Balanced Scorecard: A Tool For Performance Measurement In Higher Education Institutions

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Abstract
Performance Measurement is critical for each and every higher education institution as it indicates the achievements of students and enhances the performance of teachers. It also acts as an important tool for policy makers to improve the education system.

A higher education institution must pay attention to the needs and aspirations of multiple stakeholders viz.: Potential students, Existing students, Families, Alumni, Employers, Governing bodies, Local community, Donors, Legislators, the General Public, Faculty and Staff.

Each stakeholder’s expectations are different. Hence various indicators of performance are to be used to realize the interests of the multiple stakeholders of education sector. BSC is a tool of evaluation and measurement of performance that answers significant questions that the present day universities and colleges are confronting. The question arises that what should be and what should not be measured for precise and accurate assessment. This paper deals with various aspects of application of Balanced Scorecard for performance measurement in universities and colleges.

Keywords: Balanced Scorecard, Higher Education, Strategy, Performance Management, Perspectives, Rossier School

"BSC is like the dials in an airplane cockpit: it gives managers complex information at a glance.”
R. S. Kaplan and D. P. Norton

“When you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind…..”
Lord Kelvin (circa 1870)

“As demonstrated, when it comes to identifying cause-effect relationships, nothing beats measurement - and the same is true about identifying business problems and opportunities. So what should a well-managed company measure besides the usual financial results?”
Pierre Louis

Introduction
The underlying purpose of this paper is to illustrate how the Balanced Scorecard approach, a performance management system, can be implemented in the institutions of higher education. Balanced Scorecard is a powerful strategic tool for all organizations especially the institutions of higher education. The implementation of the BSC approach in higher education and its use especially in Indian environment has been studied in the following pages. The paper brings out that the BSC approach is well suited to a higher education situation. It helps in aligning various perspectives with the strategy of the institution.

The Balanced Scorecard is at present a very chic (and often misunderstood) topic in business circles, but there are other measurement frameworks also such as the Quantum Performance Management, Model Performance Prism and the Tableau de Bord. All are useful in one or the other way, but none of them is the answer to
everything. Last but the least Balanced Scorecard is the best answer in all times and for all types of organizations.

Most important fact about the balanced scorecard as a performance management system is that it retains traditional financial measures but since these financial measures are inadequate, balanced scorecard suggests that to create future value an organization must invest in customers, employees, processes, suppliers, technology and know-how and innovation. The four perspectives of BSC very well explain this philosophy of BSC.

**Balanced Scorecard (BSC)**

Dr. Robert Kaplan (Harvard Business School) and Dr. David Norton created this performance measurement framework. “Financial results cannot alone capture value adding activities” is the **Basic premise** on which BSC is based upon. It is a strategic planning and management system. It is used extensively in business and industry, government, and non-government organizations globally to bring the diverse business activities into line with the vision and strategy of the organization. It improves internal and external communications and monitors organizational performance against strategic goals.

In a nutshell BSC is meant to supplement strategic non-financial performance measures with traditional financial metrics and thus provides managers and executives with a more unprejudiced and balanced picture of organizational performance.

**History of BSC**

The phrase balanced scorecard was coined in the early 1990s, but the roots of a similar approach are found in the pioneering works of General Electric on performance measurement reported in the 1950’s. Also the French process engineers created the *Tableau de Bord* – literally, a "dashboard" of performance measures in the early 1900.

Gartner Group suggests that over 50% of big US firms have accepted the BSC. More than half of major companies in the US, Europe and Asia are using balanced scorecard approach. BSC’s use is growing in the Middle East and Africa. The Harvard Business Review has selected Balanced scorecard as one of the most powerful and high-ranking business ideas of the past 75 years.

**Four Perspectives of Balanced Scorecard**

BSC shows how results can be achieved. Even a best objective can be achieved badly (one area improved at the expense of another). A critical factor for success of BSC is the alignment of the 4 perspectives with the company’s vision, mission and strategic objectives.

The balanced scorecard suggests that the organization should be viewed and analysed under four perspectives. Then data should be collected to develop the measures/metrics and analyze them relative to each of these perspectives. The four perspectives of BSC are discussed in detail below:
1. The Learning and Growth Perspective

“How can we sustain our ability to change and improve.”

In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous wisdom mode. This Perspective aims to identify and attain knowledge and innovate as much as possible. Learning and growth are the indispensable foundations for success of a knowledge-worker organization.

Improvement of the employees by training and enhancement of employer-employee relations are the backbone of this perspective.

Kaplan and Norton emphasize that 'learning’ is something more than 'training'. It also includes concepts like mentorship and tutorship within the organization. Ease of communication among workers/staff prompts them to readily ask and get help on an issue(s) when it is needed. This is the basic premise of this perspective.

2. The Business Process Perspective

“What processes should we excel at?”

This perspective refers to efficiency in internal business processes. Metrics based on this perspective help managers to know how well their business is running and whether the organizations’ products and services match with customer requirements. These metrics have to be cautiously deliberated and designed by the people who know these processes most closely.

Figure no.1: Four Perspectives of BSC and their Alignment with Vision and Strategy

3. The Customer Perspective

“How should we appear to our customers”.

Recently there has been an increasing realization of the importance of customer focus and customer satisfaction in all businesses. Customer satisfaction is a leading indicator of success of business. If customers
are not satisfied they will eventually move to other suppliers who can meet their needs. Poor performance in respect to this perspective is thus a leading pointer of future down turn.

An analysis of type of customers, type of products and customer expectations and kinds of processes for which we are providing a product or service to those customer groups is the key point behind this perspective.

4. The Financial Perspective

“How should we appear to our shareholders?”

Kaplan and Norton did not disregard the traditional need for financial data. Timely and accurate financial data will always be a priority for managers. But excessive emphasis on financials leads to the "unbalanced and deranged" situation with regard to other perspectives. Financial data is nonetheless important but there is a need to include parameters such as risk assessment and cost-benefit analysis in this category.

Thus it can be inferred that the BSC gives a fresh and novel outlook to the managers. They should not rely on short term financial measures only but give full importance to the other three perspectives also. BSC forces them to rethink and re-organise the connection between long-term strategic objectives and short-term and tactical actions.

Benefits of BSC in brief are:

- **Clarify**: vision and strategic direction
- **Communicate**: strategic objectives and procedures
- **Align**: departmental and individual goals
- **Connect**: strategic objectives to long term targets and yearly budgets
- **Identify**: strategic initiatives
- **Conduct**: periodic performance reviews to improve strategy
- **Obtain**: feedback to learn and improve strategy

Balanced Scorecard and Higher Education Institutions

Conventionally higher education institutions in India were owned by the state. But in the recent years a large number of private universities and institutes have sprung up with diverse courses and curriculum. This has triggered tough competition. Modern day academic institutions are expected to be the centres of excellence for teaching-learning and research. These institutions need continuous and constant quality improvement. All their endeavors must be aimed at attaining higher standards of teaching-learning. This requires a re-examination into the means and manners of how higher education institutions are managed in India.

We know that higher education institutions are answerable and accountable to various stakeholders. Universities and Colleges are expected to offer superior quality services and financial performance indicators solely cannot fulfill the requirements of accountability.
The application of BSC approach on higher education institutions enables proper measurement of their performance. The Balanced Scorecard approach enables universities and colleges to translate their vision, mission and strategy into a range of performance indicators which lead to improvement in performance.

Traditionally higher education institutions have emphasized on academic measures such as enrollment, teacher student ration, retention rates, faculty publications, physical resources, Library resources, scores of students, grade point average etc. There are numerous other indicators that should be considered for measuring performance of academic institutions. They include student faculty satisfaction level, accessibility, value addition etc. More precisely they can be put as follows:

1. Enrollment/ Graduation rates by gender and degree courses
2. Degree Completion and time to attain degree
3. Persistence /Retention rates by grade, courses
4. Faculty/ Staff Workload and Productivity
5. Remediation activities and indicators of their effectiveness
6. Pass percentage in Professional exams
7. Job Placement data of graduates and their job satisfaction

**Case Study of Rossier School of Education**

**Rossier school** of education at University of Southern California adopted the BSC to assess its academic program and planning process. The diagrammatic presentation of the four perspectives and their interconnectivity is a live example of successful implementation of BSC in higher education.

**Figure No. 2: Application of BSC in Rossier School**
1. Stakeholder Perspective “How do stakeholders see us?”

<table>
<thead>
<tr>
<th>Goals/Objectives</th>
<th>Measures to attain the Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality Academic programs</td>
<td>Ranking in U.S News and World Report; teaching effectiveness</td>
</tr>
<tr>
<td>Student Centeredness</td>
<td>Quality of student services/advising</td>
</tr>
<tr>
<td>Quality of Faculty</td>
<td>Publications, Research funding</td>
</tr>
<tr>
<td>Value for Money</td>
<td>Student Retention, reduced time to degree, return on student investment</td>
</tr>
<tr>
<td>Alumni/employer satisfaction</td>
<td>To be developed</td>
</tr>
</tbody>
</table>
The above diagrammatic presentation regarding the four Perspectives followed by Rossier School is explained as follows:

1. **Stakeholder Perspective:**
   In this perspective the Rossier school has set up goals regarding quality improvement programmes for which measures can be taken to make teaching effective thus improving the ranking of Rossier school in U.S news and World report. As regard to student centeredness is concerned the quality of students services/advising need to be emphasized upon. The Quality of Faculty can be improved by stressing on Research Publication. All the students must get return for what they have invested for which the focus must be on retention of students and reduced time in degree attainment is the most important measure.
   The Alumni/ Employer satisfaction is one another goal under stakeholder perspective for which measures need to be developed.

2. **Innovation and Learning perspective**
   The major goal of this perspective is to improve the quality of degree programs, student learning and faculty/staff development.
   To improve the quality of degree programmes the curriculum must be reviewed from time to time. Also financial assistance may be given to students. Measures can be taken to improve the Job placement services for the successful outcome of graduate school. Various SAT/GRE scores can be introduced to improve the quality of incoming students. To attract and retain talented Faculty/staff they may be given satisfactory salaries. Further increasing the use of educational technology and modern teaching aids can help to impart education in better ways.

3. **Academic Management/ Leadership Perspective (includes financial perspective):**
   The question that arises here is as to how we look to our university leadership?
   Improvement in the budget performance, enhanced net surplus of income and endowment funds, recovery of indirect cost are some of the measures that help to judge the success of academic leadership.
   Improvement in productivity, usage of information technology and efficiency in operations is the mark of a dynamic leadership. Improvement in management/ leadership is also reflected in greater realization of university goals and greater utilization of assets be it tangible, intangible or human resources.

4. **Internal Business Perspective**
   This perspective deals with Internal Business Process. This perspective helped Rossier School to know how well their school is performing with regard to degree programmes, quality of students, faculty/staff.
   Some of the goals undertaken here are to improve faculty productivity, staff productivity, Improve recruitment/advertisement, maintain responsibility to community. The measures to achieve the above goals are yet to be developed by Rossier School.
Benefits of BSC to Education Sector

BSC helps educational institutions in Performance Measurement. The achievement of students and improvement in the performance of teachers is well depicted by the BSC (Example of Rossier School).

- BSC is a helpful and valuable support for the policy makers in improving the education system. It helps the higher education institution to pay attention to multiple stakeholders which includes: Prospective students, Current students, Families, Alumni, Industry, other Institutions, Governing boards, Community, Donation agencies, Legislators, the General Public, Faculty and Staff.
- Every stakeholder expects something different from higher education institute. The question what should be measured for precise and accurate assessment seems to be answered by BSC as is evident from the above case of Rossier School.
- BSC helps the universities to face growing expectations and comply with increased accountability norms.
- The Balance scorecard makes easier for University to accomplish strategic goals by assigning metrics to every academic unit.
- It is very important for decentralized institutions to see that a particular unit is increasing or declining BSC offers a format within which to establish common measures across academic units that have shared characteristics.
- Simplicity of the system enables the explanation of budget decisions by showing relationship with academic scorecard indicator (s).

Design of BSC In Higher Education Institutions In India

In Indian universities and colleges for designing of BSC the departmental strategies are to be aligned so as to achieve overall institutional objectives. Then a strategic map is to be developed for the institution. According to Kaplan and Norton ‘A good BSC is to be based on outcome measures and performance drivers’.

All the above benefits are relevant in the context of the institutions of higher learning in India. As Pandey (2005), indicates – a good aspect of BSC is that it is a simple, systematic, easy-to-understand approach for performance measurement, review and
evaluation. It is also a convenient mechanism to communicate strategy and strategic objectives to all the levels of management. According to Kaplan and Norton (2001) the most important potential benefit is that BSC aligns with strategy leading to better communication and motivation which leads to better performance. Considering the linkages in service management profit chain (Heskett et al., 1994 cited in Kaplan and Norton, 2001) we can say that the probable benefits as depicted in the diagram are derived.

The popularity of Indian Engineers and graduates is increasing in job employment abroad. India has to build world-class quality into higher education to develop world-class service leaders and intelligent businessmen too.

**Conclusion**

*There is a tide in the affairs of men, Which, taken at the flood, leads on to fortune; Omitted, all the voyage of their life, Is bound in shallows and in miseries. On such a full sea are we now afloat; And we must take the current when it serves, Or lose our ventures..........................*  

*William Shakespeare – Julius Caesar*

The balanced scorecard has evolved from its early use of an easy and straightforward performance measurement framework to a complete strategic planning and management system. It transforms an organization’s strategic plan from a good-looking but passive document into "marching orders" for the organization on a day by day basis. It provides a framework that not only helps performance measurements, but also helps planners identify what should be done and measured. It enables executives to truly execute their strategies.

Recognizing some of the weaknesses and vagueness of previous management approaches, the balanced scorecard approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective. The balanced scorecard is a management system (not only a measurement system) that enables organizations to elucidate their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to constantly improve strategic performance and results. When fully deployed, the balanced scorecard transforms strategic planning from an intellectual exercise into the nerve center of an organization.

The Performance Management system of a country’s higher education system has the potential to identify the scope for improvement. For enabling it, appropriate interventions can be devised by the country’s policy makers and the institute itself. As it is clear from the above paper the financial indicators are reliable and straightforward but they are inadequate measures of performance in the real world. The Balanced Scorecard approach enables universities and colleges to convert their vision, mission and strategy into various performance indicators. These further lead to improvement in performance.

In India the applicability and usage of BSC to the universities and colleges is at a budding stage. Globally various universities have applied BSC concept for solving problems and improving performance. Indian higher education institutions should also adopt Balanced Scorecard mechanism for value enhancement.
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