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Reviewer : Nidhi Choudhari



जीवितामृतं सर्वं ज्ञानम्
ज्ञानं धनं च सर्वम्

MAY TRAINING BE ALWAYS
UTILIZED FOR KNOWLEDGE
DISSEMINATION AND
DEVELOPMENT

Indian Society For Training And Development

Indian Journal of Training and Development

January - March, 2014

Contents

Dr Aquil Busrai Editorial	iv
Prof Ajit Kumar Kar Competitive Advantage through Employee Empowerment	1
Dr Anamika Sinha and Ms Natashaa Kaul Motivating and engaging Sales Force	7
Mr C.K. Podder Creating A Culture of Learning	14
Dr J. Venugopal Training For Organization Development	19
Dr Kalpana Maheshwari Flexible Working Arrangements: A powerful Human Resource Tool	26
Mr Rama Krishna Gupta and Dr Chandan Kumar Saini Role of Training towards Competitive Advantage	32
Dr Ranjeet Nambudiri and Dr Ruchi Tewari Corporate Social Responsibility and Organizational Commitment	41
Dr Rashmi Diwan Leadership Development for Improving Schools in India	48
Mr Satyabrata Tripathy Resiliency : Present Status And Future Prospect	56
Ms Simran Oberoi Managing People in the Changing world of economy and technology	59
Dr Sridhar Raj and Dr Sita Vanka Training And Development Of Human Resources: An Analysis of Literature	63
Ms Sushmita Srivastava Matching Pathway: Finding the Perfect Mentor-Mentee Pairing	69
Mr S V Nathan Gamification Possibilities in HR	75
Dr Vinayshil Gautam Managing Change in PSUs for Competitiveness: A Search for Direction	80
Dr Yudhi Ahuja Leveraging Human Resources for Global Competitiveness: The New Paradigm	88
Book Review - "Dare to Lead" Author: Dr Anil K Khandelwal Reviewer : Nidhi Choudhari	99

Role of Training towards Competitive Advantage

Mr Rama Krishna Gupta and Dr Chandan Kumar Sahoo



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Introduction

Today in the circumstances of complex and tumultuous, the world market and economy are changing quickly. In the present competitive world, the organization has to analyze their competitive factors which pervades that the base from which everything begins and on which everything depends are the people and their position rather than structure and function. The competitive position of any organization in the present dynamic environment depends upon its flexibility, inventiveness and focusing on their employee quality. When organizations are able to harness effectively the talent, energy, and motivation of their employees, they will have an ideal competitive business edge. The competencies of the people, when sharpened and harnessed to their full potential, will greatly enhance the overall value and competitiveness of the organization.

The Guanzi* explained people's education and training should be placed as a long-term strategy for a country's sustainable development. It

compared people's education and training to planting grains and trees by saying:

"When planning for one year, there is nothing better than planting grain.

When planning for ten years, there is nothing better than planting trees.

When planning for a lifetime, there is nothing better than planting men."

Grain is something that is planted once and produces only a single harvest. Trees are things that are planted once but may produce ten harvests. Men are things that are planted once but may produce a hundred harvests. The above statement explained in Guanzi is for a country's sustainable development, the same statement can be used for organizational sustainable development in the present competitive world by making training and development as a source of competitive advantage. The present article builds on a framework to show how training and development helps to build a strong competitive advantage for an organization.

*The Guanzi is an encyclopedic compilation of Chinese philosophical materials named after the 7th century BCE philosopher Guan Zhong, Prime Minister to Duke Huan of Qi. The Han Dynasty scholar Liu Xiang edited the received Guanzi text circa 26 BCE, largely from sources associated with the 4th century BCE Jixia Academy in the Qi capital of Linzi.

Need for Training

Technology is changing at a fast pace. Be it any industry, technological changes are changing the way in which operations were done. Newer machines are being used for automation of the processes. Computers have made the controls very easy. Advances in information technology have enabled greater degree of coordination between various business units, spread far across the globe. In order to keep themselves abreast with the changes, the employees must learn new techniques to make use of advances in the technology. Training needs to be treated as a continuous process to update the employees in new methods and procedures. As the free markets become stronger, customers are becoming more and more demanding. Intensified competition forces the organizations to provide better and better products and services to them. Added to the customer conscious, their requirements keep on changing. In order to satisfy the customers and to provide better quality of products and services, the skills of those producing them need to be continuously improved through training.

Review of Literature

Due to the importance of gaining competitive advantage through training & development, many researches and studies have been conducted over the past thirty years. The results of these studies have founded that people are very important assets within the organizations for gaining a sustainable competitive advantage. Therefore, training and development is a crucial issue for enhancing the employees' abilities.

Over the years, the role of training has changed due to several factors like globalization, the advent of new technology, attracting and winning talents, workforce diversity, quality emphasis, the need for leadership, the increased value

placed on knowledge, and the high performance model of work systems had also asserted that training's role has broadened from its traditional focus on teaching skills and knowledge, to linking training to business needs, and to using training to create and share knowledge. This means that for companies to gain a competitive advantage, the key is to develop intellectual capital. The source base view of the firm postulates that internal knowledge and skill represent important sources of competitive advantage. Human capital theory argues that firms should protect core competencies through investment in training and development. Competitive advantage is secured when organizations have skills and capabilities that are unique, difficult to replicate and imitate by competitors. A comprehensive training and development programme helps in deliberating on the knowledge, skills and attitudes necessary to achieve organizational goals and also to create competitive advantage. Competitive advantage is the essence of competitive strategy. It encompasses those capabilities, resources, relationships, and decisions, which permits an organization to capitalize on opportunities in the marketplace and to avoid threats to its desired position. Boxall and Purcell suggest that 'human resource advantage can be traced to better people employed in organizations with better processes.' This echoes the resource based view of the firm, which states that 'distinctive human resource practices help to create the unique competences that determine how firms compete'. Intellectual capital is the source of competitive advantage for organizations. The challenge is to ensure that firms have the ability to find, assimilate, compensate, and retain human capital in shape of talented individual who can drive a global organization that both responsive to its customer and 'the burgeoning opportunities of technology'. Training and development offer competitive advantage to a

firm by removing performance deficiencies; making employee stay long, minimizing accidents, scraps and damage and meeting future employee needs. A motivated, highly trained, workforce must form the backbone of any would be world class firm. As Grindly says that, "The skills base is one of the firm's main assets. It is hard for competitors to imitate... this call for an attitude to encourage learning and to reward efforts which add to the firm's knowledge. Skills go out of date and need constant replenishment. In the long term what are most important may not be the particular skills, but the ability to keep learning new ones". Echarid and Berge stated that effective training techniques can produce significant business results especially in customer service, product development, and capability in obtaining new skill set. This linkage of training to business strategy has given many businesses the needed *competitive edge* in today's global market. Echarid and Berge, also provides that effective training and development improves the culture of quality in business, workforce, and ultimately the final product...an educated and well trained workforce is considered to be essential to the maintenance of a business firm's competitive advantage in a global economy.

Every organization should develop its employees according to the need of that time so that they could compete with their competitors. The main goal of training is to provide, obtain and improve the necessary skills in order to help organizations achieve their goals and create competitive advantage by adding value to their key resources – i.e. managers. Effective training can yield higher productivity, improved work quality, increased motivation and commitment, higher morale and teamwork, and fewer errors, culminating in a strong competitive advantage. MacMillan suggests that gaining a competitive advantage requires an understanding and anticipation of response barriers, intelligence systems, preemption

potentials, infrastructure requirements, calculated sacrifices, general management challenges, and punch and counterpunch planning. Training is a major factor in creating a competitive advantage. The simple truth is that we cannot have a world-class economy without a world-class workforce.

Competitive advantage lies not just in differentiating a product or service or in becoming the low cost leader but in also being able to tap the organizations special skills or core competencies and rapidly respond to customers need and competitors move. In other words competitive advantage lies in management's ability to consolidate organization wide technologies and production and service skills into competencies that empower individual organizations to adapt quickly to changing opportunities. In a growing number of organization human resources are now viewed as a source of competitive advantage. There is greater recognition that distinctive competencies are obtained through highly developed employee skills, distinctive organizational cultures, management processes and systems. This is a contrast to the traditional emphasis on transferable resources such as equipment. Increasingly it is being recognized that competitive advantage can be obtained with a high quality work force that enables organizations to compete on the basis of market responsiveness, product and service quality, differentiation products and technological innovation.

The researchers had viewpoint that the training and development is an important source of competitive advantage and plays an important role in competing with competitors in the competitive world, but has not given any explanation how training and development helps in building competitive advantage of organization. The present article shows brief explanation how training and development plays an important role

in building competitive advantage with strategic integration model.

Employee Training

In simplistic terms training can be defined as an activity that changes people's behavior. Training is an act of increasing the skills of an employee for doing a particular job. Goldstein defines training as a systematic acquisition of skills, rules, concepts or attitudes that results in improved performance in another environment. Chiaburu and Tekleab have defined training "as the planned intervention that is designed to enhance the determinants of individual job performance". Training is the area where organizational, industrial, and individual development can match, and where human resource and organization growth get blended together. It refers to a planned effort by a company to facilitate the learning of job-related competencies. These competencies include knowledge, skills, or behaviors that are critical for successful job performance. The goal of training is to enable employees to master the knowledge, skills and behaviors emphasized in training programmes and to apply them to their day-to-day activities. Training serves to improve the performance of employees, which, in turn, provides a competitive edge to the organization.

Competitive Advantage

Competitive advantage is defined as "the ability of an organization to add more value for its customers than its rivals and thus attain a position of relative advantage, the challenge is to sustain any advantage once achieved" (Thompson 2001). Competitive advantage implies that the organization is able to satisfy customers' needs better than other competitors, thus it will be achieved when a real value added to the customers. Another definition provided by Kleiman (2000), "competitive advantage is a status achieved by a

company when gaining a superior market place position relative to its competition". This occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors such as access to natural resources, inexpensive power or access to highly trained and skilled human resources. New technologies such as robotics and information technology can provide competitive advantage, whether as a part of the product itself, as an advantage to the making of the product, or as a competitive aid in the business process.

Strategic Integration

The thrust of any competitive strategy is sustainable competitive advantage. Productivity is seen as one of the most vital factors affecting an organization's competitiveness. The human resources of the organizations are the decisive source of competitive advantage, which is hard to copy. Training is an important component of the strategic management process of the organizations with quite overwhelming role in all of its areas. Even when the incremental approach is adopted whereby strategy formulation and implementation go side by side, the employees, trained for continuous improvement, feel comfortable with the continuous changes made in the organization. The traditional training process is revised into a strategic training process. This process is based on the chain relationship between training, productivity and the organizational competitive strategy. In this process, the training effectiveness serves as the moderating variable to determine the extent of the impact of training intervention on individual/group productivity and organizational productivity and achievement of competitive strategic objectives. The quality of training program i.e. effective training interventions consistent with the organizational objective is explained as a significant determinant of the extent of training

impact on organizational outcomes.

Figure 1 represents the sequential process by which training intervention has positive impact on individual/group and, thereby, organizational productivity and results in line with the competitive strategic thrust of the organization. According to Pande most organisations operate in a business environment where uncertainty, risk and complexity in the external environment had become a fact of life. Pressures of international competition and market globalisation forced organisation to match standards. Organisations realized that the performance of their human assets can make a difference between success and failure. With increased emphasis on technology, quality and service organisations are moved from mechanised workforce to an intellectualised one. Such a dramatic change required to accept new values, behave differently, and learn new skills and competencies. Such a transformation is possible only through an effective training and development programme.

Effective implementation of training and development programme increases the capacity to adopt new technologies and methods, development and promotion of own culture and to adapt to changes in the business environment helps in organisational development. An effective training programme is one such organisational practice that can lead to greater employee commitment and a more suitable workforce which results in employee development. Most of researches Colombo and Stanca, Sepulveda, Konings and Vanormelingen, showed that training is a fundamental and effectual instrument in successful accomplishment of the firm's goals and objectives, resulting in higher productivity. The resulted organisational development, employee development and productivity helps to build competitive advantage by producing people differentiation, service

differentiation, cost differentiation, innovation differentiation which makes the organisation to sustain and differentiate from other competitors in the competitive world.

Outcomes of Training Efforts

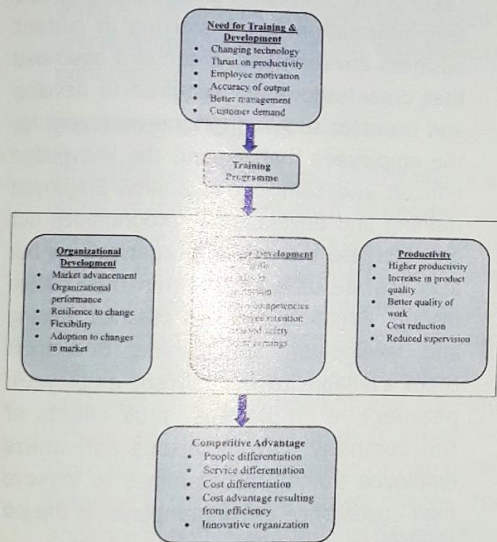
The training programmes of an organization bridges the current and future developmental needs of the employee and organization. These programmes lead to accomplishment of strategic goals of organization like employee development, organizational development and productivity. In this review organization development comprises of market advancement, organizational performance, employee retention, flexibility, and adoption to changes to market. The aspects of skill development, employee satisfaction, career competencies, resilience to change, etc. are covered under employee development. Training also has a positive impact on productivity by improvement in quality of product, increase in productivity, better quality of work culture, etc. These outcomes have been supported by adequate research evidences discussed below.

1. Benefits to Employee
 - a. Career Competencies

From many years the requirements for blue-collar jobs is constant, and numerous companies have prepared a modification for demanding learning software and programmed systems. This requirement is compelling workers to appraise their profession capabilities to sustain their employment. Due to this situation numerous employees have rehabilitated their attitude to acquire knowledge promoted inside their organizations to work and develop out of the organization. Therefore, workers used to prepare ten year plan for their future and constantly change their plans after two years as per the change of technology and information. Customized training programmes to

promote a diverse career through the organization which comprises 80 hours training for supervisor to promote them to the manager. Employees understand that training programme can be directed to superior duties and higher remuneration. Furthermore, helping workers to improve their skills and knowledge to cope with the future requirements, lead to job satisfaction.

Figure - 1
Model of Training Effects towards Competitive Advantage



b. Employee Satisfaction

Employees have no feeling about their organizations, if they think that their organizations are not caring about them. Companies which are willing to spend money on their employees, give value to work with those companies, even though that investment eventually benefits the organization. Companies which are providing the training and development programmes for their employees are achieving high level of employee satisfaction

and low employee turnover. Training increase organization's reliability for the reason that employees recognize their organization is spending in their future career. Loyalty with the organization cannot be calculated but it is substantial to intrinsic reward that employee feel. Employee feels comfortable and wants to stay with their organization, when they feel they are putting their efforts and skills in the bottom line for their organization. Employees who are satisfied with their jobs, believe that their work has a purpose and important for their organization. Usually the best performers do not leave a job for the purpose of financial benefits. Though salary and benefits plays an important part in selecting and retention of the employees, employees are always observing the opportunities to acquire novel skills, to get the encounter of different duties, and looking for personal and professional development. Therefore, nourishing these requirements facilitates in figure up confidence, self-esteem and job gratification in employees.

c. Employee Performance

Training effects on behavior of employees and their working skills which resulted in enhanced employee performance and further constructive changes that serves as increase employee performance. Training is a key element for improved performance; it can increase the level of individual and group efficacy. It helps to reconcile the gap between what should happen and what is happening – between desired targets or standards and actual levels of work performance. Training need is any shortfall in employee performance, or potential performance which can be remedied by appropriate training.

d. Employee Retention

The longer retention of employee is a critical

part for competitive advantage, because when an employee is retained for a longer period, it will amplify the performance of the firm and also help in enhancing the firm's productivity. On the other hand, it will reduce the cost and wastage of time which is required for hiring and training of new employees. The research described that employee retention is a challenging notion and there is no particular method to retain employees with the organization. Several organizations have revealed that one of the characteristic that help to retain employee is to offer them opportunities for improving their learning. Organizations that are offering employee development programmes are getting success with retaining employees. An effective design of training programme can also increase employees' intention to continue in the organization. Employee retention is a volunteer move by organizations to create an environment which involves employees for long term.

Training and development helps to develop new skills which serve as personal asset to employee permanently. It creates a feeling of confidence in the minds of employees, by which they are comfortable in handling new challenges at the work place; it gives a feeling of safety and security. Trained workers handle the machines safely by the use of various safety devices in the factory, thus they are less prone to accidents. The managers can develop their skills to take up higher challenges and work in newer job dimensions. Such an exercise leads to the career development of the employees, who can move up the corporate hierarchy faster. Higher earnings are a consequence of career development. A highly trained employee can command high salary in job market and feel more contented.

2. Benefits to Organization

a. Market Advancement

Employee training and development programmes are essential for any organization to stay viable and competitive in the market. American Society for Training and Development mentioned two motives that are significant for employee's knowledge, first employees identify the worth of training and marketable by organization and second CEOs of the companies understand that how fast information is transferring in current business environment. Greengard described that organizations are required to develop and maintain such learning environment for the employees that expand the knowledge horizon and competitive ability. Employee training and development programmes not only increase the profit of organizations but also provide difference within their native market. Organizations can practice training and development opportunities to support them available to the current employees, perspective employees, plus clients of the company. Organizations can utilize employee training programmes to improve their appearance as best employer in the job market.

b. Organizational Performance

Several studies had been conducted in European countries on the impact of training and development on organizational performance. Organizational performance was operationalized as (a) effectiveness (i.e; employee involvement, human resource indicators, and quality) and (b) profitability (i.e; sales volume, profit margin). Argon Sanchez indicated that training and development conducted in the organization were positively related to most dimensions of effectiveness and profitability. Training and

development programmes oriented towards human capital development were directly related to employee, customer, and owner/share holders, satisfaction as well as an objective measure of business performance Garcia. A sizeable body of research has examined the effect of employee training on organizational performance. Huselid suggests the need for renewed attention to employee training due to its ability to cut cost and reduce performance shortfalls in organizations. It has been proven on countless occasions that, there is a strong link between various training and development practices and organizational performance.

c. Flexibility to Change

Organizations often introduce training in an effort to ensure that their employees are familiar with the objectives and goals of the organization. Training provides employees with the basic skills and competencies that are necessary for the organization to introduce planned change. Through the practice of organizational development and training, organizations can make their processes more efficient and employees can be better prepared to successfully manage change. The presence of both organizational development and training are essential to the continuous improvement of organizations. Training develops adaptability among workers. The employees feel motivated to work under newer circumstances and they do not feel threatened or resist any change. Such adaptability is essential for survival and growth of an organization in the present times.

d. Impact on Productivity

The thrust of any competitive strategy is sustainable competitive advantage. Productivity

is seen as one of the most vital factors affecting an organization's competitiveness. Being the ratio of output to input, productivity is the comparison of the physical outputs from transformation process with the physical inputs into that process. Productivity is closely related to the use of resources meaning that a company's productivity is reduced if its resources are not properly used. Second, productivity is also strongly connected to the creation of value. Training and development of work force for the improvement of employee skills, knowledge, and attitude is the surest path to the improvement of productivity. Technology adoption and process improvement is dependent on the knowledge, skills and attitudes of the workforce in order to use the modern equipment or work in the new processes and work formats. The requirements of organizational productivity are cost reduction, better product quality, increase in output, speed, flexibility and dependability are accomplished by strategic training and development provided to employees.

Training and development helps the organization to reduce the learning time of their employees and achieve higher standards of performance. It increases the skill of employee which usually helps in increasing both quantity and quality of output. Training and development helps to improve the standardization of operating procedures by which employees work intelligently and make fewer mistakes when they possess the required know-how and skills. Thus, training helps in building an efficient and co-operative work force. The top management can identify the talent, who can be groomed for handling positions of responsibility in the organizations. Newer talent increases the productivity of the organizations. By providing opportunity for self-development, employees put in their best effort to contribute to the growth of the organization.

3. Gained Competitive Advantage

One of the keys to competitive advantage is the ability to differentiate what the business supplies to its customers from those supplied by its competitors. Such differentiation can be achieved by having higher quality people than those of competitors. Hiring and training better people than the competitor will become an indefinite competitive advantage for a company.

The human resource-based advantage is difficult for a competitor to imitate because the source of the advantage may not be very apparent to an outsider. A well-trained production staff generates a better quality product which a competitor may not be able to distinguish is the advantage is due to superior materials, equipment or employees which gives rise to people differentiation. Employee development efforts towards enhancing innovative skills will enhance the intellectual capital of the organization which results in innovation differentiation. With the implementation of knowledge management processes, total quality and customer care initiatives with focused training, the employee delivers quality and high level of customer service shows quality differentiation of the organization. In the achievement of cost leadership, employees are provided with training to improve productivity. Just in time training that is closely linked to immediate business generates measurable improvement in cost effectiveness. There are many ways a company can increase efficiency. Efficiency is enhanced if, holding

outputs constant, inputs are reduced; or if holding inputs constant, outputs are increased. Labor inputs are reduced by trained employees so that time spent on each individual output is decreased.

Conclusion

In the present study we observed that training leads to important benefits for employees and organization, and positive impact on productivity. It is also clearly understood from academic research that human resources are a source of sustained competitive advantage. Competing on the basis of knowledge and skills will be critical for organizational success in the coming years. Although many of the activities that organizations can use to improve and influence their human resources. Organizational effectiveness and competitive advantage require developing organizational capabilities for leveraging and exploiting knowledge and skills. Training and development can help firms achieve a knowledge-based competitive advantage. It is a process of skill and knowledge acquisition by human resource, who applies it in their job task accomplishment in the organization. Training and development programmes focus on ensuring that employees have the most up-to-date and explicit knowledge in their respective areas of specialization. If there is a systematic training and development programme for the employees, the companies will harvest its profit from the market and remain competitive in the job market.