

A Substantial Study To Understand The Influence Of Training & Development On Organizational Performance Of Startups

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Abstract

An organization's Training and development initiatives are considered a strategic investment in human capital. The recent boom in technologies and innovation has increased the competition for firms manifold not only locally but globally. If the workforce is not updated with the latest skills and competencies, it would have a direct impact on the organization's performance. Besides this training programs provide a sense of confidence and self-growth among employees. It has been observed in big corporate houses and mid-sized firms that the training and development department has its indispensable existence. For example, McDonald's has its own corporate university from where around 5000 employees get trained every year. Startups are the rising sector of the different economies of the world, which has an untapped sector for research. This paper attempts to study the impact of training and development on the organizational performance of startups, as startups are a growing area of research and still unexplored. The paper's finding shows that training and development significantly impact the organizational performance of startups.

Keywords: Startups, Training and development, organizational performance.

Key Points

India is among the world's third-largest Startup ecosystems; it is one of the growing fields in developing countries like India. On 14th January, India had 83 unicorns with a total valuation of \$277 billion. Most of these unicorns are in the services sector, contributing over 50% to India's GDP. But the area of Training and development in startups is unexplored; in this paper, it has been found that founders of startups pay attention to Training and Development programs in Startups.

From the previous research paper, it has been established that Training and development have a significant role in the firm's organizational performance. Still, this link is unexplored in the case of startups. This paper attempts to explore that link. After this empirical research, it has been found that training and development significantly affect the organizational performance of startups.

Moreover, it has been found in research that HR personnel and founder members give importance to training their employees as it significantly impacts the performance of the startups. Managers discuss training needs with their employees and cater to their needs as per the requirement of the projects.

Introduction

Training and development are essential HR practices for organizational success (Anitha, 2016). If we try to understand the importance of training and development in any organization, it is straightforward to understand. Training means imparting skills to an individual so the organization can utilize them for business success. There has been much research which has been conducted on training and development, but there are very few studies which are covering startup companies. Human capital is extensively recognized as a crucial factor for economic performance at both micro and macro-level (Becker, 1964; Acemoglu and Pischke, 1998). For the optimum utilization of the human capital for any organization, it is required to impart a specific skill to benefit the organization. One cannot imagine the growth and success of the organization if employees are not well versed with skills. Training is as necessary as water is essential for the human body. Whether it is a small or big organization, it's only human capital that runs the organization. To maneuver the human capital, employers need to train them; impart specific skills for accomplishing and completing the projects.

Startups In India

India is known for its IT startups. There are two major IThubs in India, one in Bangalore and the other in Hyderabad, that attract plenty of new startups. The history of startups in India is not that old; it began in the eighties when the contemporary Prime Minister of India gave a slogan to make India a twenty-first-century country. For this, the central government announced a tax holiday and exempted tax to IT startups in the country for initial ten years, minimizing the cost of Indian IT services and helping to offer IT services at a competitive price at the global level (Balatchandirane 2007). The lowcost of Indian IT products/services served as a competitive advantage for these startups. Further, India came out with an institution in the IThub that served as a gateway for IT startups to export their products/services across

the globe. The name of this institute is-Software Technology Parks of India (STPI), an autonomous body established under the Ministry of Information and Technology aiming to promote the export of IT products/services (Balatchandirane 2007).

The rise of IT startups in India attracted talent worldwide and many foreign nationals started coming to India to work in Indian IT companies. Many Indian IT engineers visited developed countries like the USA to complete their foreign assignments. Some came back to India with advanced IT technology that helped them establish their startups. Besides, the locals also provided several incentives for new startups in the state. For instance, IT startups were provided land at a lower cost and a rebate on any other issues depending upon their employment generation capacity. Also, the subsidy was provided for the land registration and power tariff (Balatchandirane 2007).

Review of Literature

Park, Lim & Chang (2017)-The primary investigative aim behind this paper was to analyze trainee versus supervisor assessment of training transfer through mediation analysis of transfer variables in the region of South Korea. This study investigated the main influential processes and linkages that develop between learner characteristics and training design variables concerning training transfer and how it becomes important in a cross-cultural setting. The authors state that internal factors like self-efficacy were challenging to be calculated or controlled. But external factors that can be controlled, like content relevance and expected utility, can be beneficial in trainees' transfer of training. Authors also suggested that transfer variables like supervisory support should be handled cautiously to diminish their adverse effects.

Hassan, S. (2016) aimed to decide the effect of HRM rehearses on worker performance in the Textile business of Pakistan. Results revealed an "R² Value of (0.797, Coefficient of

determination) signified 79% variation in employee's performance". It proved that independent variables (like Reparation, Training, Performance Assessment, etc.) lay a buoyant effect on the functioning of workers and that they can impose positive changes on the dependent variable. The examination uncovered that workers' functioning could be made greater than before by allowing them to decide on compelling choices. Training and worker engrossment (in work) assume a positive part in intensifying labor force performance. Authors agree that HRM practices can upgrade the working staff, which impacts workers' perception of performance. HRM methods play a significant part in expanding worker execution, so the associations should reexamine their HR arrangements by considering the above components to attain their business aims.

Mudor, H. (2011) endeavors to propose a theoretical structure comprising three HR (HRM) practices supervision (management, work training, and wage-related rehearse), job satisfaction (JS), and turnover, and to clarify the connections among these factors. Results revealed that JS assumed a significant part of workers' turnover since it would make workers quit when their work fulfillment is low. The turnover model stated that disappointment and frustration bring a trail of abjuration thoughts. Employees then weigh the costs and welfares that they may have to bear/enjoy upon leaving their jobs and decide to quit. In contrast, JS is a major determining factor in ascertaining the turnover of employees. An intensification of JS will depress turnover rates amid the payrolls. Thus, it could be established that JS negatively affects turnover. In any case, the after-effects of HRM practice and JS are solid indicators of turnover.

Yadapadithaya, P.S. (2001)- The author of this study has evaluated corporate training and development in the Indian scenario. The main aim of this study was to discover which type of training prevails in the Indian corporate sector

that helps them to evaluate their training and development programs. One-shot program design comprises a single group that undergoes a training and development program and evaluation is done only once after the program has been completed. This information is better than having no evaluation at all. Most public sector organizations, many of the private sector, and few MNCs were found to adopt this one-shot program for or count the effectiveness of their training programs. Results from the study revealed that training results in reactions that lead to learning, and it brings changes in job behavior which may change the organizational unit and also the achievement of goals of the organization. But this strong chain can be tempered at any link like trainees may only enjoy and not learn anything from the training program. And if they learn, then they cannot, or they are not allowed to apply it. If applied, they may not perform well, and if some good outcome is achieved, it may not enhance the organization's objectives. Thus it can be concluded that most firms in all three sectors lack a competent system that is reliable and provides practical measures to evaluate the effectiveness of the training and development programs of the concerned firms

Theoretical Background

"Training and development refer to educational activities inside a firm created to develop the knowledge and skills of employees while providing information and instruction on how to better perform specific work." A training program makes you improve those skills that each employee requires to develop. A development program brings all employees to a higher level with similar skills and knowledge. There are certain differences in training and development. Following are the difference:

Training and development play a very integral role in organizational performance. Moreover, it substantially affects the workers' productivity of Italian Firms (Emilio & Luca 2012); whether it is a small organization, training and

development programs influence the organization's performance (Aragon et al., 2014). However, it has been observed in French firms that an increase in training intensity by 150 Euros per worker increases 0.4% productivity. Moreover, firms are getting benefits by imparting training to the employees (Aubert, 2017). Abdul et. al (2011) attempted to examine the effect of training and development on organizational performance in one of their studies. Training and development programs have measured the four components - Training design, Delivery style, On the job training, and its impact on organizational performance. The effect of training on the employees' productivity is pertinent and continuous (Kaur 2016). From the above literature, it has been understood that training and development play a significant role in every organization.

Delaney and Huselid (1996) advocated that training and development activities undertaken in an organization are one of the best practices by the HR department. Training and development activities help develop necessary skills among employees that also encourage employee satisfaction (McEvoy 1997). Such an important function must be aligned with organizational vision and mission and other human resource functions such as recruitment and selection, motivation, performance appraisal, and compensation (Delery and Doty 1996; Bartel 1994). Russell, Terborg, and Powers (1985) also highlighted that firms' performance depends directly on the proportion of trained employees in an organization. Singh

K (2004) found 'training' as the best predictor of firms' performance for selected Indian companies.

The present study reviewed many previous studies for developing statements measuring the construct 'Training and development' (see, for instance, Delaney and Huselid 1996; Delery and Doty 1996). The statements used to operationalize the construct 'Training and development' are given as under:

1. "There is a budget fixed for the training and development every year"
2. "Every employee undergoes various training programs every year"
3. "Training meets the interests of the organization as well as the individual"
4. "Training needs to converse with employees"
5. "The company places a great deal of importance on training"
6. "Managers evaluate the employee training needs"

Research Gap

Ample research has been conducted in the area of training and development in small and large firms. Still, research is scarce in the case of startups which is one of the aggressive areas for growth in the developing and developed economies of the world.

Research questions

Based on the literature review following statements have been asked from the employees.

Training and development				
Statements	Mean	t value	p-value	Decision
"There is a budget fixed for the training and development every year"	1.89	-9.32	.000	Disagree
"Every employee undergoes various training programs every year"	2.32	-5.23	.000	Disagree
"Training meets the interests of the organization as well as the individual"	3.48	2.64	.000	Agree
"Training needs to converse with employees"	2.45	-5.86	.000	Disagree
"The company places a great deal of importance on training"	4.12	9.18	.000	Agree
"Managers evaluate the employee training needs"	3.82	8.12	.000	Agree

Method

A quantitative survey technique was used to examine the training and development of the organizational performance of the startups. This study is limited to manufacturing, consulting, automobiles, education, and tourism.

Survey Population

The survey has 120 startups firm in three states of India. Punjab, Haryana, Himachal Pradesh

In each firm, four persons have been assessed. In total, 480 questionnaires were distributed out of 424 questionnaires were filled, which is sufficient for the research conducted in social sciences. Based on a previous literature review, the sample has been chosen. A convenient random sampling technique has been used for the collection of data. Different methods have been used to collect the data. These areas are: - Distributing the questionnaire, face-to-face interviews, Sharing weblink for data collection, and telephonic interviews.

The questionnaire instruments

Based on existing literature, the questionnaire was designed to examine training in start-up firms.

Statistical procedures

To test whether the training and development programs impact organizational performance. Structure equation modeling AMOS has been administered. The value of $\beta=7.59$; $p<0.005$, which signifies the significant relationship between the training and development programs on the organizational performance

Results

The first statement is about the budget set for the training every year by the startup. The HR manager has asked this question. From the face-to-face interaction, the HR managers have asked whether there is any fixed budget for the training in the firm. The majority of the employees agreed with the statement. Few employers have mentioned that there is no fixed budget, but they manage as per the firm's needs. Let us say if there is any project which needs some training to the employees, then they are imparting training to the employees without wasting any more time. The p-value and t-value reflect a significant effect on the

organizational performance of a startup firm. Secondly, the second statement is about the various training for the employees every year. Most employers and employees agree that managers treat training as an imperative aspect in any firm, whether it is a small organization that is significant for any organization's growth. The following statement is about catering to the interest of the startup firm and individual for training about which individuals agreed. After a conversation with employers and employees, it has been found that the perception regarding the need for identification of the training by the employees is not very promising in startups; it can be assumed that HR managers have not given much accentuation to the training needs of the employees. But as far as the concern about the manager's analysis of the training needs of the employees, moreover majority of the employees agreed with the statement which states that managers analyze the training needs of employees.

Discussion

It was found in the research that training and development are considered an integral part of every startup. HR /Founder members pay accentuation on the training and development of their employees. Certain firms have decided on their budgets that are fixed every year rest of the startups decide on the investment based on the project's requirement. Mostly 80% of the startups have made it mandatory for the employees to undergo training before the onset of newly introduced technology. It is not randomly decided that the training program manager or project lead is the person who is responsible for the training need analysis. After one-to-one interaction with the HR's/Founder, it was found that they considered that training is required for the employees and the organization's growth. More or less, in every start-up, whether it is small or big cost-benefit analysis is conducted by the managers who give them direction for the future investment in that particular area.

This study states that training and development plan substantially affect startups' organizational performance. This means that for new startups companies, for the growth and success of their firm, they need to pay attention to the training needs of the employees

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