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Performance Management in educational institutions – the Balanced Scorecard as a holistic management approach for steering and managing educational institutions

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Performance Management in educational institutions

- the Balanced Scorecard as a holistic management approach for steering and managing educational institutions

The Balanced Scorecard as an approach to implement and even to execute strategy is still to find in the state-of-the-art publications. Since its invention in the late 1980s it became a worldwide recognized management tool. Even the Harvard Business Review declared it as one of the 75 most defining ideas of the 20th century.

In spite of this you can also find many publications describing the trouble of unreflected Scorecard implementation (Bourne/Neely 2004). Niven (2005) for example states that

“many organisations have been lured by the seductive simplicity of the Scorecard model, believing it could be easily implemented and produce breakthrough results with a minimum of care and feeding” (p. 21).

Anyhow the Balanced Scorecard is still in an exalted position as a tool to develop and to execute strategy. It is not only used in business contexts it even found his way in the public or non-profit sector (Niven 2010; Scherer/Alt 2002). The raising question is how this approach achieved this wide recognition? The answer lies in the fundamental ability to tackle several fundamental business issues faced by all different organisations. The Balanced Scorecard offers therefore a versatile adaptability to any solid organisational needs:

- a traditional reliance on financial measures,
- the rise of intangible assets,
- the emerging pattern of reputation risk,
- the difficulty in executing strategy (Niven 2010. p.2).

The challenge of a proper implementation of these aspects leads us to the demand an organisation fitting controlling system. This is easy to say but even more difficult to design. There are two main claims: first of all it must assure management rationality and second, it must include the specific norms and values of the organisation. If not it will fail. Weber & Schaeffer (2008) describe the demands on a controlling concept, as following:

- Controlling systems are integral components of corporate management and should influence the behaviour of actors in companies. To do this, reliable knowledge about behavioural effects is required.
- Controlling theories rely on explicit and / or implicit assumptions about behaviour, which need to be checked (p.31).

These findings become particularly important for educational organisations. Not only because of their specific organisational behaviour, which is often described as professional bureaucracy. Even more out of the intangible or even hard to measure assets, existing in the educational context.

1. Operating figures and key performance indicators – Does it make sense for educational institutions?

The crucial challenge lies within the specific architecture of a performance controlling system. What kind of figure systems fits best? How to execute a set strategy and of course how to control the achievements?

In an economic context, operating figures almost exclusively concentrate the financial depiction of an enterprise's situation. Cash flow, return on equity, return on investment, economic value added, return on sales, degree of debt, sales growth etc. are broadly familiar. But in the educational context these hard-facts have only a limited predictive value. Niven (2010) poses the dilemma within financial metrics by the following statements:

- Financial measures are inconsistent with today's business realities,
- You can't see where you're going when you look in the review mirror,
- Financial measures tend to reinforce functional silos,
- Financial measures aren't always relevant (p. 25).

To take a sustainable decision about any organisation's state of affairs, informations that cover a broader perspective are required. Hence, to draw a comprehensive picture of the situation of an educational institution, the controlling must also deal with soft-facts like teaching or process quality even motivation and capability of the staff are playing a vital role.

A further problem is the ex-post view. Financial key data provides information on past yields and results. However, they usually say little or nothing about the direction in which the overall situation of an organisation will develop in the future. In this way, a satisfactory return on equity now is not an indicator that a positive result will be achieved in the future as well. What happens if the requested competencies of the staff is shifting? How to develop new training programs to meet the market needs from a very early stage?

2. Management challenges within educational institutions

Up to now, educational institutions have seldom worked with financial-oriented key figures. Thus a paradigm shift can be observed. Effectiveness and efficiency-oriented thinking supplements more and more management decisions in the educational context. This development is not only based on socio-economic changes like the decrease of public funds. The market of educational services grows also constantly and private companies are heating the competition.

Whereas in the past the main focus was on constructing an efficient administration, the leadership tasks of future schools will be measured within an expanded system of data. In which direction do we want to go? Which objectives do we wish to achieve? Which goals are not so important? How do we locate the services of our organisation in our region? How can we efficiently control this development? How can we sustainably improve the quality of our services?

Cutbacks in public funding, the changeover to Bachelor/Master courses of studies etc. often requires radical rethinking in these fields of work.

In order to provide suitable answers to these questions, educational institutions must change. The management of educational institutions in the future will entail more and more change management. The results of empirical studies show that the key factor for success in change processes consists of effective controlling.

3. Dimensions of the Balanced Scorecard

The Balanced Scorecard assumes the function to link strategic goal-setting, vision and guiding principles to the operative management of an organisation. The BSC prevents the management's objectives and visions from fizzling out – on the contrary, it ensures that concrete measures are embraced and implemented. This is very important because the execution of a once developed strategy is very challenging for organisations.

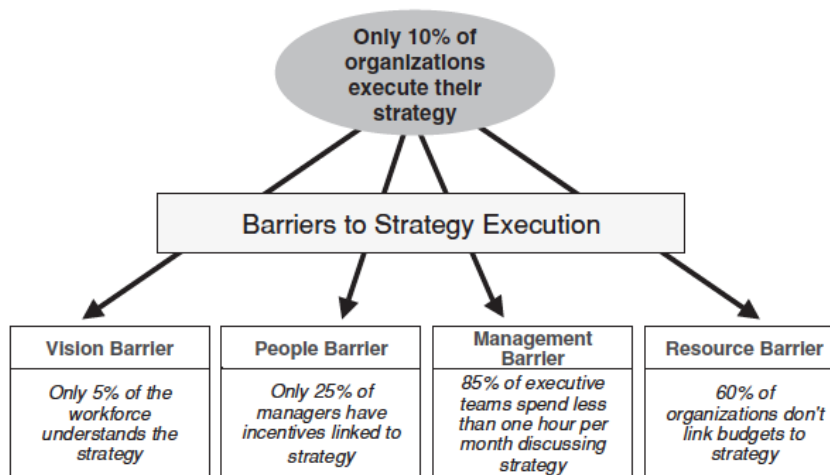


Fig. 1: Barriers of strategy implementation (Niven 2005: p.11)

In spite of this the Balanced Scorecard encourages and advances the successful implementation of a strategy through the use of mainly four perspectives, displaying strategic relevance.

The name Balanced Scorecard already shows that this management process supports a balanced methodical approach. Kaplan and Norton, the “fathers” of the Balanced Scorecard, differentiated between four perspectives (also called “dimensions”):

1. Learning and development perspective
2. Internal process perspective
3. Client perspective
4. Financial/Service perspective

The singularity of this concept is that not only the financial target perspective/vision of enterprises (e.g. return on equity) and/or the service target of public institutions (e.g. A-level average of an academic high school) is taken into account, but that further

objectives and measurement criteria are looked at as well (Perspectives 1 to 3). The functional chains of these four perspectives clearly illustrate that the achievement of the objectives of Perspective 4 (e.g. return on equity) greatly depends on successful management in the previous three perspectives.

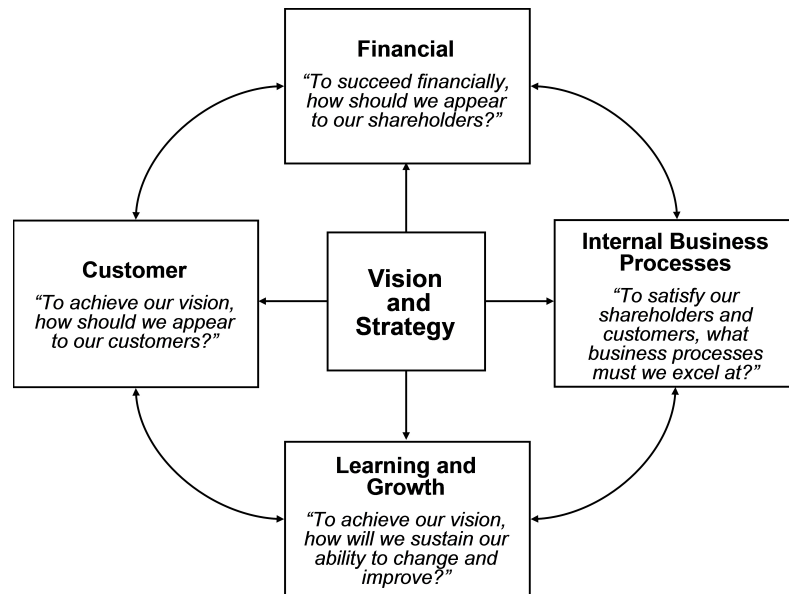


Fig. 2: Barriers of strategy implementation (Niven 2005: p.11)

Measurability and Measures

The elaboration of a Balanced Scorecard depends primarily on compiling measurement criteria for the strategic objectives of all four perspectives. This process can only be carried out specifically for each organisation. Therefore, we can only paradigmatically debate other objectives and indicators regarding other versions as examples.

Figure 2 above shows that there is a central question for each perspective which contributes directly to comprehension. Furthermore, each perspective is divided into a (as limited as possible) number of strategic objectives for which the following is stipulated: How are these goals to be measured? What are the measurement parameters of the debit? Which measures are to be used to achieve the goals? Ultimately, the decided-upon measures are significant for working with the Balanced Scorecard since they constitute the driving force in contributing to achieving objectives. Only measures and project management help to avoid difficulties in implementation!

Regarding measurement parameters, it is important to select future-oriented measured variables, which can serve as early indicators. Measurement parameters based on the past can result in not being able to counteract unwanted developments in time.

4. Balanced Scorecard in educational institutions?

Changing circumstances in the socio-economic context (demographic development, changes in the social discourses, increasing competition, cut-back of public funds) lead to a different picture of management challenges in educational organisations. Published articles regarding BSC implementation display, that more and more non-profit or educational organisations are using this tool. It provides a transparent view on key processes and key stakeholders (not even customers; also staff and donors) and supports the management in taking proper strategic decisions (Chang/Chow 1999. p.398). The institutional obligation of public accountability leads to the adoption of management tools in the education sector. As a consequence of this, educational organisations have to tackle a growing pressure of professionalism (Bell 2003). The Balanced Scorecard therefore constitutes a building kit of objectives and measurement criteria for educational organisations. These objectives and measurement criterias are tools in the hands of the management to both, communicate organisational objectives and promising measurement criteria to training staff, teachers and external stakeholders. As a framework it supports the process of organisational learning by tying up the different complex management aspects. So, managers can keep control of change processes the organisation is running through (Drtina et al. 2007). This point of view shows, that the Balanced Scorecard is not only a tool. It is also a systemic management approach, a center of management navigation.

In this case an educational organisation has to develop own key indicators describing the overall strategic target of each dimension in a very transparent and clear way. For the dimensions learning and growth, processes and customers it wont be too difficult. If there is a clear vision and an existing quality management, single strategic targets and key indicators can be developed. In contrast to profit oriented organisations the development of the financial dimension is not that easy. Educational organisations belong very often to the public sector and so many different interests have to be served. Especially schools and universities but also

adult education centers are dealing with public or even with political interests. A good way to handle these vital interests is to enrich the financial dimension through a *performance* aspect. For example new services, innovative teaching methods, etc. Especially nowadays educational organisations are confronted with cut-backs of public funds. It became part of their vital interest to proof the donors their ability to stay and to serve in the markets. In this meaning, the Balanced Scorecard combines controlling of performance and a communication of achievements.

If it comes to strategy implementation, especially educational organisations need the support and the commitment of their staff. The people in these often called professional bureaucracies are the most important factor to identify market changes at a very early level. Through their involvement in a Balanced Scorecard process an educational organisation can obtain the commitment of the employees. Because of the lack of monetary incentives there is a special need to engage the people in the steering processes of the organisation (of course with executive sponsorship). This postulation can be achieved through the Balanced Scorecard and the very transparent way of strategy development and strategy execution.

5. Summary

We can summarize the most important attributes of a Balanced Scorecard as follows:

- Departure from a purely financial view of what transpires in an organisation
- Orientation towards future development of the organisation
- Consistent orientation towards organisation's strategic objectives
- Measurability of objectives, when and how ever possible
- Early indicators as the centerpiece of the tool
- Systematic interconnection and cross-linking of organisation's different areas
- Systematic perusal of the realization and implementation of measures as a constituent part of the tool

These benefits, offered by the Balanced Scorecard, help the employees to understand the strategy of the organisation and how they can contribute to it in a

meaningful way. Especially when it comes to commitment the strength of the Balanced Scorecard is not to underrate.

As discussed, educational organisations have to deal with different challenges. Alternating between socio-economic changes with the related duty of public accountability and the need to motivate the employees and keep them aligned with the organisation's strategy. Even here the BSC serves through the dimensions learning& growth as well as processes in a proper way. In a comprehensive view the BSC sets the focus back to the core of the organisation and the related internal discussions. Stewart/Carpenter-Hubin conclude (2001):

“Using the Balanced Scorecard process, with its emphasis on integrative analysis and trade-offs, can move the discussion of performance management from an externally driven concern for image and rankings to an internally driven concern for improved institutional effectiveness” (p. 42).

Summing up, the Balanced Scorecard seems to be an appropriate management tool or even approach for educational organisations. It combines internal needs and external demands to formulate a proper strategy. Through the use of figures and key performance indicators, the BSC is a well rounded controlling tool for the management, helping to foresee market changes as well as lack of competencies among the employees. Hence, the BSC can be understood as a door-opener for an effective strategy and an efficient strategy execution in changing educational contexts. It translates the visions and strategies in day-to-day actions and meets the demands and rigor of nowadays educational organisations.

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