Training Effectiveness And Performance Of Micro, Small And Medium Sized Enterprises

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Abstract: This study is being conducted to observe the effectiveness of training and to see the real benefits of training over the performance of micro, small and medium enterprises. Though, in past several studies have been conducted in the western context only and there are certain inconsistencies in the findings. This study is expected to be the first of its kind in the Asian context covering micro, small, and medium enterprises simultaneously. This research applied ANOVA for analyzing the effectiveness of the worker’s training regarding improvement in performance of the enterprises. A sample of 100 micro small and medium enterprises was analyzed. The findings identified that all the eight areas chosen for the analysis of improvement in performance, because of effectiveness of training, have proven significantly effective. Secondly, on the job training is most successful for the micro, small, and medium enterprises regardless of their size. The study has methodological and practical significance. The study identified the methods of training that are successful in the context of developing countries.

Keywords: Training practices, micro and small enterprises, small and medium enterprises, performance, entrepreneurship

1. Introduction

For running the businesses successfully, enterprises must have educated and a well trained staff. Enterprises need to have skilled labors and on that basis enterprises can have competitive edge in the global market (Haider, Asad, Fatima, & Abidin, 2017). Many of the Micro Small and Medium Enterprises (MSMEs) uses the hand of the training to enhance the activities of the operations and move towards the development by using their internal abilities and on that basis the MSMEs can increase their profitability (Haider, Asad, & Aziz, 2015). Although, employees of MSME's have few chances to get training as compared to the larger organizations, yet the importance of training cannot be ignored rather employees in MSMEs need it most. Unlike large organizations, MSMEs cannot afford highly skilled and expert or experienced employees therefore, the capacity of their employees needs to be enhanced. Here the important point is to understand the viewpoint of the owners and the managers, if the owner of the business or the manager thinks that the training is not that necessary for the business then they must not be well aware or they are not informed about the positive outcomes of the training. As the training methods are not very common, therefore, the government should play its role and should pass legislation for making certain trainings mandatory for certain jobs (Asad, Haider, & Fatima, 2018). In such legislation, the requirements of the minimum qualification and minimum training should be compulsory for the grant of license for a particular job (Asad, Haider, & Fatima, 2018). Another option is market intervention where the owners of micro small and medium enterprises are going to market their business with the competitive advantage of their human resource (Haider, Asad, & Fatima, 2017; Asad, Chethiyar, & Ali, 2020). This situation might become successful in case the policies of the government fails (Asad, Haider, Akhtar, & Javaid, 2011). The policymakers have to make policies considering the direction and considering that how the policy can be effective. In order to make the policies intelligently, enterprises need to observe the difference in the performance of MSMEs to see the benefits of the training, for deciding the appropriate policies to be implemented, for the MSME's.

Despite the increasing importance of the MSME’s research form the past few years, limited attention has been provided in this sector for the training that has the capacity to produce effective results for the micro, small, and medium size business (Haider, Asad, Fatima, & Abidin, 2017; Haider, Asad, Atiq, & Fatima, 2017; Shah & Asad, 2018; Asad, 2020). Majority of the study that has been conducted on importance of training in the small and medium enterprises has mainly focused on western countries, and the impact of training on micro enterprises has particular been ignored, despite that fact that in countries like Pakistan maximum proportion in employment and exports belong to micro small and medium sized enterprises (Asad, Sharif, & ALekam, 2016; Asad, Sharif, & Hafeez, 2016; Asad, Shabbir, Salman, Haider, & Ahmad, 2018). Up to the limited knowledge of the researchers the only study conducted by Haider, Asad, Fatima, and Abidin (2017) focused on the need for

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training rather than comparing the performance based on training provided or not. This study is in continuation of the same by increasing its scope from micro and small to micro, small, and medium enterprises (Khattak et al., 2020). Because the major contribution in the exports earnings, employment generation, and economic growth of the developing countries like Pakistan is dependent on these MSMEs. Therefore, the study included micro, small, and medium enterprises and compared the difference in the performance pre and post training intervention.

2. Literature Review
The literature on small and medium enterprises is abundant, likewise, the literature on micro and small enterprises is also sufficient in the developed and western context, however, the literature in the developing countries like Pakistan is limited. The literature focusing on micro, small, and medium enterprises collectively is rare. Likewise, the literature for comparing the performance of micro, small, and medium enterprises on the basis of trained and untrained employees is rare. Although a rigorous literature review has been conducted in the field of training, however, yet it has been observed that there are certain gaps in the context of under developed and developing countries.

High performance is the requirement of almost every business regardless of the industry or size (Asad, 2011; Asad & Qadeer, 2014; Abrar ul Haq, Jali, & Islam, 2015; Asad & Sharif, 2016; Asad, Sharif, & Hafeez, 2016; Haider, Asad, & Fatima, 2017; Haider, Asad, Atiq, & Fatima, 2017; Amir & Asad, 2018; Asad & Abid, 2018). Likewise, no organization can ignore the importance of innovation and quality management for getting high performance (Haider, Fatima, Asad, & Ahmad, 2016; Asad, Rizwan, Shah, & Munir, 2018; Asad, Chethiyar, & Ali, 2020). Thus, along with training innovation and quality is also important, however employees should not be overburdened while communication again and again which may cause a decline in the performance (Chethiyar, Asad, Kamaluddin, Ali, & Sulaiman, 2019). Training of employees must not only be conducted to improve the productivity but proper coordination is also important and removal of organization politics is compulsory to get the fruitful results from training (Haider, Asad, & Almansour, 2015; Farrukh & Asad, 2017; Bashar & Asad, 2018; Asad, Itikhar, & Jafary, 2019; Asad, Muhammad, Rasheed, Chethiyar, & Ali, 2020). Haider, Asad, Fatima, and Abidin (2017) has conducted research on the MSE'S in Pakistan and they have shown the real relationship of training of employees and the impact of the performance of the MSDE however, they ignored the method of training and failed to focus on medium enterprises. Another research that was conducted by Guan and Frenkel (2019) on Chinese firms and found that training enhances performance if work engagement is developed among employees. Likewise, Mira and Odeh (2019) claimed that training of employees enhances performance of the organization when mediated by authentic leadership. The role of leadership and top management is also supported by Almansour, Asad, and Shahzad (2016), Alkhuzaie and Asad (2018), and Khalil, Asad, and Khan (2018). On the other hand, Eisenberger, Rockstuhl, Shoss, Wen, and Dulebohn (2019) identified that training is not very important in bringing performance, whereas leadership and other factors can play a significant role. However, it is also claimed that training improve customer satisfaction (Asad & Abid, 2018; Khan, Rehman & Abrar ul Haq, 2015; Raza et al., 2018).

Likewise, Khalid, Ahmed, Tundikbayeva, and Ahmed (2019) conducted study in the context of Pakistan and identified that entrepreneurial training is more important as compared to employee training of work. The authors have focused on service sector where as the research on manufacturing sector and especially MSMEs is missing. At the same time, Rafiki, Hidayat, and Razzaq (2019) surveyed telecommunication sector of Kuwait and identified that training has an insignificant impact over the organizational performance whereas leadership and other marketing variables are important. The study was conducted in the service sector and the manufacturing sector was ignored. Similarly, Migdadi (2019) identified that organizational learning orientation is important that imposing training on employees. They also focused on managers and ignored the importance of training of the workers. In contrast to it, Rehman, Mohamed, and Ayoup (2019) conducted study on textile industry and focused on the managerial level. They identified that lack of training is a major factor behind poor performance (Qamri, Haq, & Akram, 2015: Manaa & Abrar ul Haq,2020). The ignored MSMEs and identified that importance of training with other determinants.

After reviewing the literature, it has been observed that literature has mainly been conducted in the western context and in Pakistan the literature has not focused much on the SMEs or MSEs and especially literature on MSMEs is completely missing. Secondly majority has focused on structural equational modeling and very limited studies are available on identifying the differences in performance based on trained or untrained workers. Thus, the basic need of the study is to see that what is the difference between the profits before and after the training in MSME’s of Pakistan and to see the impact of the training in the firms’ performance. this study will cover the contextual, methodological, and practical gaps.

3. Methodology
In this quantitative study the data has been collected from micro, small, and medium enterprises from Pakistan. All of the micro, small and medium enterprises were involved in manufacturing of sports, surgical, cosmetics, and leather products. The list of all the MSMEs was obtained from the chamber of commerce and industry for
the cities that are considered as the hub of micro small and medium enterprises. And on that list there are more than a million firms which have the labor of 10 to 300 employees. Therefore, considering the response rate 400 firms were selected. The returned questionnaires were selected for the effective approval succeeding a 25.4% response rate. Descriptive were calculated for all the variables. The data was collected with the help of an adopted questionnaire. The respondents were asked to rate the effectiveness of training for enhancing performance of the organization on a scale where 5 stands for very good and 1 stands for very poor. The effectiveness of training was measured on the basis of motivation, skills, knowledge, operational safety, and work efficiency. The variable was measured using 8 items. The delivery of training had three modes i.e. on the job training, On-site of Job training, and Off Site job training and were divided into two groups better training effectiveness group and worst training effectiveness group.

4. Result And Discussion
After collecting the data based on the perceptions of the employees working in the micro, small, and medium enterprises Turkey post hoc test has been applied to test the effectiveness of training of the employees. The factor was considered as size which has been categorized into three micro up to 20 employees, small up to 50 employees, and medium up to 500 employees (Asad, Sharif, & ALekam, 2016). The test has been conducted in two phases. In the first phase effectiveness of training has been analyzed and in the second phase training programs have been analyzed considering the factor of size of the enterprise.

4.1 SMEs classification based on effectiveness of training
On the basis of size of the enterprise, the workers were asked to report the performance on the basis of effectiveness of the training. The results have been categorized on the basis of best training effectiveness group and the worst training effectiveness group based on the results drawn on the basis of perception of the employees. Out of hundred firms 60 were considered a those that have best performance results because of training effectiveness and 30 were considered to have worst performance results showing no advantage of training but just a cost. 10 firms have shown an indifferent result in performance. the performance has been measured on the basis of 8 indicators (p<0.01). the average score of the best training group and worst training group have been mentioned in table 1 below and there are the 130 firms that are in a manner and two of the groups were there who have been based on the performance on the 10 indicators (p<0.01) by this you can see the average score and one with the better and one with the worst training groups.

<table>
<thead>
<tr>
<th>Aspects of Training Effectiveness</th>
<th>Cluster Means</th>
<th>F-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Best training group (n = 60)</td>
<td>Worst training group (n = 300)</td>
</tr>
<tr>
<td>Enhance product quality</td>
<td>4.12</td>
<td>3.01</td>
</tr>
<tr>
<td>Improved work motivation</td>
<td>3.98</td>
<td>2.73</td>
</tr>
<tr>
<td>Reduce turnover rate</td>
<td>3.89</td>
<td>2.84</td>
</tr>
<tr>
<td>Improved ability and knowledge</td>
<td>4.09</td>
<td>3.05</td>
</tr>
<tr>
<td>Improved operational safety</td>
<td>4.17</td>
<td>2.95</td>
</tr>
<tr>
<td>Decreased materials wastage</td>
<td>3.85</td>
<td>2.86</td>
</tr>
<tr>
<td>Improved profitability</td>
<td>3.85</td>
<td>2.76</td>
</tr>
<tr>
<td>Increased work efficiency</td>
<td>3.91</td>
<td>2.71</td>
</tr>
</tbody>
</table>

Note: The scale ranging from strongly agree (7) to strongly disagree (1) *p<0.01

When compared with the cost it was also noted that the organizations that have spent lesser amount on training got no advantage or negative effect over performance after training, whereas, those firms that have invested higher amount of money got improvement in performance. another aspect has been observed that firms with higher size invested more and got better performance results. On the other hand, the firms that were micro or small were unable to utilize a huge budget on training and faced no result or negative results like wastage of money and time of employees.

4.2 Training Process Management for Effectiveness of training
In order to best utilize training results, it is important to choose the appropriate method of training. It has been observed that on the job training has proved successful results. Whereas, on site and off-site results are not very supportive because majority of the indicators have shown an insignificant value.
The findings revealed that regardless of the size of the enterprise for the workers working in micro, small, and medium enterprises, experiential learning is more beneficial as compared to formal training they failed to show good results in group discussions, computer training, and overseas workshops. Perhaps these are not appropriate for the workers working in enterprises of Pakistan. However, short courses and formal lectures for the employees have proven beneficial as per the ANOVA results.

5. Conclusions, Limitations And Recommendations

In the economy of Pakistan MSMEs play a significant role. Their potential can be enhanced if the employees are provided with appropriate trainings as per their needs. This study has certain important findings for the practitioners as well as academic researchers. Majority of the prior studies have identified the impact of training over the performance of SMEs or MSEs and majority of the findings are consistent except very few. The studies that have been conducted in the developed countries have identified the most suitable methods of training and their effectiveness, however, the literature on identification of the most appropriate and effective method of training for the developing countries like Pakistan was scarce.

Secondly, the combined literature on micro, small, and medium enterprises was missing. The most interesting finding is that effectiveness of the training method is same regardless of the size of the enterprise. The findings of the study revealed that enterprises that pay special attention on training sessions are much more effective and sophisticated in their performance and those that are left behind are causal and informal in choosing their training method. The current study provides clear guidance for the MSMEs regarding development of a proper training unit that must perform proper cost and benefit analysis and training need analysis. In order to get fruitful results, it is important to properly design training need and then on the basis of training need trainers that are up to date should provide training to the employees.

While conducting this study there were certain limitations. Measuring the effectiveness of training is subjective and based on the objectives of the training programs. Informal behavior and reporting of MSMEs in Pakistan is also a major issue. Collection of data from the workers is not easy because of the understanding level of the workers working at the MSMEs. Another important limitation was the sample size. Choosing enterprises that were willing to participate in the study and were also providing training was not an easy task. Last but not the least was cross sectional data, longitudinal data must be collected over a period of time and the study should be conducted to see the continuous improvement in the performance based on training effectiveness.

Considering the findings and the limitations, it is suggested that MSMEs owners should be committed towards excellence. It is responsibility of the government to provide incentives or platforms for the training of workers. This sector has huge potential, the performance of MSMEs will increase, their operations will expand, opening horizons of job and export earnings for the country. Future researchers are guided to particularly measure training effective in terms of quality and other benefits. Exploratory studies are also required in order to identify the appropriate needs of MSMEs.

REFERENCES

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