

Journal of Human Resource and Leadership (JHRL)

**The effect of learning and development on organizational
performance of firms listed in the Nairobi Securities Exchange**

Rita Kagwiria Lyria, Prof. G. S. Namusonge and Dr. Kabare Karanja



The effect of learning and development on organizational performance of firms listed in the Nairobi Securities Exchange

*¹ Rita Kagwiria Lyria, ² Prof. G. S. Namusonge and ³ Dr. Kabare Karanja

¹Post graduate student, Jomo Kenyatta University of Agriculture and Technology, Kenya
^{2,3}Lecturer, Jomo Kenyatta University of Agriculture and Technology, Kenya

Corresponding email address: kagwiriarita@yahoo.com

Abstract

Purpose: The purpose of this study was to analyse the effect of learning and development on organizational performance of firms listed in the Nairobi Securities Exchange.

Methodology: Descriptive and correlation survey research designs was used. Stratified simple random sampling technique was employed to enable select the respondents from the ten stratum of NSE listed companies. The target population was 534 top managers of listed companies in the NSE. A sample size of 224 respondents was picked from the listed firms.

Results: Results revealed that organizational performance, learning and development were positively related. Regression results indicated that the goodness of fit for the regression between organization performance and learning and development was satisfactory. An R squared of 0.063 indicates that 6.3% of the variances in the learning and development by listed companies are explained by the variances in the organization performance. The results reveal that learning and development was statistically significant in explaining organization performance of listed companies.

Policy recommendation: It is recommended listed firms should maintain the practice of putting in place effective learning and development activities. This is because an improvement in learning and development activities leads in improved organization performance. In addition, it is recommended that firms without learning and development practices or those with poor learning and development practices should adopt the practices with the aim of improving organizational performance.

Keywords: *Learning and development, organizational performance, Nairobi Securities Exchange*

1.0 INTRODUCTION

Talent management involves positioning the right people in the right jobs (Devine et al, 2008). This ensures that the employees maximize their talent for optimal success of the organization. As talent management is a relatively new area for both public and private sector organizations, most organizations have prioritized it to ensure they acquire the right staff. This is because talent management has been linked to successful attraction, retention and development of employees

(Beheshtifar et al., 2011). The prominence of talent management can be traced to around the start of the year 2000. This is the period when a management consulting firm, 'McKinsey' reported that employers face a 'war for talents' characterized by difficulties in recruitment of employees due to tight labor market (Hartmann et al., 2010).

Trend of global integration shows organizations' standardizations in talent recruitment, development and management, to ensure their competitive position and consistency. Therefore organizations have to adapt global best practices of talent management and at the same time adapt the local requirements and local labor market (Stahl et al., 2007).

Talent management best practices should assure organizations to build local talents in the way that is consistent with local norms but still globally standardized, which ensure that all parts of the organization attracts diverse and sufficient professional talents (Stahl et al, 2007). Most organizations have applied global performance standards, which are supported by global leadership competency profile and performance appraisal system (Stahl et al, 2007).

Poorhosseinzadeh et al. (2012) found that each organization has its talent management strategies. However, there is a general understanding of the steps that employers should take to enhance talent management. In the study touching on attracting, deploying, development, retention of talent and succession planning, the researchers found that only 67.3% of Malaysian Multi-National Companies had implemented talent management in their organizations. Those that had implemented reported significance relationship between developing talents and successful talent management in organizations.

1.2 Problem statement

At a time when organizations need to optimize their workforces, most agree that talent management is of strategic importance. Determinants of talent management include; talent attraction, talent retention, learning and development and career management, each of these processes must be designed to fit the strategic requirements of the business. To be successful the talent strategy must be aligned with the organizations business strategy. Aligning talent strategy with business strategy is usually unmet need in many organizations, Heinen et al. (2004). 50% of the top managers across the globe think there is lack of alignment between talent management strategy and corporate strategy and that is why talent management is not an issue of Human Resource department but other organizations top managers are also involved (Collings et al., 2010)

The logic behind talent management is based on the fact that business is run by people, they are the ones who create value by using corporate assets to create products and services that people need. The implication is that the better the people an organization has the better it will perform and this is the rationale behind talent management to attract, develop, and utilize the best brains to get superior business results (Tonga, 2007). Basing on these arguments, the researcher intends to find out the role of talent management on organisation performance in companies listed in Nairobi Security Exchange.

In today's competitive climate in business concerning people issues is to find a method of attracting, developing, retaining, and motivating competent people (Sara et al, 2010). However , A survey by Aberdeen Group and Human Capital Institute's (2005) found that out of the 170 companies studied, 57% said that they were unable to attract the talent they needed to have a competitive edge while 79 per cent of the companies' chief concern was the issue of challenges

in implementing succession planning also CIPDs (2012) learning and development survey found that about 75% of organizations in England reported a deficit of management and leadership skills which led to low performances in their organizations .

To gain competitive advantage through greater performance, the demand for human capital drives talent management in NSE listed companies. To the researcher's knowledge there is limited empirical study done locally on the role of talent management on organization performance in NSE listed companies. This study seeks to fill the existing research gap by conducting a study to analyse the effect of learning and development on organizational performance of firms listed in the Nairobi Securities Exchange.

1.3 Research Objective

- i. To analyse the effect of learning and development on organizational performance of firms listed in the Nairobi Securities Exchange.

2.0 LITERATURE REVIEW

2.1 Theoretical framework

The researcher relied on talent management model by Optimis, HCM consultancy firm (optimis, 2011). The talent management model identifies various talent management components and links them to workforce performance which eventually leads to organization performance.

2.2 Empirical review

Learning and development was measured by whether the organizations has acquired new knowledge and skills, and mastering new ways of doing things, identification of the employees who need learning and development, minimal leadership gaps, availability of the qualified and experienced employees, existence of in-house development programmes, coaching

Talent development is the process of changing an organization, its employees, its stakeholders, and groups of people within it, using planned and unplanned learning, in order to achieve and maintain a competitive advantage for the organization (Rothwell et al., 2004). As businesses continually apply new technologies, new business growth models, and new market strategies, the workforce's up-skilling becomes constant and continuous. Understanding strategies to talent retention and development will be able to help companies listed in the NSE to be successful in operating in the market place hence lead to good organization performance. Organizations which practice effective learning and development begin with their employees. This implies that they identify the employees who need learning and development, the level of learning and development they need and the duration during which learning takes place (Harburg, 2003). Organizations with first class learning and development initiatives are excellent in listening on employee improvement needs and are able to express those needs back to the employee in clear and enlightening terms. Coetzee (2004) noted that the recruitment and development of talented staff is of paramount importance to the success of the business objectives.

People in Aid (2008) further emphasized the need for learning and development by saying that organizations which operate in fast-changing environment need to adapt in order to stay at the forefront. The usefulness of learning and development is acknowledged in these circumstances because staying at the forefront means organizations acquiring new knowledge and skills, and mastering new ways of doing things in order to continue providing a high standard of delivery.

Learning and development has become an important talent management initiative in many companies around the world. For some companies, learning and development is a strategic process that minimizes leadership gaps for critical positions and provides opportunities for top talent to develop the skills necessary for future roles. With other companies, learning and development is a constant struggle, viewed as an administrative exercise rather than as a competitive advantage. In strong economic times, it is easier to ignore deficiencies in the career management process, but in the current economic downturn around the world, the need to identify and develop top talent for critical roles has never been more important (Davis et al, 2007). Learning and development is an approach of an organization ensuring that people with the right qualifications and experience are available when needed (Zheng et al, 2001). Human Resource department is involved in Attraction and evaluation of talented people with high potential in the organization, they also have to develop the talent pool meaning they train them in skills that the company needs at that time and in future to exploit their full potential and direct it to improve the organization (Ballesteros et al, 2010).

CIPD (2010) study on learning and talent development results indicated that in-house development programmes at 56% and coaching by line managers at 51% ranked among the top effective learning and development practices. E-learning was also identified as key in learning and development. Moreover, the study found that senior managers and the human resource department were tasked with ensuring that courses were delivered and overall planning of the learning process carried out effectively. This study was carried out through a survey of various organizations. The study also found that the skills the employer said they needed to focus on in order to meet their business objectives were mainly leadership skills at 65%, frontline people management skills at 55% and business awareness at 51%.

The report on skills development in sub-Saharan Africa sought to find out the role of government in training (Johanson et al, 2012). The study focused on the challenges that governments in Africa were facing in implementation of training programs. The study established that most of the governments focused on policy rather than provision towards the realization of the policies. The overall observation is that Africa was far from addressing the challenges of skill development. Moreover, findings indicated that there were no strategies to address skill development in the informal sector, an area where most of the employment is based, given that white collar jobs are hard to come by in Africa. Analysis indicated that reforms were needed to ensure that both private and public training on skills was beneficial to the workforce.

Johnson et al (2012) research carried out through literature review is a good indicator of how poor learning and development of employees can hamper effective performance. The study indicates that appropriate strategies have to be put in place to ensure that learning and development leads to organization performance. The researcher, therefore, seeks to find out which strategies these are and whether the companies listed in the Nairobi Securities Exchange practice these strategies. Moreover, the researcher will seek to link these strategies to organization performance. Lockwood (2006) found talent development as an important component in the maintenance of competitive advantage in an organization. The study identified that developing manager capability, retaining high performers, developing succession pool depth and addressing shortages of management or leadership talent were among the challenges facing human resource managers and business leaders.

The researcher will use reinforcement theory to explain more on the concept of learning and development. Reinforcement conditions behaviour, people are most likely to engage in desired behaviour if they are rewarded for doing so. Behaviours that are not rewarded are less likely to be repeated as people repeat behaviours that are positively rewarded and avoid behaviours that are punished; managers can influence their junior's behaviour by reinforcing acts that they deem favourable (Nzuve, 2007). There are two schedules of reinforcing; a continuous reinforcement schedule reinforces the desired behaviour each and every time it is demonstrated, in an intermittent reinforcement not every instance of the desired behaviour is reinforced. Reinforcement is given only often enough to make behaviour repeated (Salemi, 2006). In the context of the current study the researcher argues that the reinforcement of behaviour is related to learning and development strategies that the trainers use when conducting employee coaching, mentoring and on the job training of employees because as Gupta (2008) says that coaching occurs between the employee and supervisors and focuses on examining employees performances and taking actions to maintain effective performance and correcting in-effective performance. Mentoring also involves helping the employee learn the ropes and preparing the employee for increasing responsibilities (Gupta, 2008). All these methods, the researcher notes are involved in encouraging and reinforcing effective behaviours while at same time discouraging ineffective behaviours.

The second theory was the Social Learning theory which was proposed by Bandura (1977) and is one of the most influential theories of learning and development. Bandura believed that direct reinforcement could not account for all types of learning and added a social element, signifying the concept that people can learn new information and behaviours by watching other people. This is known as observation learning or modelling. Bandura believed that people were capable of imagining themselves in similar situations and incurring similar outcomes (Ewen, 1980). Once the behaviour is learned it may be reinforced or punished by the consequences it generates. In the context of the current study on role of talent management on organization performance in companies listed in Nairobi Securities exchange, the Researcher argues that Social Learning theory is applicable to the learning and development strategies like coaching and mentoring.

2.2 Conceptual Framework

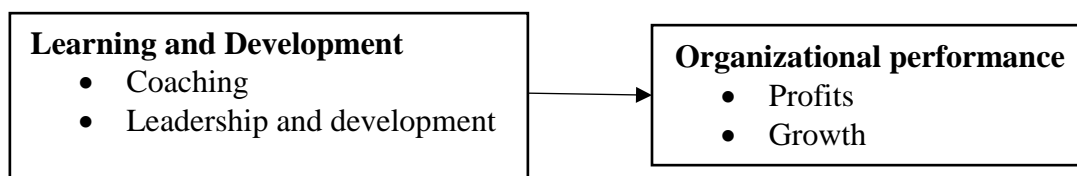


Figure 1: Conceptual Framework

3.0 METHODOLOGY

This adopted descriptive and correlation survey research design. The target population of this study is 534 top managers of NSE listed companies. The researcher used stratified sampling in order to achieve the desired representation from various sub groups in the NSE listed companies.

A sample size of 224 respondents will be used. Questionnaire was used in this study to collect data. Cronbach alpha was used to test reliability of the study instrument.

4.0 RESULTS FINDINGS

4.1 Response Rate

The number of questionnaires administered was 224. A total of 162 questionnaires were properly filled and returned. This represented an overall successful response rate of 72%.

Table 1: Response Rate

Response	Frequency	Percent
Successful	162	72%
Unsuccessful	62	28%
Total	224	100%

4.2 Descriptive statistics

The third objective was to establish the effect of learning and development on organizational performance. Learning and development will be measured by whether the organizations has acquired new knowledge and skills, and mastering new ways of doing things, identification of the employees who need learning and development, minimal leadership gaps, availability of the qualified and experienced employees, existence of in-house development programmes, coaching.

The study sought to establish whether the NSE listed companies had put in place appropriate learning and development strategies. Table 2 shows that majority 81% of the respondents agreed with the statement that in their company appropriate learning and development strategies had been put in place. Result also revealed that 13% of the respondent did not agree with the statement. Six percent (6%) of the respondent neither agree nor disagree with the statement.

Table 2: Learning and Development

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
In my company appropriate learning and development strategies have been put in place	6.20%	6.80%	5.60%	51.2%	30.20%
My company identifies the employees who need learning and development and the level of learning and development they need before conducting training.	2.50%	6.20%	4.90%	62.3%	24.10%
In my organization employees are continuously acquiring new knowledge and skills, and mastering new ways of doing things	0.60%	5.60%	1.20%	66.0%	26.50%
In our company in house development	4.90%	4.90%	0.60%	64.2%	25.30%

programme is commonly used					
There is Coaching by both external and internal practitioners in this company	6.20%	9.90%	4.30%	51.2%	28.40%
In my company we take Leadership skills development very seriously	3.70%	4.90%	4.30%	64.20%	22.80%
In my company we value business skill development	2.50%	3.10%	1.20%	66.7%	26.50%
We believe Innovation and creativity skills development is of great importance in our company	4.30%	8.00%	4.90%	67.9%	14.80%

The study further sought to establish whether their company identifies the employees who need learning and development and the level of learning and development they need before conducting training. Results showed that majority of the respondents 86% agreed with the statement that their company identifies the employees who need learning and development and the level of learning and development they need before conducting training while 9% disagreed with the statement. Result revealed that 5% neither agreed nor disagreed with the statement.

To establish whether the organization employees were continuously acquiring new knowledge and skills, and mastering new ways of doing things the study asked this statement. Need for new knowledge and a skill in a company was a key determinant of learning and development. Results showed that majority of the respondents 93% agreed with the statement that in their organization employees were continuously acquiring new knowledge and skills, and mastering new ways of doing things, while 7% of the respondents disagreed with the statement.

The study further sought to establish whether company in house development programme was commonly used by the NSE listed firms. In house development programmes are important learning and development strategy. Results showed that majority of the respondents 90% agreed with the statement that in their company in house development programme was commonly used, while 9% of the respondents disagreed with the statement. One percent neither agrees nor disagreed with the statement.

The study sought to establish whether there was coaching by both external and internal practitioners in the company. Coaching by both external and internal practitioners in a company determines learning and development. Results showed that majority of the respondents 80% agreed with the statement that there was coaching by both external and internal practitioners in the company. Result revealed that 16% of the respondent disagreed with the statement while 4% neither agree nor disagree with the statement

On the statement whether leadership skills development was taken seriously in their company. Results showed that majority 87% of the respondents agreed with the statement that in their company they took leadership skills development very seriously, while 8% of the respondents disagreed with the same statement. Result shows that 4% of the respondents neither agreed nor disagree with the statement.

On the statement to establish whether business skill development was valued by the NSE companies studied. Business skill development in a company is a key determinant of learning and development. Results showed that majority of the respondents 93% agreed with the statement that in their company they valued business skill development, while 6% of the respondents neither agreed nor disagree with the statement and only 1% who neither agreed nor disagreed with the statement

Finally, the study sought to establish whether top managers in NSE listed companies believed Innovation and creativity skills development was of great importance in their company. Innovation and creativity skills development in a company is crucial for learning and development. Results showed that majority of the respondents 83% agreed that they believed Innovation and creativity skills development was of great importance in their company while 12% of the respondent disagreed with the statement. Result revealed that 5% Of the respondent neither agree nor disagree with the statement.

Relationship between learning and development and organizational performance

Figure 2 shows the scattered plot of learning and development and organization performance. The figure reveals that there was weak but positive relationship between the two variables. Therefore, an increase in learning and development affects organization performance of all NSE listed companies.

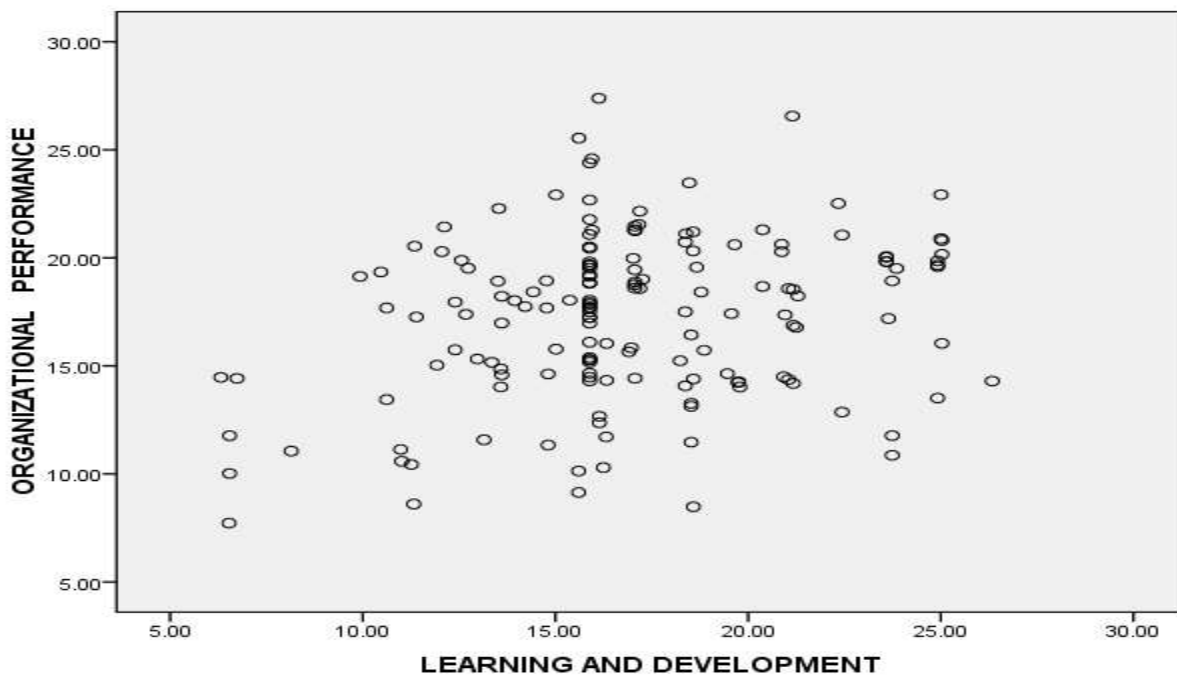


Figure 2: Scatter Plot Relationship between Learning and Development and Organizational Performance

Table 3 displays the results of correlation test analysis between the dependent variable (organization performance) and learning and development. Results on Table 3 show that acceptance of organizational performance was weak but positively correlated with learning and

development. This reveals that any positive change in learning and development on organizational performance led to increased acceptance of organizational performance.

Table 3: Relationship between learning and development and organizational performance

Variable		Organizational Performance	Learning and Development
Organizational Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
Learning and Development	Pearson Correlation	0.252	1
	Sig. (2-tailed)	0.001	

** . Correlation is significant at the 0.01 level (2-tailed).

A graphical illustration of the relationship between learning and development and organization performance was presented in figure 3.

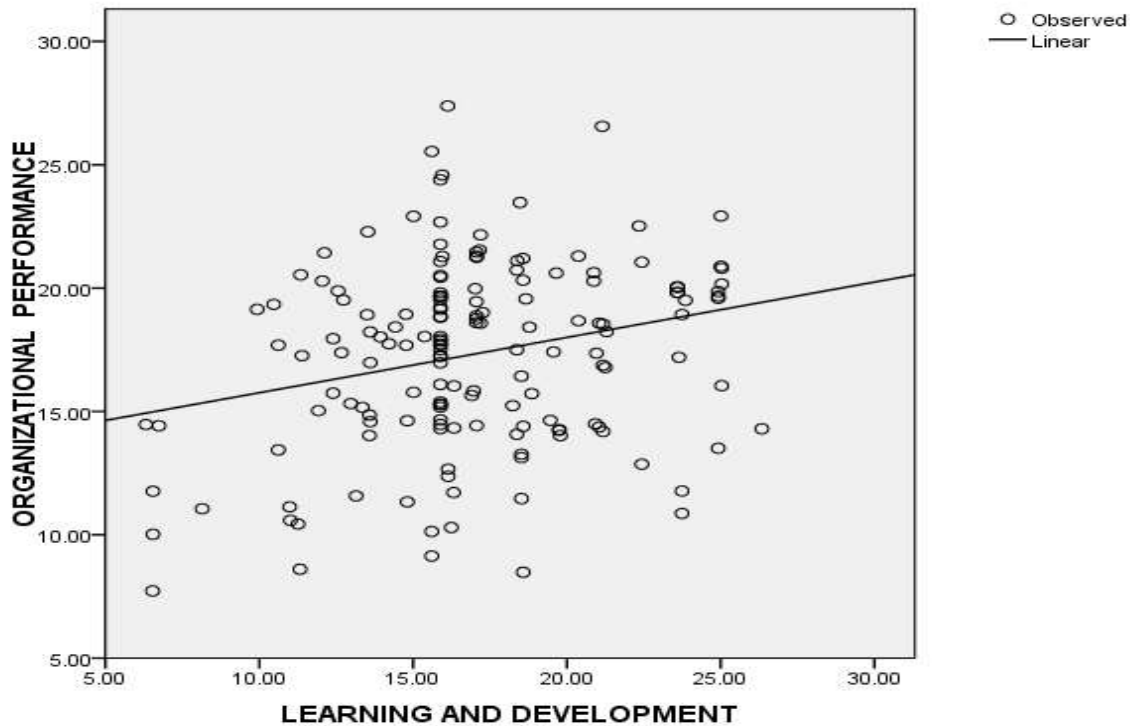


Figure 3: Linear Relationship between Learning and development and Organization Performance

Regression analysis was conducted to empirically determine whether learning and development was a significant determinant of organization performance listed companies. Regression results

in table 4 indicate the goodness of fit for the regression between organization performance and learning and development was satisfactory. An R squared of 0.063 indicates that 6.3% of the variances in the learning and development by listed companies are explained by the variances in the organization performance. The correlation coefficient of 25.2% indicates that the combined effect of the predictor variables have a weak and positive correlation with acceptance of organization performance.

Table 4: Model Summary for Learning and Development

Indicator	Coefficient
R	0.252
R Square	0.063
Std. Error of the Estimate	3.64639

The overall model significance was presented in table 5. An F statistic of 10.824 indicated that the overall model was significant. This was supported by a probability value of (0.001). The reported probability of (0.001) is less than the conventional probability of (0.05). The probability of (0.000) indicated that there was a very low probability that the statement “overall model was insignificant” was true and it was therefore possible to conclude that the statement was untrue.

Table 5: ANOVA for Learning and Development

Indicator	Sum of Squares	Df	Mean Square	F	Sig.
Regression	143.916	1	143.916	10.824	0.001
Residual	2127.391	160	13.296		
Total	2271.307	161			

Table 6 displays the regression coefficients of the independent variable (learning and development). The results reveal that learning and development is statistically significant in explaining organization performance of listed companies.

The regression results were used to test the null hypothesis “ H0: There is no relationship between learning and development and organizational performance in companies listed in the NSE.” The null hypothesis was rejected at 0.05 level of significance. This implies that there is a relationship between learning and development and organizational performance in companies listed in the NSE

Table 6: Regression Coefficient for Learning and Development

Variable	Beta	Std. Error	t	Sig.
Constant	13.516	1.191	11.353	0.000
Learning and Development	0.224	0.068	3.29	0.001

5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The third objective of the study was to analyze the effect of learning and development on organizational performance in firms listed in the NSE. Results indicated that learning and development had a positive and significant effect on organizational performance. Learning and development was measured by whether the organizations had acquired new knowledge and skills, and mastering new ways of doing things, identification of the employees who needed learning and development, minimal leadership gaps, availability of the qualified and experienced employees, existence of in-house development programmes and coaching. Majority of the respondents agreed with the measures.

5.2 Conclusion

Study findings led to the conclusion that firms listed on the NSE have put in place effective learning and development activities. The particular activities include; organizations had acquired new knowledge and skills, and mastering new ways of doing things, identification of the employees who needed learning and development, minimal leadership gaps, availability of the qualified and experienced employees, existence of in-house development programmes and coaching. The study concluded that learning and development had a positive and significant effect on organization performance.

5.3 Recommendations of the Study

Listed firms should maintain the practice of putting in place effective learning and development activities. This is because an improvement in learning and development activities leads in improved organization performance. In addition, it is recommended that firms without learning and development practices or those with poor learning and development practices should adopt the practices with the aim of improving organizational performance.

5.4 Areas for Further Research

Future studies may use different research methodologies for instance, the use of a triangulation research design would combine both qualitative and quantitative data collection techniques with an intention of confirming and validating the data results from more than one source. Consequently, focus group discussion and key informant interviews may generate data for content analysis and such data would give a qualitative aspect to the study.

REFERENCES

- Baheshtiffar maliken, Role of career competencies in organization *European journal of economics, finance and administrative sciences*, issue 42, 2011.
- Devine M, Powel (2008) talent management in public sector .Ashridge sbusiness School .[Http://www.ashridge.org.UK](http://www.ashridge.org.UK).

- Johansson, R. K. & Adams, A.V. (2012). *Skills development in sub-Saharan Africa*. World Regional and Sectoral Studies. The World Bank
- Hartman Evi, Faisal Ema & Schober Hoiger (2010) talent management of western MNCs in China ;balancing global integration and local responsiveness ;*journal of world business* 45(2)169-178.
- Heinen Stephen J and Colleen O'neill (2004) *managing Talent to maximize performance*. Published online in wiley interscience .www.interscience.wiley.com. Retrieved on 15th October 2013.
- Poorhosseinzadeh, M. & Subramaniam, I.D. (2012). 'Determinants of successful talent management in MNCs in Malaysia', *Journal of Basic Applied Science Research*, 2: 12
- Stahl, K. G., Björkman, I., Farndale, E., Morris, S. S., Paauwe, J., Stiles, P., Trevor, J., & Wright, M. P. (2007). *Global talent management: How leading multinationals build and sustain their talent pipeline*. INSEAD, 34 p.
- Heinen Stephen J and Colleen O'neill (2004) *managing Talent to maximize performance*. Published online in wiley interscience .www.interscience.wiley.com. Retrieved on 15th October 2013.
- Sara Ballesteros R. and Inmaculada De la Fuente (2010) *Talents ;the key for successful Organization*. Unpublished thesis, Linnaeus School of Business & Economics , Linnaeus University.
- CIPD (2010). *Annual survey report: learning and talent development*. Retrieved 25th May 2013 From <http://www.cipd.co.uk/NR/rdonlyres/BC060DD1-EEA7-4929-91421AD733F95E7/5215Learningtalentdevelopmentsurveyreport.pdf-annual>
- Lockwood, N.R. (2006). 'Talent management: Driver for organizational success', *research Quarterly*, Society for Human Resource Management.
- Lockwood, T. & Walton, W. (2008). *Developing an Innovative Organization*. Allworth Press, New York.
- Nzuve N.M Stephen (2007) *Elements of organizational Behaviour*. University of Nairobi press.

Bandura.A.(1977).Social learning theory .Englewood cliffs,NJ:Prentice-Hall.

Davis Tony ,Maggie cutt,neil flynn(2007) *Talent assessment ,a new strategy for talent management* .Gower,United States.Retrieved on 22 march 2013.

Gupta, K. A., & Govindarajan, V. (2000). Managing Global Expansion: A Conceptual Framework. *Business Horizons*, March-April, 45-54

Harburg, F. (2003).*The three essential elements of learning and development*. Retrieved 2nd June 2013 from [http://clomedia.com/articles/view/the three essential elements of learning and development](http://clomedia.com/articles/view/the-three-essential-elements-of-learning-and-development)

Saleem, N.A (2006) *Principles and Practice of management simplified*, Nairobi, Saleemi Publication.

Zheng, A. Y. & Kleiner, Brian, H. (2001). Developments concerning career development and transition', *Journal of Management Research*, Vol: 24 Issue: 3: 33-39