The impact of training / education on business results and employee satisfaction

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Abstract:
This research starts from the existing theoretical assumptions that education is a good investment for the employer and positively affects employee satisfaction. Our intention was to test this hypothesis through appropriate research in Serbia and to identify which factors and to what extent it influences. We started from the fact that HR is a complex process and influenced by various factors. In this context, special attention is paid to the integration of training and education into other HR processes, as one of the most important conditions for influencing business results and employee satisfaction. In doing so, it is especially true that the HRM concept in Serbia has been accepted with great delay and only with the arrival of foreign investors. The main goal of this research is to identify and examine the factors that influence the effects of training/education in the organizational context, and to determine under what conditions education can be an investment rather than an expense. This work is methodologically based on the analysis of the available literature and the results of the research of the authors statistically processed based on the survey on the example of 187 respondents from companies selected by random sample. An appropriate model is presented that in a simple way shows the factors influencing the cost-effectiveness of investment in education/training.

Key words: human resource management, employee, satisfaction, training, investment, business results

Introduction
Today it is not even debatable that the most profitable investment is the one in education and that it pays off to the investor in the span of a couple of years, ensuring capital and profit. People as their organization’s potential are its biggest driving and creative power. They have the decisive role and importance in the production process, they are the bearers of change implementation, additional value creation, business efficiency advancement, and the driving force behind its future performance. The realization of the organization’s set goals and mission ultimately depends on the degree of the employees’ competence for the job, state of their work habits, creativity and motivation.

However, we have seen that the investment in education is not an investment in its own right, because it can be an expenses if the appropriate conditions for the use of education results are not fulfilled. The main objective of this paper is to identify factors that influence the effects of training/education in organizational context and to examine their effect on the company’s performance and its employees’ satisfaction. Within this objective, we have found it important to look into the relation between certain influential factors, costs and business results, in order to determine under which conditions education can be an investment and not expenditure. Our intention was to test this assumption through the appropriate research in Serbia and identify which factors exert influence and to what degree.

We have begun with the assumption that this is a complicated HR process affected by various factors. In this context, we have carefully examined the integrity of training and education within other HR processes as one of the most important conditions of influencing business results and employee satisfaction. Having said that, it is important to note that the HRM concept has been accepted in Serbia with a huge delay, and it’s mostly related to the arrival of foreign investors. Training used to be seen as an independent activity in relation to other HR processes, and the prevailing belief was that this activity had unconditionally positive effects on business success in its own right, and that it was even redundant outside of formal education.
Based on the gathered and presented results it has been confirmed that education and training affect business success and employee satisfaction, provided that there exists the influence of certain factors that are especially related to HRM. This research has enabled us to identify the appropriate model which easily demonstrates the factors of influence on the profitability of investments in education and training. It has been confirmed that both employees and training will be treated as a cost as long as there is no clear connection between them and business results. The findings of this research contribute to the testing of the assumption of the importance of training for modern organizations and its effect on their practice.

**Literature Review and Theoretical Framework**

In the existing extensive literature on HRM there is a consensus that all the processes within HRM are interconnected and have the function of human potential enhancement, and that employee training is the developmental function of HRM. Having said that, it is important to underline that training can achieve the desired results only in the context of other processes. Through their policies, practice and processes with HRM, organizations encourage its employees’ development and search for methods and instruments that have strong motivational and identity effects on employees. Different training and development programmes are becoming ever more important, and they serve to advance knowledge, competence, capabilities, motivation and satisfaction of employees.

Especially important is the fact that education/training is a human need since through learning one improves their personal development, develops their own potential, knowledge, interests, personal satisfaction, influencing their organization’s performance, and in a broader sense, the whole society.

Education and training have been recognised as important factors of personal and organizational development ever since the first papers in the organizational, management and behavioural theories were published. On the one hand, theoreticians were interested in its importance for the individual, their motivation and development, and on the other hand, in the importance for the development and success of the organization itself.

We can recognise the need for education within the need for respect and self-actualisation starting with Maslow’s works. Alderfer, however, considers this need as the human need of the highest order, and McClelland’s need for achievement is human’s need to achieve success in their field. Motivational aspect of training is reflected in employees’ direct gain from learning and knowledge, which can be seen in the way they use the acquired knowledge as a lever for development and achievement of other (including material) goals.

In their research, Lee and Bruvold (2003) have proven that investment in employee development is positively correlated to job satisfaction and fluctuation. More recent research indicate that the “high commitment” from HR, in fields like employee development, affects organizational results in shaping employees’ behaviour and their attitudes. (Arthur, 1994; Huselid, 1995).

Although motivation as an energizing (driving) and satisfaction as an emotional component cannot be seen as one of the same, and even though one cannot claim with certainty that satisfaction warrants higher productivity, one can also not deny the importance of satisfaction in the relation employees have with their organization and work results. Employee satisfaction can be influenced by various practices. Basically, human resource practices which enable positive working environment for their employees, and offer them the right to vote, participate, have the autonomy and power of decision, have positive effect on employee satisfaction (Ostroff&Bowen, 2000). The same authors believe that, next to their influence on qualities, attitudes, motivation and behavior of their employees, some human resources practices can advance structural and operative aspects of work, such as work force flexibility and employee behavior control. These processes can enhance operative efficacy.

Training and development didn’t use to be considered as activities that could help companies achieve “additional value” and face their competitors successfully. Today, companies use training as a weapon in achieving competitive advantage. Some more recent theoretical views on correlation and strategic role of HRM have contributed to this. Backer & Huselid (2008) underline the necessity of organizing human resource management in a way that would enable it to play a decisive role in organization’s strategic planning, and ensure the efficient alignment between human resources and company's strategy. The entire HRM system is the core of competence and it is increasingly acquiring new roles that are of key importance for conducting business, such as the development of policies and strategic business partnership. Barney& Wright (1997) likewise stress that a system of human resources has to be set up that will create a synergetic effect, and not a set of independent individual human resources functions. These authors emphasize that the work results should be
bigger than the sum of individual results, and that combining individual capabilities should bring qualitatively new organizational capabilities. This requires a change in the traditional views on HRM practices (recruiting, selection, training, assessment, development, benefits, etc.) and these independent practices should be seen as related components in a co-dependent system, that are complementary and not opposed to each other, that cannot be identified and copied by the competition, so in this relation they would be a competitive advantage (Noe, Hollenback, Wright, 2006). Barney & Wright (1997) presented six theoretical models for studying HRM, three out of which (resource based view; sybemetic system; behavioral perspective) are relevant for understanding the relation between training and organizational performance. These theories indicate that the effect of training on organizational level results is mediated by the direct influence of training on employees’ attitudes, behavior, knowledge, skills and capabilities. Kozlowski et al. (2002) suggested a multilevel developmental framework, where the efficacy of training entails the relationship between micro training results and macro goals on higher organizational levels. They focused their attention on the transfer of training “since this is the main point of training which affects the efficacy of an organization” (2000:159) and constitutes a theoretical framework for directing research towards vertical transfer (e.g. top-bottom transfer), where they showed the organizational factors that can have a direct and governing effect on learning. All the described theories indicate that the effect of training on the results of organizational level is mediated by the direct influence of training on employees’ attitudes, behavior, knowledge, skills and capabilities. Training can affect the results of human resources, which can be measured by both financial and non-financial results. In the financial sense, results are reflected by: Return on investment (ROI), return on assets (ROA), return on equity (ROE), return on sales (ROS), improved productivity, sales growth, etc. Tharenou, Saks and Moore (2007) conducted a meta-analysis of 67 research papers (which is at the same time the first research on the results of training at organizational level), about the relation between training and organization performance. The results have shown that training is positively correlated to human resource results and organization performance, which is shown in picture no. 1.

![Picture 1: The effect of training on human resources results and organization performance](Source: Author of the text)

The system of human resources is a very complicate seth of practices and policies that affect skills, behaviour, motivation, satisfaction and dedication of employees. These employee attributes can serve as a vicarious mechanism that connects human resources practices and organization performance. Although research has shown that training affects organization performance, as one of the human resource practices it cannot act independently without the support of other practices, because only when mutually connected can human resource practices contribute to a company’s competitive advantage.

The existing theoretical findings indicate that training influences organization performance and employee satisfaction, provided it is integrated within the function of human resource management and alligned with strategic goals. Therefore, the intention of this research will be to examine these assumptions.

**Methodology**
In the process of proving, that is, testing the set hypotheses, confirmative research was conducted, based on a survey that encompassed indicators that were important for examining the influence of education/training on organization performance and employee satisfaction. The research utilized a comparative analysis of the characteristics of the theoretical concept and human resource management practice. It was conducted during the period from Jun-October 2014 on the territory of Serbia. The examinees were guaranteed anonymity, that is, high confidentiality in the respect of personal identity and their organization’s name. The sample was random, and 187 examinees participated in the research.

The survey has 43 questions, the answers to which are distributed on a five degree Likert type scale, and they are used to assess different attitudes important for examining whether training is an investment or expenditure, and what effect training has on organization performance and employee satisfaction. The statistical methods utilized for data processing within the SPSS package v.19 are: descriptive statistics, variant analysis and Pearson correlation coefficient. The results of Cronbach’s alpha Test have shown that there is a high degree of reliability (0.973) when using Likert type scale for measuring attitudes in the conducted survey. The survey encompassed the following variables:

- Sociodemographic variables (sex, age, education, position within the company, time in the company)
- Company’s ownership structure
- Human resource management function structure and development
- Employees’ attitude towards company’s management
- Employees’ attitude towards company’s goals
- Employees’ attitude towards training – seen through the average value of the total score of examinees’ assessment in the five segments of training in the company they work in. This variable was tested with the help of 29 questions in the survey (including, among other things: the adequacy of the training, its effect on motivation and business performance, training program compatibility, training opportunities).

Results and Findings

The research has confirmed the influence of all the above mentioned variables, but in this paper we will closely examine those that hold more importance for the assessment of our assumptions. Having said that, what we find important are certain results from descriptive statistics. One of the main variables in our research is the development of HRM function, and a large number of employees in the research sample (74%) work in companies that have a separate human resources department, while 7% work in companies that have at least one person employed in this field. Only 2% work in companies that use the services of professional human resource management agencies, while 17% state that the job of human resource management in their company is performed by their top management. This data serves to show that free market economy has encouraged Serbian companies to accept human resource management as an institutional form, regardless of its size, industrial sector and ownership structure. This is a huge step, considering that the practice of human resource management was underdeveloped in Serbia until recently, and mainly directed to administrative tasks with a traditional approach. The activities of these departments were mostly concerned with the “personnel function”, that is, with personnel records management, managing work relations, recording employee presence and absence etc. The main activities of human resource management such as recruiting, selection, training, career planning, compensation, performance assessment and employee development were pretty under-developed. Accordingly, most human resources departments in transition economy were not involved in strategies, policies or operative decisions related to human resources. Today, many Serbian companies have introduced human resource management function with all its practices that take part in planning company’s goals and strategies, just like in developed countries, which is something that might have been influenced by foreign companies that conduct business in Serbia. 60% of examinees agreed that human resources management function contributes to better business results of the company, which leads us to conclude that the participants of the survey can see clearly, through their experience in the organizations they work for, that policies and practices of human resources are considered as a means of improving profit, business result, quality, satisfaction, etc.

The way of including human resources function in formulating, planning and implementation of organizational goals tells us about the relation between top management and this function, and of its position within the organization itself. Sixty percent of examinees believe that human resource function is involved in planning company goals, which leads us to the
conclusion that this function has positioned itself well within companies, and that top management has recognized its contribution in achieving business results.

The compatibility of training with a company’s vision and strategy is one of the main preconditions for training’s effect on organization performance. However, only slightly above half of the examinees, 54.5% to be precise, believe that this is standard practice in their companies, while 24.9% are non-decided, and 20.5% do not have a positive opinion about this. Positive opinion (from more than half of the examinees) regarding the realization of training in compliance with company’s strategy and vision demonstrates that human resource management function has full legitimacy with the top management to conduct and implement business strategy through educational activities, that is, training.

Forty-six percent of employees believe HRM function in their company to be well developed, 31% see it as moderately developed, and 23% as poorly developed. This means that 46% of examinees concluded that HRM function contributes to their company’s business results, that it is involved in goal planning, training/education implementation in accordance with the strategy and vision, that it regularly assesses the need for training and follows and encourages its employees’ career development. The examinees that believe the function/department of HRM to be moderately developed (31%) probably think that their department does not perform well when it comes to certain activities. One might assume that in the organizations where the examinees believe the function/department of HRM to be poorly developed (23%), this function is still performing activities in the role of “personnel” function, and that it should start working on activities that include a developmental and not administrative component.

The examinees have expressed their experience regarding their notion of motivational aspect of training based on the following claims: education helps me to understand the contribution of my work activities; my salary is higher than the one of my colleague who performs the same job because of the given education/training; my job is more secure because of the training/education I have participated in; my work satisfaction has increased after training/education; training/education has a positive effect on my motivation. The answers on whether training has a motivational aspect to it are almost identical. This is shown by the average value of 3.0718 of responses to this question.

It can be concluded that only 35.9% examinees feel they are motivated to participate in training, and a slightly lower percentage thinks that the motivational effect is average or they cannot see it all. The percentage of those who cannot see the motivational aspect of training is 30.9%, constituting one third of all the people who filled in the survey, which indicates that employees do not see the positive effect of training on salary increase, job security, personal motivation and satisfaction, which will in turn be reflected on their performance.

Assuming that it is important for employees to understand what benefit they can gain from learning, that is, why they need to learn something before they decide whether they will invest effort in it, the survey examined the attitudes of employees related to how adequately trained they are for performing tasks that are expected of them; whether the training is in accordance to the company’s strategic goals and if it helps in their better understanding; whether the training is conducted with the expectations of the working positions in mind; whether the management wants to utilize training in order to affect employee satisfaction. The average value of these responses is 3.3401 on a scale of 1 to 5, which is a pretty low result that might be compared to other developed countries, although this wasn’t comparative research.

Only 40.4% of examinees believe that companies have created conditions for training their employees in financial and strategic sense, that there is an established plan for employee training and education, that the implementation of training is compliant to its participants and their needs, that management supports training/education and individual development of its employees, that training is an investment, and not a costs, and that the superiors support the employees who attend trainings. As many as 30.4% of examinees are not sure how much this has been achieved in their companies. On the other hand, 29.2% of examinees believe that their companies have in no way created opportunities for employee training. This is almost one third of companies from our sample, and based on this, one could not say that training has been understood as an investment, and knowledge as competitive advantage.

Employees’ attitude towards training, as seen through the average value of 3.2547 of the total score on examinee assessment pertaining to the adequacy of training, motivational aspect, its effect on job performance, training compliance and opportunities for training in the companies they work for, is as follows: only 40% of examinees have a positive attitude towards training, 34.5% of them are ambivalent, while 24.8% have a negative attitude. The results are really discouraging.
for a developing economy that is trying to “catch up” with its surroundings. On the other hand, a correlational analysis confirms our assumptions regarding influential factors on examinee attitudes.

Namely, the results of this research (table 1) confirm that education and training influence organization performance if its employees believe that training is in accordance with the organization’s strategic goals and integrated with human resource management function. In the companies whose employees have a clear idea about the main strategic goals and that have function/department which deals with the development of its employees, nurtures training and learning environment, the employees have a positive attitude towards training and believe that training and education can significantly improve productivity and organization performance. What was also confirmed was our assumption that human resource function should be in a holistic relation with all its functions, in order for us to expect a positive outcome of the performance, that it should be supported by the top management, and that it should work in accordance with the strategy and take part in goal planning.

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<th>Correlations</th>
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<td>Attitude towards training and his role</td>
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<td>Pearson Correlation</td>
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<td>Attitude towards company goals</td>
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<td>Development of HRM function</td>
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**. Correlation is significant at the 0.01 level (2-tailed).

Table 1: Correlation coefficient between the attitude towards company goals, attitude towards training and his role, and development of HRM function.

The gathered results (table 2) also indicated a relationship between development of HRM and attitude towards training and its role. The examinees stated that HRM in their companies is well developed, that it works in accordance with the strategy and takes part in its planning, that it enjoys the support of the top management that had organized adequate trainings which had a motivational aspect, which in turn lead to higher salaries, career development, and improved satisfaction. They also stated that the trainings were in compliance with organizational goals and it had an effect on performance improvement. The assumption that training/education of employees can be an investment and not an expenditure for the company, provided that it is in compliance with organizational goals and employee needs has been confirmed, as shown in table 2.

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<th>Correlations</th>
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<td>Management sees training/education as an investment and not an expenditure</td>
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Table 2: Correlation between the way how to management sees training, attitude towards training and goals

A well-organized educational process, which takes into account the individual characteristics and trainees motivation, the content and the selection of training methods, when the organization encourages and favors knowledge, when creating the conditions for the transfer of learning, creates preconditions for greater employee motivation and higher job satisfaction, which our survey confirmed, as shown in table 3.

Correlations

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<tr>
<th>Attitude towards training and its role</th>
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<th>Attitude towards company goals</th>
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<tr>
<th>My job satisfaction has increased after training / education</th>
<th>Training/education positively influence my motivation</th>
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<tr>
<td>Attitude towards training and his role</td>
<td>Pearson Correlation</td>
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** Correlation is significant at the 0.01 level (2-tailed).

Table 3: Correlation between attitude towards training, job satisfaction and influence on motivation

In the processing of data gathered in this research, factor analysis was used, providing us the opportunity to determine which factors are decisive for accepting the assumptions that training influences organization performance, job satisfaction and is an investment for the company.

By using factor analysis based on mutual dominant characteristics, we discovered three factors that explain 65.207% variance, as shown in the image that follows (picture 2).
An example of factor analysis

Having this in mind, we can form the conclusion that training will have better results and investment effects if employees believe that their company’s management is more willing to present goals, provide the opportunity for them to contribute to the realization of business strategy with their work, create an environment that will influence motivation and job satisfaction, and be consistent in implementing training.

It has also been confirmed that the companies that have a developed human resource management function that directly influences implementation of all the steps in education programs realization have better preconditions for their employees to equate their own goals with company goals, and in this way these activities can be seen as an investment (both personal and company’s). By the same token, employees will be more satisfied with their job, they will have a more positive attitude towards training and be more willing to develop and give higher contribution in their work, because their needs will also be adequately met and contribute to better performance.

Conclusion and Recommendations:

This research has confirmed our assumptions based on the existing literature – that training has influence on an organization in its entirety, and that its advantages can be seen in improving organization performance: profitability, efficacy, productivity, cost reduction, quality and quantity enhancement, employee fluctuation, company’s reputation etc.

The results clearly indicate that training will have a bigger influence if it is integrated with other human resource management practices, while human resource management function should be a part of the top management and included in planning the strategy and setting up company goals from the very beginning. The value of the given results should be seen from the perspective of it giving relevant information to scientific and professional public, which can contribute to one developing a better understanding of the importance of training for a company’s success.

The importance of this research, the first whose topic was examining the influence of training/education on performance and employee satisfaction in companies in Serbia, lies precisely in the realization that training will influence performance and employee satisfaction if it is compliant with strategic goals and is integrated in human management resource function. Based on the observation gathered by the analysis of the research conducted in Serbian companies, the following needs to be done:
educate managers with a view to understanding the importance of training and professional development of employees, since the lack of it can negatively impact an organization’s competitiveness.

train employees in human resource management function in accordance to their competence and implement training in HRM processes in order to gain positive outcome of individual and organization performance.

strengthen the role of human resource management function at organizational level, by making it a part of management structure and enabling it to participate in creating strategy and organizational goals.

thoroughly organize and implement every step (as explained in the theoretical part of this thesis) in educational process so that it would result.

provide adequate training to participants, based on their needs, and explain the purpose of their attendance.

create an environment that will favor and reward the employees who participate in training and motivate them before, during and after training.

With this in mind, these recommendations can serve as a first step in helping companies in Serbia to find ways for better use and development of human capital with the help of training and human resource function practices, which would also improve their competitiveness in the difficult conditions both domestic and world economy are facing.

References


