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STRATEGIC MANAGEMENT OF CORPORATE EDUCATIONAL SYSTEM FORMATION AND DEVELOPMENT

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Abstract

The relevance of the problem under consideration is attributed to inadequate elaborating theoretical and strategic aspects of corporate education organizational and economic patterns and specific peculiarities of establishing corporate education in market economy. At present companies' success relies on ability to create and develop knowledge and to implement information and knowledge products. Employees' knowledge increase serves as the basis for creating, implementing, and managing innovative technologies into production process; introducing new goods and services, based on personnel's intellectual and information capacity. Current situation necessitates companies' changes. Companies have to react more rapidly to market offers and become centers for acquiring and spreading new knowledge. Article objective is to work out concept of corporate educational system innovative pattern. At the first stage, strategic management of corporate educational system is aimed at establishing a training body and building up a comprehensive system of corporate educational system strategic management. This means creating conditions for training, developing, and improving professional skills so as to raise organization, team, and individual efficiency levels. The process mainly aims at building such environment where employees are encouraged to learn and develop. The article considers theoretical aspects of establishing corporate educational system; offers innovative corporate educational system concept; assesses the role of corporate education systems in reaching corporations' strategic competitive advantages and corporations' capacities for further development.

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1. Introduction

Numerous studies in the field of management theory and practice development, resource approach to managing companies and their personnel prove the key role of highly-qualified employees in reaching the company long-term competitive capacity (Aaker, 2015; Akoff, 2005; Ansoff, 2015; Boksai & Perse, 2009). As global experience demonstrates, only when a company has modern technical and technological basis and efficient corporate educational system of personnel training it can be successful in market environment. This factor is crucial when Russian enterprises have to compete with global enterprises. Thus, many Russian companies are actively developing corporate educational bodies. Leading global corporations realize the importance of investing into “human capital” as their main resource. This is accounted for by current growing market competition, global scientific and technological revolution, economy globalization, and the possibility of natural energy resources depletion.

Corporations realize the necessity of forming a new post-crisis management model and accelerated economy transfer to an innovative model, based on knowledge, where “human capital” becomes the major productive force. End-to-end process chain; science-education-production is created in these circumstances. This means that continuous innovation and highly-qualified workers, innovative experts and managers of all hierarchy levels will be very important.

2. Problem Statement

Little attention has been paid to the need for developing education from strategic management point of view. This happened due to the lack of a valid concept of corporate educational system development in scientific literature. This thought is mentioned in Kleyner’s (2015) research "From the theory of enterprise to the theory of strategic management".

This problem has been discussed in foreign literature for a long time. The necessity to establish connection between corporation strategic planning and its human resources planning, was expressed in J. Walker’s (1978) article. His words symbolized the emergence of SHRM concept (strategic human resource management). However, this concept was established in science at the beginning of the 1980’s and is connected with publication of the article, devoted mainly to the study of relationship between corporate strategy and company human resources management. Since that time, the evolution of research into strategic human resources management (with several years’ lag) has followed the development of strategic management science.

The application of the so-called resource approach to company management also contributed to the development of research in the field of strategic human resources management (SHRM), as it shifted strategic management researchers’ emphasis from company external factors (for example, from analyzing the state of industry and business region) to internal resources corporations as the main sources of its competitive advantages (Hoskisson et al., 1999).

The growing recognition of domestic resources as sources of companies’ key competitive advantages has given legitimacy to human resources management (HRM) experts’ claims that these are people who present strategic importance for the companies’ success. There was a theoretical basis for transition to a full (strategic) version of human resources management - SHRM.

Applying resource approach in theoretical works on strategic management helped scholars to bring together the theories of company's corporate strategic corporate management and their personnel's functional management.

According to Wright et al. (2007) and his co-authors, it was the "resource approach that helped to move the" people "or human resources of the company into special attention zone in specialised literature on strategic management."

Later on, concepts that considered knowledge, dynamic abilities self-learning organizations (Fisher & White, 2000; Senge, 1999) and leadership (Finkelstein & Hambrick, 1996) as sources of competitive advantages, increasingly focused scholars and progressive practitioners' attention on the intersection of problems in general corporate strategy and functional strategy of human resources management (company personnel). As it can be seen from the above discussion, the researchers considered the issues of strategic human resources management in detail. However, the aspect under consideration was not considered in previous studies dealing with corporate educational system strategic development. From this article authors' point of view, this aspect became more important due to developing companies' corporate educational system. The existing circumstances make it possible to systematically analyses and develop corporate educational system.

3. Research Questions

The practice of developing corporate educational systems in large foreign corporations was revealed and analyzed, and transition to forming corporate educational systems in Russia was recorded during the first stage of the research. Applying these methods, it was necessary for the authors to create a new corporate educational system for a large company, based on investment social and economic effectiveness in human capital, at the second stage of the research.

4. Purpose of the Study

The purpose of the study was: to identify peculiarities of strategically managing corporate systems, which influence corporations' competitiveness in business environment, and to offer an innovative corporate educating system model, which ensures high efficiency of personnel training; optimizing labor, material, and financial resources so as to increase corporation's competitiveness level.

The analysis, carried out during this research, exhibits sharp demand for qualified personnel in modern Russia. Such personnel must be able to form development strategy in market economy, master new business and explore new markets, manage production process and employees in a flexible way. Economy growth is accompanied by enhanced requirements to experts' training quality. As a result, using various educational models for training personnel is becoming an integral part of raising management quality and efficiency.

5. Research Methods

Research of corporate educational system development perspectives was carried out with the use of basic science techniques, major economic systems strategic analysis (SWOT- and STEP- analysis); new

knowledge content structural analysis based on “portfolio analysis” technique; systematic analysis; innovative development search techniques; economic activity complex analysis technique, project methods (Druker, 2005).

Global experience demonstrates peculiarities of educational systems development. Factors, influencing corporate educational systems development are analyzed and this proves need for investing in “human capital”, first of all, investing in continual personnel training in any organization.

Modern personnel management theory is knowledge system about the role and position of a separate person (employee) and human factor (all organization employees or personnel taken together) as an integral and developing socio-economic subsystem, which is called organization, at every stage of organization activity (Armstrong, 2018).

Human resources (human factor) is undoubtedly the most important resource of any corporation. The importance of human factor for any commercial organization’s reliable and effective activity is increasing in market economy evolution, when competition is becoming global and acute; land resources are growing scarce and economy is being transferred to innovative development model.

The objective result is the subsystem, which is referred to as management system of corporation personnel development, becomes crucial element (Figure 01).

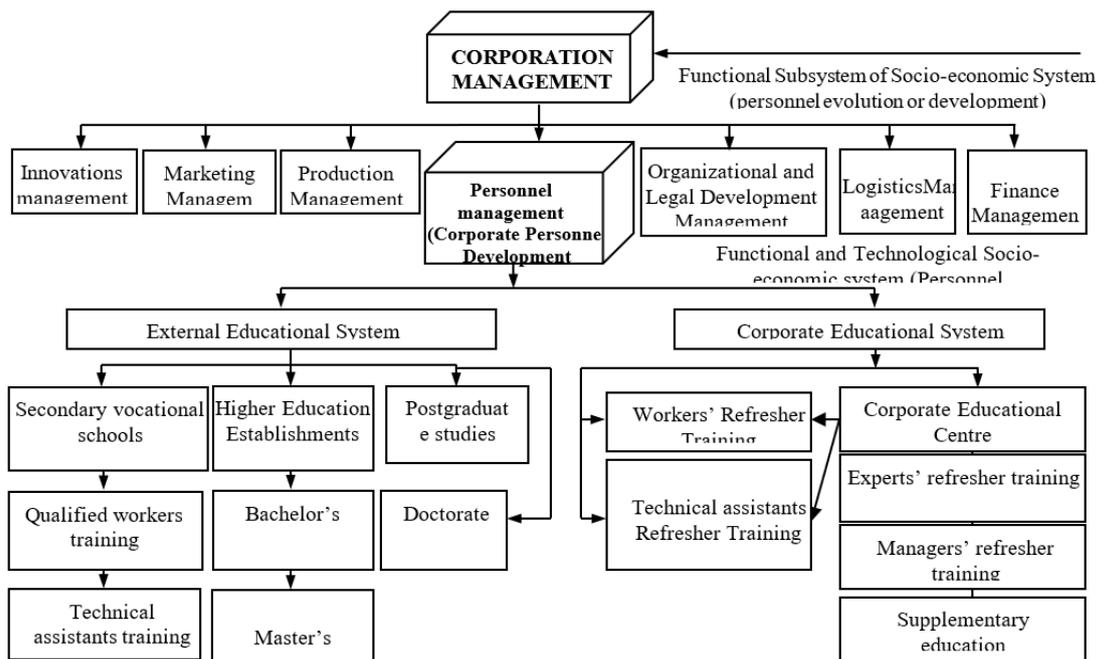


Figure 01. Corporate Educational System Structure

The section on methods and means of flexible cooperating and targeted human factor change on the whole, and each employee, in particular, including management-driven change, is an important part Organization Management.

Personnel education factor presents promising area and methods of personnel development (change). Due to growing human factor importance in any organization or system activities, such area

(personnel management processes and decisions) as indices of personnel education levels, rates and quality are becoming more important.

The term “human capital” was introduced at the end of XX-th century under the influence of Garry Becker’s works (Bekker et al., 2007) and other authors’ research, including Russian scientists’ studies (Orlova, 2018) on the basis of the so-called resource approach to organization management. Human capital meant that there was a certain personnel type in the organization (proceeding from personnel’s quantity, structure, and quality). Such personnel are able to work so as to reach organization’s operational and strategic targets, and this personnel must be assessed. The fact that the term “human capital” started to be used meant Russian and foreign owners and investors realized that it was the human being who can and must be invested in. Investment in people (first and foremost, in their professional training) through educational services proves to be the most effective and promising investment.

Human capital is a long-term economic resource; its reproduced turnover is several times longer as compared with capital stock turnover. The bigger are investments in employees and the more specified a corporation is the more interested corporation’s owners are. It has been found out investments in human capital provide about three thirds of national revenue in developed countries.

Having introduced the notion of “human capital”, scholars and practitioners are currently facing complex and interrelated tasks. The first one is measuring the value (or market value) of "human capital", as well as this capital increments value and its decrease cost (wear and tear). However, theoreticians found it difficult to assess the contribution of the "human capital" institution special cases both for a methodological and especially methodical and practical solution. “Human capital” special cases include "individual intellectual capital", "command intellectual capital", "social capital"), which are difficult to be united in one consolidated category “corporate capital value”, including the category of market capital evaluation, or "capitalization of business".

Simple formula in marginalistic microeconomics calculates the minimum level of the company's future earnings, where investments in a person (first of all, training and professional development costs) must pay off (1). (Innovative management in Russia: issues of strategic management and scientific and technological security 2004):

$$\sum_{i=1...n} E_{t+1} \geq \sum_t I_{t+1} (1 + r)^{n-1}, \quad (1)$$

where E_t is the value of investments made in the t-th year;

E_t is revenue received in the same year "t";

r - discount factor for future periods;

$\sum E_{i=1...n}$ - is total revenue received for "n" years due to previous investments.

In case pure economic aspect is considered, then t revenue level calculated by formula (1) represents the lower limit of justified investment in a person. However, it should be borne in mind that from the point of view of costs, the increase in human capital implies labor efforts (labor investments) on the part of the employee. Besides, investment results include not only monetary components.

According to Balatskiy (2016), in order to assess education investment efficiency, one must compare revenue "Wt" received during a person's life after finishing studies (time-t), in case this person

does not have specialized vocational training, with revenue "Dt" , received by a person, having such training.

The total revenue from investments in education "Π", according to the author, can be calculated by formula (2), according to the author:

$$\Pi = \sum_{t+1} (D_t - W_t) (1 + r)^{n-1}. \quad (2)$$

In formula (2), the discount rate (return) "r" acts as a regulator for distributing investment between educational systems, different levels of education and the country economy as a whole.

However, many subjective individual factors cannot be ignored, among which:

- equality of formula (2) elements, because people will not be properly trained unless they are sure they really need this training and it is (will be) useful;
- the ability of specific "human capital" bearers (i.e., company employees) for self-determination.
- therefore, the priority of investments in education should be strictly targeted and linked to the goals set by definite employees themselves;
- the dynamic nature of the demand for education and self-education, depending on the company internal environment factors and the company external environment.

It is assumed that these are corporate "Learning Centers" that can and should solve the tasks of increasing professional knowledge, enhancing trust to the organization by strengthening internal public relations, studying and following corporate norms, principles, and values.

Many owners and top managers of leading Russian companies share the opinion the corporation management can and must educate its employees at the expense of the company's resources; provide similar opportunities for employees to upgrade their skills. The authors of this article support this viewpoint.

The research under consideration requires to consider the only functional strategy, or the Corporation human resources development strategy, and further on to single out one business strategy out of it, i.e. the Strategy for the developing the company corporate educational system.

The emergence of human capital theory and the resource approach to organization personnel has revolutionized the theory and practice of relations between company owners and top managers and organization's (enterprises, corporations, companies, etc.) employees. At present, increasing number of commercial organizations' heads realise it is not only possible but also profitable to invest their funds in human capital. The emergence of the "knowledge economy" and the beginning of Russian economy's transfer to the innovation model further strengthened the value and effectiveness of investing in human capital development.

The company's transfer to SHRM (strategic human resource management) model requires developing and subsequent implementing a set of supporting activities, among which one can single out the following main ones:

- a) forming and training employees from the company centralized personnel management department;
- b) developing methods for strategic, project (software) and operational planning and developing of the company's personnel;
- c) developing a model and business processes for personnel certification and assessment;
- d) developing a model and business processes for managing career growth and executives' reserve of executives (the so-called "career elevator" technology);
- e) developing methods for company personal motivation and a package of business processes to implement motivation principle in personnel planning and management;
- f) developing corporate training strategy for company's personnel;
- g) implementing strategic, project and operational development plans for the company's personnel;
- h) arranging accounting, reporting and analysis of the company's personnel.

Taking into account these activities, it is necessary to determine the role and place of the corporate educational system in the company personnel development management system.

A common corporate educational system is understood as a complex that systematically, accurately and reasonably forecasts, plans, forms, updates and applies knowledge in order to maximize organization (corporation, company) and increase the profit received per unit of time from assets based on knowledge. This system includes the following subsystems:

- A) Information support;
- B) Educational (organizational and technological) support;
- C) Market supply (new knowledge commercialization);
- D) Staffing;
- E) Material and technical support;
- F) Forecasting and feasibility planning;
- G) Financial support;
- H) Legal (normative and methods) support.

Their common task and goal is to ensure continuity (stability, reliability) and high socio-economic efficiency of the main production (educational) process at all stages: from obtaining information to implementing innovations on the basis of new knowledge in the work of the company itself and / or by selling commodity intellectual products innovations) in the innovative products open markets.

If the goals formulated above are turned into a package of more "mundane" management systems, then it is possible to say the tasks of the corporate educational system will be the following:

- a) Transforming the "invention" (a new scientific product) into "innovation" (a new production product);
- b) Training creative workers, i.e. authors of new ideas, to master the methods of innovations commercialization.

- c) Teaching the creative part of the staff to master intellectual invention skills. To achieve this goal it is necessary to teach the staff to "invent", to generate new ideas using their intellectual potential;
- d) Training a required number of "innovation projects managers";
- e) Encouraging employees to exchange "skills" and "competencies" (through employee motivation);
- f) Accumulating and transmitting individual and group progressive experience through trainings;
- g) Forming through training "command" thinking and similar behavior through training;
- h) Building workers and groups' trust to each other, "targeting" them to corporate interests through training;
- i) Informing employees about the company, raising the level of the company's «openness" during periods of training;
- j) The staff "legal literacy" of the staff;
- k) Production workers and experts of technical services' "economic literacy";
- l) Raising the company's prestige due to activity in the region and in the industry, primarily in the field of innovation.

As it can be seen from the list of tasks, facing the corporate educational system, their "lion's share" refers to the problems solved at the Company's Training Centre and with the latter's active participation.

The main provisions of the corporate educational system concept are developing organizational and economic model that ensures training personnel high efficiency and management methods appropriate to the company's level and scale, as well as determining the optimal resources (labor, material, financial, etc.) allocated for development system.

Corporate educational system concept has a process-oriented structure aimed at modernizing education on a qualitatively new basis, and its successful development depends on the company's human resources development (Figure 02).

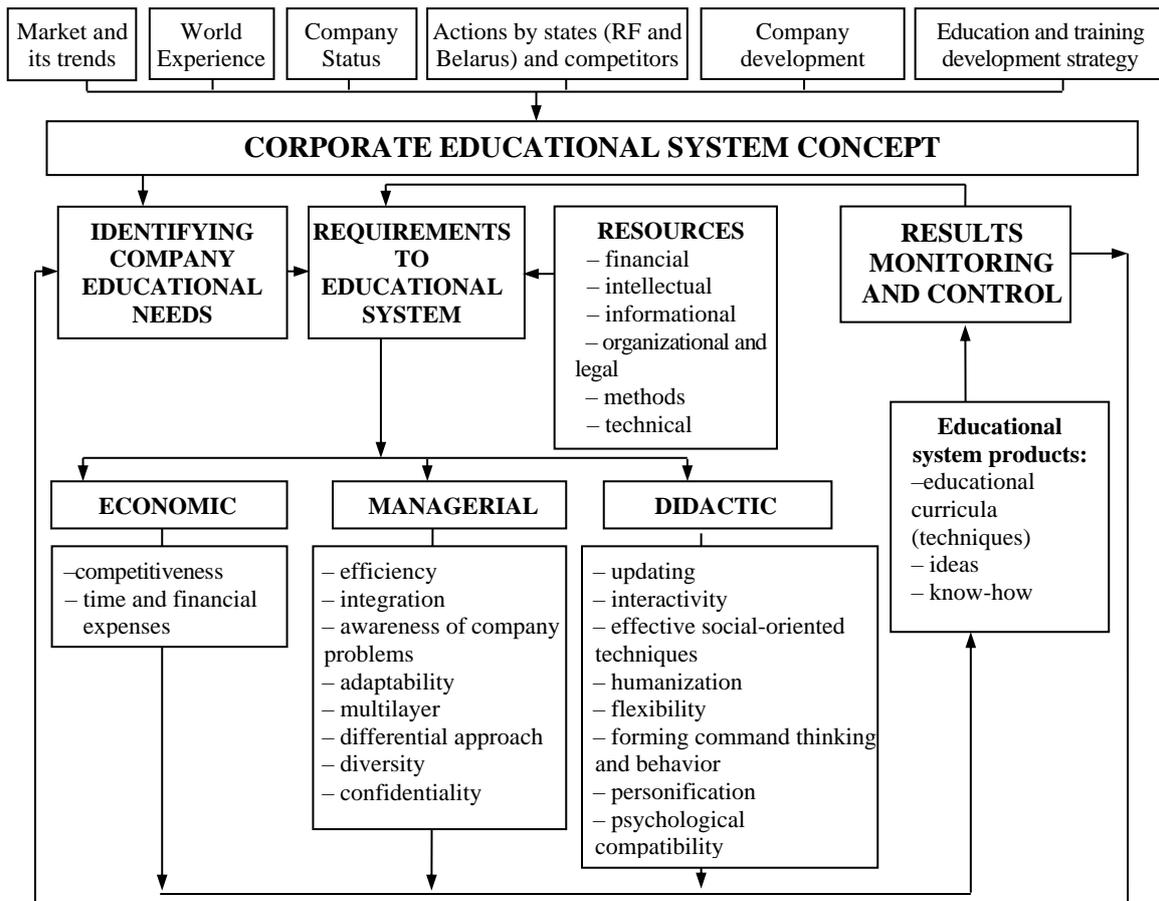


Figure 02. Conceptual flow chart of the corporate educational system

A strategic approach to the corporate educational system development makes it possible to create the company's system of training managers and experts. This system is based mainly not on administrative methods, but on economic incentives and social guarantees that bring together the company's workers and top management interests in achieving high labor productivity, production efficiency and management, high quality products and the company's best economic results. When developing the concept of the company corporate educational system through continuous advanced training based on the system and target approaches, it is necessary to take into account the following issues:

- systematic and complex approach to its forming (theoretical and practical aspects of experts' specialists);
- applying block-modular structure (continuity of professional educational programmes, logical sequence and interconnection of individual units);
- layout of the base blocks contents on the basis of integration methods (multi-level, multi-stage and multi-disciplinary training programs);
- differentiated approach to teaching different listeners categories, depending on the nature and characteristics of their professional activities, the combination of group and individual training forms (flexibility of organizational forms);

- two-stage students' training quality control, consisting of the entry control and verifying the degree of educational material mastering by listeners with the help of the interview (at graduation);
- advanced personnel training, making education more fundamental, which significantly improves its quality; integration of science and humanities education; innovative learning;
- efficiency, i.e. applying various training program, which should provide sustainable results in the company's operations.

As a result of implementing the proposed concept, the main characteristics of the corporate educational system will be:

- focus on specific learning outcomes;
- flexibility in regulating training volume and content, depending on students' needs;
- optimal balance of theoretical knowledge and practical skills development and formation;
- equal opportunities for training;
- efficiency in the development and updating of programmes structures;
- relatively small amount of time and money spent on training with a high cost of program development, volume, and content of training, depending on the needs of students;

This system will also take into account specific features of individual workplaces and units (variety of activities, geographic dispersion); prospects assessment for developing workplaces and units (in connection with the company restructuring, optimizing staff amount and structures of production units structure); priority interests of the company (the ability of personnel to work in conditions of market uncertainty and innovative technologies).

6. Findings

Based on the analysis of corporate educational system development, it appears that the materials, presented in the article, will be of interest and useful for corporate executives (companies, enterprises) and university professors, personnel managers, middle management, and refresher training courses students.

The article presents the conducted research results aimed at searching for and developing theoretical and methodological approaches to creating corporate educational system organizational and economic model and practical recommendations for its management. The role of corporate educational systems in the process of achieving strategic competitive advantages of corporations is also revealed in the article.

Practical significance of the research results is determined by the possibility of any corporation to use methodological approaches developed in the article so as to create their own educational systems organizational and economic models as required by innovation economy.

7. Conclusion

The strategy of education development through continuous training is to be integrated into the overall corporate strategy. The strategic management of the company's human resources can and should become the most important unit in the company's strategic management system, as well as an element of the overall corporate educational system. In turn, the strategic development of the corporate educational system can and should become one of the priorities in the company's personnel management strategy, so that the latter can become an inseparable part in the overall corporate strategy.

Corporate educational system is being currently improved as the priority link in companies' activities. Investments in developing this system pay off in the medium and long term. This confirms theoretical statement about human capital primacy among production factors. However, it must be added: in modern conditions this capital, this production factor is best realized in a well-organized and strategically managed corporate environment. All this makes it possible to outline the prospects for the developing entire corporate educational system.

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