Education and its Influence on Corporate Performance

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Abstract. Every company must continuously increase its performance. There are various methods, models and ICT solutions enabling a company improving its performance. Not only can a company increase its performance based on process management, innovations management and new technologies, but also based on human resources development and education. The aim of the article is to describe how educational process in a company influences a corporate performance. The first part of the article deals with theoretical background regarding education, performance management and Corporate Performance Management. In the second part there is a model depicting interaction between current performance and a change in future performance triggered by educational process based on literature analysis. The third part deals with main problem which is how to manage particular components of educational process (preparation, realization and evaluation) in order to improve employees’ performance as well as corporate performance. The summary of the article is in Conclusion.

Key words: education, performance, corporate performance management
JEL classification: M12

1 Introduction

A company is a life and open system in an interactive environment. In order to survive in an ever changing and highly competitive business environment and create a value for customers every company has to continuously improve and enhance its performance. In literature there is no clear definition what performance is since the term is contextual both in terms of users and in terms of purpose (Lebas, 1995; Sonnentag and Frese, 2002). Moreover, the performance can be viewed as an individual issue or corporate issue. Performance in this article is defined as the potential for future successful implementation of actions in order to reach the objectives and targets where individual and corporate performance is interconnected. Performance is not achieved by chance. Every company which wants to be successful must plan and elaborate a policy how it will deal with its performance. Furthermore, managerial decisions regarding performance management and enhancement must take into account the particularities of the company. It is not possible to sustainably manage the company without precise information about previous performance.

Performance management is very challenging managerial task and the basic prerequisite for corporate performance enhancement is its management based on measurement. The measurement is grounded on identified key performance indicators which represent crucial feedback on effectiveness and efficiency of decisions made in regard to performance management. Simply, it requires an implementation of an appropriate measurement system. The system of measurement and management of performance must be linked with all business processes, there must be identified and described mutual linkages between the system and processes in order to track outcomes of measurement and management of the performance. The prerequisite for corporate performance increase is its management based on measurement. There are plenty of various methods, attitudes and procedures how to manage and enhance performance, both an employee and a company. One of these ways is done through human resources education and development which is the focus of this article and dissertation research. A simplified model of interaction between
education and performance is depicted on figure 1.

1.1 Education and business education

Education is a life-long ongoing process. The general goal of this process in the company is to continuously increase employees’ qualification, enrich knowledge and deepen abilities which are necessary for an excellent job performance. Not only is education essential for employees´ personality-career development, but also for filling a right person in the right job position and thus ensuring continual progress of the company itself.

Business education forms work abilities as well as social abilities needed for healthy interpersonal relationships at workplace. Work abilities development should be done in advance of technical and organizational development of the company so that workforce would be able to flexibly react on new requirements and market opportunities.

1.2 Performance and Performance
Management

Performance management can be defined as a systematic process for improving corporate performance by developing the performance of individuals and teams. The overall aim of performance management is to establish a high performance culture in which individuals and teams take responsibility for the continuous improvement of business processes and for their own skills and contributions within a framework provided by effective leadership. Its key purpose is to focus people on doing the right things by achieving goal clarity. (Armstrong, 2006)

A systematic and strategic approach to Human Resources Management and Development of the company is necessary. Strategic nature of this approach is underpinned by the fact that based on globalization there is more intensified fight for talented employees. Consequently, it is needed to strategically approach not only education and development of human resources, but also recruiting, motivating and remunerating.

1.3 Corporate Performance Management

Corporate Performance Management (CPM) is a concept which integrates a corporate strategy with all business processes integrating all business units and management layers into execution of the strategy. Based on this integration it is easier to identify and align work tasks and initiatives carried out by managers and employees with the corporate strategy execution. It provides managers with a real picture about what is really going on through a value chain and provides a strong platform for future development. In practice it is often referred to also as “Business Performance Management” (BPM) or “Enterprise Performance Management” (EPM) which might cause confusion what performance management of the company is or is not. Furthermore, the confusion is multiplied by the fact that this concept obtains processes, tools and applications which are more or less already used by many companies, e.g. budgeting, scorecarding or dashboards, forecasting, business intelligence, etc. (Eckerson, 2004).

In (Eckerson, 2011, pp. 20) the essence of Corporate Performance Management is that the company identifies the core activities which contribute to the success of the company the most and ensure that all employees are carrying out these activities at their best. Its purpose is to help the company to be more focused on what is important, to have aligned particular activities and to be effective.

1.4 Corporate Performance Measurement

Measurement is complex, time-consuming, frustrating, difficult, challenging, and important, abused and misused (Sink, 1991). On the other hand, many authors claim that if you cannot
measure it, you cannot manage it (Armstrong, 2004; Kelvin; Anon).

Current strategic management literature suggests that there should be strong linkage between strategic plans and performance measures or metrics (Kloot and Martin, 2000). Metrics as critical elements in translating company’s mission or strategy into reality provide essential links between strategy, execution, and ultimate value creation (Melnyk et al., 2004).

Over the time of last 40 – 50 years there has been a change in nature of performance measurement. The prevalence of traditional financial metrics based on the loss and profit statement and the balance sheet has been gradually filled in with non-financial metrics, i. e. modern synthetic metrics of corporate performance.

Literature provides plenty of systems of complex performance measurement, such as Balanced Scorecard, EFQM, KPI, benchmarking, TOPP system, the Performance prism, etc. (Taticchi and Balachandran, 2008; Folan and Browne, 2005). It is not possible to set one universal system since every contemporary performance measurement system aims at different facet of the performance, yet depending on industry.

According to Hammer an effective performance measurement system is deployed only in very few companies (Hammer, 2007). Better said, companies do have their own performance measurement systems but few managers and employees believe that these systems are suitable for their company or even helpful in improvement of corporate performance and strategic goals accomplishment. Despite an extensive research and recommending new systems many managers claim that they measure too much or too little, or they measure the wrong things which results in not using their metrics effectively. What can be measured, can be improved. On the other hand, it is no use in improving something if the company measures the wrong things. It brings no substantial effects. Bititchi et al (2000) identify that performance measurement needs to have the following characteristics:

- Being sensitive to changes in the external and internal environment of the company;
- Reviewing and reprioritizing internal objectives when the changes in the external and internal environment are significant enough;
- Deploying the changes to internal objectives and priorities to critical parts of the company, thus ensuring alignment at all times; and
- Ensuring that gains achieved through improvement programmes are maintained.

1.5 Basic problems regarding education and performance

Business education in meaning to gaining, developing and deepening knowledge and skills (business, communication, managerial, negotiating, predicting, problem solving, etc.) has a significant contribution for a company. In context of Corporate Performance Management there can be these problems regarding education:

- educational needs are not expressed in the way that it would be clear what are required changes in a level of corporate performance,
- it is not clear which particular educational activity has contributed to a particular increase of an employee’s performance,
- the criteria of education evaluation or their target values are not set at the beginning of educational process,
- the results of educational process are examined but impacts of these results regarding the change in the corporate performance are not further explored,
- education can bring results in different form or in different areas than the company was planning,
- it is more challenging to quantitatively prove the influence of work habits change or gaining new knowledge (in general contribution of education) on improved outcomes of the company,
- the management of the company is not interested enough in measuring the impact of education on corporate performance,
- unsatisfactory communicating the effects of education to all employees,
- a vague answer on a question: what part of investment in education will be directly shown in human capital?
2 Model of education’s influence on performance

Companies are trying to manage performance of each employee, team and process to ensure that the goals are met in an efficient and effective manner consistently (Sahoo and Sambedna, 2012). Broadly speaking, the corporate performance can be managed in three basic ways: Human Resource Education and Development; new technology and ICT and process management. Each of this way could have a considerable impact on corporate performance and thus, human resources and their education and development is of a particular interest in this research.

The following model in figure 3 depicts the relationship between Corporate Performance Management and Human Resources Education and Development. The process of education is embodied into the process of Corporate Performance Management.

Since every company is an open system and as Bititchi mentioned, it is necessary to take into account information within internal as well as external environment. In the internal environment it is essential to ensure a smooth flow of information to all employees regarding the course and outcomes of the processes and activities. So is imperative to provide proper information to subjects in external environment, such as customers, suppliers, investors, competitors and other stakeholders. All this information is required for an analysis of actual competitive position at the market with its strengths and weaknesses so that the management of the company would be able to determine, execute and if needed rethink the strategy and goals. Furthermore, a vision and mission is a valuable guidance when determining and executing the strategy.

If the company wants to manage its performance the first thing to be done is to find out the contemporary performance (grounded on reviewing the previous performance) and determine performance goals for the future. In order to find out the contemporary performance it is needed to use the performance measurement system which has to provide clear answers on why and what we want to measure. When deciding on the selection of proper measures, the question how or in what way this measure enables to improve the performance of a particular business unit, an employee or a team must be answered. Incorrect or insufficiently thought selection of measures can result in an opinion that the entire performance measurement system is useless or worthless. Consequently, the correct choice of measures will prove its merit in the next step – the evaluation of the effectiveness of the process of performance measurement on which results next steps and decisions regarding performance improvement will be adopted. If inappropriate measures or measures which do not satisfactory capture the company’s needs are chosen, the afterwards improvement steps will not be as contributing as wished.

Based on performance measurement the concrete figures of above mentioned measures will be obtained. These are to be scrutinized in the next step where any imperfection causing lack of performance could be revealed. In general, there could be two-sight point of view on how to diminish the cause of the lack of performance; first via education and development and second via non-educational solutions, such as a purchase of new technology, an introduction of new production system, a revision of work procedures, etc. This is briefly shown in figure 2.

Assuming, that this problem in performance can be diminished by education and development, the next step is to plan educational activities based on an analysis of educational needs followed by realization and evaluation of the educational process. The evaluation is very complex, yet important process. Not only does it enable continual progress and improvement, it also facilitates more effective employment of employees’ potential in future and advances the smooth of work procedures. Educational process plays a significant role in framing the character of future employee’s or corporate performance.
If the company carries out the measurement and management of performance systematically through education and development it gains competitive advantage which is quite inimitable. When using this competitive advantage in competition at the dynamic market, the company will gain profit.

Measurement process provides information which is valuable only when the knowledge derived from it is used in every aspect of the business. This fact is depicted in model in figure 3 by the feedback, the double loop feedback, where feedback I is about evaluating the change in performance in contrast with previous performance (actual performance). It states the overall successfulness of the entire performance measurement and management. Feedback II regards the evaluation of the change in performance accomplished on the basis of education and development, i.e. how much and in what way is the education the cause of increased performance. It states a value added by education. The feedback works on the causality thought, i.e. every action (in this context every educational action) triggers another particular action (in this context an increase in performance of both an employee and a corporate).

Managers should ensure that in the process of Corporate Performance Measurement and management, the internal environment is harmonized regarding strategic goals, procedures, plans and budgets, business functions, duties and authorities. Harmonized and aligned business processes and activities of individual employees are the basic necessity for strategic and systematic attitude towards corporate and employees’ performance management.

3 Improvement of performance based on education

There is a growing body of evidence showing an association between Human Resource Management and corporate performance (Guest, 2003, pp. 292). There have been several studies attempting to research the relation between HRM and performance, yet they have different results (Guest et al, 2003). Given the change in perception of human resources and managing them as value adding resources has resulted in several areas of performance measurement innovations. These include the development of 360 degree performance ratings, developing
quantitative ways of assessing HRM outputs, the Human Capital Index, multi-attribute utility analysis, accounting for human or intellectual assets, balanced scorecards and intangible assets (Chenhall & Langfield-Smith, 2007, pp. 273).

Nevertheless, the problem here is a missing model of relations, information flows and measures which clearly and directly describes the correlation between effects and benefits of education and corporate performance. Furthermore, there is rising a question how to manage particular components of educational process in order to improve employees’ job performance as well as corporate one. This question requires further research. Figure 4 attempts to provide an outline how to approach this question’s solution.

Basically, the process of business education and performance management could be expressed in four-phase process: planning, realisation, monitoring and reviewing. Each process has its own procedures and metrics but if there is supposed to be correlation between education and corporate performance, some interconnecting element should be established. The connecting elements between these two processes are:

- **personal improvement and performance plans** where individual educational goals as well as corporate KPIs are set and linked, e.g. if there is a need to enhance productivity in production, educational goals should be aimed at productivity improvement for production workers. Performance measures are considered and set in this phase,

- **motivating to improve performance and high performance culture** as the platform (ensuring the commitment and the involvement of employees) for successful realization (execution) of educational programme as well as budgeting and carrying out the plans with measures for particular business units,

- **performance measures** which are key when monitoring over the time the effectiveness of new knowledge implementation in day-to-day work and accomplishing performance goals of the business unit, and

- **Performance review** which is a concluding phase where the level of knowledge, changed work behaviour, time and costs are review and reports of business problems are drown with corrective initiatives.

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<td>• Motivating to participate in education</td>
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**Figure 4.** An outline how to manage educational process regarding Corporate Performance Management

### 4 Conclusion

Corporate performance measurement and management systems are implemented into big
companies or multinational corporations which are usually cooperating with consulting groups, such as Deloitte, PricewaterhouseCoopers, KPMG, Ernst & Young, McKinsey, Accenture and many others.

When selecting the proper performance management and measurement system it is needed to take into account the size of the company, the field of business, asset structure and technological advance. These systems (and their measures) are different for manufacturing companies and services providing companies. Therefore there should be multidimensional measures such as productivity of labour, production output, profitability, revenues, liquidity, team effectiveness, customer satisfaction, delivery time and many others. Furthermore, these performance measures are necessary to be bound with educational process, motivational process and remuneration process.

The aim of the article was to describe how educational process in a company influences corporate performance. The approach presented in figure 4 represents an outline how to manage corporate performance based on educational process. However, the outline is a conceptual model which requires further research, in particular what measures should be used, how to breakdown KPIs on an individual level, who is responsible for carrying out the phases, how and when to monitor the progress of this approach in addition to how to implement the proposed recommendations. Testing the model in conditions of a particular company would provide the feedback crucial for refining and improving the model.

Acknowledgment

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Authors description

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