

## **Employee Training Effectiveness in Saudi Arabian SME Performance**

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### **Abstract**

*A skilled workforce is crucial to the success of any organisation, and quality management is a contributing factor towards the increase or decrease in a company's profits. In this review of the organisational training literature as it may apply in a Saudi Arabia context, a number of dimensions are considered. Management training is an important aspect of staff training, as leadership qualities and change management drive organisational objectives. Research into further technical and policy training to meet environmental change are required by both managers and employees, whilst updating employees' job skills is also important.*

**Keywords:** Employee training effectiveness, SME performance, Saudi Arabia

### **Introduction**

Evaluations of organisational training generally define knowledge transfer by profitability outcomes, including cost reduction and quality assurance. Whilst Hansson (2007), described the relationship between training investment and staff turnover, the proposed study follows Hansson's research through its focus on employees' engagement with the organisation: communications, consensus, and teamwork. By taking a strategic position to direct employee education and training towards an improved organisational environment, management could therefore achieve greater return, profitability and higher-quality outcomes (Jennex, 2008; 2010). The research uniquely focuses on employee training as a career-building approach and a means of enhancing performance in Saudi SMEs. Within a traditional society that values leadership, this study seeks to understand employees' engagement with the organisation as evidenced through its training policies.

This study used a conceptual management framework to support the research aims, that is, to explore dimensions of management training and development. The hypotheses were framed around organisational training, and the input of senior management to that training to study the relationships between training and organisational performance. The nature of the Saudi workplace is an issue in this study, as the literature reports a lack of national skills that contribute to a low participation rate of Saudis in the labour force, particularly women. Saudi Arabia has therefore a large number of expatriate workers, and it is possible that their previous experience may skew the knowledge and skills level of SME workplaces. These and associated matters concerning management involvement in training are discussed in this paper.

## **Background Literature**

### **Training and Organisational Performance**

Organisational performance is directly related to employee training (Delaney & Huselid, 1996), appropriate training facilitates communication and improves the quality of work (Fussell, Kraut, & Siegel, 2000). Appropriate training improves the knowledge and skills of workers, which should improve their productivity in tasks and hence the total productivity of an organisation. The relationship between training, employee attitudes and organisational performance is very strong in social organisations and in SMEs (Huang, 2001). Hansson (2007, p. 311), used an international dataset compiled from 26 countries to examine the extent to which training investments enhanced company performance, and found that the amount invested in training was the primary variable 'suggesting that the economic benefits of training outweigh the cost of staff turnover'.

Executive management has a key role to play in training (Aladwani, 2001). Aladwani; Mimouni & Metcalfe (2012); Forstenlechner & Rutledge (2010), cited Saudi Arabian firms as examples of *laissez faire* management style and recommended increased and improved management training. In the United Arab Emirates, Zeffane and Al Zarooni (2008), studied employees' responses to management training objectives, finding that organisational culture influenced job satisfaction and that this had an effect on organisational commitment. The type of training envisaged is quite comprehensive: it includes professional training for employees to keep their skills and knowledge current; more extensive training for career enhancement that is aligned to organisational goals; lateral training relating to organisational goals, policies and work practices; customer awareness training; awareness training on the business sector, regulatory change, or the economy. For example, employee training in change management is involved in a takeover or merger, where organisational goals, policies and practices are realigned. This is intensive training to merge corporate cultures and to ensure that all employees are aligned to the new, inclusive organisational purpose.

Factors indicating skill enhancement for employees can include attitude, aptitude or competency, and employee satisfaction (Huang, 2001). For the organisation, benefits include enhanced productivity, reduced error rate and greater attention to organisation goals through greater focus on outcomes (Jennex, 2008). Valid measures of the success of organisational training include goal and timeline attainment and adherence to recommended workplace practices. Overall, the productivity levels of the organisation and its status in the industry are useful guides to successful training.

### **Management Influences**

The literature suggests that executive management involvement produces positive results from employee training (Black, 1995; Kotter, 1995). Kelloway et al. (2000), argued that employees' organisational commitment was significantly enhanced and productivity improved when managers participated in their training. In another study, owner/managers of SMEs attended training with their staff, learning alongside them and discussing issues (Johnston & Loader, 2003).

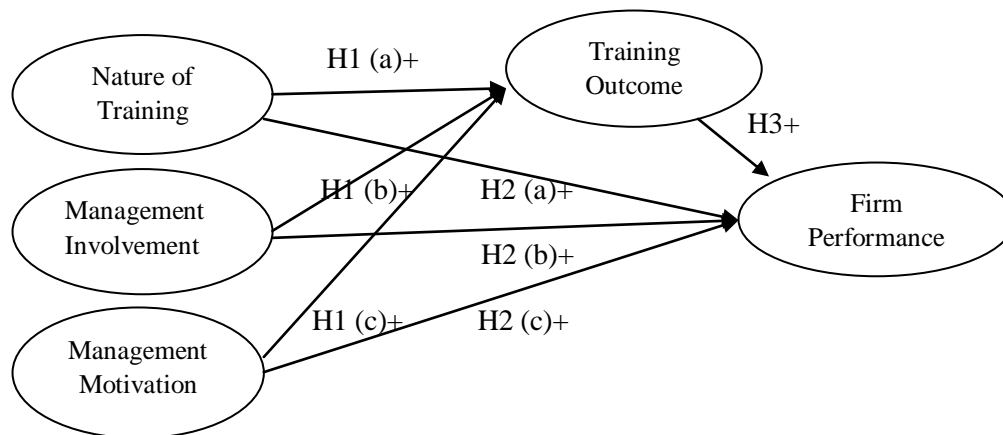
Management should have a thorough grasp of the content of the training and the outcomes expected from it. Transfer of new knowledge is of course crucial to the undertaking; thus to encourage trainees to transfer the new competencies to their work, management needs to reinforce training outcomes through incentives and longer-term rewards such as defined career paths (Jennex, 2008). A critical factor in training effectiveness is executive management support, which can have a 'pivotal effect' on the success or failure of a training program (Navaretti, 1998, 2010). With the continued involvement of executive management, regular employee training may be more effective than irregular courses, given the competitive and complex nature of the changing global market.

Researchers find that executive commitment to training that includes effective planning, funding and monitoring produce higher quality outcomes for the firm. The authors noted that 'commitment of top management has been cited as one of the most important factors impacting the success potential of TQM in a firm' (p. 6). Commitment to change by the firms' leaders will influence the behaviour of their employees. Executive managers should provide clear goals for their organisation and communicate these regularly so that all staff members are aware of their roles (Dresner, 2007, p. 286). Management makes demands on executives similar to those of team sports: i.e., 'individuals must have a clear understanding of their own roles and responsibilities and those of the teammates'. Further, staff must understand the roles of the other groups or individuals in the organisation.

Dresner (2007), presented a comprehensive framework for building effective management training and development programs. Involvement of executives in training varies among organisations, depending on management style. Hamzah and Zairi (1996), investigated executive involvement in training activities to equip employees with knowledge and skills, including funding to allocate sufficient resources to support the change activities. To some researchers, executive management involvement means empowerment to effect change, to create an organisational culture for supporting change, and to institute the appropriate reward system and increase communication throughout the organisation. These studies underlie the importance of training in an organisation. For the purpose of this paper, the executive management's interest in training extends to the average annual cost per employee, whether the training is aligned to technical competency or corporate goals, and its value to the employee. Incentives for employees are investigated: training is remunerated as part of employment without cost to the employee, and may include performance pay if work outcomes change significantly after training. This literature review shows that executive support for training is necessary to maximise organisational performance.

### Conceptual Framework

This study used a conceptual management framework to support the research aims, that is, to explore dimensions of management training and development (figure 1).



**Figure 1 Conceptual research framework**

Coleman (1988) noted that knowledge from management training is used to benefit the firm when it employs the individual's human capital. The management training approach identified by Donnelly (1987), is relevant to this study: assessment of organisational needs, resource availability, assessment of job training needs for the individual, and program design. Further, the effects of executive commitment and intervention on employee outcomes were explored by Huang (2001), who found that SME management support for training maximises the program value for the enterprise. Kraut et al. (1989), as noted, used a team sport analogy to design effective management training and development programs.

### Hypotheses

The first set of hypotheses is based on desired training outcomes. These hypotheses set concerned the correlation of desired training outcomes with each of three parameters: the nature of training, executive involvement in training, and executive motivation. Hypothesis 1 and its derivatives are therefore:

- Hypothesis H1a: Nature of training content positively affects the training outcomes for the organisation
- Hypothesis H1b: Management involvement in training will result in improved training outcomes
- Hypothesis H1c: Management motivation is positively associated with training outcomes.

The second set of hypotheses is based on firm performance, and its correlation with each of the three parameters: nature of training, executive involvement in training and executive motivation. This set tests whether the results of the first set of hypotheses concerning the desired training outcomes can be further tested through changes to the firm's productivity. This will link the tests of the two sets of hypotheses. Hypothesis 2 and its derivatives are therefore:

- Hypothesis H2a: If the nature of training content positively affects the training outcomes, these outcomes will positively affect firm performance
- Hypothesis H2b: If management involvement in training positively affects training outcomes, these outcomes will positively affect firm performance
- Hypothesis H2c: If management motivation is positively associated with training outcomes, these outcomes will positively affect firm performance

If the outcomes for the second set of hypotheses are tested, this leads to the test of the third hypothesis, that is, desired firm performance is positively correlated with firm performance. Hence can be hypothesised that:

- Hypothesis H3: Training outcomes improves firm performance.

### **Measures of constructs**

This research uses both descriptive and correlation research schemes. Correlation and hierarchical regression analysis were used to show the relationships among the variables using IBM PASW Statistics 18. Demographic variables are used as control variables to examine the interaction effect among the antecedent variables that affects the training outcome and firm's performance. PASW statistics examines the significant relationships among the firm's performance and its antecedents. The survey was measured on 5-point Likert scale ranging from "strongly disagree (zero)" to "strongly agree (five)" (1990).

Nature of the training was measured using the method proposed by Meyer et al. (1989), it fulfils the needs or purpose of the training some of the training modules vary widely from that of the requirements of the process. The nature of training is measured using five sub-scales: Strongly Disagree, Disagree, Neutral, Agree and Strongly Agree. Management involvement was measured using the method proposed by Kelloway et al. It significantly increases the productivity of training and gives the necessary confidence to the employees. High degree of management involvement provides for better results than a lower degree of training involvement (Kelloway, et al., 2000). The Management involvement is measured using five sub-scales: Strongly Disagree, Disagree, Neutral, Agree and Strongly Agree.

Management motivation was measured using the method proposed by Tai (Burden & Proctor, 2000). He recommended that to increase training motivation, managers could provide training-related information, such as training attributes, training environment, and content complexity. Training outcome will be achieved when nature of training, management involvement and motivation applied and that will influence the firm performance (Tai, 2006). The Training motivation is measured using five sub-scales: Strongly Disagree, Disagree, Neutral, Agree and Strongly Agree.

Training outcome was measured using the method proposed by Zeffane and Al Zarooni (Zeffane & Al Zarooni, 2008). They studied employees' responses to management training objectives, finding that training outcome influenced job satisfaction and that had an effect on firm performance. The Employees' responses to management are measured using five sub-scales: Strongly Disagree, Disagree, Neutral, Agree and Strongly Agree.

Firm performance was measured using method proposed by Hansson (2007, p. 311), to measure the firm performance and its effectiveness. Hansson used an international dataset compiled to examine the extent to which training investments enhanced company performance, and found that the amount invested in training was the primary variable, 'suggesting that the economic benefits of training outweigh the cost of staff turnover'. The firm performance is measured using five sub-scales: Strongly Disagree, Disagree, Neutral, Agree and Strongly Agree.

### **Methodology**

#### **Sampling Frame and data collection**

The study was conducted using survey method with 500 copies of the questionnaire delivered to executives and staff of participating SMEs in April 2011. Recipients were followed up through reminder letters and phone calls until targeted numbers of responses were achieved. By July 2011, completed questionnaires were received, resulting in 268 responses in total, an aggregate response rate of 54 per cent. Since data collection was dependent on the individual organisation's decisions to participate, no selection bias was involved in the research (Woolf, Martindale, Stanistreet, Gabbay, & Sapsford, 2007).

Prior to main survey, a pilot study was undertaken by distributing the questionnaire to five peer researchers and academics and five SMEs managers for checking the content, wording, and clarity of the scale items. It resulted in changes being incorporated in the final version of the questionnaire being distributed to the participants. Of the changes made to it are few rephrasing of the scale items.

The respondents' demographics were calculated on seven criteria: gender, nationality, education, qualifications, career, age and the latest workplace training. Due to the nature of the Saudi workplaces, there was a majority of male employees (78.8%), with 21.2 per cent of women respondents. Respondents' nationality was predominantly 'other Arabic' (48.2%), followed by Saudis (38.2%), with the remaining 13.6 per cent other nationalities. The educational levels of the respondents included bachelor degrees for 54.1 per cent and 38.2 per cent with diplomas, with the remaining 7.7 per cent reporting a secondary school education or lower. Given the number of Arab respondents, it was to be expected that they were educated in Arab countries (83.5%), a useful indicator for assessment of employment training. The majority of the participants were under the age of 40 years (77.7%, with 22.3% of 41 years and over) and 73.5 per cent reported work experience of 0-10 years, with 26.5 per cent reporting 11 or more years of employment. The relative youth and work experience levels of the respondents was reflected in their training levels.

Of concern, a majority of 71.2 per cent reported that they had received training on or before 2005. Thus nearly three-quarters of the staff in Saudi SMEs had no training relevant to their duties or responsibilities, resulting in ignorance of the changes inherent in globalisation and technology. Given the high level of education reported by the participants, it would be expected that they would actively seek training to manage such change, especially over five years.

### Data Analysis and Discussion

The statistical analysis for the research, that is, mean, standard deviation (SD), and number of observations (N) for each of the variables is presented in Table 1.

**Table 1 Mean, SD and Correlation coefficients (N=170)**

Variable	Mean	S.D	NT	MI	MM	TO	FP	VIF
Nature of training (NT)	3.46	.89	.85					3.61
Management involvement (MI)	3.41	.92	.79**	.85				3.00
Management motivation (MM)	3.25	1.05	.71**	.67**	.87			2.16
Training outcome (TO)	3.78	1.10	.69**	.65**	.52**	.85		2.64
Firm performance (FP)	3.79	1.20	.55**	.53**	.46**	.69**	.88	1.95

\*P < .05, \*\*P < .01, Cronbach alpha italicised

Table 1 shows that firm performance has the highest mean (3.79) and SD=1.20, whereas motivation has lowest mean (3.25) and SD= 1.10 respectively. Pearson's correlation was run to determine the relationship between management involvement (MI), management motivation (MM), training outcome (TO) and firm performance (FP). Hypothesis (*H1a*) was tested using zero-order correlation as shown in Table 1. That means Nature of training (NT) is positively and significantly correlated to desired training outcomes (TO) (R = 0.69, p<0 .01). This hypothesis was supported using variation inflation factor and multi correlation analysis at zero order correlation level.

Management involvement in training (MI) is positively and significantly correlated to desired training outcomes (TO) (R = 0.65, p< 0.01). Management motivation (MM) is positively and significantly correlated to desired training outcomes (R = 0.52, p< 0.01).

The second set of hypothesis is based on *desired firm performance*. The firm performances of employees have strong positive correlation with one parameter (*training outcomes*), moderate with 2 (*Nature of training and Management involvement in training*) and weak correlation with one parameter (*Management Motivation*). However, the VIF factor is very small (1.95) disagrees the above facts. Here, the small VIF is due to the combination of both moderate and weak correlation among three different factors. Based on the multi-co linearity analysis at zero order correlation level, we can hypothesise the following:

Nature of training (NT) is positively and significantly correlated to desired training outcomes ( $R = 0.55$ ,  $p < 0.01$ ). Management involvement (MI) is positively and significantly correlated to desired firm performance (FP) ( $R = 0.53$ ,  $p < 0.01$ ).

From Table 1, nature of training (NT) is positively and significantly correlated to desired training outcomes (TO) ( $R = 0.69$ ,  $p < 0.01$ ).

Hierarchical multiple regression was also used to test the contribution of antecedent variables such as NT, MI, MM and TO. The demographic variables such as gender, nationality, education, qualification, experience and position are entered as control variables. The training outcome (TO) was regressed on nature of training (NT), management involved (MI) and management motivation (MT) in training. We regressed desired firm performance (FP) on NT, MI, MM and TO. The result is presented in Table 2.

**Table 2: Regressions Analysis**

Variables	Training Outcome (TO)				Firm Performance (FP)			
	B	S. E	Beta	t	B	S. E	Beta	t
Gender	-.02	.15	-.01	-.13	-.42	.16	-.15	-2.60*
Nationality	-.30	.10	-.26	-3.15*	.11	.11	.09	.10
Education	-.03	.09	-.02	-.32	.06	.10	.03	.56
Qualification	.25	.11	.18	2.23*	.04	.12	.03	.29
Experience	.09	.08	.09	1.21	-.07	.08	-.06	-.84
Position	.10	.10	.07	1.04	-.14	.11	-.09	-1.35
Age	-.19	.08	-.16	-2.30*	-.01	.09	-.01	-.07
Workplace Training	-.09	.07	-.07	-1.25	-.06	.07	-.05	-.78
Nature of training (NT)	.56	.12	.45	4.56*	.02	.14	.02	.14
Management Involvement (MI)	.30	.11	.25	2.65*	.08	.13	.07	.65
Management Motivation (MM)	.07	.08	.07	.80	.07	.09	.06	.72
Training Outcome (TO)	-	-	-	-	.61	.09	.58	7.10*

\* $P < .05$

Nature of training (NT) contributes significantly to training outcome (TO) (0.45,  $p < .05$ ) followed by management involvement (MI) (0.25,  $p < .05$ ). Hence the hypotheses H1a H1b are supported but not the hypothesis H1c (0.07,  $p > .05$ ).

Nature of training (NT) (0.02,  $p < .05$ ), management involvement (MI) (0.07,  $p < .05$ ) and management motivation (MM) (0.06,  $p < .05$ ) not contributes significantly to firm performance (FP). Hence the hypotheses H2a H2b H2c are not supported.

Training outcome (TO) contributes significantly to firm performance (FP) (0.58,  $p < .05$ ). Hence the hypothesis H3 is supported.

### **Conclusion**

Employee training is an issue in Saudi Arabia's SMEs, as other Arab countries, particularly as many of the small firms have managers who have not had sufficient management training to acquire the requisite skills and who follow traditional control practices (Aladwani 2001; Forstenlechner & Rutledge, 2010; Mimouni & Metcalfe, 2012). Managers in such firms require significant upgrading of their skills in team leadership, finance, marketing and administration, although there is little extant research on the issue.

The results reflected the preponderance of men in Saudi workplaces, with women as one-fifth of the respondents; further it is notable that 38 per cent were Saudi, the remainder were guest workers. This concurs with observations by Forstenlechner and Rutledge (2010). Perhaps due to their guest status in the workplace, over half had bachelor degrees, and less than one in twelve had no tertiary training. Nearly three-quarters reported that they had received no training in the past five years, and this accords with the findings of Mimouni and Metcalfe (2012), that there is a lack of training in Saudi workplaces. Those who had received training reported desired training outcomes, and this outcome agrees with Fussell et al (2000).

Management involvement in training and management motivation regarding training were positively and significantly correlated to desired training outcomes (Jennex, 2008). Whilst the second set of hypotheses were not supported, the third hypothesis, training outcome contributes significantly to firm performance is supported. This concurs with Hansson (2007) and Huang (2001).

This research adds to the body of knowledge by attempting to identify and isolate the management skills issues to make recommendations on government policy changes and build a management skills base. Future researchers can replicate this methodology to measure change in management skills on larger samples in Arab countries to understand the process of change in the SME sector. This is vital, as the sector produces the bulk of the jobs for the next Saudi generation seeking work.

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