

Influence of Human Resource Development (HRD) Practices on Organizational Effectiveness: The Role of Employee Competencies

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ABSTRACT

The aim of this paper is to examine the influence of HRD practices on organizational effectiveness by means of employee competencies. An integrated research model was developed by combining principal factors from existing literature. Data were collected through questionnaire from 600 employees of the selected SME's. The validity of the model and hypotheses were tested using structural equation modeling (SEM). The reliability and validity of the dimensions are established through confirmatory factor analysis (CFA). The results indicate that some human resource development practices impact organizational effectiveness through their influence on employee competencies. Performance management do not influence employee competencies of the firms studied. The findings of the study have the potential to help stakeholders and policy makers of SME's in adopting properly and well-articulated HRD practices to improve employee competencies in enhancing organizational effectiveness.

Keywords: HRD practices, Employee competencies, Organizational effectiveness, SEM.

INTRODUCTION:

Human resource development (HRD) is increasingly one of the most comprehensively researched areas in the broader sphere of human resource management (Garavan et al., 2012). HRD practices are programs which are designed to be strategically oriented to organizational process for managing the development of human resources to contribute to the overall success of the organization (Werner and DeSimone, 2006, p.26). Swanson and Holton (2009) posited that, there is an increasing demand to develop effective and efficient human resource development practices to improve the competence of the workforce and for enhancement of organizational effectiveness. Martinelli and Waddell (2007) defined competencies as “a cluster of related knowledge, skills, personal qualities and experience”. Roy and Dugal (2005) opined that, organizational effectiveness is the net satisfaction of all constituents in the process of gathering and transferring inputs into outputs in an efficient manner. HRD as a concept emerged over four decades ago (Hamlin and Stewart, 2011), however, it remains understudied in the SME context, in spite of the fact that it is prominently practiced in these organizations (Pajo et al., 2010). Small and medium enterprises (SMEs) occupy a place of pride in virtually every country or state due to their significant roles in the development and growth of various economies. Small and medium scale enterprises in Ghana are said to be a characteristic feature of the production landscape and have been noted to provide about 85% of manufacturing employment of Ghana (Abor and Quartey, 2010), contribute about 70% to Ghana's GDP and account for about 92% of businesses in Ghana (Ackah et al., 2014). Dominant theorizing in HRD has evolved from and is oriented towards the study of atypical (large) enterprises (Iles and Yolles, 2004). As a consequence, mainstream conceptualizations of HRD are overly narrow in focus and the resultant discourse does not readily connect with models of HRD in small firms (Clarke, et al., 2006; Hill, 2004). A

corollary of this is when the formal policies and practices through which HRD is articulated are not found in small firms, the resultant conclusion is that their practice is lacking or inferior (Rigg and Trehan, 2002). Research suggests that interventions, systems and processes in this context are considerably less sophisticated (Sadler-Smith, et al., 1999) and insufficient (Kitching, 2007) when compared to the approaches allegedly undertaken within large businesses. However, Kuchinke (2003) maintains that the reasons for variation in HRD practices between large and small firms are “theoretically underdeveloped and empirically under researched” (p.295). Therefore, this study, attempted to (1) examine the influence of various human resource development practices on employee competencies and (2) to study the role of employee competencies on the association between HRD practices and organizational effectiveness in SME’s. In order to address this objective; the study is structured as follows. Section two explains the theoretical framework used and provides the justification for the research hypotheses. The next section describes the methodology of the empirical study, the research context, the information gathering and the sample and measures used. The results obtained are presented in section four, and the paper concludes with the discussion of the key findings and limitations of the study, in addition to highlighting further lines of research.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT:

Human Resource Development Practices:

Swanson and Holton (2001) defines HRD as “a process for developing and unleashing human expertise through organization development and personnel training and development for the purpose of improving performance” (p. 4). Human resource development practices are programs which are designed to be strategically oriented to organizational process for managing the development of human resources to contribute to the overall success of the organization (Werner and DeSimone, 2006, p.26). Organizations have used human resource development practices as an important strategic mechanism to stimulate positive behaviour in individuals and impact their knowledge, skills and attitudes (KSA’s), which can increase productivity and performance (Clardy, 2008). Yuvaraj and Mulugeta (2013) contend that, HRD interventions continuously improve employees’ capability and performance through the existing practices of training, career development, performance appraisal and management and organizational development component of HRD. Along the same lines, Rao (1987) identified training and development, performance appraisal, rewards, organizational development, career development, feedback and counseling, potential development and job rotation as HRD practices. Therefore, for the purpose of this study the following human resource development practices are examined: training and development, career development and performance management.

Employee Competencies:

Competency is an important concept in organization management since it is closely related to excellent work performance (Levenson et al., 2006). McClelland (1973) developed the concept of “competency” as significant predictors of employee performance and success. Boyatzis (1982) define competency as “the underlying characteristic of a person that could be a motive, trait, and skill, aspect of one’s self-image or social role, or a body of knowledge which he or she uses”. Bhardwaj (2013), contend that competencies are basically a mix of knowledge and skills that are needed for an effective performance. Hellriegel and Slocum (2011) identified employee’s ethical competency, self-competency, diversity competency, cross country competency, communication competency, team competency and change competency as the seven key competencies that affects the behaviour of individuals, teams and effectiveness of the organization. The following competencies are examined: self-competency, team competency, change competency, communication competency and ethical competency.

Organizational Effectiveness:

Organizational effectiveness is perhaps the most critical dependent variable in all organizational analyses and almost all organizational theories include the notion of effectiveness (Cameron,1980; Goodman and Pinning’s 1998). Despite this significance, the construct has eluded a clear definition. Georgopoulos and Tannenbaum (1957) defined organizational effectiveness as “the extent to which an organization as a social system, given certain resources and means, fulfils its objectives without incapacitating its means and resources and without placing undue strain upon its members”. Roy and Dugal (2005) opined that, organizational effectiveness is the net satisfaction of all constituents in the process of gathering and transferring inputs into outputs in an efficient manner. Theorists have postulated five approaches to measuring organizational effectiveness: the goal attainment approach (Etzioni,1960; Pfeffer,1977), the system resource approach (Wolfe and Putler, 2002), the internal process approach (Papadimitriou and Taylor, 2000; Sowa, et al., 2004), the strategic constituency approach (Connolly, et al.,1980; Trieschmann, et al., 2000) and the competing values approach (Price, 1968;

Quinn and Rohrbaugh, 1981). The goals model defines effectiveness as the degree to which an organization has achieved its goals (Price, 1968). The goal approach is the most widely used, and it assesses the effectiveness of an organization in terms of its success in realizing its goals (Weese, 1997). Yuchtman and Seashore (1967) who proposed the system resources model, defined effectiveness as “the ability of the organization, in either absolute or relative terms, to exploit its environment in the acquisition of scarce and valued resources”. According to the internal process model, organizations that can offer a harmonious and efficient internal environment are viewed as effective operations (Chelladurai, et al., 1987). This model emphasizes the internal logic and consistency among the throughput processes of the organization since they convert an organization's inputs into desired outputs (Chelladurai, et al., 1987; Pfeffer, 1977). The strategic constituency approach is based on a view of organizational effectiveness in which several different effectiveness statements can be made about the focal organization, reflecting the criterion sets of different individuals and groups we shall refer to as constituencies (Connolly et al., 1980). The emphasis on human resources leads to the framework, where the identification of the key stakeholder's view of effectiveness is considered paramount (Connolly et al., 1980). The competing values approach and its effectiveness criteria emerged from the judgements of organizational effectiveness in profit organizations. The most rigorous and influential multidimensional approach build the five framework of organizational effectiveness, the competing value approach by Quinn and Rohrbaugh (1981; 1983).

Human Resource Development contributions to Organizational Effectiveness:

Several human resource development scholars (Alagaraja et al., 2015; Clardy, 2008; Tseng and McLean, 2008) examined and worked towards establishing human resource development and organizational performance and effectiveness linkage. Alagaraja et al. (2015) identified five important approaches for examining the linkage of human resource development and organizational performance and effectiveness: best-fit model, best-fit approach, best-practice model, combination of best-fit approach and best-practice model and stake holders' perception based. HRD research has conceptualized and empirically established positive relationship between single or interrelated sets of HRD practices and organizational effectiveness (Colbert et al., 2014; Jiang and Liu, 2015), employee involvement (Riordan et al., 2005), employee communication (Chen, 2008), personality (Colbert et al., 2014), knowledge management process (Rahman et al., 2013). Nilsson and Ellstrom (2012) emphasized that developing human resources development strategies in an organization is an opportunity for employees to enrich their competencies that contribute, in aggregate to firm performance.

Human Resource Development Practices and Employee Competencies:

Organizations use human resource (HR) practices as critical strategic tools for promoting favourable behaviour among employees and leveraging their knowledge, skills, and abilities, which increase productivity and performance (Bates and Chen, 2004; Clardy, 2008). Sung and Choi (2014) proposed that, organizations should design and implement human resource development practices to enable people to work effectively and attain performance expectations through improved individual competencies. Kehoe and Wright (2013) opined, human resource development was the basic factor for employees to acquire competencies that in turn significantly improve organizational functioning. Haslinda (2009) postulated that, human resource development practices improve employees' capabilities on the job, productivity and efficiency, as well as enhance the quality of goods and services.

Training and Development and Employee Competencies:

Agnew et al. (1997) opined that to promote organizational performance and industry competitiveness, workforce training and development is an important adjunct. Swanson (2001) defined training and development as, “the process of systematically developing expertise in individuals for the purpose of improving performance” (p. 304). Hornsby and Williams, (1990) contend that, organizations rely on training to enhance the productivity and performance of their employees. This is consistent with the findings of Harrison (2000) and Appiah (2010) who emphasized that, training generate performance improvement related benefits for the employee and organization by positively influencing employee performance through the development of employee knowledge, skills, ability, competencies and behaviour. Therefore, the following hypothesis is proposed.

H1: Training and development has a positive influence on employee competencies.

Career Development and Employee Competencies:

Hall and Associates (1986) define career development as “the outcomes emanating from the interaction of individual career planning and institutional career management processes”. Kaye (2005) assert that, a well-designed career development system enables organizations to tap their wealth of in house talent for staffing and promotion by matching the skills, experience, and aspirations of individuals to the needs of the organizations. Similarly, Gilley et al. (2009) postulate that career development interventions assists in building a partnership

between the organization and its employees, enriching their knowledge, skills and abilities, by improving individual competencies. This is consistent with the study of McGraw (2014) who argue that the effective implementation of individual career management processes significantly enhances employee competency and improve individual performance. Therefore, the following hypothesis is proposed.

H2: Career development has a positive influence on employee competencies.

Performance Management and Employee Competencies:

Kinicki et al. (2013) defined performance management as “a set of procedures and managerial behaviour intended at describing, encouraging, measuring, and developing the anticipated performance of the employees, which has implications for individual and organizational performance”. Meyer and Kirsten (2005) contend that, managing performance of employees forms an integral part of an organization and reflects how they manage their human capital. Along the same lines, several authors (Caldwell et al., 1990; Kinicki et al., 1992; Ostroff, 1992) assert that the integrated HR and PM policies has significant influence on employee attitude and commitment and these in turn influence the performance of the organization. This is consistent with the findings of Berger and Berger (2011) who emphasized that, an effective performance management system provides for assessment of individual performance and developing them to create sets of competencies that the organization requires. The following is hypothesized.

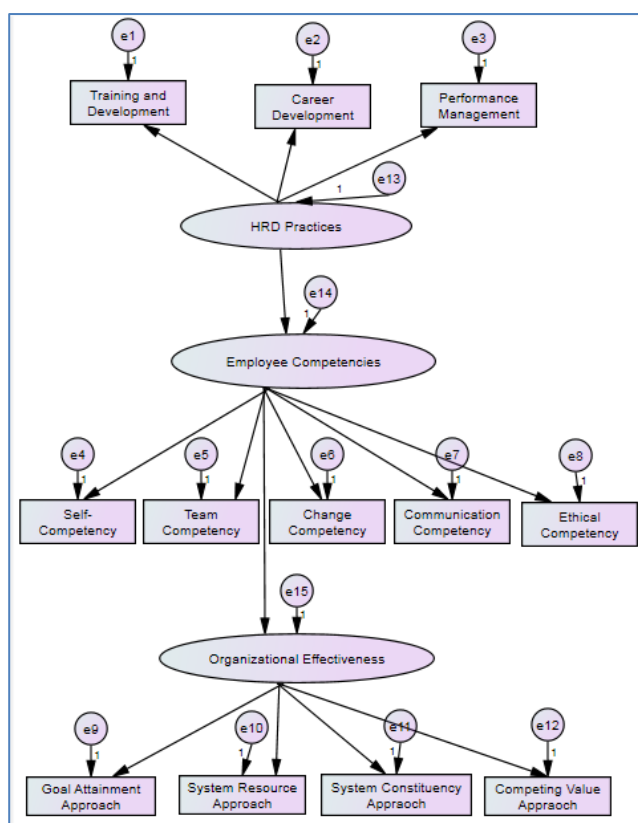
H3: Performance appraisal has a positive influence on employee competencies

Employee Competencies and Organizational Effectiveness:

Employee competencies are the competitive capabilities that a firm can develop to survive in a dynamic environment (Wright and McMahan, 1992). Cartwright and Baron (2002) argued that, the achievement of the anticipated strategic results depends upon employee's cohesion, communication, coordination, commitment, and enhancement of appropriate competencies. Along the same line, Kehoe and Wright (2013) contended that, the enhanced levels and quality of in-role and extra-role task efforts driven by increased commitment and competence of employees contribute to effective organizational functioning. This is consistent with the study of Nilsson and Ellstrom (2012) who emphasized that developing human resources development strategies in an organization is an opportunity for employees to enrich their competencies that contribute, in aggregate to firm performance. The following is hypothesized.

H4: Employee competencies has a positive influence on organizational effectiveness.

The Structural equation model is depicted in figure I



METHODS :

Research Setting and Data Structure:

In order to test the proposed model, an empirical study was conducted in small and medium scale enterprises in the trade and manufacturing sector of the Greater Accra region. The selected SME's were identified through several sources, namely, statistics from the Ministry of Trade and Industry and National Board for Small Scale Industries. According to the sources used, 35 SMEs met the conditions for inclusion in the study. Small and medium scale enterprises have a series of characteristics that are very suitable for this study. They have aptly been referred to as the engine of growth and catalysts for socio-economic transformation of any country (Basil, 2005). The Yamane (1967) simplified formula was used in determining the sample size. In order to obtain their cooperation, a cover letter was sent to the general managers explaining the purpose of the study. They were later contacted by phone for a meeting. Employees were chosen as key informants for the study. A total of 850 respondents were identified and reached in the selected hotels and 600 respondents reverted back with full required information corresponding to a response rate of 70.58 %. From Table 1, the majority of respondents (52.5%) were males. More than half (52%) of respondents were in the age group 26–35 years. The majority of the firms (60%) were medium enterprises.

Table 1: Profile of Respondents

Variables	Frequency (s)	Percentage of totals(%)	Variables	Frequency (s)	Percentage of totals(%)
Gender			Education		
Male	315	52.5	Junior High	73	12.2
Female	285	47.5	Senior High	196	32.7
			Diploma	130	21.7
Age			HND	84	14.0
18-25	199	33.2	Bachelor’s degree	104	17.3
26-35	310	51.7	Master’s degree	13	2.2
36-45	69	11.5			
46-55	22	3.7			
Size of Firm					
Small (9-15employees)	14	40.0			
Medium (20-99 employees)	25	60.0			

MEASURES:

The variables used in this study were assessed using multiple items from different studies in the extant literature. All the items were measured using a 5-point Likert-type scale, where the respondents had to indicate their level of conformity with the different statements (1: strongly disagree to 5: strongly agree).

Training and Development: Training and development was measured using the scales of effective implementation of training programs developed by Singh (2004) and Santos and Stuart (2003). The scale which consists of fifteen items were modified according to the current research settings and generated three items with a reliability of 0.84.

Career Development: Career development was measured using Sturges et al., (2002) scale of organizational support for career development and the Coachline's career development need survey (available at: <http://www.orghealth.com/cdn/>) . The scale which consists of twelve items were modified according to the current research settings and generated four items with a reliability of 0.80.

Performance Management: Performance management was measured using Walker et al. (2011) and Singh (2004) scale of performance management. The scale which consists of nine items were modified according to the current research settings. The three item scale has the reliability of 0.74.

Employee competencies: To measure employee competencies, five competencies which are necessary to enhance organizational performance was measured: team competency, change competency, communication competency, self-competency and ethical competency.

Self-competency: Self-competency was measured using self-liking/self-competence scale (SLCS) developed by Tafari and Swann Jr. (1995). The scale which consists of 10 items in each dimension of self-liking and self-competence, were further divided into equal number of positively and negatively worded items. The scales were modified according to current research settings and generated four items. The negatively worded self-competence items are converted into positively worded items, such as, "I perform inadequately in many important situations" is converted to "I perform adequately in many important situations". The three item scale has a reliability of 0.77

Team competency: Team competency was measured using the teamwork, self-efficacy scale developed by Eby and Dobbins (1997). The scale which consists of eight items were modified according to the current research settings and generated three items with a reliability of 0.76.

Change competency: The self- efficacy scale developed by Ashford (1988) was adopted in measuring change competency. In the context of organizational change, change related self-efficacy can be defined as an employee's perceived ability to function well on the job, despite the demands of the changing work environment (Ashford, 1988; Jimmieson et al., 2004). The scale which consists of ten items were modified according to the current research settings. The two item scale has a reliability of 0.82.

Communication competency: Communication competency was measured using Wierman's (1997) communication scale (affiliation/support, social relaxation, empathy, behavioral flexibility, and interaction management skills). The scale which consists of 36 items were modified according to current research settings and generated four items with a reliability of 0.82.

Ethical competency: Ethical competence was measured using Rest (1994) competent model" for determining moral behaviour scale (moral sensitivity, moral judgment, moral motivation, moral character) and Duckett and Ryden (1994) implementing the moral decision scale. The scale which consists of thirty –five items were modified according to the current research settings and generated four items with a reliability of 0.75.

Organizational effectiveness: organizational effectiveness was measured by adapting the organization effectiveness measure developed by Gold et al. (2001). The scale which consist of twelve items were modified according to the current research settings and generated seven items with a reliability of 0.79.

Analytic approach

The efficacy of the proposed model and hypotheses were analyzed using the Statistical Package for Social Science (SPSS) 20.0 and the Analysis of Moment Structure (AMOS) 20.0. In the first step, the researcher tested the measurement model. To establish construct validity, the researcher examined: (a) the relationship between the observable indicators and their latent constructs and (b) correlations among sub-dimensions. The second step was to test the overall model. Baron and Kenny (1986), classical product method was used to examine the role of employee competencies on the association between HRD practices and organizational effectiveness.

Handling Common Method Bias

Podsakoff et al. (2003) define common method bias is the bias that is "attributable to the measurement method rather than to the constructs the measures represent" (p. 879).) Since method biases are the main sources of measurement error, they pose a problem in the form of confounding empirical results. Conway and Lance (2010) suggested four approaches to handle common method bias. The approaches are: a) an argument for why self-reports are appropriate; b) construct validity evidence; c) lack of overlap in items for different constructs; and d) evidence that pro-active steps were taken to mitigate threats of method effects (p. 325). This study was conducted at the functional level and the respondents were employees. They were in the best position to respond to human resource development practices, employee competencies and organizational effectiveness. Scales were adopted from established sources and validity tests were performed by running confirmatory factor analysis The results showed that the established criteria were satisfactory. Throughout the process, respondents were assured of the protections of their anonymity thus reducing evaluation apprehension (Conway and Lance, 2010; Podsakoff et al., 2003). These steps ensured that the effect of common method bias was minimal.

RESULTS:

Descriptive Statistics:

The descriptive statistics estimates are provided in Table II. The results show that each of the constructs is positively and significantly correlated.

Table 2: Correlation Matrix

Items	Mean	SD	1	2	3	4	5
1.Training and Development	10.68	3.35	1				
2.Career Development	13.74	3.83	0.419**	1			
3.Performance Management	10.15	2.99	0.305**	0.296**	1		
4.Employee Competencies	52.86	14.61	0.503**	0.487**	0.230**	1	
5.Organizational Effectiveness	23.45	6.05	0.348**	0.183**	0.255**	0.215**	1

**Correlation is significant at the 0.01 level (2-tailed). *Correlation is significant at the 0.05 level (2-tailed).

Measurement Model:

The overall fit of the measurement model as reported in (Table 3) was found to be reasonable. The chi-square/df ratios (3.60) were within suggested threshold (i.e., less than 5.0) indicating a reasonable fit (Wheaton et al., 1977). The root mean square error of approximation (RMSEA) value (0.06) and standardized root mean residual (SRMR) value (0.04) were lower than 0.08, indicating adequate fit (Chen et al. 2008; Hu and Bentler, 1999). In addition, all other indices (i.e., TLI and CFI estimates) were greater than the recommended 0.90, indicating adequate fit (Bentler, 1990; Kline, 1998).

Table 3: Results of the Measurement and Structural Model Tests

	χ^2	Df	χ^2/df	p	RMSEA	SRMR	TLI	CFI
Measurement model	136.845	38	3.60	0.000	0.066	0.043	0.940	0.965
Structural model -Overall model	118.372	39	3.03	0.000	0.058	0.038	0.953	0.972

Note: RMSEA=Root mean square of approximation; SRMR=Standardized Root Mean Residual; TLI=Tucker-lewis index; CFI=Comparative fit index; $p < 0.05$

Reliability and Validity of the Scales:

To study the validity and reliability of the measurement scales used, a confirmatory factor analysis was carried out. To establish convergent validity, the three important indicators were examined; factor loadings (standardized estimates), average variance extracted (AVE) and composite reliability (CR). The results are depicted in Table 4. Cronbach's coefficient alpha estimates for the constructs ranged between 0.74 and 0.84, exceeding the minimum value of 0.70 as recommended by Nunnally and Bernstein (1994). The standardized estimates of each construct are ranged between 0.61 and 0.98, which are higher than the suggested threshold of 0.60 or higher (Hair et al., 2006) and statistically significant ($p < 0.05$). The average variance extracted among the items of a construct are range between 0.51 and 0.74, which are higher than the suggested threshold of 0.50 indicating higher reliability of a construct (Fornell and Larcker, 1981). The composite reliability of all construct ranged between 0.76 and 0.91, which are higher than the suggested threshold of 0.70, indicating adequate internal consistency (Fornell and Larcker, 1981). From Table 5, it can be inferred that, there was a significant indirect (mediated) effect of HRD practices on organizational effectiveness (0.03, $p < 0.05$)

**Table 4: Confirmatory Factor Analysis
 Factor Names, Factor Loadings and Cronbach's alpha**

Factor	Items	(λ)	AVE	CR
Training and	The skills and knowledge related resources that were used	0.83		
	The activities of the training program provided meet the needs of the employees	0.83	0.64	0.84
	Employees are sponsored to training programmes on the basis of relevant training needs	0.73		

Factor	Items	(λ)	AVE	CR
Career Development ($\alpha=0.80$)	Organization provides training to help develop my career	0.71		
	Organization provide me impartial career advice whenever required	0.83	0.64	0.84
	Management gives work which has developed my skills for the future	0.81		
	Career development is important to me	0.63		
Performance Management ($\alpha=0.74$)	Organization provides a written and operational performance appraisal system	0.92		
	Performance is measured on the basis of objective and quantifiable results	0.90	0.74	0.90
	Performance review discussions are conducted with the highest quality and care	0.77		
Self - competency ($\alpha=0.77$)	I am very talented	0.73		
	I deal appropriately with challenges	0.70	0.51	0.76
	I am very competent	0.72		
Team competency ($\alpha=0.76$)	I can work very effectively in a group setting	0.75		
	I can contribute valuable insight to a team project	0.70	0.52	0.76
	I can easily facilitate communication between people	0.70		
Change competency ($\alpha=0.82$)	I believe i perform well in job situations following restructuring	0.76		
	Provided training i can perform well following the change	0.91	0.70	0.83
Communication competency ($\alpha=0.82$)	I am a good listener	0.62		
	I generally know what type of behaviour is appropriate in any given situation	0.82	0.56	0.83
	I generally know how others feel	0.70		
	I say the right thing at the right time	0.83		
Ethical competency ($\alpha=0.75$)	I have the strength of will not to be defeated by direct problem or opposition	0.81		
	I make decision based on reliable evidence	0.69	0.55	0.83
	I make decision with priority on the thoughts and values of the organization	0.72		
	I make decision in consideration of what the organization places importance on	0.74		
Organizational effectiveness ($\alpha=0.79$)	Identify new business opportunities	0.63		
	Anticipate surprises and crises.	0.61		

Factor	Items	(λ)	AVE	CR
	Decrease market response times.	0.98		
	Innovated new products/services.	0.97	0.61	0.91
	Rapidly commercialize new innovations.	0.76		
	Avoid overlapping development of corporate initiatives.	0.74		
	Anticipate potential market opportunities for new profits /services	0.66		

Notes: AVE represents average variance extracted; CR represents composite reliability. All Factor loadings are significant at $p < 0.05$

Table 5: Standardized direct, indirect and total effects of HRD Practices

	HRD Practices			
	Direct	Indirect	Total Effect	p value
Employee Competencies	0.492		0.492	$p < 0.05$
Organizational Effectiveness	0.325	0.078	0.404	$p < 0.05$

Test of Hypotheses:

The proposed hypotheses were tested using structural equation modeling (SEM). The results of the structural model test depicted in Table 3, indicate a good fit to the data. The chi-square/df ratios of (3.0) were within the suggested threshold (i.e., ≥ 3.0) indicating good fit (Hoe 2008; Kline, 1998). The root mean square error of approximation (RMSEA) value of (0.04) and standardized root mean residual (SRMR) value (0.05) were lower than the suggested thresholds (i.e., less than 0.60 and 0.05) indicating a good fit (Fan et al. 1999; Kline, 2011) In addition, all other indices (i.e., TLI and CFI estimates) were greater than the recommended cut off value of (0.95) indicating a good fit (Hopper et al. 2008, Bentler and Bonett, 1980). Thus, the overall structural model reflects desirable psychometric properties. Table 6, which report the results of the hypotheses show that, three out of the four hypotheses were supported and accepted in data set.

Table 6: Inferences drawn on Hypotheses

Hypothesis	Beta coefficient	p value	Result
H1: Training and development has a positive influence on employee competencies.	0.592	$p < 0.05$	Accepted
H2: Career development has a positive influence on employee competencies.	0.113	$p < 0.05$	Accepted
H3: Performance management has a positive influence on employee competencies.	0.004	$p > 0.05$	Rejected
H4: Employee competencies has a positive influence on organizational effectiveness.	0.159	$p < 0.05$	Accepted

DISCUSSION:

This study reveals important empirical results that make a significant contribution to clarifying the question of HRD practices and organizational effectiveness by means of employee competencies. Results confirmed hypothesis 1 by showing that training and development had a significantly positive influence on employee competencies. The result is consistent with the findings of Mackelprang et al. (2012) who contend that, training enhances employees' capabilities which are instrumental in improving overall performance. The second hypothesis also had a similar result showing a significant influence of career development on employee competencies. The result is consistent with the study of McGraw (2014) who argued that, the implementation of individual career management process significantly enhances

employee competency and improved individual performance. Results of H3 suggest that performance management does not have any significant influence on employee competencies. The results are in conformity with the findings of Meyer and Kirsten (2005), who contend that, managing performance of employees forms an integral part of an organization and reflects how they manage their human capital. Finally, results for H4 indicate that employee competencies have a significantly positive influence on organizational effectiveness. This is consistent with the findings of Swanson and Holton (2009) who emphasized that, the development of effective and efficient human resource development practices improves the competence of the workforce and enhances organizational effectiveness. Results of the study objective are in conformity with Baron and Kenny (1986) assertion that, to claim the mediator is completely responsible for the association between cause and outcome, the coefficient should be zero. The results are consistent with the findings of Nilsson and Ellstrom (2012) who emphasized that, developing human resources development strategies in an organization is an opportunity for employees to enrich their competencies that contribute, in aggregate to firm performance.

Theoretical Implications:

From an academic perspective, this study contributes to the literature by addressing the subject of improvements of employee competencies suggested by Levenson (2005) and Palan (2005) about which further research is needed in small and medium scale enterprises. HRD plays an important role in all sectors of the economy; however, it is especially important in small and medium scale enterprises where their significance is even greater. This industry is characterized as lacking managerial capabilities and human capital (Decker et al., 2006). The present study addresses these recommendations by further investigating the relationship between HRD practices and employee performance, based on the premise that investment in human resource development (HRD) enhances the quality of human capital and create sustainable competitive advantage (Aragón-Sánchez et al., 2003). Few studies have performed an in-depth analysis of the influence of HRD practices on organizational effectiveness within the industry (Hill, 2004; Sadler-Smith et al., 1999). Along the same line, few studies have focused on the employee competencies of this type of organization (Cardon and Stevens, 2004; Kitching, 2007). For this reason, and in line with other studies, this study can confirm, HRD practices influences employee competencies in SME's through training and development initiatives which enhance employee's skills and competences and in turn increase their productivity and performance (Salas and Cannon, 2001) and career development initiatives which builds a partnership between the organization and its employees, enriching their knowledge, skills and abilities by improving individual competencies and enhancing organizational effectiveness (Gilley et al., 2009). Another important contribution of this study is the role of employee competencies on the association between HRD practices and organizational effectiveness. This situation addresses the important demand in literature related to the need to develop human resources development strategies for employees to enrich and improve their competencies to generate prospective returns through increased productivity and business performance (Nilsson and Ellstrom, 2012). Previous empirical and theoretical research on the HRD and organizational effectiveness linkage focused on design and strategy, whereas this study focused on employees. For these reasons, this study contributes to the scarce number of previous studies that have focused on the important role of employee competencies in the HRD and organizational effectiveness linkage literature in SMEs.

Managerial Implications:

In practical terms, the results lead to the consideration of a series of implications for the small and medium scale enterprises. First, it is recommended for policy makers, stakeholders and management of SMEs to encourage the adoption of properly and well-articulated HRD practices. These HRD practices the research revealed are important strategic mechanisms that stimulate positive behaviour in individuals and impact their knowledge, skills and attitudes, which increase productivity and performance (Clardy, 2008), improve employee competence and enhance organizational effectiveness (Swanson and Holton, 2009). Employee competencies provides the potential for effectiveness in task performance (Draganidis and Gregoris, 2006). Therefore, small and medium scale enterprises should encourage the improvements of these competencies since they affect the behaviour of individuals, teams and effectiveness of the organization (Bhardwaj, 2013; Levenson et al. 2006). Furthermore, the study suggests that HRD practices should be configured in a way that an individual can perform effectively and meet performance expectation through improving individual competencies which will enhance organizational effectiveness.

LIMITATIONS AND SUGGESTIONS FOR FUTURE STUDY:

There are certain limitations that offer important avenues for future research. The results of this study cannot be generalized because they come from a sample of SMEs in a specific context. We should also be careful when applying the results obtained to other sectors, given the specific characteristics of SMEs. Furthermore, the data used in this research are largely subjective opinions of employees. Subjective assessment obtained through multi-item scales are in general fairly consistent with objective measure. Future studies could adopt the use of objective measures. Moreover, in this research the analysis is based on cross-sectional data, and so future studies could adopt a longitudinal research design to test causal relationships among the variables. In addition, the possible moderating role of other variables, such as employee performance, has not been analyzed. Based on this limitation, future research could explore how employee performance mediates the association between human resource development practices and organizational effectiveness. Finally, the possible mediating effects of employee performance on human resource development practices and organizational effectiveness have not been analyzed because this would require a change in the paper's structure and extend it beyond its original purpose. We encourage future research to explore the effects of employee performance on organizational effectiveness using different human resource development interventions.

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