EMPIRICAL STUDY OF TRAINING AND DEVELOPMENT AS A TOOL For ORGANIZATIONAL PERFORMANCE: CASE STUDY OF SELECTED BANKS IN NIGERIA

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ABSTRACT  
Most banks in Nigeria, in recent years are facing the challenges of labour turn over due to lack of job security of their employees. More so, most banks keep downsizing their employees and recruiting new ones as a result of changes in their services and work processes driven by technological trends and competitive environment. Therefore, it is logical for employees to keep changing their methodologies, thus giving room for continuous training and development. The objective of this study was to examine whether employees’ training and development enhances work efficiency in the banking industry. Primary data were used for the study, which were generated through the use of questionnaires. The study took a sample of 395 respondents from a population of 35,386 from the five banks used as case study. Simple random technique was used to select the respondents. Data collected were analysed using descriptive statistics, and Pearson’s moment correlation. Multiple regression was employed to test the hypothesis. Major findings indicated that there is a positive correlation among all the variables. Result of model summary shows that the independent variables account for 39.1% of the variation in organizational performance. The result in the coefficient table however, indicated that only three variables were significant: organizational commitment to Training and Development, frequency of Training and Development and reward for best performance. The study therefore concluded that for training and development to have significant impact on organizational performance, employees need to be motivated during training programs. It was recommended that banks should introduce reward system for outstanding performance so as to motivate employees to always put in their best during each training session. 
Key words: Training and Development, Organizational performance, Human capital, Shareholders’ satisfaction

1 INTRODUCTION  
Training and development have become the most important factor in the business world today, because training increases the efficiency and the effectiveness of both employees and the organization (Raja, Furqan and Khan, 2011). Training is a systematic restructuring of behaviour, attitude and skills through
learning- education, instruction and planned experience. Training is designed to change or improve the behaviour of employees in the workplace so as to stimulate efficiency. The cardinal purpose of training is to assist the organization achieves its short and long term objectives by adding value to its human capital. Training and development are not undertaken for the sake of training, but rather are designed to achieve some needs. Therefore, training and development are need based in the sense that they are undertaken to fill some knowledge gap within an organization.

Many organizations have over the years introduced good manpower training and development strategies in order to enhance better employee performance at work and increase their productivity. However, the efforts of such strategies in most cases have always been jeopardized in most organizations, as a result of some factors that impede against the achievement of their objectives. Some of the impeding factors include recruitment/selection problems, training procedure and inadequate facilities, government policy, the economy and labour legislation (Nguyen, 2009).

Generally, it has been observed that the environment that hosts the organizations is dynamic. The dynamism of the environment has many implications on the organizations: It is the determinant of the product that the organizations will produce; there must be a market before the organizations will produce a product. Thus as the consumers’ taste and preference change, there is need for the organizations to also change their product and work process (Byrne, 2011). Training and development therefore, become necessary.

According to Raja et al (2011) Training and development is a very important tool for an organization to compete in this challenging and changing world. Facing fierce competition and ever rapidly changing market environments, large corporations must find ways to improve productivity, efficiency, customer service, staff retention and other key drivers of corporate profitability (Training and development) should they want to be more profitable and be competitive in the industry (Vitcet, nd; Nguyen, 2009).

New teaching-learning and training methods are arising due to the modern-day revolutionization in the economic, labour and technological world of workforce. These changes demand to put the theory and practice behind, while prioritizing the more global, integrated, flexible and vocational training (Abeeha and Bariha, 2012). For example the introduction of e-banking system has rapidly changed work process in the banking industry, thus the need for constant update of knowledge by the employees to meet the continuous challenges. As a result most banks in Nigeria in recent years keep retrenching and recruiting new employees.

The objectives of this study include to:

(i). Examine whether employees’ training and development enhances work efficiency in the banking industry or not.
(ii). Examine the relationship between employees’ training and development and organizational performance.

And to achieve these objectives, the following research hypothesis was formulated:

Ho = There is no significant relationship between employees’ training and development and organizational performance.

2 LITERATURE REVIEW

Training and development has been a subject of many studies over the years. Raja et al (2011) conducted a survey of 100 sample, they observed in their studies that there is a positive relationship between training design and organizational performance. Similarly Abeeha and Bariha (2012) in their studies carried out in Pakistan, observed a positive correlation between employees’ training and organizational competitive advantage.

Abang, May, and Maw (2009) on the other hand, pointed out that Lynch and Black in their studies revealed that only off-the job (general) training improves organizational performance whereas on the job training does not.

Training and development has been acknowledged to be a very important component of organizational performance (Eleve, nd). However, it is not an end goal rather training is characterized as a means to an end – the end being productive, efficient work organizations, populated by informed workers who see themselves as significant stakeholders in their organizations’ success (Byrne, 2009). Fewer than 5% of all
training programs are assessed in terms of their financial benefits to the organization (Swanson in Herman and Kurt, 2009). Importance of training has been documented for variables other than organizational performance. However, many of these additional outcomes are related to performance indirectly. Training and development is basically directed at employee but its ultimate impact goes to organization, because the end user of its benefits is the organization itself (Raja et al, 2011). Training will have the greatest impact when it is bundled together with other human resource management practices and these practices are also implemented following sound principles and practices based on empirical research (Abang et al, 2009). Many studies have garnered support for the benefits of training for organizations as a whole (Herman and Kurt, 2009). These benefits include improved organizational performance (e.g., profitability, effectiveness, productivity, operating revenue per employee) as well as other outcomes that relate directly (e.g., reduced costs, improved quality and quantity) or indirectly (e.g., employee turnover, organization’s reputation, social capital) to performance (Herman and Kurt, 2009).

It is interesting to note that information technology, employees training, and incentives showed a strong and significant relationship with organizational performance. This could be due to the fact that in most developing countries, the employees are not as highly paid as those workers in developed counties, thus the workers are more concerned with human resource practices which could subsequently increase their earnings (Abang et al, 2009).

Several interventions are effective at increasing the benefits of training to the organization (Herman and Kurt, 2009). First, organizations should conduct a needs assessment using experienced subject matter experts to make sure trainees are ready and motivated for training. Second, in terms of design, organizations should apply theory-based learning principles such as encouraging trainees to organize the training content, making sure trainees expend effort in the acquisition of new skills, and providing trainees with an opportunity to make errors together with explicit instructions to encourage them to learn from these errors enhances the benefits of training. Third, in terms of training delivery, the benefits of using technology for training delivery can be enhanced by providing trainees with adaptive guidance (see Herman and Kurt, 2009).

The model of measuring training effectiveness developed by Donald Kirkpatrick in the late 1950s can enhance the perceived benefits of training from the perspective of various stakeholders in the process, including those who participate in training, and those who fund it i.e organizations (Jeremic, Jovanovic, and Gasevic, 2009). Finally, research points to the importance of considering work environmental factors such as supervisory support and opportunity to perform as moderators of the relationship between training and transfer of training back to the work environment (Lisa and Holly, 2007).

2.1 Organizational Performance

Organizational performance encompasses the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard in Wikipedia (2008), organizational performance comprises three specific areas of firm outcomes: (i) financial performance (profits, return on assets, return on investment, etc.) (ii) Product and market performance (sales, market share, etc.) and (iii) Shareholder return (total shareholder return, economic value added, etc.). The term Organizational effectiveness is broader.

Most of the studies are concerned with organizational performance including strategic planners, operations, finance, legal, and organizational development (Paul, nd). Many organizations in recent years have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as (Paul, nd; Wikipedia, 2008):

i. financial performance (e.g. shareholder return)
ii. customer service
iii. social responsibility (e.g. corporate citizenship, community outreach)
iv. employee stewardship

Present study seeks to measure organizational performance using financial performance i.e shareholder’s satisfaction.

2.2 Theoretical Framework
This study is based on human capital theory proposed by Schultz in 1961 and developed by Becker in 1994. According to the theory, Human capital theory suggests that education or training raises the productivity of workers by imparting useful knowledge and skills, hence raising workers’ future income by increasing their lifetime earnings (Becker, 1994). The human capital model suggests that an individual's decision to invest in training is based upon an examination of the net present value of the costs and benefits of such an investment. Individuals are assumed to invest in training during an initial period and receive returns to the investment in subsequent periods. In his view, human capital is similar to "physical means of production", e.g., factories and machines: one can invest in human capital (via education, training, medical treatment) and one's outputs depend partly on the rate of return on the human capital one owns. Thus, human capital is a means of production, into which additional investment yields additional output. Human capital is substitutable, but not transferable like land, labour, or fixed capital.

Olaniyan and Okemakinde (2008) in their studies titled ‘Human Capital Theory: Implications for Educational Development’ focused on the benefits of human capital to the nation as a whole. They pointed out the relationship between education and economic growth. According to Olaniyan and Okemakinde (2008) ‘Many of the classical economists argued strongly for government’s active support of education on the grounds of the positive externalities that society would gain from a more educated labour force and populace’.

While formal education has expanded rapidly in many countries, a large portion of human capital accumulation in the forms of on-the-job training and other modes for working adults actually take place both inside and outside the workplace (Jin, 2001).

Some human capital advocates suggest that these great increases in learning efforts have not led to commensurate economic gains because of the declining quality of education. For example over the years, most research have been showing drastic fall in standard of education in Nigeria. The biggest challenge to human capital theory as pointed out by Livingstone (1997) is underemployment of credentialed knowledge i.e a large number of people who have invested many years of their lives in acquiring advanced formal educational qualifications, are unable to obtain commensurate jobs. Such situation is prevalent in most of the underdeveloped countries like Nigeria. Another short coming of human capital theory is that in countries like Nigeria, more emphasis is given to paper qualification rather than employee’s personal skills and talents.

3 METHODOLOGY
The research adopted a survey research design. The purpose was to allow the researchers to fully describe and explain conditions of the present by using many subjects and questionnaires to fully describe a phenomenon. Primary data were used for this study. Five banks were selected as case study. They include: United Bank for Africa, Diamond Bank, Skye Bank, Union Bank and Zenith Bank. The entire staff of these banks forms the population of this study. Thus, the population of staff according to these banks is 35,386. The study also considered only those staff that are permanent staff with these banks, and this forms the sample frame of the study.

The sample size was calculated using Guilford and Fluchter formula for estimating sample size (Oladipo and Abdullkadir, 2010):

\[ N/1 + Q^2N \]

Where: 
- \( N \) = Population size
- \( Q \) = alpha = 0.05

Thus, the sample size was calculated to be 395.

Data were collected through questionnaire. Questions in the questionnaire were closed-end questions. The questionnaire was divided into two sections: A and B. Section A contained questions on demographic characteristics of respondents, though it did not form part of the analysis. Section B on the other hand, contained questions on both dependent and independent variables.

**Study variables are:** Dependent variable = Organizational Performance (OP). OP was measured by the shareholders’ satisfaction. Independent variable= Training and Development (T&D). Training and
Development was measured by Organizational commitment to Training and Development, types of Training and Development provided access to modern Training and Development facilities. Both variables were measured on a five Point Likert scale ranging from strongly agree = SA, agree = A, undecided = UD, disagree = DA to strongly disagree = SD. Data were analyzed using descriptive and inferential statistics. Pearson moment correlation was used to test the relationship among the variables. And analysis of variance (ANOVA) was used to test the hypothesis.

4 DATA PRESENTATION AND ANALYSIS

Data collected from the respondents were presented and analyzed using frequency counts, descriptive statistics and Pearson moment correlation. Also, the empirical results of the hypothesized relationships among the variables are reported. Various relationships were statistically tested through structural equation modelling, multiple regression and analysis of variance (ANOVA). These results were interpreted in terms of research objectives.

Table 1.0 Descriptive Statistics on the Variables

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational commitment to training and development of staff</td>
<td>4.1159</td>
<td>1.02141</td>
<td>371</td>
</tr>
<tr>
<td>Employees' exposure to modern training facilities</td>
<td>3.9003</td>
<td>1.07968</td>
<td>371</td>
</tr>
<tr>
<td>Types of training method used in the organisation</td>
<td>3.7062</td>
<td>1.09665</td>
<td>371</td>
</tr>
<tr>
<td>Reward for best performance during each period of training</td>
<td>3.7466</td>
<td>1.14158</td>
<td>371</td>
</tr>
<tr>
<td>Frequency of training and development</td>
<td>3.8410</td>
<td>1.28780</td>
<td>371</td>
</tr>
<tr>
<td>Share holders' satisfaction</td>
<td>3.9137</td>
<td>1.22280</td>
<td>371</td>
</tr>
</tbody>
</table>

Source: Author’s Computation, 2012

Table 1.0 presents the descriptive statistics of the variables. Looking at the mean scores and small standard deviations of the variables which do not vary much, it shows that pattern of response were quite similar with one another. However, the analysis indicated that organizational commitment to training and development of staff has the highest mean score of 4.12 with standard deviation of 1.02 compared to all other variables. This means that all the respondents agreed that their organizations are committed to training and development of their staff.

Analysis of the table 1.0 further shows that employees’ exposure to modern training facilities recorded a mean score of 3.90 with a standard deviation of 1.07, and frequency of training and development recorded a mean score of 3.84 and a standard deviation of 1.28 respectively. This is not surprising as share holders’ satisfaction recorded a mean score of 3.91 and standard deviation of 1.22. This result indicated that majority of the respondents agreed that their organizations are performing well which could be as a result of their commitment to training and development.

Table 2.0 Correlation Matrix of the Variables
Table 2.0 presents the results of correlation among the variables. Analysis of table 2.0 suggested positive relationships among all the variables. It suggested a positive correlation between share holders satisfaction and organizational commitment to training and development, employees’ exposure to modern training facilities, types of training methods used in the organization, reward for best performance during each period of training and frequency of training and development. All independent variables showing the values of 0.473, 0.444, 0.406, 0.546, and 0.450 respectively, and are all significant at 1% level of significance.

The results also show that organizational commitment to training and development has a significant positive relationship with employees’ exposure to modern training facilities, types of training method used in the organization, reward for best performance during each period of training and frequency of training and development with correlations values (r) of 0.660, 0.503, 0.419 and 0.487 respectively. This result also shows that organizational commitment to training and development and employees’ exposure to modern training facilities are strongly correlated. Also, employee exposure to modern training facilities and frequency of training and development are highly correlated with a value of 0.618.

Employees’ exposure to modern training facilities has a significant positive relationship with types of training methods used in the organization, reward for best performance during each period of training and frequency of training and development with correlation values of 0.566, 0.389 and 0.618 respectively. Similarly, frequency of training and development has a positive relationship with type of training method used in the organisation with a value of 0.533.

**Test of Hypothesis**

The test was conducted using multiple regression analysis. organizational commitment to training and development, employees’ exposure to modern training facilities, types of training methods used in the organization, reward for best performance during each period of training and frequency of training and
development were used as independent variables, while share holders’ satisfaction was used as dependent variable. This test established whether training and development has significant effect on organizational performance.

Table 3.0 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Squared</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.626&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.391</td>
<td>.383</td>
<td>.96049</td>
<td>.391</td>
<td>46.939</td>
<td>5</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Reward for best performance during each period of training, Employees' exposure to modern training facilities, Types of training method used in the organisation, Frequency of training and development , Organizational commitment to training and development of staff

Source: Author’s Computation, 2012

The model summary shows that reward for best performance during each period of training, employees' exposure to modern training facilities, types of training method used in the organisation, frequency of training and development , organizational commitment to training and development of staff account for 39.1% of the variation of the organizational performance (i.e coefficient of determination).

Table 4.0 Anova

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>216.515</td>
<td>5</td>
<td>43.303</td>
<td>46.939</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>336.725</td>
<td>365</td>
<td>.923</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>553.240</td>
<td>370</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Reward for best performance during each period of training, Employees' exposure to modern training facilities, Types of training method used in the organisation, Frequency of training and development , Organizational commitment to training and development of staff

b. Dependent Variable: Share holders' satisfaction

Source: Author’s Computation, 2012

Table 4.0 shows the result of regression analysis of dependent variable and independent variables. From the F-calculated shown in table 4.0, it shows that when the result was compared to F-tabulated was significant; $F (5/365) = 46.94$, $p < .005$. That is, the independent variables selected (reward for best performance during each period of training, employees' exposure to modern training facilities, types of training method used in the organisation, frequency of training and development , organizational commitment to training and development of staff) were significant variables that affected the dependent variable (organizational performance).

Table 5.0 Results of Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
<th>95.0% Confidence Interval for B</th>
</tr>
</thead>
</table>

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### Summary of Regression Results

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>Lower Bound</th>
<th>Upper Bound</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.589</td>
<td>.233</td>
<td>2.52</td>
<td>.012</td>
<td>1.047</td>
</tr>
<tr>
<td>Organizational commitment to training and development of staff</td>
<td>.232</td>
<td>.068</td>
<td>.194</td>
<td>.001</td>
<td>.365</td>
</tr>
<tr>
<td>Employees' exposure to modern training facilities</td>
<td>.103</td>
<td>.071</td>
<td>.091</td>
<td>.148</td>
<td>-.037</td>
</tr>
<tr>
<td>Types of training method used in the organisation</td>
<td>.021</td>
<td>.061</td>
<td>.019</td>
<td>.724</td>
<td>.140</td>
</tr>
<tr>
<td>Frequency of training and development</td>
<td>.110</td>
<td>.053</td>
<td>.116</td>
<td>.038</td>
<td>.215</td>
</tr>
<tr>
<td>Reward for best performance during each period of training</td>
<td>.391</td>
<td>.053</td>
<td>.365</td>
<td>.287</td>
<td>.495</td>
</tr>
</tbody>
</table>

**Source:** Author’s Computation, 2012

Table 5.0 is the result of coefficients, which confirmed the ANOVA result with organizational commitment to training and development of staff, frequency of training and development and reward for best performance during each period of training coefficients being significant, \( t(2.522) = 3.43, 2.07 \) and 7.38 respectively, \( p < .05 \). However, table 5.0 shows that employees' exposure to modern training facilities and types of training method used in the organisation coefficients were not significant.

Since the results of linear regression model with organizational commitment to training and development of staff, frequency of training and development and reward for best performance during each period of training were significant for these banks, it could be concluded that training and development is a vital tool for organizational performance. Hence, the null hypothesis was not accepted and the alternative hypothesis was accepted.

### 5 SUMMARY AND CONCLUSION

This study was carried out to investigate the relationship between training and development and organizational performance with reference to banking industry. The findings revealed that training and development has a positive relationship with the performance of banks in Nigeria. However, out of the five variables used to measure training and development, only three have significant coefficients. They include organizational commitment to training and development of staff, frequency of training and development and reward for best performance during each period of training. This means that these three variables explained employees’ skills/knowledge and inputs which translate to organizational performance. While the remaining two variables (employees' exposure to modern training facilities and types of training method used in the organisation) were not significant. Based on the findings from this study, it is concluded that for training and development to have significant impact on organizational performance, employees need to be motivated during training programs.

The study also proffered the following recommendations:

(i) Instead of downsizing those employees with years of experience and recruiting new ones, banks should rather invest in (committed to) training and development of their experienced staff. This will help them to reduce the cost of frequent recruitment and selection.
Banks should also introduce reward system for outstanding performance so as to motivate employees to always put in their best during each training period. This will assist them in identifying those staff that has special skills and talents.

Banks should expose all their staff to training at least once in every year. This will make the employees to meet up with the changes in their services and work processes as may be driven by the competitive environment.

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