The Effects of Learning and Growth Perspective on Financial Performance in Private Universities

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ABSTRACT

Many organisations are known to focus more on their financial gains to the detriments of their other roles that they are expected to discharge to their workforce and the communities. It has also been established from previous researches that financial performance would not be adequately valid with only performance measures unless others that are non-financial measures are incorporated, particularly with respect to those in the traditional BSC, such as is Learning and Growth Perspective (LGP). Yet, there are limited publications that examined the effects of LGP on organisational FP for Private Universities (PUs). In this paper, the effects of LGP on the Financial Performance of Yemen’s PUs was investigated. A designed questionnaire based on Partial Least Square-Structural Equation Modeling (PLS-SEM) was carried out. The results showed that LGP has a positive and direct effect on the Financial Performance of the Yemen’s PUs. This paper therefore will help in achieving the goals of Yemen’s PUs of Yemen in order to enhance their organizational Financial Performance (FP).

KEYWORDS

Financial Performance, Learning and Growth Perspective, Private Universities, Structural Equation Modeling

1. INTRODUCTION

One of the key importance of Financial Performance (FP) of organisations, according to (Kaplan & Norton, 2001) is that it represents processes through which organizational behaviors are being translated into increased budgets and sustainability, aimed at methods that are cost effective through which customer benefits are guaranteed. The FP as one of the main components of the traditional BSC is considered according to Neely (1999); Niven (2002), as an excellent tool through which the different forms of organisations’ assets and values could be determined.

Despite, these views on FP, previous researches also argued that there are some assets (e.g. insubstantial and intellectual) and values, whose evaluations should not be solely on FP but the Non-financial performance measures must also be incorporated, for better appreciations of their competitive advantages (Kang, 2008; Kaplan & Norton, 1996). For example, the support received by the workforce of organisations, in terms of training, resources and capacity developments could be translated to their satisfaction and better perception of the management teams for improve performance.

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As such a long time strategic planning that incorporate the development of the employees would lead to better Financial Performance.

One of such non-Financial Perspectives is Learning and Growth Perspective (LGP) and according to Kaplan and Norton (2001) it represents organizational practices and methods that promote a culture that inspires innovation, organizational improvement and growth. Thus, LGP aims at sustaining organisational desires to improvement of their strategic thinking towards achieving their set visions. These are translated into the human resource and capital developments of their employees, which could be in form of loyalty, work competences, information, telecommunication capabilities, motivation, and empowerment and alignment (Gokhale, 2010). It is also highlighted in Park and Gagnon (2006), that LGP could facilitate the performance of the other three perspectives of the traditional BSC, though Bento, Bento, and White (2012) argued that such influences are guaranteed when there are continuous improvements of the organisational workforce. However, Kaplan and Norton (2001) considered the learning and growth perspective to be related to the organisations’ internal skills and capabilities.

Furthermore, Glaveli and Karassavidou (2011); Bento et al. (2012) reiterated that LGP could bring about better financial performance of organisations. Moreover, according to Cohen, Thiraios, and Kandilrour (2008), there exist a direct positive relationship between LGP and Financial Perspective. However, a relative weak direct, positive effect of LGP on the financial perspective was reported among the hypotheses investigated in Bento et al. (2012). In this paper therefore the potential relationship between LGP and organisational Financial Performance of the Yemen’s Private Universities (PUs) and Higher Education Institutions (HEIs) was investigated.

The remaining parts of this paper are therefore arranged accordingly with reviews on literature on LGP, FP and their inter-relationships. This is followed by the methodology that is based on structural equation modeling (SEM). Next is the results, and thereafter followed by discussions and conclusion section.

2. LITERATURE REVIEW AND RESEARCH HYPOTHESES

The review covers LGP, FP and the inter-relationships between them are evaluated for FP Yemen’s PUs and HEIs.

2.1. Learning and Growth Perspective (LGP)

According to Kaplan and Norton (2001), Learning and Growth Perspective (LGP) aims at identifying innovative, organisational improvement and growth that could bring about better employees in discharging their duties. In essence, this would spur the financial success of the organisations and contribute towards their strategic vision, (Ghili, Nazarian, Tavana, Keyvanshokouhi, & Isaii, 2013; Gokhale, 2010). Other researchers (Alhashem & Shaqrah, 2012; Frieß, Groh, Reinhardt, Forster, & Schlichter, 2012; Reinhardt, Wiener, Frieß, Groh, & Amberg, 2012; Schwarz & Bodendorf, 2012) examined the innovations in their studies, as well as with respect to organisational performance (Arun, 2015; Zhang & Yao, 2015).

The importance of LGP, according to Kaplan and Norton (2004), can be obtained for instance through organisational ability; human capital; employees; knowledge systems; and values co-creation. Consequently, different indicators and intangible assets are two features of LGP, which could be assessed through human, information, and organisation capital, culture, alignment, and teamwork (Chuang, 2007). To this end, (Kaplan & Norton, 2004) reiterated that the investment in human capital would be a critical internal processes that could help in reaching extraordinary levels in strengthening the organizations internally.

Bento et al. (2012) recounts on how the three dimensions of the Balanced Scorecard can influence the financial dimension by benefitting directly from innovations in systems and methods. Commitment towards inspiring good quality work and a progressive organizational culture is seen as a key ingredient in building sustainable operational benchmarks of best practices within the
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