

Does Disclosure of Employee Training and Development Costs Affect Organizational Performance?

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Abstract: In human resource management literature, there is exclusivity of empirical studies assessing the extent to which disclosure of employee training and development costs affect the performance of organizations. Predominantly, most studies in human resource management literature had focused on how employee training and development affects organizational performance; however, a gap exists in the literature on the disclosure aspect of the costs of employee training and development, particularly in the Nigerian context. Thus, the study employed a dissimilar approach in assessing the disclosure of employee training and development costs and how they relate with organizational performance. Data were gathered from twenty-five publicly quoted Nigerian service firms from 2012-2021 and analyzed via descriptive and inferential statistics. Descriptive results showed among others that a large amount of organizations are yet to incorporate the disclosure of employee training and development cost in yearly published report. Also, fixed and random effects panel data regression result indicated that disclosure of employee training and development costs do affect organizational performance significantly. Given the findings, it is recommended that while organizations management should invest in employee training and development, they should as a matter of fact, adequately disclose the associated costs on employee training and development in yearly published report. This would accord organizations disclosing employee training and development costs, the capability to have a viable workforce and influx of well skilled and promising employees that can pursue the performance-oriented goals of the organization.

Keywords: Disclosure on employee training cost; Disclosure on employee development cost; Human resource management; Organizational performance; Services firms; JEL Classification: M12; M53; M19

I. INTRODUCTION

In a broader perspective, employees are one of the most fundamental assets of the organization; hence every organizations need well trained and developed workforce to executive assigned tasks in the most effective and efficient manner. The training and development (TD) of the workforce is an incessant process, given that they help to grow the knowledge, abilities and more importantly, the skills of the workforce. Notwithstanding the place of TD in up-lifting performance, some organizations are yet to adequately invest in them and more importantly, disclose the associated costs on employee training and development.

Prior studies (see Karim, 2019, Esteban-Lloret, Aragón-Sánchez & Hernández, 2018; Yogeswary & Redzwan, 2020; Yogeswary & Redzwan, 2019 Baribefe & Richard, 2021) have established that TD result to improved employee and organizational performance. The reason is that the success of the firm depends to a large extent on the ability of the workforce to transform ideas and raw materials into products/ services that can be consumed. This viewpoint has become heightened, given the advancement in technology and globalization were TD of workforce becomes a crucial element for competent and challenging business (Karim, Choudhury & Latif, 2019; Thang, Quang & Buyen, 2010).

Vomberg, Homburg and Bornemann (2015); Dukhan, Mohamad and Ali (2017) opined that TD helps to enhance the quality of work life of employees and growth of organization. Employees' TD does not entirely enhance organizational performance or productivity (Kwon & Rupp, 2013; Naveed, 2014; Mozael, 2015); however, there is a vital part that has been deeply neglected by the human resource managers – the disclosures of the TD costs. Predominantly, there is uniqueness of empirical studies assessing

how disclosure of TD costs affects organizational performance. Throughout the literature, studies had only assessed the relations between TD and organizational performance or productivity.

Consequently, there exists in the human resource literature, a gap on what is known about the disclosure aspect of TD costs, particularly in the Nigerian context. The disclosure of TD costs refers to the reporting of the expenses or expenditures incurred in the course of engaging the workforce in several TD programme in annual reports of the organization. Notably, most organizations find it difficult disclosing these costs in the annual reports (Ifurueze, Odesa & Ifurueze, 2013). The inability of organizations' management to disclose TD costs in the annual reports may be one of the reasons for the dearth of studies in this area.

Interestingly, whilst we acknowledged the robust literature on what is known about the relationship between TD and organizational performance or productivity, the same is untrue for studies on disclosure of employee training and development costs and organizational productivity, particularly of service firms in Nigeria; the gap which this study seeks to satisfy. The lingering section of the paper is divided as follows: Review of related literature; Materials and methods; Results and Discussions; Conclusion; and recommendations

II. REVIEW OF RELATED LITERATURE

Employee Training and Development (ETD) Disclosure Costs

The term 'employee training' has been broadly defined as a systematic process of offering the workforce with certain competencies like skills, abilities and knowledge so that they would be able to perform assigned tasks effectively and efficiently (Devi & Shaik, 2012; and Nguyen, Truong & Buyens, 2011). Employee development can be seen as learning experiences that focus more on long-term goals of the organization as well as learning that prepare the workforce for tasks in diverse job and at management levels (Egberi & Egberi, 2019; Abbas, 2014; and Khan, Khan & Khan, 2011).

Both ETD are vital for the development of the organization (Parham & Heling, 2015; and Tahir, Yousafzai, Jan & Hashim, 2014), particularly for organizations that are desirous of remaining competitive and attaining optimum performance or productivity (ALDamoe, Yazam & Ahmed, 2012; and Yang & Konrad, 2011). Particularly, ETD disclosure costs have become a new strand in the human resource management(HRM) literature in both developed and developing countries.

Broadly speaking, disclosure of ETD costs are refers to expenditures associated with the engagement of the workforce in TD programmes and reporting these cots in the yearly reports of the organization. However, the disclosures of ETD costs have been often seen as a waste of time and resources, as there are no mandatory requirements backing their disclosure in developing countries like Nigeria. In this study, disclosure of ETD costs was proxied as '1', assigned to firms that engage in ETD disclosure costs in annual reports and '0' if otherwise.

Organizational Performance

Generally, organizational performance could be seen as the key dynamics broadly employed in assessing the success or failure of organizations (Abbas, 2014; Okoro, 2014; Dukhan, Mohamad & Ali, 2017; and Baribefe & Richard, 2021). Although numerous studies have been done on performance-related concerns but its definition and measurement has been challenging and diverse to researchers. Roger and Wright (1998); and Esteban-Lloret, Aragón-Sánchez and Hernández (2018) viewed performance in the context of workforce, work and organizational structures.

Karim, Choudhury and Latif (2019) see organizational performance as the ability of the firm to exploit its environment for accessing and using limited resources. Similarly, Karim (2019) see organizational performance as a mechanisms via which the firm realizes its goals (expected results) in the most effective and efficient manner. Thus, organizational performance can be measured in terms of effectiveness and efficiency of sales, profitability, conversion of raw materials, service delivery, customers' patronage level (Khan, Khan & Khan, 2011; Ratti, 2012; Kwon & Rupp, 2013; and Kenny, 2019) among others.

Mozael (2015); Naveed (2014) contended that a single study cannot embody all the measurements of organizational performance. One of the most widely employed measurements of organizational performance has been via ratios; however, to limit the problem in this research, organizational performance was measured using the natural logarithm of turnover (sales). This measure of organizational performance seems to be widely used throughout the management literature because it showcases the extent to which employees can contribute their quota towards improving or reducing sales.

Theoretical Underpinning

This study is hinged on Human Capital Theory (HCTH) postulated by Schultz (1961) and further developed by Becker (1964). HCTH argued that ETD increases the performance of the workforce by imparting valuable skills, abilities and knowledge (Nadler, 2014). The HCTH holds that investments in ETD is considered costly for organizations and should be deemed an investment because it is undertaken to enhance workforce incomes (Ahmad, Nawawi & Salin, 2016).

The HCTH is relevant to the study in that it supports ETD as a vital means of enhancing performance, not only for the employee but for the organization as well. According to Schultz (1961) cited in Vomberg, Homburg & Bornemann (2015), the theory also reinforces the philosophy of using ETD as a way of attaining competitive advantage which ultimately reflects in organizational performance. Given this theoretical predisposition and in a bid to realize the aim of the study, we therefore hypothesized that:

H₀1: Employee training disclosure cost has no significant link with organizational performance.

H₀2: Employee development disclosure cost has no significant relationship with organizational performance.

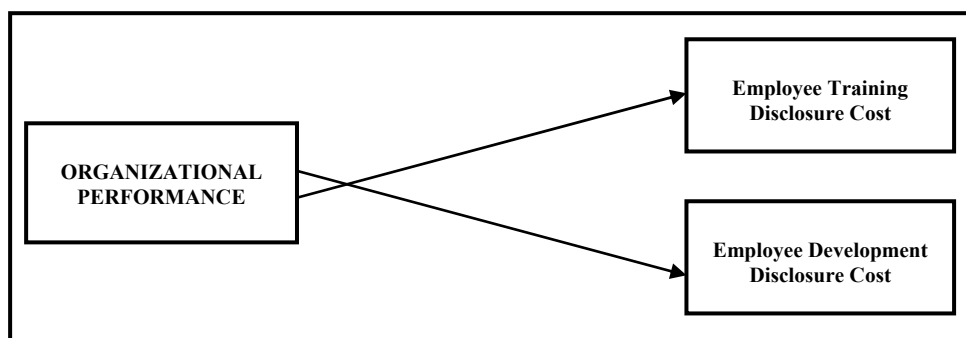


Figure 1: Conceptual Model of the Study

Source: Conceptualized by Researcher (2022)

Figure 1 was conceptualized to show the relationship between the independent (disclosure costs on ETD) and dependent (organizational performance) variables of the study.

III. MATERIALS AND METHODS

Population and Sample

The study population consists of all publicly quoted service firms on the floor of the Nigerian Exchange Group (NGX). In Nigeria, there are approximately thirty (30) publicly quoted service firms (NGX, 2021). Using the judgmental sampling technique, twenty-five (25) were sampled based on service firms that had disclosed ETD in annual reports. Thus, service firms whose had not disclosed ETD in their annual reports was eliminated from the study sample, resulting to a sample size of 25 service firms.

Variables Description and Model Specification

This study employs two (2) variables, which in part, constitute the disclosures on ETD costs. Disclosure of ETD costs was measured using dummy variable: where ‘1’ is assigned to service firms with ETD disclosure costs in annual reports and ‘0’ if otherwise. On the other hand, organizational performance was measured using natural logarithm of turnover (sales).

Notably, most studies had used dissimilar measures of organizational performance (Esteban-Lloret, Aragón-Sánchez & Hernández, 2018; Karim, 2019, Kenny, 2019; Yogeswary & Redzwan, 2020). In advancing a dissimilar HRM model on ETD disclosure costs, we introduced sales in order to capture how management see organizations as performing in the light of increased sales; the model is given as follows:

$$OrgPerf_i = f(EmTraD_i, EmDevD_i) \tag{eq. 1}$$

$OrgProd_i$ = Organizational performance for firm i ; $EmTraD_i$ = Employee training disclosure cost for firm i ; $EmDevD_i$ = Employee development disclosure cost for firm i

$$lnOrgPerf_i = f(EmTraD_i, EmDevD_i) \tag{eq. 2}$$

Eq. (2) is the natural logarithm of sales (a measure for organizational productivity). Equation (3) is specified to capture the explicit model regarding the link between disclosures costs of ETD:

$$lnOrgPerf_{it} = \alpha_0 + \beta_1 EmTraD_{it} + \beta_2 EmDevD_{it} + \epsilon_{it} \tag{eq. 3}$$

Data were obtained from the annual reports and accounts and internet webpages of the publicly quoted service firms in Nigeria from 2012-2021. Data obtained were analyzed using descriptive and inferential statistical tools. The analysis was carried out via STATA 13.0.

Analytical Frameworks

Three data analytical frameworks used comprised of summary of descriptive statistics (mean, median, standard deviation, minimum and maximum values, and Karl Pearson correlation), post-estimation (variance inflation factor and Hausman specification) and inferential (ordinary least square fixed effect and random effect regression) tests. The fixed and random effect models via the Hausman specification test was employed in assessing the model that is most efficient while the Wald statistics was used in testing the relevant hypotheses of the study.

IV. RESULTS AND DISCUSSION

Table 1: Summary of Descriptive Statistics

Parameters	Minimum	Maximum	Mean	Std. Deviation
OrgPerf	1.5094	12.8850	2.3845	0.1657
EmTraD	0	1	0.0109	0.0024
EmDevD	0	1	0.0328	0.0065
Observation	225	225	225	225

Source: Compiled by Researcher, 2022

The summary of descriptive statistics (Table 1) show that the average disclosure cost of employee training ($EmTraD$), disclosure cost of employee development ($EmDevD$) and organizational performance ($OrgPerf$) of the publicly quoted service firms are around 0.0109, 0.0065 and 2.2845 respectively with highest score of 12.885 ($OrgPerf$). The lowest score is zero (0); this is expected since $EmTraD$ and $EmDevD$ are computed using dummy variables. In fact, the standard deviation values show that the sampled service firms in Nigeria are not too dispersed from each other and that most likely the study variables are not constant over time.

Table 2: Karl Pearson Correlation Matrix

Parameters	OrgProd	EmTraD	EmDevD
OrgPerf	1.000		
EmTraD	0.0624	1.000	
EmDevD	0.2133	0.0580	0.2319

Source: Compiled by Researcher, 2022

The Karl Pearson correlation results showed that organizational performance and disclosure costs of ETD positively correlate; $EmTraD$ (0.0624), and $EmDevD$ (0.2133). Again, the measures of independent variable are not perfectly correlated because none

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of the correlation coefficients exceeded 0.8 as recommended by Gujarati (2003) as cited in Okoro and Ekwueme (2021). Thus, there is absence of multicollinearity among measures of the independent variable.

Table 3: Result of Variance Inflation Factor (VIF)

Parameters	VIF	1/VIF
EmTraD	1.000	0.9962
EmDevD	1.000	0.9969
Mean VIF	1.000	0.9965

Source: Compiled by Researcher, 2022

The result of VIF = 1.00, which is less than the accepted VIF benchmark of 10.0, suggesting that there is absence of multicollinearity problem in the empirical model of disclosure costs of ETD and organizational performance.

Table 4: Fixed and Random Effects Results

Estimator	OLS (Obs.=225)		FE (Obs.=225)		RE (Obs. =225)	
Variable	Coef.	Prob.	Coef.	Prob.	Coef.	Prob.
EmTraD	0.0411*	0.000	0.0421*	0.000	0.0411*	0.000
	(4.537)		(4.548)		(4.537)	
EmDevD	0.0014*	0.002	0.0019*	0.001	0.0014*	0.001
	(3.592)		(3.679)		(3.592)	
R-Squared	0.7948					
R-Sq. Adj.	0.5845					
F-ratio	15.120					
Prob. F.	0.0000					
R-Sq. (within)			0.7758		0.7741	
R-Sq. (between)			0.6142		0.6638	
R-Sq. (overall)			0.7931		0.7948	

Source: Compiled by Researcher, 2022; *significant at 5% level; Items in parentheses are t-values & Z-test,

The ordinary least square (OLS) model showed that disclosure costs on ETD (EmTraD, EmDevD) are significant at 5% level in explaining organizational performance. Using the OLS and random effect(RE) result, the coefficient of EmTraD are 0.0411 and 0.0421 respectively, signifying that when publicly quoted Nigerian service firms engage in disclosure of ETD costs, it will lead to approximately 4.2% change in organizational performance (OrgPerf).

Besides, EmTraD has high beta coefficient when fixed effect (FE) is used; beta coefficient for FE is 0.0421 but both FE and RE are significant at 5% levels. The results are likened to the OLS and FE with approximately 4.1%. again, the t-test results for EmTraD are 4.537, 4.548 and 4.537 for OLS, FE and RE likewise while EmDevD are 3.592, 3.679 and 3.592 for OLS, FE and RE likewise. The t-test results confirmed that disclosure of ETD costs is significant in explaining the variation in organizational performance.

Furthermore, R^2 is 0.7948 for OLS, which is higher than FE and RE; impliedly, disclosure costs of ETD explained about 79.5% variation in the performance of organization. The f-ratio is 15.120 (p -value = 0.000 < 0.05) which is significant, providing support of positive relationship between disclosures of ETD costs and organizational performance of publicly quoted service firms in Nigeria.

Table 5: Wald Statistic

Wald Ch2	14.5799
Prob. Ch2	0.0000
Hausman Specification Test	Prob>Chi2= 0.1702

Source: Compiled by Researcher, 2022

The result of Wald statistic is 14.5799 with Prob. value of 0.0000, suggesting a rejection of the null hypotheses and acceptance of the alternate hypotheses that disclosures of ETD cost have significant relationship with organizational performance of publicly quoted service firms in Nigeria.

V. DISCUSSION

The disclosures of ETD costs occupy has been a new thread in the human resource management (HRM) literature in both developed and developing countries. Firms are yet to embrace this disclosure requirement hence they do not invest much in training and developing the workforce due to the reason that a trained and developed employee might upon acquiring new skills seek to leave or quit the organization and when this occur, it may lead to huge loss to the organization.

In fact, the debate in HRM literature is that organizations are no longer interested in engaging the workforce in continual ETD programmes, rather they believe in the philosophy of getting new employees to fit the right skill or position. Studies have shown that ETD influence organizational performance or productivity (see Priyanka & Anamika, 2016; Esteban-Lloret *et al*, 2018; Karim, 2019, Yogeswary & Redzwan, 2020; Baribefe & Richard, 2021); however, there is rareness of empirical studies that had assessed whether the disclosure of ETD costs affect organizational performance, particularly for publicly quoted service firms in Nigeria.

Consequent upon this, the current study used a dissimilar HRM model in examining the disclosures of ETD costs and how they interact with organizational performance in Nigeria. First, given the low variability of the variables (standard deviation), there is enough evidence that service firms are yet to grapple with the disclosures of ETD costs in their annual reports.

Second, the fixed and random effects results revealed that disclosures of ETD costs have significant relationship with organizational performance of publicly quoted service firms in Nigeria. Hence, disclosure of ETD costs matter for the enhancement of organizational performance. Finding agrees in part with the results of Esteban-Lloret *et al*, (2018); Karim, (2019), Yogeswary & Redzwan (2020); Baribefe & Richard, (2021).

VI. CONCLUSION AND RECOMMENDATIONS

This study employed a dissimilar HRM approach in assessing disclosures of ETD costs and how they affect organizational performance in Nigeria. An aggregate of 25 publicly quoted service firms were sampled during the period 2012-2021. The fixed effect (FE) and random effect (RE) regression models were employed in analyzing the data. Findings showed that organizational performance is significantly and positively affected by ETD disclosure costs. This implies that organizational performance of service firms in Nigeria are not distorted due to disclosures of ETD costs.

More so, the result showed that most service firms in Nigeria are yet to embrace the disclosures of ETD costs in annual reports. Given the study's findings, while management should continually commit more funds in their budgetary allocations to training and developing of their workforce, there is the need to ensure adequate ETD disclosure costs on a yearly and regular basis. This would accord organizations disclosing employee training and development costs, the capability to have a viable workforce and influx of well skilled and promising employees that can pursue the performance-oriented goals of the organization. Also a well-articulated framework for ensuring consistent training and developing of the workforce is required to boost performance level of the organization as well as mandatory requirements backing their disclosure.

This study only used one component of organizational performance (i.e. natural logarithm of sales) in the relationship with ETD disclosure costs among publicly quoted service firms in Nigeria. Moreover, the study did not assess other organizational performance measures like natural logarithm of profit after tax, and market capitalization. Consequently, the need for future

researchers to validate the ETD disclosure cost model by using varied elements of organizational performance obtainable from other sectors such as financial services, healthcare, industrial goods, oil and gas, among others in Nigeria.

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