

## **The Impact of Training on Organizational Performance: A Study of Hotel Sector in Terengganu, Malaysia**

<sup>1</sup>Tan Chi Hau and <sup>2</sup>Khatijah Omar

<sup>1</sup>Department of Management and Accountancy, Centre for Foundation Studies,  
Universiti Tunku Abdul Rahman, 31900 Kampar, Perak, Malaysia

<sup>2</sup>School of Maritime Business and Management, Universiti Malaysia Terengganu,  
21030 Kuala Terengganu, Terengganu, Malaysia

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**Abstract:** This research aims to test the relationship between training and organizational performance and to reconfirm the results of previous studies. The study was conducted for the hotel sector in Malaysia by using a sample of 110 respondents made up of selected managerial level employees in hotels in Kuala Terengganu. The convenient sampling technique was used and the analysis was done using the SPSS Software. Four hypotheses have been developed to test the impact of the independent variables on overall organizational performance. A significant finding emerged whereby a positive relationship exists between training and organizational performance. This indicates that training sessions are working smooth in the services sector as they enhance organizational performance. As a result, the hypotheses are in favour of significant relationship with organizational performance. The research findings are in support of training, requiring the human resource department to improve the quality of trainings that are provided to hotel staff. This initiative is able to increase employee's commitment to tasks, consequently boosting organizational performance.

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**Key words:** Training, organizational performance, Terengganu, Malaysia, positive relationship

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### **INTRODUCTION**

Not all employees hired are with complete knowledge and experience necessary for performing assigned tasks, however that necessary new and additional knowledge and skills can be provided to employees through training. Undeniably, many organizations consider the development of human resources as important investment effort towards enhancing the performance of the organization. In fact, training and organization performance have become the foundation of a new era of managing a diversified workforce against a background of globalised world (Lo *et al.*, 2009). Training is claimed not only increases the employee's productivity but also improves the services of employees and brings many positive changes to the organizations.

Some of researchers Khan (2010), Osman *et al.* (2011), Barrett and O'Connell (2001) agree that training contributes significantly in the business world because it improves the effectiveness and efficiency of both employees and organizations. However, there are a few studies found that training cannot be able to increase organizational performance in terms of profitability

(Faems *et al.*, 2005; Storey, 2002). In addition, Delame and Kramarz (1997) also revealed no significant effect between training and the rate of profit. On this basis, the objective of this study is to investigate and verify the hypothesized positive relationship between training and organizational performance. Interestingly, this study adopts three perspectives to measure organizational performance. They are internal, customer and finance perspectives of the organization.

### **Literature review**

**Training and organization performance:** According to Goldstein (1980) and Latham (1988), training is defined as the systematic development and acquisition of knowledge, attitude and skill required of employees to adequately perform an assigned task to boost productivity performance in the workplace. Studies revealed that there are many factors that can affect the performance of an organization and training is one of the indicators that was found to contribute to performance. This study focuses on training and its contribution to performance, specifically organizational performance.

Training has been proven to enhance employee's job performance. Hogarch in his study found that employees in sic insurance were educated but were not motivated to face challenges in the organization. Training was the method that has rectified the situation. Research also found that training has positive relationship with internal organizational performance (Barrett and O'Connell, 2001; Ahmad and Schroeder, 2003; Aragon-Sanchez *et al.*, 2003).

Specifically, these studies revealed that training practices influence business performance outcome and quality performance outcome. A comprehensive training design structure is capable of improving productivity and encouraging better product performance and quality (Guerrero and Barraud-Didier, 2004). Additionally, a study by Laplagne and Bensted (1999) reported the impact of training and innovation on the performance of workplaces in Australia. The relationship between training and internal organizational performance is also supported by other research works in other contexts. For example, according to Katou and Budhwar (2006), training can have positive effect on product innovation and product quality.

Meanwhile, in another study by Garcia (2005) she concluded that training leads to employee, client and shareholder satisfaction. Training for organizational staff ensures that service provided to the customer is at the most satisfactory level. This is supported by Gelade and Ivery (2003) whereby in their study of the relationship between human resource management and organizational performance, it was revealed that training is positively related to customer satisfaction. This finding was also supported by Ngo *et al.* (1998), Paul and Anantharaman (2003). They stated that any improvement in the staff efficiency will lead to better service after purchase and finally will increase customer satisfaction. However, there are also studies that report otherwise that is, a negative relationship exists between training and organizational performance from the customer perspective (Ely, 2004; Kalleberg and Moody, 1994).

In terms of training and performance from the financial perspective, there is mixed result. A study by Ballot and Taymaz (1993) which involved 51 firms from the manufacturing and construction sectors indicated that training has large positive effect on rate of return of total assets. In another perspective, Deng *et al.* (2003) concluded that training is able to raise export intensity and average export sales growth over 3 years time. Guest *et al.* (2000) and Khatri (2000) provided a model indicating that HR practices have led to financial performance improvement. Patterson *et al.* (1997) also asserted that training that is provided for the development of new skills can play a significant role in influencing

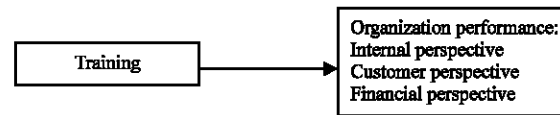


Fig. 1: Research framework

a company's profitability. Moreover, Rodrigues and Ventura indicated that training can have positive effect on financial performance, total sales growth and sales per employee.

Mansour (2010) in his research concluded that a positive relationship exists between overall HR practices such as training and the performance of firm. In another study by Khan (2010), the result indicated a significant relationship between training and development with organizational performance in the oil and gas industry in Pakistan. In support Choi, also realized the relationship between HRM practices such as training and performance appraisal and firm performance. Contrary to this, Delame and Kramarz (1997) revealed no significant effect between training and the rate of profit. Additionally, Faems *et al.* (2005) and Storey (2002) also seemed to agree that training is unable to provide increases in a company's net profitability.

**Research framework:** After reviewing the literature, it was found that training can provide an impact on organizational performance. Hence, training can be used as a tool to improve organizational performance. The review of the literature also led us to construct a conceptual framework that illustrates the relationship between training and organizational performance (Fig. 1).

**Hypotheses:** Based on the literature search, the following hypotheses were constructed:

- H<sub>1</sub>: there is a positive relationship between training and organizational performance from the internal perspective
- H<sub>2</sub>: there is a positive relationship between training and organizational performance from the customer perspective
- H<sub>3</sub>: there is a positive relationship between training and organizational performance from the financial perspective
- H<sub>4</sub>: there is a positive relationship between training and overall organizational performance

## MATERIALS AND METHODS

**Population, sample and sampling technique:** Currently, the hotel sector is considered as one of the cornerstones

of Malaysia's economic diversification strategy. Thus, to remain competitive, hotels must have and retain competent employees. In order to generalize the findings of this study to hotels in Malaysia, the population of this study consists of hotels located in Kuala Terengganu. The convenience sampling technique was used whereby subjects were selected due to their convenient accessibility and proximity to the researcher. About 140 questionnaires were distributed to managerial level employees in hotels in Kuala Terengganu. About 121 questionnaires were returned but only 110 copies of questionnaires were usable for further analysis.

**Measurement methods:** The survey instrument consists of three parts. Section A was developed to measure the respondent's (employees) demographic characteristics such as gender, age, education level and length of current employment. Section B was designed to measure the independent variable of training. The section comprises of 6 items (questions 1-6). Section C was designed to measure the dependent variable of organization performance. This section comprises 16 items (questions 7-22) and is divided into three sub-variables. The first sub-variable is financial perspective (questions 7-12). The second sub-variable is customer perspectives (questions 13-17) and the last sub variable is internal perspective (questions 18-22). The questionnaire or survey instrument for this study was adopted based on studies from Rohan and Madhumita, Seyed) and was adapted to meet the objectives of this study. The five-point likert-scale, whereby 1 indicates 'strongly disagree' and 5 indicates 'strongly agree'.

## RESULTS AND DISCUSSION

**Descriptive statistics:** Table 1 shows that most of the respondent's age is in the range of 20-30 years (32.8%), followed by 31-40 years. A moderate 22.9% belongs to ages in the range of 41-50 years while only 13% is in the range of 51-60 years. For gender demographics, a high frequency of female showed up which is equivalent to 83 respondents. The remaining 27 or 24% are males. Next is education. Most respondents hold a bachelor's degree to a total of 85 or 93% respondents. The remaining are diploma and master's degree holders of 10 and 5% respectively. The last demographic characteristic is service. The 29.7% of the respondents have been in employment for as long as 16-20 years. The duration of service of 1-5 and 6-10 years recorded a percentage of 24.5 and 19.8%, respectively. About 25.5 and the remaining 5% belong to those holding 11-15 years of service and <1 years of service, respectively.

Table 1: Respondent's demographic profiles

Demography	Frequency	Percentage
<b>Gender</b>		
Male	27	24.0
Female	83	76.0
<b>Age (years)</b>		
21-30	36	32.8
31-40	34	31.3
41-50	26	22.9
>50	14	13.0
<b>Length of current services (years)</b>		
<1	4	5.0
1-5	26	24.5
6-10	21	19.8
11-15	27	25.5
16-20	32	29.7
<b>Education level</b>		
Diploma	11	10.0
Degree	93	85.0
Master's	6	5.0

Table 2: Reliability analysis

Variables	No. of item	Cronbach's alpha
<b>Independent variable</b>		
Training	6	0.610
<b>Dependent variables</b>		
Organization performances	15	0.888
Internal perspective	5	0.757
Customer perspective	5	0.772
Financial perspective	5	0.728

Table 3: Correlation analysis

Items	Internal perspective	Customer perspective	Financial perspective	Organization performance (overall)
<b>Training</b>				
Pearson correlation	0.326**	0.303**	0.229*	0.330**
Sig. (2-tailed)	0.001	0.001	0.016	0.000
N	110	110	110	110

\*\*Correlation is significant at the 0.01 level (2-tailed); \*Correlation is significant at the 0.05 level (2-tailed)

**Reliability measures:** To measure the reliability of the questionnaire used, the cronbach's alpha was applied to analyse the data. According to Sekaran (2000), the minimum reliability value is 0.60. As the measured value for all the variables is above 0.60, it can be concluded that the measured variables have good reliability. The results of the analysis are presented in Table 2.

**Correlation tests:** Table 3 shows the results of correlation analysis applied to test the relationship between training and organizational performance variables. The correlation between training and organizational performance from the internal perspective is significant. Thus, it can be concluded that there is a positive relationship between training and organizational performance variables, analyzed from the internal perspective of the organization. Thus,  $H_1$  is accepted and this is consistent with previous results (Myloni *et al.*, 2004; Lee and Lee, 2007). The  $H_2$  hypothesized that there is a relationship between training and organizational performance from the perspective of

Table 4: Regression analysis

Independent variable	Std. $\beta$
<b>Model variables</b>	
Training	0.330**
R <sup>2</sup>	0.730
Adjusted R <sup>2</sup>	0.509
F-value	13.233
**p<0.01	

the customer. The value of the correlation between the two variables is 0.303 and the relationship is significant at the 0.01 level. Thus, H<sub>2</sub> is accepted.

Next, H<sub>3</sub> hypothesized that there is a relationship between training and business performance variables from the financial perspective. The results show the correlation between the variables is significant at the 0.05 level. Thus, H<sub>3</sub> is also accepted. The result is consistent with (Huselid, 1995; Ellinger *et al.*, 2002) who agreed that organizational learning is positively associated with financial performance. Finally, in relation to the analysis of the relationship between training and performance of organization, the correlation value is 0.330 which is significant at the 0.01 level. With that H<sub>4</sub> is accepted and this means that the relationship between training and overall organizational performance is positive and significant.

**Regression results:** The results of the whole analysis are depicted in Table 4. The regression between training and organizational performance provides a considerable outcome that is significant with  $p < 0.010$ . Next, the F-value is equal to 13.233, the value of R squared is  $> 0.60$  and the standard error is  $< 1$ . The R<sup>2</sup> reading of 0.730 shows that in this study approximately 73% of the variance has been explained by the independent variable.

The result also shows a significant and positive relationship exists between training and organizational performance. This result is consistent with past research (Khan 2010; Kira *et al.*, 2010; Ford, 2009; Jackson, 2008; Noonan, 2008; Mitki and Herstein, 2007; Delaney and Huselid, 1996; Koch and McGrath, 1996; Huang, 2001).

## CONCLUSION

Many past studies revealed that there is significant correlation between training and organizational performance (Schuler and Jackson, 1987; Huselid, 1995; Li *et al.*, 2006) and this study was conducted to verify whether the hypothesized idea that there is a relationship between training and organizational performance holds true. The results revealed that there is significant relationship between training and organizational

performance from internal perspective, customer perspective and financial perspective. Thus, the results of this study support the idea that organizations need to make investments in human capital in the effort to induce rapid improvements to their organizations.

As this study has extended the methodology, whereby the relationship was examined from three perspectives (internal, customer and financial), this study has also contributed to the relevant knowledge. It appears that no past studies have adopted these perspectives to represent a broad scope for gauging organizational performance thus, this study has also enriched the literature on training and organizational performance.

## LIMITATIONS

The main limitation of this study is the sample size of the population of interest. The sample size was quite small; hence making it difficult for the results to be estimated accurately. In addition, a large number of respondents is necessary for the findings to be generalizable to the real population. Apart from that this study only focused on the hotel sector in Kuala Terengganu. The views and needs of employees at the managerial level in other populations may be different due to different work environments in hotels of other locations. Moreover, other variables such as organizational culture; employee performance; compensation and reward system can be included in the model to be investigated in future studies. Perhaps, the frequency of trainings provided has an effect on the performance of an employee, in terms of his or her commitment and skill as enablers for improving the performance of the organization. Therefore, these limitations and suggestions should be captured in future research of the same nature, i.e., the relationship between training and organizational performance.

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