THE EFFECT OF TRAINING AND KNOWLEDGE MANAGEMENT PROCESS TOWARDS ORGANIZATIONAL EFFECTIVENESS

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FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTANCY
UNIVERSITI MALAYSIA SABAH
2014
DECLARATION

I hereby declare that the material in this thesis is my own except for quotations, excerpts, equations, summaries and references, which have been duly acknowledged.

05 September 2014

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ABSTRACT

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The aim of this study is to examine the relationship between training and knowledge management process towards organizational effectiveness. There is a total of 217 respondents participated in this study. The objectives of study were achieved after examining the relationship between individual / managerial skills training, process development skills training and knowledge management process (independent variable) by using different dimensions on organizational effectiveness (dependent variable). The findings show that training is only partially contributing to the organizational effectiveness among the organizations in Tawau area where respondents of this study are working at. Process development skills training able to show significant relationship but not the individual / managerial skills training from data analysis. Knowledge management process also partially contributing to organizational effectiveness with knowledge acquisition, knowledge conversion and knowledge application showing significant relationships. Some of the items in this study are having relatively low and poor reliability, however the findings still can be used as a basic level of understanding of the effect of training and knowledge management process towards organizational effectiveness for relevant organizations in Tawau area. The findings of this study also can be used as a solid base for future researches.
ABSTRAK

Tujuan kajian ini adalah untuk mengkaji hubungan di antara latihan dan proses pengurusan pengetahuan ke arah keberkesanan organisasi. Terdapat seramai 217 responden telah mengambil bahagian dalam kajian ini. Objektif kajian telah tercapai selepas meneliti hubungan antara latihan kemahiran individu / pengurusan, proses latihan kemahiran pembangunan dan proses pengurusan pengetahuan (pembolehubah bebas) dengan menggunakan dimensi yang berbeza terhadap keberkesanan organisasi (pembolehubah bersandar). Hasil kajian menunjukkan bahawa latihan hanya menyumbang sebahagian kepada keberkesanan organisasi di kalangan organisasi di kawasan Tawau di mana responden kajian ini bekerja. Analisis data menunjukkan bahawa proses latihan kemahiran pembangunan dapat menunjukkan hubungan yang signifikan terhadap keberkesanan organisasi tetapi latihan kemahiran / pengurusan individu tidak dapat menunjukkan signifikannya. Proses pengurusan pengetahuan juga menyumbang hanya sebahagian kepada keberkesanan organisasi dengan penerapan pengetahuan, penukaran pengetahuan dan penerapan pengetahuan yang menyumbang hubungan yang signifikan. Beberapa item dalam kajian ini mempunyai kebolehpercayaan yang rendah, namun hasil kajian ini masih boleh digunakan sebagai tahap asas pemahaman tentang kesan latihan dan pengurusan pengetahuan proses ke arah keberkesanan organisasi untuk organisasi berkenaan di kawasan Tawau. Hasil kajian ini juga boleh digunakan sebagai asas yang kikih untuk kajian masa depan.
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CHAPTER 1

INTRODUCTION

1.1 Background of Study

In the rapidly changing environment, jobs are becoming more demanding and complex, thus the development of informed and skilled-employees through training is very important to ensure continuous productivity and ultimately organizational success. In the context that every organization needs experienced and well-trained employees to perform the routine activities, training plays an extraordinary important role in improving organizational effectiveness. The main aim of training and development programs is to improve organizational capabilities and employee ability. When an organization invests in upgrading and improving on existing skills, the investment initiates more efficient employees. Research conducted by Watad and Ospina (1999) identified the establishment and implementation of training and development. Training in social, physical and mental skills is necessary in facilitating not only in terms of productivity, but also in following through organizational plans and strategy. Successful training and development program will directly enhance employee performance and team performance.

In addition, Haccoun and Saks (n.d.) explains that the goal of all organizations is to prosper and survive and therefore training and development help organizations achieve these goals. A number of researches have indicated that companies that invest more in training have higher revenues, profits, and productivity growth than firms that invest less in training. And training is positively related to human resource outcomes such as motivation, behaviors, employee attitudes, organizational performance outcomes in terms of performance and productivity and to the lesser extent financial outcomes such as profit, financial indicators. Tharenou, Saks and
Moore (2007) suggests that though training is positively related to human resource outcomes and organizational performance, it is only very weakly related to financial performance. Thus, training evidently enhances organizational effectiveness. Training and development not only able to facilitate organization’s strategy and effectiveness, but also indirectly improve employee retention and recruitment.

Knowledge is transferred within the organization through training and discussion sessions. It can be from the trainer to trainees or among peers themselves. All healthy organizations are generating knowledge (Zaim, n.d.). While employees are interacting with their environment, they absorb information, combine it with their experiences, values and internal rules, turn it into knowledge, and apply it on routine activities. In order to continue retrieve the benefit from knowledge within organization, it is essential that the knowledge need to be well kept and managed. Managing the knowledge within the organizations efficiently and effectively is considered a core competence to longevity. Knowledge management in an organization according to Chow, Choy, Lee and Chan (2005) is the series of activities where knowledge is being created, stored, distributed and applied. Knowledge management has been widely recognized as an important approach for the organizations to mainly achieve continuous improvement, competitive advantage, and retaining intellectual capital.

"Training and organizational effectiveness: moderating role of knowledge management process" is a study done by Rahman, Siew, Sambasivan and Wong (2013) to examine the relationship between training, organizational effectiveness and knowledge management process. Result from the study indicated that even training program is conducted however it is not sufficient to enhance the organizational effectiveness. This can be explained that not all knowledge obtained from training is fully transferred or applied to the organization. Employees obtained knowledge through several training programs such as individual/managerial skills and process skills related trainings. The application and protection of knowledge are found interact
with individual/managerial skills training to enhance organizational effectiveness. While knowledge acquisition, knowledge application and knowledge protection are interacting with process skills training to improve organizational effectiveness.

1.2 Problem Statement

In general, there are two basic types of skills training i.e. hard and soft skills. Hard skills are technical or administrative procedures related to an organization's core business while soft skills are attitudes and behaviors exhibited by employees while interacting, which affect the outcomes of such interactions. It is easy to train and identify the need for hard skills training. At the mean time, soft skills are related to personal, individual development and are most difficult to define and measure. Some types of training have both hard and soft skills components. Sales training for example, may encompass hard skills such as product knowledge and price negotiation, and soft skills such as empathy and listening.

Although many organizations provide their employees training opportunities to progress within the organisation structure, little has been focused on the importance of soft skills. In the study, Kantrowitz (2005) mentioned that there are only very little empirical attention has been given to study the performance of soft skill. In Kantrowitz's paper, soft skills has been identified by Zedeck & Goldstein (2000) as the intra- and inter-personal work skills that expedite the application of technical skills and knowledge. Interpersonal skills such as developing rapport and communication skills for example adjusting message to the target audience are some of the skills highly sought by organizations. Caudron (2011) did mention that companies have offered soft skills training to employees for years. Unfortunately, these programs are typically the first to go when budgets are cut.
Earlier as mentioned in background of study, there was a study done by Rahman et al (2013) to examine the relationship between training, organizational effectiveness and knowledge management process. This study will adopt the job done earlier by adding in soft skills as in to the individual skills list. The relationship of training toward organizational effectiveness will be tested. The role of knowledge management process will be tested as well. This is in line with the suggestion by Yahya and Goh (2002) mentioned that training related to creativity, team building, documentation skills and problem solving had a positive impact on the overall knowledge management process.

1.3 Research Questions

The research questions generated for this study are:

a) Does individual / management skills training contribute to organizational effectiveness?

b) Does process development skills training contribute to organizational effectiveness?

c) Does knowledge management processes contribute to organizational effectiveness?

1.4 Objectives of the Study

The objectives of this study are:

a) To examine the contribution of individual / management skills training toward organizational effectiveness.

b) To examine the contribution of process development skills training toward organizational effectiveness.

c) To examine the contribution of knowledge management process toward organizational effectiveness.
1.5 Scope of the Study

The scope of this study is to examine the effect of trainings and knowledge management process toward organizational effectiveness. This study will be conducted in Tawau, Sabah. Respondents of this study will be employees working in Tawau area. Survey questionnaires will be distributed to respondents for data collection.

1.6 Significance of the Study

The constantly changing environment, performance oriented market and globalization are influencing the workplace structure and leading to increased reliance on employee skills for providing better products and services. Employees should be trained to deal with the advanced management methods and techniques so that they will be able to work towards the better business performance. The training and development issue is one of the most important topics in business management studies. It has been proven particularly valuable for organizations whom seek better performance. In their study, Heckman and Kautz (2012) mentioned that soft skills which covered personality traits, goals, motivations, and preferences that are valued in the labor market are not adequately captured. Soft skills is predicted able to assist create success in life and the training programs that enhance soft skills have an important place in an effective portfolio of public policies.

1.7 Definition of terms

A brief introduction and definition for the important terms in this study are given in this section. These terms are such as training, organizational effectiveness and knowledge management processes.
1.7.1 Training

Training is defined by Goldstein and Ford (2002) as the systematic acquisition of skills, rules, concepts, or attitudes that result in improved performance in another environment.

1.7.2 Organizational Effectiveness

Organizational effectiveness must address the need to maintain internal efficiency while optimizing the use of organizational resources, increase adaptability and ability to sustain through the external inconsistencies, and achieve its objectives and goals as well (Kataria, Garg and Rastogi, 2013). It is also a broad construct encompassing a wide variety of competing perspectives.

1.7.3 Knowledge Management Process

Although there are vast definitions vary in the description of knowledge management, Yahya and Goh (2002) found there is a consensus where knowledge management is treated as a process of leveraging of knowledge as the means of achieving innovation in process and products/services, effective decision making, and organizational adaption to the market.

1.8 Summary and Organization of Remaining Chapters

The content of this study is separated into five chapters. These chapters are the introduction, literature review, methodology, results and discussion and conclusion. Each of the chapters will be described in detail. The summary and organization of the remaining chapters are as follow:

Chapter 1 Introduction – The purpose of this chapter is to state the background and issues of this study. Objectives, the scope and rationale of study as
well as the definition of terms used in this thesis will also be stated in this chapter.

**Chapter 2 Literature Review** – The purpose of this chapter is to revise the previous studies related to the issue of this study. The concepts, models, findings and discussions from previous studies can provide a better understanding for this study.

**Chapter 3 Research Framework and Methodology** – The theoretical framework for the study will be given in this chapter. Definitions for the variables and research hypothesis will be explained based on the theoretical framework of the study. This chapter also includes in the explanation for the type of study, nature of study, measurements and sample design that will be carried out in this study. Methods and techniques that will be used for data collection and data analysis for this study will be explained in detail in this chapter as well.

**Chapter 4 Data Analysis and Results** – In this chapter, data that has been collected and analyzed will be illustrated into table or graph form. Information will be interpreted from the summarized data or figures obtained from the data collection and data analysis.

**Chapter 5 Discussion and Conclusion** – The findings of the study will be discussed in this chapter. A conclusion will be drawn to conclude the study. Limitations and suggestions for future research will be given in this chapter as well.
2.1 Introduction

In this chapter, previous studies on training, organizational effectiveness and knowledge management process will be reviewed. Besides that, studies on soft skills also will be reviewed as it is the independent variable added into the types of individual skills.

2.2 Training

“Training” is a systematic approach to the development and learning to increase team, individual and organizational effectiveness as suggested by Goldstein and Ford (2002) while “development” is referred as the action leading to the acquisition of new skills and knowledge for purpose of personal or organizational growth. Training and development is very important for an organization to compete within the challenging and rapidly changing world (Ghafoor Khan, Ahmed Khan and Aslam Khan, 2011). Research done has shown that training and development significantly affect the organizational performance and increase the overall performance of organization.

Training is divided into two categories based on the work by Waldeck and Leffakis (2005) i.e. individual/managerial skills and process development skills. Line supervisory skill development, management skill development and executive development are the programs categorized under managerial skills while computer skills, technical skills and basic skills (math, reading, English) are categorized under individual skills. Process development skills including of customer service skills, team building skills, communication skills and quality management skills.
2.2.1 Individual Skills

Computer skills, technical skills and basic skills (math, reading, English) are categorized under individual skills (Waldeck and Leffakis, 2005). These are the skill sets possess by individual which enable them to carry out their routine activities. Computer skills are essential in this rapidly changing environment, it is useful in terms of shorten data/processing time and increase productivity. It is also assisting in data storage. Computer skills are strongly link to the usage of technology (Gale, Wojan and Olmsted, 2002). Reading and math are the minimum floor proficiency required to produce good jobs, although many good jobs will require greater skills. Organizations with more college-educated workers reported more growth in technical skills among employees. Technical skills are reflecting specific practical knowledge and was found to be predictive of subordinate perceptions of managerial performance (Hysong, 2008). On top of that, technical skills are found can add value to first-tier managerial performance by enhancing supervisor-subordinate relationships.

Soft skills are one of the capabilities required to be displayed at workplace for professional success (Rao, 2012). They are mostly interrelated to personality, attitude, and behavior which can be referring as the polite and pleasing way of presenting oneself to others. Emotional intelligence is an integral part of soft skills but doesn't represent the whole of soft skills. Employees with high emotional intelligence able to manage their emotions wisely and display a mature mindset. Skills related to leading, interacting and developing relationships are important to the domain of soft skills because they aid in helping individual and organization accomplish goals. The importance of soft skills has been acknowledge in several operations such as managers, pilots and entry-level workers. Employers are considering the role that effective soft skills performance can play in employee's helping to achieve organizational goals (Kantrowitz, 2005). Problem solving and decision-making skills are defined as soft skills from the evaluations done on Malaysian engineers (Zaharim, Ahmad, Yusoff, Omar & Basri, 2011). On the other hand, Abidin and Saleh (2010) pointed out that an effective engineer not only technically competence but should also possess the equally important soft skills in
the skill set lists. According to Heckman and Kautz (2010), soft skills are valuable not only in school but also in the labor market and other areas. The message from study done is that soft skills able to predict success in life and the programs that enhance soft skills have an important place in an effective portfolio of public policies.

Soft skills refer to non-technical skills performed in the intra- and interpersonal domains that facilitate the application of technical skills and knowledge (Kantrowitz, 2005). Soft skills performance centers on inter/intrapersonal effectiveness in work relationships, communicating ideas effectively, planning and organizing work, and solving problems and making decisions. As mentioned by Kantrowitz (2005) in his study, Stevens and Campion (1994, 1999) proposed a taxonomy of individual-level teamwork knowledge, skills, and abilities and developed a measure for staffing work teams in the teamwork domain. This taxonomy describes 5 dimensions: conflict resolution (the ability to manage effectively and resolve conflicts), collaborative problem solving (recognizing problems and involving team members by encouraging generation of alternative solutions), communication (establishing communication networks, having an informal and relaxed communication style, effective listening, appropriate nonverbal communication), goal setting and performance management (establishing specific, challenging, and accepted goals; monitoring, evaluating, and providing feedback to the group), and planning and task coordination (coordinating activities and information; establishing task and role expectations). Skills related to creative thinking, making sound decisions, and solving workplace problems are conceptualized as cognitive skills and knowledge in the soft skills domain (Conrad, 1999). Skills in this area can be conceptualized as applied cognitive skills including problem solving and decision making in the context of individual and team encounters (Holzer et al., 2004). That is, cognitive skills and knowledge in the soft skills domain take into account interpersonal cues and sensitivities to make decisions and solve problems that are in the best interest of employees and organizations.
REFERENCE


