.

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