WHEN MORE IS BETTER: FORMAL DEVELOPMENT OPPORTUNITIES FOR EMPLOYEES IN SMALL AND MEDIUM ENTERPRISES

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ABSTRACT: This study explores direct and indirect relationships between involvement in formal training and development events for those employed in small and medium enterprises (SMEs), job satisfaction, affective commitment, and negative responses such as turnover intentions and neglectful behaviour. Questionnaire data was obtained from 153 staff employed in a diverse range of SMEs. Our results show that employees that participate in more training and development events are less likely to be considering leaving their employer and less likely to engage in neglectful activities. However, the analysis revealed that the effects of participation in formal training and development are fully mediated by job satisfaction. These findings provide further evidence attesting to the positive contribution of formal human resource practices in SMEs.

Keywords: Social and psychological theory, employee training, attitudes, human resource management

Many small business owners consider training and development as vitally important and regard the recruitment, development and retention of skilled employees as a ‘critical challenge’ to the success of their enterprise (Barrett & Mayson 2005; Carlson, Upton & Seaman 2006; Reid & Adams 2001; Pearson, Stringer, Mills & Summers 2006). However, studies in several countries have found that small firms are less likely to provide formal training and development for employees than larger ones (Bishop & Ritzen 1991; Storey 2004; Kotey & Folker 2007; Johnson 2002). It is argued that small firms face greater barriers to such training and development than their larger counterparts (Devins, Johnson & Sutherland 2004; Kotey & Folker 2007). These barriers include the cost of such training and development and the opportunity cost of employees’ time when they attend training and development events. Some commentators also argue that small firm owners/managers are reluctant to invest in external training and development because it usually does not focus on firm-specific problems, priorities and work practices (Gibb 1997; Johnson 2002). When small firms do engage in training of a formal and/or external nature it typically involves apprentice training, supplier-sponsored training, trade association organized training, or training required by regulatory bodies or larger customers (Johnson 2002). Engagement in other types of formal training and development is likely to be limited, ad hoc, and reactive (Hill & Stewart 2000). While it has been argued that informal training fits well with the constraints under which small firms operate (Curran 2000), others have pointed out that neglecting formal HRM practices, including training and development, might well hinder progress toward sustainable competitive advantage in small firms (Kotey & Folker 2007).

The apparent reluctance by SMEs to implement formal training and development initiatives is especially concerning in light of recent studies highlighting putative links between the provision of such programs and a range of positive outcomes such as enterprise survival, growth, profitability and superior
firm performance (Litz & Stewart 2000; Rauch, Frese & Utsch 2005; Reid & Harris 2002). While the exact mechanism by which formal training and development translates into beneficial firm-level effects is not specified in these studies, the research literature on high performance work practices (HPWP), where formal training and development efforts are typically included as a core element in the suite of high involvement HR practices, suggests that at least some of the benefits conferred by formal training and development initiatives may be secured through enhanced employee commitment, motivation and satisfaction (Barling, Iverson & Kelloway 2003; Zheng, Morrison & O'Neill 2006; Sels, De Winne, Delmotte, Maes, Faems & Forrier 2006). In the present study we address this possibility by exploring linkages between the number of training and development events undertaken by employees in SMEs, employee exit and neglect reactions, and the potential mediating role of job satisfaction and organizational commitment. In the section below we present our conceptual model (see figure 1) and briefly consider some of the research evidence for the proposed links.

Figure 1: Proposed Model of the Impact of Development Activity on Neglect Responses and Exit Intentions for Employees in SMEs
Conceptual Model and Hypotheses

Development of our hypotheses has drawn primarily on studies conducted in larger firms that have previously explored some of the relationships proposed in our model. Within the small firm context little is known about factors influencing employee retention in general (Cardon & Stevens 2004), and the relationship between employee engagement in training and development and individual-level predictors of turnover in particular (Rowden & Ahmad 2000). Yet we believe the impact of providing formal training and development opportunities may be especially salient for employees in SMEs given the limited scope for career development and advancement in small firms (Marlow 2000; Patton, Marlow & Hannon 2000), the reluctance by SMEs to invest in formal training and development and lower levels of perceived employer legitimacy (Williamson 2000).

Studies have identified associations between training and development opportunities and employee job satisfaction (Tett & Meyer 1993; Way 2002). Drawing on Hackman and Oldham’s (1980) Job Characteristics Model, Barling et al. (2003) argued that the provision of high quality work (including extensive training opportunities) should enable better use of knowledge and skills, enhance employee perceptions of meaningfulness, responsibility and variety, and consequently lead to improvements in job satisfaction. Given the above, the first hypothesis is:

Hypothesis 1: Involvement in formal training and development events is associated with improvements in employee job satisfaction.

Meyer, Stanley, Herscovitch and Topolnytsky (2002) reported that employer investment in training and the opportunity for employees to develop transferable skills were both significant antecedents of affective organizational commitment. Moreover, research on psychological contracts, contract breach, social exchange and reciprocity suggests that employees respond favorably to such initiatives by employers, reciprocating through positive organizational attitudes and behaviors and responding unfavorably when employers are seen as reneging on perceived employment obligations (Aselage & Eisenberger 2003; Kickul 2001). Opportunities to participate in development events may be particularly influential in this regard, given the popular belief that employees now have to take greater responsibility for their own careers, learning and employability (Poell, Chivers, Van der Krogt & Wildemeersch 2000; Ghoshal, Barlett & Moran 1999). In light of these arguments we offer the following hypothesis:
Hypothesis 2: Involvement in formal training and development events is associated with improvements in employee affective organizational commitment.

Exit or turnover intentions are typically found to be a highly significant predictor, and a significant moderator, of voluntary employee turnover. Job satisfaction and affective organizational commitment have similarly been linked to employee withdrawal behaviors and turnover intentions (Griffeth, Hom & Gaertner 2000; Van Breukelen, Van Der Vlist & Steensma 2004; Lau, Au & Ho 2003). There is also modest evidence from the turnover literature for direct effects of training and development on withdrawal behaviors (Griffeth et al. 2000). In addition to exiting the organization employees may react to dissatisfying situations by engaging in other counterproductive behaviors such as avoiding or shirking job responsibilities. Studies have documented links between employee dissatisfaction, low levels of organizational commitment, psychological contract breach and neglect responses in the workplace (Turnley & Feldman 2000; Withey & Cooper 1989). We draw on the research evidence presented above and offer the following hypotheses:

Hypothesis 3: Involvement in formal training and development events is negatively associated with turnover intentions.

Hypothesis 4: Job satisfaction is negatively associated with turnover intentions.

Hypothesis 5: Affective organizational commitment is negatively associated with turnover intentions.

Hypothesis 6: Job satisfaction is negatively associated with employee neglect.

Hypothesis 7: Affective organizational commitment is negatively associated with employee neglect.

METHOD

Participants and Procedure

The impact of participation in structured training and development events for employees in SMEs is examined by drawing on data collected for phase two of a longitudinal study exploring issues to do with capability development, tertiary study, and employment. A self-report postal questionnaire was sent to 2,372 distance education students who had responded to a prior survey sent approximately a year earlier. The initial sample of students for the stage one questionnaire (n = 4,991) had been purposively selected to maximize the likelihood that respondents would be working and studying concurrently. For the stage-two
questionnaire responses were obtained from 1,137 participants, representing an overall response rate of 48%. For this analysis we focused on those in full-time paid work (more than 30 hours per week) in small businesses (49 or fewer employees) and excluded owner-operators and self-employed. This resulted in a final sample size of 153 participants.

The average age of participants was 40.8 years (SD=10.0) and the majority of respondents were women (57%). Almost half (49%) of the sample had a university qualification. The breakdown for organizational tenure for participants was as follows: 25% had been employed for less than one year, 45% had been employed between 1 – 4 years, 21% between 5 – 9 years, and 9% had been employed in the same organization for more than 10 years. The main industries or sectors represented in the sample were as follows: health and community services (16%), finance, banking and insurance (13%), manufacturing (10%), property and business services (9%), and transport and storage (5%). The respondents’ organizations appeared relatively well-established with 77% of the organizations having operated for more than 10 years.

Measures

Involvement in formal development activity was measured based on the approach adopted by Tharenou (2001) and used in the Business NZ Skills and Training Survey (Department of Labour 2003). Respondents were asked to indicate how many times in the last 12 months they had participated in six different types of formal training and development events. Responses were on a six-point scale ranging in value from 0 to 5 or more. An overall participation score was calculated by summing across the six items.

Job satisfaction was measured using a 3-item measure of general job satisfaction, adapted by Lee and Bruvold (2003) from Quinn and Stains (1977; cited in Lee & Bruvold 2003). Example items include ‘Generally speaking, I am satisfied with my job’ and ‘I would recommend a job like mine to a good friend’. Participants responded on a 7-point scale where 1=Strongly Disagree and 7=Strongly Agree. A total job satisfaction score was calculated by averaging across the three items. The alpha coefficient for these items was 0.91 indicating acceptable reliability.

Affective organizational commitment was measured using four items from the revised affective commitment scale developed by Meyer and Allen (1997). Example items include “This organization has a great deal of personal meaning for me” and “I do not feel a strong sense of belonging to my organization”. All ratings are coded 1=Strongly Disagree through to 7=Strongly Agree. An overall affective commitment
score was calculated by averaging across the four items. The alpha coefficient for these items was 0.86 indicating acceptable reliability.

A modified version of the measure developed by Rusbult, Farrell, Rogers and Mainous (1988) to assess employee reactions to declining job satisfaction was used to gauge turnover intentions and employee neglect. The measure was modified so that participants responded to all items on a 7-point agreement scale where 1=Strongly Disagree through to 7=Strongly Agree. Turnover intentions were assessed using the 4-item exit subscale. Example items include “I have recently spent some time looking for another job” and “I often think about quitting”. An overall exit score was calculated by averaging across the four items. The alpha coefficient for these items was 0.87 indicating acceptable reliability. Employee neglect was measured using 3 items from the neglect subscale. Items were selected based on the item-to-scale correlations and to maximize reliability. Example items include “Now and then there are workdays where I just don’t put much effort into my work” and “Now and then I arrive at work late just because I really am not in the mood for work that day”. An overall neglect score was calculated by averaging across the three items. The alpha coefficient for these items was 0.70 indicating marginal reliability.

RESULTS

Means, standard deviations, and correlations between the study variables are presented in table one. Consistent with predictions development activity had modest, but significant correlations with job satisfaction ($r = .35$), affective commitment ($r = .24$), turnover intentions ($r = -.28$) and employee neglect ($r = -.19$).

Table 1: Means, Standard Deviations, and Correlations for Study Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Development Events</td>
<td>5.0</td>
<td>5.4</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Job Satisfaction</td>
<td>4.8</td>
<td>1.6</td>
<td>.35**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Affective Commitment</td>
<td>4.6</td>
<td>1.6</td>
<td>.24**</td>
<td>.65**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Exit Score</td>
<td>3.5</td>
<td>1.9</td>
<td>-.28**</td>
<td>-.73**</td>
<td>-.44**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Neglect Score</td>
<td>2.7</td>
<td>1.3</td>
<td>-.19*</td>
<td>-.25**</td>
<td>-.07</td>
<td>.33**</td>
<td></td>
</tr>
</tbody>
</table>

*p<.05; **p<.01
We used hierarchical regression to further test the hypothesized relationships. For all analyses the three control variables of Age, Gender and Tenure were entered first, followed by development activity. Table 2 reports the standardized regression coefficients from each of the full models as well as the $R^2$ change following the introduction of development activity.

Before testing for mediation effects we used regression analysis to determine the relative contribution of job satisfaction and affective commitment to the prediction of both turnover intentions and employee neglect. Job satisfaction was found to be a significant predictor of turnover intentions ($\beta = -.77$, $p < .001$) and employee neglect ($\beta = -.36$, $p < .005$). In contrast, affective commitment did not account for any additional variance in the prediction of turnover intentions ($\beta = .05$, ns) or employee neglect ($\beta = .17$, ns). Consequently we elected to test for mediation effects only for job satisfaction. To test our mediation hypotheses we followed the procedures outlined by Baron and Kenny (1986) and added job satisfaction to the regression equations predicting turnover intentions and employee neglect. For both analyses the standardized regression coefficients for development activity were non-significant indicating that job satisfaction fully mediates the relationship between development activity and these negative employee reactions.

**DISCUSSION**

The contribution of formal training and development activity to the retention of employees in SMEs has been largely overlooked in the research literature. This is surprising, given the challenges small firms face in attracting and retaining talented staff (Barrett & Mayson 2005) and the tendency towards more ‘boundaryless careers’ (Arthur & Rousseau 1996). In this study we show that employees in SMEs that participate in more formal training and development events are less likely to be considering leaving their employer and are less likely to engage in neglectful activities. However, our results suggest that the effect of participation in formal training and development events is fully mediated by job satisfaction. That is, increased participation in formal training and development activity is associated with enhanced job satisfaction, and improvements in job satisfaction are in turn linked to diminished intentions to exit the organization and lower likelihood of neglectful behavior.
Table 2: Regression Analysis to Predict Job satisfaction, Affective Commitment, Exit Intentions and Employee Neglect

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Job Satisfaction</th>
<th>Affective Commitment</th>
<th>Exit Intentions</th>
<th>Neglect Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>β</td>
<td>Change $R^2$</td>
<td>β</td>
<td>Change $R^2$</td>
</tr>
<tr>
<td>Control Variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>.02</td>
<td>-.08</td>
<td>-.12</td>
<td>.02</td>
</tr>
<tr>
<td>Gender</td>
<td>.01</td>
<td>.09</td>
<td>-.11</td>
<td></td>
</tr>
<tr>
<td>Tenure</td>
<td>.11</td>
<td>.20</td>
<td>-.01</td>
<td></td>
</tr>
<tr>
<td>Development Activity</td>
<td>.34**</td>
<td>.12**</td>
<td>.22**</td>
<td>.05**</td>
</tr>
<tr>
<td>R</td>
<td>.36**</td>
<td>.31**</td>
<td>.31**</td>
<td>.26*</td>
</tr>
<tr>
<td>Total $R^2$</td>
<td>.13**</td>
<td>.10**</td>
<td>.10**</td>
<td>.07*</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>.11</td>
<td>.07</td>
<td>.07</td>
<td>.04</td>
</tr>
</tbody>
</table>

*p<.05; **p<.01
Contrary to expectations, affective commitment was not associated with neglectful employee behaviors and while the predicted significant correlation with exit intentions was observed, it was of lesser magnitude than that for job satisfaction and exit intentions. Moreover, in the regression analysis when job satisfaction and affective commitment were entered simultaneously affective commitment was not found to account for any significant additional variance in exit intentions. These results are surprising in the light of other research studies which typically report stronger relationships between affective commitment and turnover than for job satisfaction and turnover (Griffeth et al. 2000) and underscore the need for caution when assuming that the results from studies conducted in large organizations will necessarily generalize to other contexts such as SMEs.

The current study has limitations that should be identified in the hope that future research can address these issues. One potential limitation is the use of turnover intentions as a major outcome variable rather than actual turnover. Nevertheless, we note that research on turnover has consistently identified intentions as one of the most important and significant predictors of voluntary departure (Griffeth et al. 2000). However, it does remain for future research studies to corroborate this relationship, especially given that it has not been firmly established in the context of smaller enterprises. A further issue is that as all constructs are measured using a self-report questionnaire, inflated relationships may have been observed due to common method variance and/or a monomethod bias effect. Moreover, reliance on employee self-report ratings raises additional concerns regarding the accuracy and reliability of the data, especially for the measurement of neglect behaviors such as tardiness and absence (Johns 1994). Collection and analysis of data from multiple sources would clearly help overcome these limitations and add to the robustness of the research findings. Finally, the cross-sectional nature of the research design makes it impossible to conclusively determine the direction of hypothesized causal relationships. This is especially problematic for research focused on the impact of HPWP (or components of such practices) where reverse causality offers a plausible alternative explanation for observed effects (Wright, Gardner, Moynihan & Allen 2005). Clearly, longitudinal research is necessary to resolve this issue.

Our results suggest SME owner/managers who are concerned about staff retention should consider implementing practices that will enhance employee job satisfaction. More specifically, the study highlights the significant contribution of formal training and development initiatives in this respect. This poses a challenge for SME owner/managers, because they typically have a strong preference for informal training practices (Johnson 2002) and do not adopt a strategic approach to the management of their enterprises and its human resources (Mayson & Barrett 2006). This poses a challenge for SME owner/managers who typically have a strong preference for informal training practices (Johnson 2002).
Some commentators have argued that a continued or exclusive reliance on informal HR practices in small firms might be ‘problematic’ as they do not necessarily provide as much scope for the recognition and acknowledgement of the value of employees (Mayson & Barrett 2006). We concur and suggest providing employees the opportunity to attend formal training and development events may not only assist in the development of human capital, but can also offer additional benefits that may not be easily realized from informal alternatives.

REFERENCES


