

# Effect of Training Practices on the Performance of Small and Medium Size Enterprises in the Hospitality Industry in Mombasa County, Kenya

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**Abstract:** This review examines the effect of training practices on the performance of small and medium size enterprises in the hospitality industry in Mombasa County, Kenya. The study specifically seeks to determine the effect of three components of training practices namely: training plans, training methods, and training programs on performance of SMEs in the hospitality industry. The literature review includes past literature relevant to this study. Purpose of this study is to examine the training practices in SME firms in the hospitality and how they contribute to overall performance of these organizations. Literature review also explains three training theories i.e.; Cognitive theory, Reinforcement theory and Social learning theory relevant to this study. Empirical review explains the relevance and challenges SME firms face while trying to train their employees.

**Keywords:** Training practices, Small and Medium Size Enterprises, Hospitality Industry.

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## 1. INTRODUCTION

In this era of globalized economy and the emergence of new information communication and technology has forced many business organizations to spend more money annually on training and developing their workforce with a strong belief that this will lead to innovation, increased productivity, sales, production and improved employee performance. Therefore developing the best training practices for it's employees becomes indispensable and a strategic investment in human resource capital (Edralin, 2011).

Lather, Garg & Vikas (2011), defined training practices as a means of continuous improvement in the quality of work performed by employees. The key aspects of training practices include training plans, training methods and training programs (Dwevidi & Ladiwal, 2011). Thus, an excellent training practice used in an organization should help employees believe in organizational goals, be committed to organizational values and exhibit higher performance levels after participating in the training process (O'Dweyer & Ryan, 2002, Went land, 2003 & Noe, 2005).

Organization performance comprises of the actual output or results of an organization as measured against intended outputs (goals and objectives). It encompasses three specific areas of a firm's outcomes: Financial performance (profits, return on assets, and return on investment), product market performance (sales, market share), shareholder returns, and economic value added (Richard, Devinney, Yip & Johnson 2009). Thang & Dirk (2008) further explain that, in terms of measuring performance, there are certain measures that include both financial factors (sales, profits, and market share) and non-financial factors such as (efficiency, quality of service, productivity and satisfaction of employees) and that all these factors combined can be increased through training.

The hospitality sector is a sub-sector within the wider tourism industry made up of hotels, resort cottages/villas, guesthouses and apartments (Akama& Kieti, 2007). Mzera (2012) found out that the hospitality industry in Kenya plays an important role in the Country's economic development in terms of foreign exchange, government revenue and

provision of employment and business opportunities. Masau & Prideaux (2003) further explain that the hospitality industry infrastructure in Kenya is dispersed over the entire country. The significant effect that the hospitality industry has on the socio-economic wellness of Mombasa County and in extension the nation, informed the choice and anchor for this study.

Small and medium size enterprises are non-subsidiary, independent firms that employ a relatively small number of employees, though this number varies across countries (Watt & Kitagawa, 2009). Mwarari (2013) found out that SME organizations in Kenya are defined as Micro enterprise which has 1-10 employees with a turnover of Kshs 0-5million, Small Enterprise which has 11-50 employees with a turnover of Kshs 5-50 million, and Medium enterprises which has 51-100 employees with a turnover of Kshs 51- 1billion. This study adopted this definition.

Kenya, being a market economy, relies heavily on small enterprises to provide the much-needed employment. Available estimates show that SMEs employ about 7.5 million Kenyans or 80 per cent of the country's total employment outside the small-scale agriculture and contribute 20 per cent to the country's GDP. However, little has been understood about their operations, ownership, source of capital and the key challenges that they face as they propel growth of the Kenyan economy (Kingi, Mukulu & Oloko, 2013).

SMEs, like larger organizations, need to constantly upgrade their management skills, their capacity to gather information, their technology base, and their commitment to investing in the skills and knowledge of their employees (OECD, 2000). For those SMEs that think investing in learning is too expensive, or not critical to their business success, they should carefully consider the alternatives such as loss sales, loss of customers, low productivity, decreased performance, poor quality, and poor working environments (Watt & Kitagawa 2009). Therefore, this study looked at the value of investing in workplace learning, in hospitality SMEs, through training practices and the context within which effective learning programs function. The study also looked at the cause and effect that workplace training practices in these entities have on individual learners (for example, enhanced skills), and organizational performance (for example, improved sales, growth).

## **2. PROBLEM STATEMENT**

There is almost a general agreement in management theory that employees are a strategic resource of an organization. Human Capital is defined as the knowledge, skills and experience of an organization's people. It is a key driver of organizational performance. Improving human capital is therefore essential to strategies for increasing productivity, innovation, competitiveness, and high performance within SME organizations (Panagiotakopoulos, 2011).

The challenge, however, is that many SMEs in Kenya feel overwhelmed by the thought of having to provide workplace-training activities to their employees. Due to the following reasons: misconception of financial costs, time commitment, use of suitably trained staff, use of in formal training practices, SMEs wrongly comparing themselves with large organizations, and fear of poaching by large organizations, (Watt & Kitagawa, 2009). Such challenges must therefore be overcome. Hence the preceding literature clearly highlights the need for researchers to explore and theorize on the concept of training practices within the SME context. This paper provides appropriate standards for quality input (training practices) tailored to meet the needs of SMEs.

## **3. MAIN OBJECTIVE**

The main objective of this study was to examine the effect of training practices on the performance of small and medium-sized enterprises in the hospitality industry in Mombasa County, Kenya.

## **4. LITERATURE REVIEW**

This section reviews relevant literature that is already in existence and to indicate where this study fits into debates around the subject. It gives light to achievements made and challenges. In order to explain the importance of training practices to organization performance the researcher reviewed three theories of the most referenced theories related to training and the learning process. These theories are reinforcement theory, cognitive theory, and social learning theory.

### **A. Reinforcement Theory:**

In this theory, learning is said to have occurred when learners evidence the appropriate reinforcement of an association between a particular response and stimulus (Smith & Ragan, 2005). McKenna (2006) explains that, to improve trainees' performance there has to be reinforcement of what has been learnt as it affects the tendency to make specific responses

again. This can be in the form of feedback where trainees are provided with responses about their progress and achievements during the training process. Mbayah (2009) supports this by explaining that, learning must be reinforced and that behavioural scientists have demonstrated that people learn best with immediate reinforcement of appropriate behaviour.

### ***B. Cognitive Theory:***

In cognitive theory, learning is the acquisition or reorganization of the cognitive structures through which humans' process and store information (Good & Brophy, 1990). Mclead (2012) found out that this theory describes the way in which people learn to recognize and define problems and experiment to provide solutions. The emphasis here is on the importance of experience, meaning, problem solving and the development of insights. This theory developed the concept that individuals have different needs and concerns at different times, and that they have subjective interpretations in different contexts. Cognitive theory encourages use of on-the-job training method where new employees are often paired with experienced employees for the first few weeks or months and learn how to react to a variety of situations through the vicarious learning method much more effectively than they could by reading an employee handbook. It enables employees to develop a conceptual knowledge, skill, techniques and procedures to be able to interpret information and solve problems (Mclead, 2012).

### ***C. Social Learning Theory:***

This theory emphasizes the importance of observing the behaviours, attitudes, and emotional reactions of others. It means people learn by observing other people (Braton, 2007). Observation lets people see the consequences of other people's behaviour, in that people can gain some idea of what might happen if they act in one way or another (Alkelabi et al., 2012).

Social learning theory is also influenced by a persons' self- efficacy. Self- efficacy is the ability of a person to learn knowledge and skills of a particular job. It is important to determine one's self- efficacy especially during needs assessment stage of the training process a trainee with high self- efficacy will put more effort to learn in a training program while in contrast, a person with low self- efficacy will have self-doubts about mastering the contents of the training program and is more likely to withdraw psychologically and/ or physically. (Mineka & Zinbarg, 2006)

## **5. CONCEPTUAL FRAMEWORK**

The conceptual framework of this study include: training plans, training programs, and training methods are conceptualized as independent variables as key components of training practices. The dependent variable is organization performance. A training plan is a document that communicates to management, trainers and employees the details of a proposed training program. It therefore, outlines critical information regarding training program objectives, schedule, and strategies for designing and developing a training curriculum (Khan, 2013) According to Appiah (2010) explains that a good training plan should have the following steps; Determine training needs, determine who needs to be trained, determine the training method, and how to evaluate the training process.

The second variable is the training method which is the technique used to carry out actual training. According to Kingi et al.,(2013) Small and medium size enterprises prefer the use of on-the-job training methods as learning by doing is seen as an appropriate means of introducing especially new recruits to the job and has a favourable relationship between training costs and benefits. Bohlander et al., (2001) further explains that on-the-job training methods are relatively straightforward because the employee is trained by doing or watching others for a while and imitating them and this "other" could be an experienced employee or supervisor that takes the new employee "under his or her wing" to show them how to perform job duties. Dalkir (2005) highlighted some of on-the-job training methods which include job rotation, observation, coaching and mentoring.

The third variable is the training program. Nassazi (2013) defined a training program as a set of known programs where the contents, durations and all the details about training are clear to both the organization and the employees to be trained. Ambardar (2013) explains further that training programs foster a better learning process, improves employees' competence, which leads to high organization performance. Cotterill (2004), designing a training program consists of four steps: Assessing and determining training needs, Set training objectives, Choose training technique, and evaluate the training program.

## 6. RESEARCH METHODOLOGY

The methodology used in this paper spells out the research design, study population, sampling methods, survey instruments, data collection procedures, pilot test, and data processing and analysis. The research design for this study was a case survey consisting of 24 hotels scattered across Mombasa County. 4 hotels were used in the pilot study to determine the validity, reliability and accuracy of the questionnaires and this disqualified them from participating in the main study hence the population size reduced by 4 hotels to 20 hotels. The reason for choosing these hotels was based on SME firm's definition. The sampling method used was simple random sampling in order to give each item in the population study a chance of being selected. Data used in this study was obtained from The Ministry of Tourism, Kenya who provided the number of hotels within Mombasa County while workers union Kenya Union of Domestic, Hotels, Education Institutions (KUDHEHIA) provided the number of employees working in these hotels. Primary data was obtained using questionnaires distributed to hotels. Spearman's rank correlation co-efficient was used to measure the relationship between each independent variable of training practices and dependent variable organization performance. The data was analysed using statistical package for social sciences (SPSS text editor).

## 7. RESEARCH FINDINGS

This section presents the key findings of this study. The sections include; hotel star rating, employee knowledge and skills, attributes of training practices, and correlation between training practice variables and organization performance. In analyzing hotel star rating majority of the hotels accounting for 75% indicated that their hotels were three star hotels. Analysing the knowledge and skills of employees compared to their competitor's, majority of the respondents accounting for 50% indicated that their employee's knowledge, skills and abilities were better than their competitors. In analysing independent training practice variables against organization performance: 56.3% of the respondents indicated that their organizations training plans provided information on the training process and this is in line with Appiah (2010) who found out that training plans act as a guideline to the training process. On training methods 75% of the respondents indicated that on-the-job training methods are the most preferred training methods in SME hotels. These findings concur with Kingi, Mukulu & Oloko (2013) who found out that in view of the constraints facing SME organizations with regards to training their employee's, on-the-job training methods such as observation, job rotation mentorship, and apprenticeship address the training needs of employee's working in SME firms. On training programs 93.8% of the respondents indicated that their organizations training programs were aligned to training objectives of the organization. These findings are in line with Nassazi (2013) who found out that when organizations training programs are aligned to training objectives they specify what the organization expects to achieve at the end of the training process.

### TESTING RELATIONSHIPS BETWEEN VARIABLES

***Correlation coefficient between training practice variables and organization performance:***

Correlations			Performance	Training plans	Training methods	Training programs
Spearman's rho	Performance	Correlation Coefficient	1	0.2850	0.1714	0.3203
		Sig. (2-tailed)	.	0.2845	0.5254	0.2264
		N	16	16	16	16
	Training plans	Correlation Coefficient	0.2850	1	0.4618	0.2157
		Sig. (2-tailed)	0.2845	.	0.0716	0.4222
		N	16	16	16	16
	Training methods	Correlation Coefficient	0.1714	0.4618	1	-0.0778
		Sig. (2-tailed)	0.5254	0.0716	.	0.7744
		N	16	16	16	16
	Training programs	Correlation Coefficient	0.3203	0.2157	-0.0778	1
		Sig. (2-tailed)	0.2264	0.4222	0.7744	.
		N	16	16	16	16

The relationship between training practice components and performance of SME hotels was measured using spearman's Rho correlation analysis. As indicated in table above there is weak but positive correlation of (0.2851) between small hotels training plans and their performance. Hence a proper training plan within these small hotels helps to improve overall performance of the organization. Training methods also positively correlate (0.17145) to small hotel performance. This implies that the training methods used by small hotels contribute to improving both employee and overall organization performance.

Small hotels prefer use of on the job training methods because the methods easily integrate into the organization's day-to-day activities, and there is minimal loss of output and disruption of work teams. Thus, the choice of a training method in these hotels should focus closely on workers specific roles.

Training programs also positively correlate (0.32033) to small hotels performance. This implies that a proper training program is vital to the success of the organization as it spells out the contents, durations and all the details of training. Small hotels should put much emphasis on designing a training program that is able to foster a better learning process, improve employees' competence and this will in turn yield high organization performance.

## **8. CONCLUSION AND RECOMMENDATION**

The conclusion highlights the effect of training practice variables on organization performance such that; training plans have a positive effect on performance of small hotels in Mombasa County. Hence with clear training plans that outline training process objectives and information on training programs the greater the performance of a hotel. In terms of the methods used by small size, hotels to train their employees include discussions, demonstrations and presentations by experienced employees. These methods have a positive effect on performance of SME hotels in Mombasa County because they have the capability to upgrade the skill, knowledge and understanding of employees being trained. In terms of training programs, it is evident that with clear deliverance on training content and substance, training programs helped to improve the skill and knowledge application in a job after training hence showing a positive effect of training programs on SME hotels in Mombasa County

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