Impact of Training and Development on Organization Performance with Mediating Role of Intention to Quit as Human Resource Quality Cost

Hafiza Sadia Mansoor1*, Faisal Tehseen Shah2, Ateeq-ur-Rehman3, Asma Tayyaba4
1Department of Management Sciences, COMSATS Institute of Information Technology; 2Department of Statistical Sciences, COMSATS Institute of Information Technology; 3Department of Chemical Engineering, University of Engineering and Technology; 4University of Engineering and Technology, Lahore, Pakistan
*E-mail: sadiam99@gmail.com
Tel.:0092-334-9517906

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Abstract
The study is focused on the analysis of the impact of the training and development efforts in the Small and Medium Enterprises of Pakistan on the intention of employees to leave the organization considering it as an expense and the wastage of time and resources by the organization. The study will also evaluate the ultimate impact of the intentions of the employees on the performance of the organization. The study will be highly significant for the practitioners in the SMEs, shifting their focus towards the increased training and development efforts.

Keywords: Cost of Quality; HR Practices; Intention to Quit; Organization Performance; Pakistan; Small and Medium Enterprises; SMEs; Training and Development

Introduction
Much literature has been available on the HR practices and Quality of the processes in the organizations but the emphasis on the training and development efforts in the SMEs especially in the emerging economies like Pakistan has not been focused in the literature. The impact of increased efforts on the behavior and intentions of the employees and ultimately on the performance of the organization needs to be measured in the SME sector of Pakistan. The current study is an empirical research work on the impact of training and development efforts of the SMEs on the organizational performance considering the intentions of employee to quit the organization as the mediating factor.
Literature Review

Distinction among the Small and Medium Enterprises (SMEs) and the multinational enterprises (MNEs) is a difficult task. The establishment of the SMEDA by the Government of Pakistan in the 80s was the first formal authority for the handling of the SMEs in Pakistan. The definition given by the SMEDA for the distinction of SMEs from all other organizations on the basis of the number of employees includes the organizations which are not the public-limited organizations and does not employ more than 250 persons (with total assets at cost up to 50 million rupees excluding land and building) in the manufacturing sector and 100 persons (with total assets at cost up to 50 million rupees excluding land and building) in the trade and service sector and net sales must not exceed 300 million rupees according to the latest financial statements (SMEDA, 2013). It includes all the trade, manufacturing sector and the services sector. The implementation of the quality HR practices and analysis of the Costs associated with those practices in the SME sector of Pakistan is a field that needs the detailed study (Raziq, 2011; Asad, et al., 2011). The costs of quality were explained by Armand Feigenbaum in 1943 (Schiffauerova & Thomson, 2006). According to (Feigenbaum, 1956) the costs incurred to ensure the processes providing required or demanded quality are the prevention costs. Costs incurred to measure the quality level attained by the processes is the appraisal cost, whereas the costs associated with correcting the quality problems in the products and services before or after the delivery of products or service to the customer is known as the internal and external failure costs respectively. The current study is about the impact of training and development (HR Practice) on the organization performance considering Intention to quit (Cost of Quality) as the mediating variable.

HR Practices in the SMEs of Pakistan

The SMEs in Pakistan are working in every field of life and serving all the national and international markets. These are mostly run by the one person or the few individuals of the family making all the decisions of the enterprise and having no distinction of the personal and organization’s assets. In the informal sector many enterprises are reporting low profitability while in formal sector many are reporting high profitability so having good lifestyle for its employees (Dasanayaka, 2008). The SMEs are contributing almost 30% in the GDP of Pakistan (Gallup, 2004) but they still seem to be struggling, and so the lack of commitment and motivation, high turnover, low employee involvement are the major problems faced by the SMEs in Pakistan (Raziq, 2011). The employees mostly got confused if asked about the implementation of the HR practices and much comfortable if asked that how they manage people. The SMEs in Pakistan are highly growth oriented but still they need much to do in the fields of training and proper performance management of the employees (Asad, Haider, Akhtar, & Javaid, 2011). Accordingly, (Asad, Haider, Akhtar, & Javaid, 2011), the HR practices like hiring criteria, training, employee involvement in the decision making, performance appraisals, and performance based compensation systems have highly positive impact on the organizational performance levels. If they are not done well, they could lead to the increase in the failure costs of the organization and can seriously question the survival of the SME in this globalized and the competitive world. In the Netherlands and Australian context, the relationship of the family owned businesses and their management were studied by the (de Kok, Uhlner, & Thurik, 2006). According to him, the small firms in the region make less use of the recruitment activities or practices in the organizations, provide minimum training to their employees and less likely to implement the formal performance appraisal systems in their organizations (Bhutta, Rana, & Asad, 2008).
Training and development (TAD)

Training being an important factor has been categorized into general and specific employee training programs. Employers offer general training to the temporary employees in the organizations while otherwise the training programs are specific in nature (Almeida-Santos & Mumford, 2004). In SMEs in Pakistan, SMEDA organizes specific training programs with respect to area and requirement of the SMEs. Training programs, workshops, seminars, and conferences are organized by SMEDA in major cities of Pakistan for enhancing awareness and increasing capacity of the SMEs. According to (SMEDA, 2013), these programs are affordable for employees and appropriate aimed at improving technical, financial, marketing, compliance, regulatory, legal, policy and commercial functions of the SMEs. The focus of the programs is to improve the performance indicators of organizations like quality, productivity, competitiveness etc. the programs help in human resource development and in enhancing efficiency of the organizations (SMEDA, 2013).

Training and Development in TQM Models

The importance of training and development has been emphasized by the number of scholars, academicians and practitioners. According to (Bohoris, 1995; Bowen & Lawler III, 1992; Ruben, 1995; Curtis, Hefley, & Miller, 2009), the major TQM models has paid much attention to the training and development needs in the organizations to move towards the knowledge and quality organization. As now-a-days, businesses need to have customer oriented quality based business strategies in all the processes of the organization, to be successful in this competitive world. The standards defined by the quality and the quality models are the best guidelines to decide about the strategies to better achieve the objective of the customers and the organization, as they clearly define all the strategic requirements of the products and processes.Firms are now convinced to believe that the major source of competitive advantage is actually their human resource (HR) (Pfeffer, 1994). Building competitive advantage through the HR of the organization needs vigilant attention to the TQM based HR practices of the organization that best influence these assets (Wright, Gardner, & Moynihan, 2003). Increasing product competition and the changing demands of the customers and investors along with the deregulation and globalization of world markets, has made the quickly changing economic environment a norm for most of the organizations, which further made it compulsory for them to improve or enhance their performance, to be competitive (Becker & Gerhart, 1996). For this purpose, many organizations have decided to become a successful ‘TQM Organization’. But the main challenge for organizations is to decide their definitions of quality. For this purpose many regional and international quality awards and models are introduced by different authors and institutions. They are developed to promote and enhance quality and it help organizations to better analyze their own activities and compare them with their competitors, and to make their organizations a continuous improvement organization by implementing quality in human resource strategies (Henry, 1990). The major factor that is ignored by the SMEs in the context of the emerging economies like Pakistan is the training of the employees and the owners. The TQM Models of People Capability Maturity Model(Curtis, Hefley, & Miller, 2009), European Quality Award (Bohoris, 1995), Malcolm Baldrige National Quality Award (NIST, 2011), and the Deming Application Prize (Deming Institute, 2012; Powell, 1995), all have placed much emphasis on the training and development of the employees and the owners of the SMEs of the country.

The main factor keeping the SMEs away from the training and development efforts is the perception of it as an expense. The impact of the training and development on the intention of the employees to quit the organization has been evaluated by the survey. The behavior of the employees to quit the organizations is of primary focus for the organizations and the researchers.
Intention to Quit (ITQ)

One of the most important determinants of the actual behaviors of the employees is their intentions (Ajzen & Fishbein, 1980) and (Igbaria & Greenhaus, 1992). The researchers now-a-days are much concerned about the intentions of the employees as once the feeling or intention is developed it is almost impossible or much difficult for the management to gain the prior position back. A longitudinal study by the (Sager, 1991) has reported that the intentions of the employees in the workplace vary greatly among the leavers and those who remain the members of the organizations. Hence, it is reasonable to argue that the intentions are the indicators of the behaviors of the employees (Williams, 2003).

The intention to quit the organization is the most important predictor of the employee turnover and it is a major problem for the employer facing continuous lack of employee continuity, high costs in rehiring and retraining, and issues of organizational productivity (Firth, Mellor, Moore, & Loquet, 2004). Job stressors (job ambiguity and work load), job dissatisfaction (Moore, 2002), low level of communication among managers and subordinates, and lack of confidence in the organization (lack of vision to grow in the organization) are the major factors giving rise to the feelings of intention to quit the organization (Firth, Mellor, Moore, & Loquet, 2004), which in turn are decreasing the organizational performance and productivity. According to (Williams, 2003) the HR practices impact the intention of the employee to quit the organization if the trust of the employee got affected. The lack of trust on the organization due to the poor HR practices can lead to the lack of commitment and intention to quit the organization, which are the major predictors of the organizational performance. As the management has to spend much more in the hiring; training; development; and retaining of the new employee; if the employees’ intention to quit leads to increase in the turnover rate, subsequently impacting largely on the performance levels of the organization and other employees of the organization.

Organization Performance (OPF)

Organizational performance is now a very important factor in the empirical researches of the business policies (Dess & Robinson, 1984). According to (Yuchtman & Seashore, 1967) organizational performance can be assessed by the internal and external factors on which the survival of the organization depends. Regardless of this, the operationalization of the concept is very difficult as it is a multi-dimensional and complex phenomenon (Dess & Robinson, 1984). Considerable research has been done, identifying the relationship between HR practices and the performance of the organization (Rogers & Wright, 1998). The effect of HR practices on the organizational performance is greatly influenced by the COQ of the organization. The higher the failure costs of quality the more lower the levels of organizational performance will be. As the failure costs caused by the lack of commitment (Steers, 1977; Williams, 2003), cynicism (Andersson & Bateman, 1997), absenteeism (Harridon & Martocchio, 1998), intention to quit the organization (Firth, Mellor, Moore, & Loquet, 2004), redesign of training programs (Storey, 2004) and losing potential employees (Somaya, Williamson, & Lorinkova, 2008) greatly push the levels of organizational performance towards the lower end. Hence, the better the HR practices implementation the higher will be the performance levels.

Model of the Study

The impact of the Training and Development on the organizational performance is analyzed in the study considering the intention to quit as the very important HR Cost of Quality (COQ). The strength and the direction of the relationship are also analyzed during the study in the SME sector of Punjab, Pakistan as compared to the impact outlined in the literature.
Hypothesis

H₁: Training and Development has positive and significant relationship with Organization Performance.

H₂: Training and Development has negative and significant relationship with employee’s Intention to Quit.

H₃: Intention to Quit has negative and significant relationship with Organization Performance.

H₄: Intention to Quit acts as the negative and partial mediator in the relationship of Training and Development and Organization Performance.

Methodology

Participants and Procedure

The Small and Medium Enterprises of Punjab, Pakistan were selected for the survey, as being the biggest contributor to the GDP of the country (Financial Expo, 2012). The sample is taken from four provinces of Lahore, Faisalabad, Sialkot and Lahore. The Small and Medium Enterprises of the manufacturing and the service sector are taken as the target population. The number of districts in the Punjab is 36, out of which in 19 districts, the Chambers of Commerce are established by the Government of Pakistan where the listing of the SMEs is done. Among these Chambers of Commerce the 12 districts are identified by the SMEDA for the potential areas for investments. The study took these 12 districts as the stratas of the target population, and chose Okara and Sialkot as small, and Faisalabad and Lahore districts as the large stratas for the collection of the sample, using simple random sampling technique. The lists of the SMEs in the four districts are obtained from the respective Chambers of Commerce. The sampling units are then selected using the simple random sampling from the lists.

Sample Size and response Rate

The sample of 120 companies is selected from the population. Forty companies each from Lahore and Faisalabad were selected for the sample as these cities are having the 60% of the SMEs of Punjab, and 20 companies each from Okara and Sialkot were selected. 5 questionnaires in each organization were distributed randomly to the salaried employees only. The returned questionnaires were 290, out of which 12 were discarded due to incomplete responses and 278 were finally used making the response rate of 46.3%.
Measures

Five points measure is developed for Training and Development, after the detailed analysis of the best practices TQM models of P-CMM, MBNQA, EQA and DAP, as done by (Quazi & Padibjo, 1998) and (Black & Porter, 1996). These items were first tested by the pilot study to measure the reliability and later on after the analysis their reliability, face validity, convergent validity, Nomological validity and discriminant validity were reassured through the Confirmatory Factor Analysis (CFA) in Amos. For the intention to quit, two items from the scale of Tate, et al., 1997 and one item from the scale of Lee, 2008 were used. For organizational performance four items from the scale of Kim, 2004 were used for the study. Both scales of intention to quit and organizational performance were also reassured for the reliability and validity issues through CFA. The results of the data are analyzed by the regression analysis on the SPSS 16.0. The items of the variables are given in Table I.

### Table 1 Items of the Questionnaire

<table>
<thead>
<tr>
<th>TRAINING &amp; DEVELOPMENT</th>
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<tr>
<td>Employees are given regular opportunities for training and development.</td>
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<td>Training needs are regularly analyzed and subsequent training plans are revised by the authorities.</td>
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<td>The training programs are continuously improved after training impact assessment.</td>
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<tr>
<td>There are formal orientation training programs for quality awareness and skill development in the organization</td>
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<tr>
<td>Explicit efforts were made to train potential successors for their future role in the organization</td>
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<tr>
<td>INTENTION TO QUIT</td>
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<tr>
<td>I often think of leaving my present job.</td>
</tr>
<tr>
<td>I am looking for the new job in the next year.</td>
</tr>
<tr>
<td>I am presently looking and planning to leave this organization.</td>
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<tr>
<td>ORGANIZATION PERFORMANCE</td>
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<tr>
<td>In the past two years, the productivity of my work unit has improved.</td>
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<tr>
<td>In general, all employees are treated with respect in my organization, with no regard to status and grade.</td>
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<tr>
<td>It is rare to make big mistakes in my organization when conducting work.</td>
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<tr>
<td>The occurrence of goal attainment is very high in my organization.</td>
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The measures were also converted into Urdu for the better response and understanding of the respondents. The multilingual questionnaire was used after the analysis from the pilot study of the research questionnaire in English language. The Urdu questionnaire was analyzed by a TQM and Urdu language expert before being used. Direct or one-to-one translation was done for the study. the direct translation must not be confused with indirect or less straightforward. It is just the simple translation to the best ability of the translator as defined by the (Sechrest, Fayand Zaidi 1972; McKay et al., 1996). The measures of reliability and validity are taken to ensure the equivalence between the translated and original instrument (e.g., Hulin, Drasgow and Komocar 1982; Hulin, 1987; Hayashi, Suyuki and Sasaki, 1992). The reliability and validity of the instrument before and after translation is ensured in the study.
Findings & Results
The exploratory and confirmatory factor analyses were performed to confirm the items of the three variables used for the study. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy value of 0.811 and the significance of 0.000 shows significant factor loadings on each construct. The application of confirmatory factor analysis confirms the construct’s items by having GFI=0.893, CFI=0.900, NFI= 0.875 and CMIN/DF=4.25. The CFA Model for the three constructs is shown in the appendix II. Three items were removed from the analysis after the confirmatory factor analysis due to factor loading less than 0.4. After that the reliability of the constructs was measured through the Cronbach’s Alpha. The values of 0.862, 0.748 and 0.802 were observed for the scales of training and development, intention to quit and organizational performance respectively. The face validity and convergent, discriminant and Nomological validity of the constructs was ensured. The results of the convergent and discriminant validity are reported in Table 1.

After establishing reliability and validity of the constructs the biasness of the data was ensured through the Harman’s Single factor test and also by Common latent factor. 35.9% variance was explained by all the items of the study which is less than 50% and hence ensuring absence of biasness in the data. Same results were reported by the standardized regression weights in the common latent factor test.

After that regression diagnostics were performed to fulfill the assumptions for applying the regression analysis. The multi-collinearity, auto-correlation, outliers, leverage values and influential values tests were satisfied for the data, with the Durbin-Watson value of 2.062. The Pearson correlation value was also calculated to check the correlation among the three variables reporting moderately positive correlation among variables.

Finally, the regression analysis was performed. Four step model of Baron and Kenny (1956) was used to check the mediating role of intention to quit on the relationship of training and development and organization performance. At the first step, the direct relationship of independent variable “training and development” with the dependent variable “organization performance” was analyzed. The $\beta = 0.409$ and $\alpha = 0.000$ shows the positive and highly significant relationship between the two variables. At the second step, the relationship of mediating variable “intention to quit” and training and development was tested. The positive and significant values are shown in the results ($\beta = 0.402$ and $\alpha = 0.000$) with 34% of the variance explained by the relationship. Following the third step in Barron and Kenny (1956) model, the relationship of Intention to quit and organization performance was tested. Results showing positive and significant relationship ($\beta = 0.183$ and $\alpha = 0.000$) with 23% of the variance explained. At the final step the mediation of intention to quit was checked for the relationship of training and development and organization performance. The highly significant and positive values shows the positive mediation of the relationship (for training and development $\beta = 0.395$ and $\alpha = 0.000$ and for intention to quit $\beta = 0.118$ and $\alpha = 0.014$). The Sobel test-statistic of 2.284 and the significance value of 0.02 in the Sobel test application shows that the mediator “intention to quit” significantly carries the influence of training and development on the organizational performance at the 5% significance level. This shows 2% variance by the indirect effect and 48.2% reduction in the power training and development.
Discussion
Training and development of employees is an important factor to be catered if organizations try to shift their focus from being profit oriented to the quality oriented organization. In Pakistan, major research work is done on the quality culture of the multinationals and SME sector is ignored irrespective of being the major contributor to the GDP of the country. Almost 90% of the organizations in Pakistan are SMEs (Gallup, 2004) and they are giving 30% to the GDP of the country (Financial Expo, 2012). The study is basically to fulfill this gap and the presence of the training and development efforts and its impact on the behaviors of employees (intention of employees to quit) in the SMEs of Punjab, Pakistan is analyzed.

The survey results show that the focus of SMEs in Pakistan is shifting towards providing trainings to the employees especially after the development of the SMEDA and importance given to the sector by the government of Pakistan. But still the “saith” culture is more prominent and informal discussion with the respondents had shown that the owners still do not appreciate highly skilled employees in the organizations. The frequency analysis of the items of intention to quit also confirms the fact that the desire of employees to quit the organization is there in the sector. More than 40% of the employees in SME have positive intentions to quit the organization due to lack of longterm vision.

The mediating role of intention to quit is having positive direction, which means if the efforts of the organizations towards training and development increase the intentions of the employees to quit the organizations also increase. This is quite unexpected result as the models and awards studied above in the literature provide totally opposite relationship. In the Pakistani context, the reason for positive relationship might be the high inflation rate, large families to support, unawareness of training needs among the employees in the SMEs or the consideration of the activity as being the wastage of time and money by the employees. The data also shows that the intention to quit affects the relationship of training and development and organization performance by 48.2% that is approximately 50%, which is a considerable impact. Hence, the impact of training and development on the intention to quit of the employees cannot be ignored and needs to be catered by the owners of the organization to have the positive shift towards the quality culture in their organizations.

Conclusion
The shift of the focus of the SMEs in Pakistan towards the quality organizations cannot be ignored, as organizations are taking actions under the supervision of the policies of the SMEDA for making their organizations as quality organizations, but still the presence of HR quality cost, that is, intention to quit prevails in the market. The impact of training and development efforts on the intention to quit is opposite to what is expected from the literature and practitioners’ analyses. Hence, serious efforts need to be done to analyze and rectify the impact of the training and development efforts. Intention to quit plays significant role in the relationship of training and development and organization performance and hence cannot be ignored by the SMEs.

Limitations and Future Recommendations
Although the study holds much importance in the literature world and is a significant contribution to the knowledge world of training and development, intention of employees to quit the
organization and organization performance, in the Pakistani context, but still there are certain limitations in the study like the small sample and limited target population. There are number of areas that are not explored in the study, as it is impossible to study each and every aspect in one research work.

The analysis of the financial impact of the poor training need analysis and intentions of employees to quit the organization on the organization performance is not the part of the study and if done can be much beneficial for the researchers and practitioners at the same time. Secondly, the longitudinal research can be a better determinant of the shift of focus of the SMEs towards the quality oriented organizations. An important and quite significant study can be done on analyzing the factors that are playing their role in the positive impact of training and development efforts on the intention to quit the organization in the Pakistani context. At last but not the least, the study is focused on the salary based employees of the SMEs, there is a need to assess the level of training and development efforts undertaken for the daily wage employees working in the SMEs of Pakistan, who are a comparatively bigger part of the SME employees.

References


