

Project Title:

The Impact of Employee Training and Development on
Organizational Performance in Saudi Aramco Company in
Dhahran, Saudi Arabia.

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Final Project 1

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Introduction:

Organizational performance is a multifaceted concept, encapsulating a company's ability to achieve its goals and objectives by utilizing its resources in an efficient and effective manner (Richard et al., 2009). It is typically evaluated through three primary dimensions: financial performance (profits, return on assets, return on investment, etc.), product market performance (sales, market share, etc.), and shareholder return (total shareholder return, economic value added, etc.) (Combs et al., 2005).

According to the resource-based view of the firm, the effectiveness of organizational performance is fundamentally tied to the strategic deployment of resources (Barney, 1991). Here, resources refer not only to tangible assets but also intangible ones such as human capital, organizational culture, and knowledge management (Grant, 1991).

Furthermore, the dynamic capabilities perspective suggests that the organization's ability to adapt, integrate, and reconfigure internal and external competences can significantly impact its performance (Teece et al., 1997).

In recent years, the role of innovation in enhancing organizational performance has gained considerable attention (Subramanian & Nilakanta, 1996). Innovation, in terms of new products, processes, and ideas, can provide a competitive edge, thereby improving market performance (Drucker, 1985).

Training and development have been recognized as critical elements contributing to organizational performance. A study conducted by Alshuwairekh (2018) focused on the impact of training and development on organizational performance within the context of Saudi Arabia's private sector. The study found a significant positive relationship between training and development and organizational performance.

A seminal study by Bartel (1994) found that companies investing more in training had higher productivity and profitability. She also reported that a 10% increase in workforce education led to an 8.6% gain in total productivity.

A study by Thang and Buyens (2008) in Vietnam also supports the contention that training and development have a positive impact on organizational performance. They found that training positively affected both financial and non-financial measures of performance.

In a recent study, Waheed et al. (2020) found that training and development positively influence organizational performance in the Pakistani banking sector. They also found that this relationship was strengthened by the presence of a supportive corporate culture.

The inconsistent findings in the literature highlight a research gap and underscore the need for further investigation. The problem this research aims to address is twofold.

First, it seeks to reconcile the disparate findings in the literature by conducting a comprehensive and systematic review of the relationship between training and development and organizational performance. Second, it endeavors to explore potential moderating factors that may influence this relationship.

This study is crucial because it will provide deeper insights into the complex relationship between training and development and organizational performance. By exploring potential moderating factors, this research will shed light on the conditions under which training and development may enhance organizational performance. This information will be valuable for business leaders and human resource professionals seeking to optimize their training and development initiatives to improve organizational performance.

Research Problem:

The inconsistent findings in the literature highlight a research gap and underscore the need for further investigation. The problem this research aims to address is twofold. First, it seeks to reconcile the disparate findings in the literature by conducting a comprehensive and systematic review of the relationship between training and development and organizational performance. Second, it endeavors to explore potential moderating factors that may influence this relationship.

Theoretical Gaps:

A key theoretical gap in the current body of research on training and development and organizational performance lies in the lack of a comprehensive, universally accepted framework that encapsulates the multifaceted nature of this relationship. While several theories have been used to explore this relationship, including human capital theory (Becker, 1964) and the resource-based view of the firm (Barney, 1991), these theories often only capture part of the complex dynamics involved. For instance, while human capital theory emphasizes the role of individual skills and knowledge, it largely overlooks the organizational and environmental factors that may influence the effectiveness of training programs. Similarly, the resource-based view highlights the importance of organizational resources but may overlook the role of individual motivation and engagement.

Empirical Gaps:

Empirically, one notable gap is the lack of studies that systematically examine the potential moderating factors in the relationship between training and development and organizational performance. While some studies have identified potential moderators such as corporate culture (Waheed et al., 2020) or industry nature (Thang & Buyens, 2008), these factors are often treated as secondary considerations rather than central components of the research design. This gap limits our understanding of the conditions under which training and development can effectively enhance organizational performance.

Another empirical gap lies in the inconsistent measures of organizational performance used across studies. Some studies focus on financial measures of performance such as profitability (Bartel, 1994), while others use non-financial measures such as employee satisfaction or customer service quality (Thang & Buyens, 2008). This inconsistency makes it difficult to compare findings across studies and develop a cohesive understanding of the impact of training and development on organizational performance.

Main study question:

What is the relationship between training and development and organizational performance, and what factors might moderate this relationship?

Importance of the Research:

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Theoretical Importance:

The theoretical importance of this research lies in its potential to advance our understanding of the relationship between training and development and organizational performance. Despite extensive study, there is still no comprehensive theory that adequately captures the complexity of this relationship. This research could contribute to the development of such a theory by addressing gaps in our understanding, such as the role of organizational and environmental factors and individual motivation and engagement. By investigating potential moderating factors, this research could also help to build a more nuanced theory that explains under what conditions training and development are most likely to enhance organizational performance.

Empirical Importance:

Empirically, this research is important because it could provide much-needed evidence about the impact of training and development on organizational performance. Despite the significant resources organizations invest in training and development, empirical evidence about its effectiveness is mixed. By using a systematic approach to investigate this relationship and consider potential moderating factors, this research could provide more robust and reliable evidence. This research could also help to standardize the measures of organizational performance used in this field, making it easier to compare findings across studies and build a cohesive body of evidence. Furthermore, the findings of this research could have practical implications for businesses and policy-makers, guiding them to make more effective decisions about training and development.

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