

The impact of education and training of employees on their performance in the banking sector, "Case study in Raiffeisen Bank"

M.sc. Arta SELMANMUSA

Lecture in "Business Administration" in Prizren, University of Prizren,

Lecture in "European Dukagjini College" – Peja.

e-mail: artamusa1@gmail.com

Abstract

Employee training is essential for an organization's success. Today's businesses must do everything possible to stay competitive and retain a highly skilled, motivated. In order to keep employees happy, boost morale, and remain competitive, employers should be aware of the need for further training and education of personnel. Enterprises regardless of different problems they also suffer significant losses due to not creating a culture for staff development and for the company in general. Companies in Kosovo overlook the importance of education and training of employees making their employees to feel dissatisfied, with a moral and low morale, low knowledge about their work and insufficient opportunity for improving, expanding and enhancing them. Many studies have shown that employees who felt satisfied with the education and training provided by the company have been less inclined to leave it. As a result of lowering costs unless there are other significant benefits for the company, the benefits that come from the degree of motivation of employees, increase efficiencies in processes, resulting in financial benefits, increasing the capacity to adopt new technologies and methods, to growth strategies and innovation in products, enhanced company image that is affected by the application of various trainings to increase knowledge. The purpose of this paper is to analyze the impact of education and training of employees on their performance in the banking sector. To illustrate the education and training of employees in Kosovo, we have realized a research through interviews with the leading manager of Raiffeisen Bank. Results will be presented in the form of case study. Results achieved have shown that adequate capacity of employees to learn continuously, to update their skills and expand their knowledge in today's rapidly changing environment, it is vital for increasing the performance of employees

Key word: Education and training, employees, performance, banking sector

Qualification JEL : M5; M54;

Introduction

Training means transferring information and knowledge to employers and equipping employers to translate that information and knowledge into practice with a view to enhancing organization effectiveness and productivity, and the quality of the management of people.

The need for training your employees has never been greater. As business and industry continues to grow, more jobs will become created and available. Customer demands, employee morale, employee productivity, and employee turnover as well as the current economic realities of a highly competitive workforce are just some of the reasons for establishing and implementing training in an organization. To be successful, all training must receive support from the top management as well as from the middle and supervisory levels of management. It is a team effort and must be implemented by all members of the organization to be fully successful.

Suggested that management's primary responsibility is to create learning ability throughout the organization.

Everyone within the organization participates in the identification and resolution of problems, enabling the organization to continuously experiment, improve and ensure customer satisfaction.

"Learning organization" before giving emphasis teams and systems than for hierarchy set performance. In "learning organizations" senior managers must be leaders who create a common vision of the future. Empowering employees means not given power (power) people but they themselves recognize these powers and help in using them for the good of the organization.

The key to effective teams is the exchange of information and successful organizations modern give their employees access to the data around

budgeting, benefits and expenses. In the new paradigm managers believe that the best is great exchange information than their younger exchange.

1. Importance of Developing a Role in Training

Training of employees takes place after orientation takes place. Training is the process of enhancing the skills, capabilities and knowledge of employees for doing a particular job. Training process moulds the thinking of employees and leads to quality performance of employees. It is continuous and never ending in nature. Training is crucial for organizational development and success. It is fruitful to both employers and employees of an organization. An employee will become more efficient and productive if he is trained well.

Developing a role in training is important for an employers' organization for several

reasons. First, it enables the organization to contribute to the development of a country's human capital, through its influence on education policies and systems and training by public training institutions, to better serve business needs. It also enables it to influence employers in regard to the need for them to invest more in training and employee development - which employers should recognize as one key to their competitiveness in the future. Second, it provides an important service to members, especially in industrial relations in respect of which sources of training for employers in developing countries are few. Third, it is an important source of income provided the organization can deliver relevant quality training. Fourth, it compels its own staff to improve their knowledge without which they cannot offer training to enterprises through their own staff. Fifth, the knowledge required for training increases the quality of other services provided by the organization - policy lobbying, advisory and representation services. Sixth, it contributes to better human relations at the enterprise level and therefore to better enterprise performance, by matching corporate goals and people management policies. Finally,

it improves the overall image of the organization and invests it with a degree of professionalism, which can lead to increased membership and influence.

Keeping your skills and abilities up-to-date in today's on-demand environment is

a critical component to your success. Virtually all modern organizations accept that a well-trained workforce is a critical success factor. Increasingly, intellectual capital is being viewed as a source of competitive advantage. Further, a rate of organizational learning faster than competitors is important to maintaining such an advantage. One of the challenges related to intellectual capital is that

most companies lack experience in managing it. Nonetheless, less hierarchy, fewer rules, and an absence of barriers to free exchange of information within organizations appear to be important to effective management of intellectual capital. One reason why intellectual capital has not received enough emphasis is that it is difficult to measure. This is not surprising because intellectual capital may be described as "the sum of everything everybody in your company knows that gives you a competitive edge in the marketplace." Nonetheless, a crude back door approximation can be obtained by calculating Tobin's q, which is "the ratio between a company's market value (stock price times shares outstanding) and the replacement value of its physical assets)."

From a more theoretical perspective, one of the major roles of human resource management is to provide control. Such control may focus on behavior, such as through use of performance appraisals; outputs, such as accomplishment of goals; and inputs, such as through the selection and training of employees.⁹³ Because of the difficulty in measuring intellectual capital, organizations will be unable to use controls that require.¹

2. Training and development

Learning is a relatively permanent change in behavior that results from direct or indirect experience. Learning organizations are firms that recognize the critical importance of continuous performance-related. Training takes appropriate action. They are one whose employees continuously attempt to learn new things & to use what they learn to improve product or service quality. The most important thing in learning is that all managers should understand the basic purposes and processes of both Training also recognize the role of learning theory in Training. The heart of a continuous effort designed to improve employee competency and organizational performance. Training typically focuses on providing employees with specific skills or helping them correct deficiencies in their performance. Upgrading employees' performance and improving their skills through training is a necessity in today's competitive environment. The training process brings with it many questions that managers must answer.

Adjustments in external and internal environments necessitate change. Once the need for change is recognized and the factors that influence intervention are considered, the process of determining Training needs begins. Essentially, two questions must be asked: "What are our Training needs?" and "What do we want to accomplish through our TRAINING efforts?" After stating the TRAINING objectives, management can determine the

¹ Greer, R, Ch (2008): "Strategic Human Resource Management", p 254

appropriate methods for accomplishing them. Various methods and media are available; the selection depends on the nature of TRAINING goals.

Naturally, TRAINING must be continuously evaluated in order to facilitate change and accomplish organizational objectives.

2.1. The Training Process

Training is one of the most profitable investments an organization can make

2.1. Needs Assessment and Establishing Objectives

This step identifies activities to justify an investment for training. The techniques necessary for the data collection are surveys, observations, interviews, and customer comment cards. Several examples of an analysis outlining specific training needs are customer dissatisfaction, low morale, low productivity, and high turnover.

By determining training needs, an organization can decide what specific knowledge, skills, and attitudes are needed to improve the employee's performance in accordance with the company's standards. The needs analysis is the starting point for all training. The primary objective of all training is to improve individual and organizational performance. Establishing a needs analysis is, and should always be the first step of the training process. The overall purpose of the assessment phase is to determine if training is needed and, if so, to provide the information required to design the training program. Assessment consists of

three levels of analysis: organizational, task, and person.

2.2. Developing training programs and manuals.

This step establishes the development of current job descriptions and standards and procedures. Job descriptions should be clear and concise and may serve as a major training tool for the identification of guidelines. Once the job description is completed, a complete list of standards and procedures should be established from each responsibility outlined in the job description. This will standardize the necessary guidelines for any future training.

2.3. Deliver the training program.

This step is responsible for the instruction and delivery of the training program. Once you have designated your

trainers, the training technique must be decided. One-on-one training, on-the-job training, group training, seminars, and workshops are the most popular methods. For a training program to be successful, the trainer should be conscious of several essential elements, including a controlled environment, good planning, the use of various training methods, good communication skills, and trainee participation.

2.4. Evaluating Training

The credibility of training is greatly enhanced when it can be shown that the organization has benefited tangibly from such programs. Organizations have taken several approaches in attempting to determine the worth of specific programs. In this phase, the effectiveness of the training is assessed. Effectiveness can be measured in monetary or non-monetary terms. It is important that the training be assessed on how well it addresses the needs it was designed to address.

- **Participants' Opinions:** Evaluating a training program by asking the participants' opinions of it is an inexpensive approach that provides an immediate response and suggestions for improvements. The basic problem with this type of evaluation is that it is based on opinion rather than fact. In reality, the trainee may have learned nothing, but perceived that a learning experience occurred.

- **Extent of Learning:** Some organizations administer tests to determine what the participants in training program have learned. The pretest, posttest, control group design is one evaluation procedure that may be used.

- **Behavioral Change:** Tests may indicate fairly accurately what has been learned, but they give little insight into desired behavioral changes.

- **Accomplishment of Training Objectives:** Still another approach to evaluating training programs involves determining the extent to which stated objectives have been achieved.

- **Benchmarking**

Benchmarking utilizes exemplary practices of other organizations to evaluate and improve training programs. It is estimated that up to 70 percent of American firms engage in some sort of benchmarking.

- **A Case for Simplicity:** Value is the measure of impact and positive change elicited by the training. The most common approaches used to determine the effectiveness of training programs are as under:

Post Training Performance Method:

In this method the participants' performance is measured after attending a training program to determine if behavioral changes have been made.

Pre-Post Test approach:

Most commonly used approach towards measurement of effectiveness of training is Pretest Post test approach this approach performances the employees is measured prior to training and if required training is provided. After completion if the training again the performance is measured this is compared with performance before

training if evaluation is positive e.g. increase in productivity that means that training is effective.

Pre- Post Training Performance with control group Method:

Under this evaluation method, two groups are established and evaluated on actual job performance. Members of the control group work on the job but do not undergo instructions. On the other hand, the experimental group is given the instructions. At the conclusion of the training, the two groups are reevaluated. If the training is really

effective, the experimental group's performance will have improved, and its performance will be substantially better than that of the control group.²

This step will determine how effective and profitable your training program has been. Methods for evaluation are pre- and post- surveys of customer comments cards, the establishment of a cost/benefit analysis outlining your expenses and returns, and an increase in customer satisfaction and profits. The reason for an evaluation system is simple. The evaluation of training programs are without a doubt the most important step in the training process. It is this step that will indicate the effectiveness of both the training as well as the trainer.

3. Methods of training in the workplace

Keeping your skills and abilities up-to-date in today's on-demand environment is

a critical component to your success. Virtually all modern organizations accept that a well-trained workforce is a critical success factor. It is impossible to estimate the full costs of the additional informal training that occurs. Ability to use information and communication technologies (ICTs) is among the most important skills that many employees need. Yet there is more speculation than wellgrounded, factual knowledge about the kinds of training regarding work-related computing to which most employees are

exposed.³ Workplace training is important in today's knowledge-based economy. Workplace training is necessary to help employees develop and use the skills they need to adapt to changing workplace needs, to promote innovation and to help employers remain competitive in the global marketplace.

Training is generally imparted in two ways:

On the job training- On the job training methods are those which are given to the employees within the everyday working of a concern. It is a simple and cost-effective training method. The inproficient as well as semi- proficient employees can be well trained by using such training method. The employees are trained in actual working scenario. The motto of such training is "learning by doing." Instances of such on-job training methods are job-rotation, coaching, temporary promotions, etc. Some companies cannot afford the time to take personnel away from their jobs and provide off site training. On the job training provides instructions at the workplace and is focused on training employees in techniques for their current jobs. The training is usually provided by a supervisor or others in a department.

Off the job training- Off the job training methods are those in which training is provided away from the actual working condition. It is generally used in case of new employees. Instances of off the job training methods are workshops, seminars, conferences, etc. Such method is costly and is effective if and only if large number of employees have to be trained within a short time period. Off the job training is also called as vestibule training,i.e., the employees are trained in a separate area(may be a hall, entrance, reception area,etc. known as a vestibule) where the actual working conditions are duplicated.

4. Problems for Employers' Organizations Developing

Training Role and benefits of training

Several reasons account for the problems faced by employers' organizations in training their own staff, and in providing training to members. They include the following:

- Unlike enterprises which can have their staff trained in management and other training

institutions, there are no courses and training institutions which are geared to the needs

of employers' organizations. This places a heavy responsibility on senior staff to train

² Ahmed M, (2002): *Human Resource Management*, p 95

³ James Danziger, Debora Dunkle: "Methods of training in the workplace, Center for Research on Information Technology and Organizations, <http://www.crito.uci.edu/papers/2005/DanzigerDunkle.pdf>

new recruits and on staff to develop themselves. Therefore organizations often rely on

the ILO to conduct training programmes designed to serve the needs of employers'

organizations, and to provide staff with study tours to other employers' organizations.

- Most organizations do not have skilled trainers i.e. persons who have been trained as

trainers.

- Inadequate training material

- Inadequate information/knowledge relating to labour-related subjects needed to attract

enterprises to the organization's training programmes.

- The economic viability of having full time training staff. Due to financial constraints,

an employers' organization would generally have to keep full time training staff to a

minimum. Therefore staff with special skills providing advisory and representation

services should be trained as trainers to enable them to undertake some training in their

areas of expertise.⁴

The benefits of training can be summed up as:

1. **Improves morale of employees-** Training helps the employee to get job security and job satisfaction. The more satisfied the employee is and the greater is his morale, the more he will contribute to organizational success and the lesser will be employee absenteeism and turnover.
2. **Less supervision-** A well trained employee will be well acquainted with the job and will need less of supervision. Thus, there will be less wastage of time and efforts.
3. **Fewer accidents-** Errors are likely to occur if the employees lack knowledge and skills required for doing a particular job. The more trained an employee is, the less are the chances of committing accidents in job and the more proficient the employee becomes.
4. **Chances of promotion-** Employees acquire skills and efficiency during training. They become more eligible for promotion. They become an asset for the organization.

5. **Increased productivity-** Training improves efficiency and productivity of employees. Well trained employees show both quantity and quality performance.

6. There is less wastage of time, money and resources if employees are properly trained.⁵

5. Case study

Raiffeisen Bank Kosovo

Raiffeisen Bank Kosovo is a subsidiary of Raiffeisen Bank International AG (RBI), which regards Central and Eastern Europe (including Austria), as its home market. For nearly 25 years, RBI has been operating in the Central and Eastern Europe (CEE) region, where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers in 17 markets. As a universal bank, RBI ranks among the leading banks in the region. The powerful role played by the bank is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. Following its strategic realignment in 2010, RBI has positioned itself as a fully integrated corporate and retail banking group in CEE. The bank not only has good access to retail and corporate customers, but also offers a comprehensive range of products. At the end of 2011 around 56,000 staff served approximately 13.8 million customers in around 2,915 business outlets in CEE. In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers but also international as well as major multinational clients operating in CEE. Moreover,

RBI is represented in the world's financial centers and operates branches and representative offices in Asia. All in all, RBI employs about 59,000 staff and has total assets of approximately € 147 billion.

Using annual reports raiffeissen bank for training and staff development will make an analysis about what importance is given What are the training of employees. The Bank has organized many events and training over the years 2006.2007, 2008, 2009, and 2010. These trainings are followed by staff development training.

The training and development of employees has always been one of the priorities of the Bank. Having into consideration that the Bank employees represent the most valuable asset, the Bank organised many development activities and training that took place in 2010.

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⁴ Sriyan de Silva, (1997): *Developing the training role of an employers' organization*, p 6

During 2010, the number of people who applied to work in Raiffeisen Bank was increased.

In total, there were 107 external vacancy announcements while 27 were internal vacancy

announcements. Raiffeisen Bank continues to consider internal vacancy announcements as a relevant method to advance the existing employees. The number of applications received were near 7,000 for all the positions advertised externally. This number shows that Raiffeisen Bank Kosovo is considered as Employer of Choice and it is one of the banking institutions where the applicants prefer to develop their career.

Raiffeisen Bank Kosovo is committed to ensure that its employees develop their knowledge and skills by offering them internal and external training. The Bank offers other possibilities for their development as engagements in other local and international projects. These projects resulted in knowledge improvements in the field of banking products and services as well as in more efficient customer service.

During 2010, 85 per cent of the employees participated in different training programs and workshops. This figures show an excellent achievement of attendance according to European standards with 4.53 training days for one employee in 2010. By expanding the range of training offers and by increasing the number of internal trainers, the Department of Human Resources and Training managed to organize more courses for its employees. During 2010, the number of training days was 3,120 days, whereas 295 sessions took place within the year. Raiffeisen Bank Kosovo cooperates with various training providers in and out of Kosova for specific training programs. Initially identification of Training Needs was done in 2010 in order to have tailored programs to various needs.

In addition to the activities already mentioned, Raiffeisen Bank Kosovo continued to sponsor postgraduate studies and special courses as specific support to capacity building. As a result, three of the Bank staff graduated in 2010 bank sponsored studies. In addition, there were a number of professional courses repeated and also new courses offered to Bank employees on wide range of topics from technical to soft skills training.

These projects resulted in knowledge improvements in the field of banking products and services as well as in more efficient customer service.

During 2009, 98% of the employees participated in various training programs, working groups. This number gives an average of 5 days training for one employee. By expanding the range of training opportunities and by increasing the number of internal trainers, the Department of Human Resources and Training managed to organise more courses for its employees. During 2009, the number of training days was 3,983 days, while 305 sessions took place within the year.

Raiffeisen Bank Kosovo successfully cooperated with the Kosovo Banking Association in identifying and facilitating new training programs, worked with international consultants and invested extensively in licensing internal trainers for professional sales and customer service programs including Training of Trainers sessions. This will enable the Bank to provide high quality training and development opportunities for all staff and increase the scope of their professional skills.

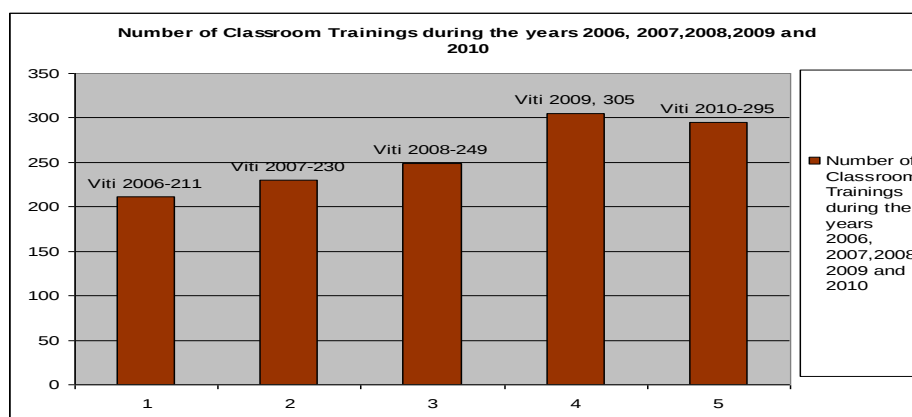
In addition to the activities already mentioned, Raiffeisen Bank Kosovo continued to sponsor post-graduate studies and special courses as specific support to capacity building. As a result, one of the Bank staff graduated in 2009 from the University of London in the field of Financial Management while another is following a programme of studies and will graduate in 2010 from the University of Economics in Vienna in the field of Banking and Insurance. In addition, several groups of the Bank's sales, risk, finance and auditing staff attended professional accounting, risk, auditing and financial courses with the Association for Finance and Accounting Services (AFAS),

Society of Certified Accountants and Auditors of Kosovo (SCAAK), UBT, Cactus and IREAS.

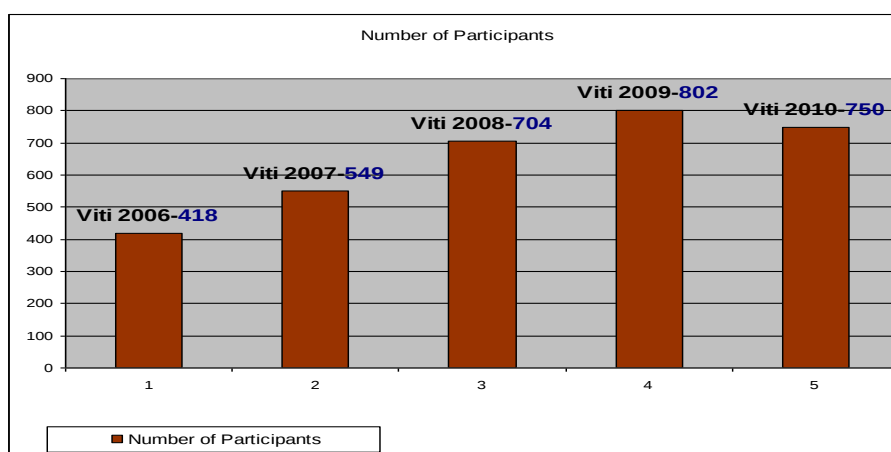
During 2011, 85 per cent of the employees participated in various training programs and almost 100 per cent took part in workshops. The figures show an excellent level of achievement according to European standards, with an average of 4.7 training days for per employee in 2011. By expanding the range of training, increasing the number of internal trainers, and continuously improving on the quality of training delivery, the Department of Human Resources and Training managed to organize more courses for the Bank's employees. During 2011 the number of training days was 4,178 days, and 362 sessions took place within the year. This shows an increase of 25 per cent on training days and 19 per cent on training sessions compared with 2010. Raiffeisen Bank Kosovo cooperates with various training providers in and out of Kosova for specific training programs. Training needs analysis is done continuously in order to have tailored programs that meet employees' needs. There are also individual development plans for a number of employees. During 2011, Raiffeisen Bank Kosovo entered a new era of learning by launching e-Learning as a new approach to learning and development. During the year under review, we had over 100 staff enrollments in RBI courses and most of our employees attended our two first internally designed courses. It is envisaged that through e-Learning and blended learning we will be even more efficient and cost-effective in delivering programmes to all employees in a very short period of time. In addition to the activities already mentioned, Raiffeisen Bank Kosovo continued to sponsor post-graduate studies and special courses as part of our specific support to capacity building. As a result of bank sponsored post-graduate studies, in 2011 three of the Bank staff graduated, while 10 others were financially sponsored and are expected to finish their studies in 2012. In

addition, there were a number of existing professional and new courses offered to Bank employees on a wide range of

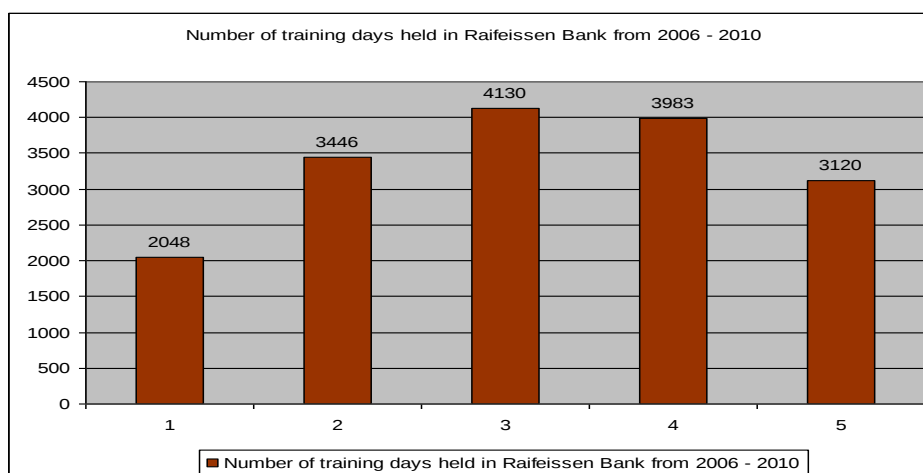
topics from technical to soft skills training. Lifelong learning is one of the key messages in the bank.



Tab. 1. Number of Classroom Trainings



Tab. 2. Number of Participants



Tab. 3. Number of training days held in Raiffeisen Bank from 2006-2010

6. Conclusion

Learning and development is essential to individual performance, personal and professional development, as well as for the success of overall organizations. Investing in Human Capital Development is the key competitive advantage in today. Learning should be an integral part of the strategy of any organization. Learning and work should be integrated into the life of the employee. Our employees have the opportunity to enhance their performance through courses and programs that are effective in their jobs.

Continuous training has brought a notable professionalism, resulting in a very good performance of the institution.

Development of training is very important for an organization. Training of employees enables the

organization to contribute to the development of human capital. It also enables him to influence employers about the needs to invest more in training and development of employees - where the employer should recognize as a key role in their competitiveness in the future. Also provides an important service to members, especially in industrial relations in which training resources for employers in developing countries are scarce. training of employees is an important source of income provided that the organization provides quality training and improve staff knowledge. Increased knowledge of training increase the quality of services or products offered by the organization. Training contributes to better relations staff at the enterprise level and achieved a best performance of the enterprise, by matching corporate goals and management policies. Training of employees improves the overall image of the organization and invests it with a degree of professionalism, which can lead to increased membership and influence.

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