

Training and Development on Performance of Small and Medium Enterprises in Kisumu County, Kenya

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ABSTRACT

The increasing interest in training and development is due to the assumption that employees and the way they are managed are critical to the success of a firm. The increasing pressures from the rapid changes occurring in the business environment have led to a variety of responses among organizations. Training and development is therefore emerging as a proactive way of reducing such pressures. This study intends to investigate the influence of training and development on the performance of SMEs in Kisumu County. SMES are emerging as a reliable alternative to poverty alleviation. This sector remains a major revenue earner to the government and a source of employment to many people. However, SMEs in Kenya and in Kisumu County in particular, face peculiar challenges that affect their performance and limit their capacity to contribute effectively to sustainable development. They lack effective performance standards, Training and development that do not support appropriately skilled personnel. The study investigated the influence of training and development, on employee performance in SMEs in Kisumu. The ecological theory of small business growth and development was used to guide the study. The study was conducted in SMEs in Kisumu County using cross sectional survey research design, on a target population of 777 and a sample of 260 clustered randomly selected SMEs, which represent 30% of the target population. Data was collected using structured, semi structured, Likert scale questionnaire and focus group discussion techniques. Data was analyzed using percentages and multiple regression techniques, reported using tables, charts, graphs and figures. The finding of the study showed that the performance of an SME is associated with the status of training and development and that the better the status of training and development in an SME, the higher the performance of the SME.

INTRODUCTION

Training and development is the organizational activity concerned with improving the performance of individuals and groups in organizational settings (Hoover, In Press). According to Legge (2004), Montana and Charnov (2002), training and development encompasses training, education, and development. According to Montana and Charnov (2002), training focuses on, and is evaluated against, the job that an individual currently holds, while education focuses on the jobs that an individual may potentially hold in the future. It is evaluated against those jobs.

Development, on the other hand, focuses on the activities that the organization employing the individual, or that the individual is part of, may partake in the future. This is almost impossible to evaluate. Generally, training ensures that the identified competency requirements are built through a systematic and focused approach (Elwood & James, 2003), and development ensures that individuals are provided with opportunities to develop their competencies that enable them to achieve professional and personal career objectives within the organization's goals (Kelly, 2001). If the employees are not evaluated against their current jobs, those that they are likely to hold in future or against the activities of the organization, there will be no basis for training and development. The employees and organizations affected are likely to witness reduced performances. In view of the poor performance by the SMEs in Kisumu municipality, the quality of training and development strategies employed by these SMEs require evaluation.

Organization's competitive success is achieved through people (Pfeiffer, 1994). It therefore follows that the skills and performance of people are critical. Organizations spend a lot of money on training, in the belief that training will improve their employees' performance and hence the organizations productivity (Leimbach, 2008). However, there is a strong feeling that acquisition of knowledge, skills, behaviors, and

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attitudes per se, through training is of little value if the new characteristics are not generalized to the job setting and are not maintained over time (Kozlowski & Salas, 2002). Swanson (2005) argues that for human resource development to become a core business process, performance is the key, and this makes core issue in linking individual change to the requirements of the organizational system. If managers believe that training truly makes a difference in organizational and individual performance, then they must support training in organizations.

Training has the distinct role in the achievement of an organizational goal by incorporating the interests of organization and the workforce (Stone, 2002). Today training is the most important factor in the business world because it increases the efficiency and the effectiveness of both employees and the organization. The employee performance depends on various factors, but the most important factor is training because it enhances the capabilities of employees. The employees who have more on the job experience have better performance because there is an increase in both skills & competencies because of more on the job experience (Fakhar & Anwar, 2008). Training also has impact on the return on investment. The organizational performance depends on the employee performance because human resource capital of organization plays an important role in the growth and the organizational performance. So to improve the organizational performance and the employee performance, training is given to the employee of the organization (Chang Associates 2004).

It is very necessary for the organization to design the training very carefully (Armstrong, 2006), according to the needs of the employees (Ginsberg, 2008). Organizations which develop a good training design according to the need of the employees as well as to the organization always get good results (Partlow, 2001). It seems that training design plays a very vital role in the employee as well as organizational performance. A bad training design is nothing but the loss of time and money (Tsaor & Lin, 2004). On the job training helps employees to get the knowledge of their job in a better way (Deming 2006), is Cost effective and time saving (Ruth 2004). It is good for organization to give their employees on the job training so that their employees learn in a practical way (Beach, 2005). Delivery style is a very important part of Training and Development (Carlos, 1995). Employees are very conscious about the delivery style (Armstrong, 2006).

Ginsberg (2008) advice that if someone is not delivering the training in an impressive style and he is not capturing the attention of the audience it means that he is wasting the time. It is very necessary for a trainer to engage its audience during the training session (Paul, 2003). Delivery style means so much in the Training and Development. It is very difficult for an employee to perform well at the job place without any pre-training (Mowday, 2005). Trained employees perform well as compared to untrained employees (Partlow, 1996). It is very necessary for any organization to give its employees training to get overall goals of the organization in a better way (Flynn 1995). Training and development increase the overall performance of the organization (Shepard et al., 2003).

Training has traditionally been defined as the process by which individuals change their skills, knowledge, attitudes, and behavior (Robbins & DeCenzo, 2002). It involves designing and supporting learning activities that result in a desired level of performance. Development typically refers to long-term growth and learning, directing attention more on what an individual may need to know or do at some future time. While training focuses more on current job duties or responsibilities, development points to future job responsibilities.

However, sometimes these terms have been used interchangeably or have been denoted by the single term performance consulting, which emphasizes either the product of training and development or how individuals perform as a result of what they have learned (Robinson , 1995). However to be effective, training and development must meet a number of goals. First, they must be focused on individual training needs but still reflect organizational goals in terms of desired or expected performance. Secondly, training and development must reflect learning goals, outcomes and outline what will be accomplished by this process. They must also be based on sound learning principles, be perceived as important by trainees, be conducted in a manner that maximizes learning, must be evaluated to determine effectiveness and to help guide change and improvement (Robbins & DeCenzo, 1998).

Training and development supports the organization’s goals and objectives by analyzing needs, designing and developing training programs and conducting training at all levels throughout the organization. (Silberman & Phillips, 2006). According to Silberman and Phillips (2006), training in performance management is critical to the success of any organization because it ensures ongoing management of the

performance of employees. It does so by setting goals, monitoring employees' achievement of those goals, and making adjustments to achieve them more effectively and efficiently, sharing feedback with the employees, evaluating the employees' performance and rewarding performance. There is a shared understanding among human resource professionals that an organization is only as good as its employees, and this understanding suggests that training should specifically respond to employees' training needs. Human resource development in the fullest sense employs a number of performance-improvement strategies, one of which is training.

Self-assessment among members of an organization is the first step towards performance-improvement, as it identifies strengths and weaknesses in the skills that individuals possess. In designing a training and development program, human resource development specialists are adept at performing training needs assessments in organizations. This is a critical activity to determine the level of training needed (Noe, 2008). Once this determination is made, other technical activities of training include instructional systems design, which are systematic development of instructional specifications using learning and instructional theory to ensure the quality of instructions to trainees (Merrill, 2007). Instructional systems design addresses behavioral objective, which is a clear and unambiguous description of the educational expectations (Kizlik, 2008). This aspect of training pays close attention to performance, conditions, and criteria.

Human resource specialists who realize the value of training and development have taken deliberate decisions to encourage managers to give their employees significant autonomy to develop their skills and have made a wide range of training available across their organizations, tailored to meet the needs of employees. The gains of such organizations are evident in many ways. Baldwin-Evans (2007) has reported some of these gains to be increased productivity, particularly in areas such as sales, customer services and IT, improvement in retention rate, and higher levels of personal job satisfaction. In a survey conducted in 2007, Baldwin and Evans found that many human resources professionals are confident about the extent to which their training initiatives were making a positive impact on their organizations.

Kumpikaite and Ciarniene (2008) found that new technology contributes greatly to improvement in organizational productivity. According to Kumpikaite and Ciarniene (2008) training and development of employees helps organizations to meet competitive challenges and environmental changes. To Kumpikaite and Ciarniene (2008), training is more focused on helping to improve the performance of employees in their jobs while development refers to preparing them to fill other positions in the organization and increasing their ability to fit into jobs that will be created in the future. Development also helps employees prepare for change that may result from new technology, work designs, customers, or product markets.

The Principal source of market value of business organizations is being shifted from tangible fixed assets to intangible fixed assets such as human capital and customer capital. Performance management focuses on outcomes and results that champion organizational competitiveness. As Ulrich and Smallwood (2007) notes intangible assets are emerging as a powerful source of sustainable competitive advantage. In the wake of emerging business realities human resources management has become of strategic importance. The performance management professional is emerging as a proactive player in managing human capital operationally and strategically. Human resource function with its internal functioning aligned with strategic objectives of the organization is emerging to be a strategic partner and change agent in industrially developed countries as well as developing countries.

Among the different roles that the human resource function performs, the role of training and development is said to be a major challenge in managing human capital. Pandey (2007) in support of the fact that training and development adds value to organizations, mentions that it is one of the ways in which human resource professionals build and nurture human competence in achieving organizational objectives. In performing the role of training and development with the strategic orientation of the organization, human resource development contributes to the service, quality, and productivity objective of the organization. The fact that the human resource functions of managing performance is significant and critical, both to inform and to drive strategy in the organization with specific reference to training and development. Training effectiveness is recognized in terms of change in the behavior and performance of employees (Cascio, 2006).

Human resource professionals conduct job analysis to determine the characteristics necessary for successful job performance and incorporate these characteristics into rating instruments. These instruments are written and supervisors are trained to use them properly, including how to apply performance standards

when making judgments. According to Cascio (2006), implementing these instruments requires meticulous attention by organizations plus a commitment to making them work.

SMEs should therefore take the matter of training and development very seriously, as it is key in deciding what staffing needs organizations have and whether to use independent contractors or hire employees to fill these needs, recruiting and training the best employees, ensuring they are high performers, and dealing with performance issues. It is not surprising, therefore, that the design and implementation of performance management systems have become a frequent topic of discussion among human resource professionals. A few roadmaps for designing and building a performance management system as suggested by Trahan (2007) include aligning individual performance expectations with organizational goals, clarifying roles, responsibilities and expectations for all employees and creating a clear line of sight so that employees at all levels understand how their individual jobs and objectives support achievement of the agency’s overall strategic or departmental objectives. It also includes using core competencies as the basis for defining the skills and the behaviors required of people in specific jobs; linking pay to individual and agency performance; making meaningful distinctions in job performance; and creating safeguards to enhance the credibility and transparency of employee performance review.

RESEARCH METHODOLOGY

This study employed a cross sectional survey research design, which is suitable for studies that describe events or opinions without manipulating variables at a single point in time (Oso & Onen, 2009). The study area was Kisumu County. The target population comprised of all the 777 licensed SMEs in Kisumu County. The sample consisted of 260 SMEs in Kisumu County. This study employed proportionate stratified sampling, simple random and purposive sampling techniques. Data was collected using semi-structured questionnaires of mostly Likert Scale type, and interviews. Validity was ensured through use of experts who was the supervisors of the researcher while Reliability will be determined using test-re-test method. Quantitative data will be analyzed using percentages and multiple regression techniques.

RESEARCH FINDINGS

This study was to determine the influence of training and development on the performance of SMEs in Kisumu Municipality. Training and development was measured from analysis of training needs, analysis of training outcomes and the capacity of trainers as carried out by each SME on a scale of 5-21. The performance of each SME was also measured. The status of training and development for each SME was classified as good, moderate or poor. The average performance of the SMEs in each status of HRM practice was then worked out, and the results summarized in Table 4.6 were obtained.

Table 4.6. Average Performance of SMEs based on Training and Development

Status of Training & Development	N	Average Performance	Std. Dev	N - Percent
Good	22	79.79	11.11	10.57
Moderate	58	68.04	8.44	27.88
Poor	128	54.11	10.83	61.53
Total	208	60.71	13.59	100.00

Note. N is the number of SMEs in each status of HRM practice; Std. Dev, is the standard deviation.

Table 4.6 shows that SMEs with good training and development have higher performances (79.79%) than SMEs with moderate status of training and development (68.04%). They also have higher performances than SMEs with poor status of training and development (54.11%). This point to the fact that the performance of an SME is associated with the status of training and development; and that the better the status of training and development in an SME, the higher the performance of the SME. However, only 10.57% of the SMEs in Kisumu Municipality were found to practice good training and development, while majority (61.53%) practiced poor training and development practices. Most SMEs in Kisumu Municipality therefore do not benefit from the use of good practices of training and development as only 10.57% of the SMEs actually practice good training and development procedures.

The data was further tested using regression analysis to determine if there is a significant association between training and development and the performance of SMEs, and to test the hypothesis that training and development does not influence the performance of SMEs in Kisumu Municipality.

H₀₂: Training and development does not have a statistically significant influence on the performance of SMEs in Kisumu Municipality.

The results of the analysis are summarized in Table 4.7.

Table 4.7. *Statistics of Simple Regression of Training and Development and Performance*

Element of HRM	Constant	Coefficients		R values/proportions			Std. ϵ	F statistic		t-statistic		Sig.
		B	β	R	R^2	Adj. R^2		F_o	F_c	t_o	t_c	
Training & Development	93.77	-13.17	-.660	.660	.435	.432	1.04	104.96	3.860	-12.59	1.968	.000

Note. B is un-standardized coefficients; β is standardized coefficients; R is multiple correlation coefficient; R^2 is the proportion of the total variance; Adj. R^2 is improved approximation of R^2 ; Std ϵ is standard error of the estimate; F_o is the observed ANOVA statistic; F_c is critical ANOVA statistic $F_{(1, 206)}$; t_o is observed t statistic; t_c is critical t statistic $t_{(206)}$; and $\alpha = .05$.

Table 4.7 shows the overall regression model is significant since $F_o = 104.96 > F_{(1, 206)} = 3.860$; $t_o = 12.59 > t_{(206)} = 1.968$; $\alpha_o = .000 < \alpha_c = .05$. This led to the rejection of the null hypothesis that training and development is not a significant determinant of the performance of the SMEs in Kisumu Municipality. The study therefore established that training and development is a significant determinant of the performance of SMEs in Kisumu Municipality. Taken together with the information of Table 4.6, the study established that the better the training and development in an SME, the higher the performance of SME.

The adjusted R square statistic (Adj. $R^2 = .432$) indicates that training and development accounts for 43.2% of the variance in the performance of the SMEs in Kisumu Municipality. Hence training and development influence the performance of the SMEs in Kisumu County by 43.2%, while the rest 56.8% are accounted for by other factors including errors in the measurements. Since training and development are significant predictors of the performance of SMEs, it was possible to build a prediction model of performance using the constant and B value such that $P^1 = 93.77 - 13.17H$; where P^1 is the predicted performance, and H, the status of training and development if it can be accurately measured. Thus it is possible to increase the performance of SMEs in Kisumu city by about 43.2% through putting in place appropriate measures and criteria for training and development.

CONCLUSION

SMEs with good training are bound to perform better as the study has established since training and development ensures that the identified competency requirements are built through a systematic and focused approach (Elwood & James, 1996), and development ensures that individuals are provided with opportunities to develop their competencies that enable them to achieve professional and personal career objectives within the organization’s goals (Kelly, 2001). These automatically lead to improved performance if training and development is professionally planned and implemented. But the reverse is true for the SMEs with poor training and development as if the employees are not evaluated against their current jobs, those that they are likely to hold in future or against the activities of the organization, there will be no basis for training and development. This study confirms the views of Nadler (2010) that a successful training and development prepares individuals to undertake a higher level of work, and provide the possibility of performance change; and this enhances the performance of the individual and of the organization. It therefore follows that SMEs with good practices of training and development were found to perform higher than those without. But further, it is also true, as Pfeiffer (1994) observed that organization’s competitive success is achieved through people. Hence SMEs that take keen interests on training tend to achieve higher productivity.

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