

# **Implementing Balance Scorecard in Higher Education**

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One of big organization's weaknesses on university context is lack of alignment between university and faculty or department. Alignment in this context is related to three elements: vision mission, strategy and performance measurement. Alignment is an important and significant issue in higher education, because commonly every faculty or department in university has vision-mission, strategy and performance measurement that are not align with university's. In implementing the three elements, a faculty or department will consume many resources. Thus, it is an irony when a faculty or department has spent effort on implementation while there is no alignment with university's elements. Balance Scorecard (BSC) was known by the business society in 1990 as strategy tools, especially in alignment. According to Indonesia's big university context, there are 20 until 50 units or departments in one university, in this situation BSC can be used as a tool to make the university more efficient and effective in implementing vision mission of organization, strategy and performance measurement on faculty, department or even supporting department strategic plan. The object of this paper is the economics faculty of one of outstanding universities in Indonesia.

*Keywords: strategy, vision mission, performance measurement, resource, balance scorecard.*

## **Introduction**

There are various types of private universities established in Indonesia, especially in the last two years. Each private university concentrates on the capital area of Indonesia, such as Bandung and Surabaya. More and more Indonesian believe that higher education is a bridge to enter the job opportunity. However, it is an irony if the cost to enjoy higher education is very expensive. Ten years ago, most people believed that state university delivered the low cost, but nowadays it has changed. Study program such as medical faculty is one of faculty which is more costly than other faculties. Satrio Soemantri Brodjonegoro, General Director of Higher Education Minister, said that the increasing of cost in college could not be prevented; because it was one of higher education institution's effort to give the best quality in education. According to Badan Pusat Statistik (Indonesian statistic institution), at the end of 2006, there are 2.838 higher educations in Indonesia, consist of: 82 state universities and 2.756 private universities. Compared with the previous year's data, there were only 2.566 higher educations: 80 state universities and the rest is private university. The data shows, there is a significant growth in number of higher educations, especially among private universities in the first year, there are 270 of them in that growth number.

## **Changing in Education's Environment.**

Data from Indonesian government shows the map of emulation in higher education institute does not merely happen between private universities, but also between state university and private university. Nowadays, state universities also race to increase their quality, especially the ones which have good reputation in society. State university like Universitas Gadjah Mada (UGM), Universitas Indonesia (UI) or Institut Teknologi Bandung (ITB) have many changes in the frame of quality. For example, since 2002 ITB had concerned on examination score discipline. If previously, students in ITB didn't have clarity about examination score – even there was a student who got score information 2 years after examination- hence since

2002, student can know their score 2 weeks after examination. Universities Gadjah Mada also make a change in education management, by founding Quality Assurance Institute in 2002, which had a mission to change teacher-centered learning paradigm into student-centered learning paradigm.

### **Changing in Quality of Design and Education's Management**

In order to deliver the quality design to all stakeholders, higher education institutes have to consider organizational vision-mission and requirement/expectation from the stakeholders. Higher education institute should concern on both of these elements, because it is naive if they are only majoring on vision mission element regardless the requirement from stakeholders. On the other hand, it's an irony if the quality of design in higher education is based on stakeholders expectation only.

Figure 1:  
Quality of Design in Higher Education



According to survey on SWA (July 2007), society chooses state university because of its quality, while private university because it's facilities. Pursuant to experience of one of the authors during 16 years in education management, both of those elements are importance. Combination between the survey of SWA' magazine and experience of one of the authors, quality and facility are two major pillars in education management. Then we will use human excellence terminology in referring to the quality and management excellence term for the facility.

Both of these elements represent significant and important matters, management excellence relates to facility and infrastructure of education, or in other words, this element always relates to physical matter. Higher education that focuses on management excellence, usually has priority on building facility, internet access, information system and computer based laboratory. Meanwhile human excellence has three elements: academic excellence, emotional excellence and spiritual excellence. Higher education, that is developing its quality from academic excellence, defines its quality with experienced lecturers and the numbers of professors.

Higher education should not only concern in management excellence or in academic excellence. Management excellence must be developed as a base that will assist the creation of human excellence, not merely academic excellence. As a human being, students require

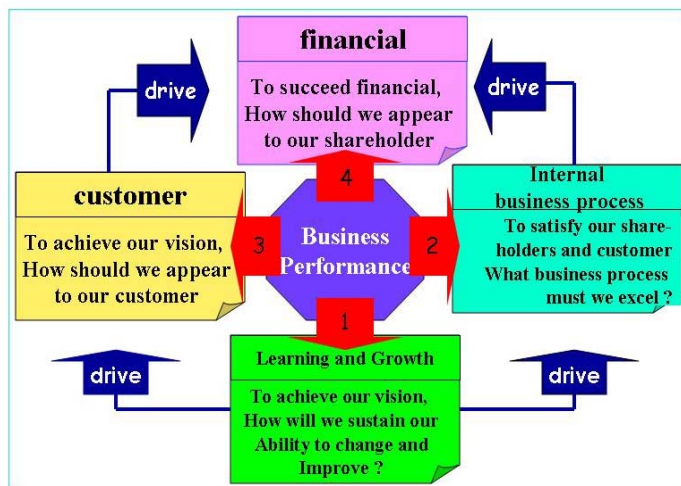
academic excellence, emotional excellence and spiritual excellence. According to survey by SWA' magazine (one of the biggest business magazines in Indonesia) at the end of 2006, it showed that 56% of university graduates are weak in emotional excellence and 44% are weak in academic excellence. The survey showed, the weakness among university graduates, is not merely in academic excellence but also in emotional excellence. With human excellence, qualities of higher education institute will be seen in its alumnae image, such as:

- Good academic competence, which can be seen from GPA, ability to apply concept of theory which they got in university (academic excellence).
- Good self-control, spirit of assiduity and also ability to create self-motivation (emotional excellence).
- Ability to see life as a grace from God and have a passion to fill the life with positive things (spiritual excellence).

### What is Balance Scorecard?

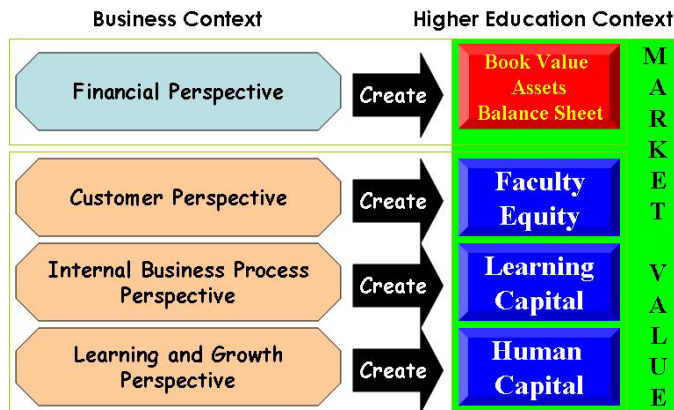
Balance Scorecard (BSC) was known by the business society in 1990. Nolan Norton Industry, which was the research section of KPMG public accountant in the USA, chaired by David P Norton, sponsored the study of measuring the future working performance of an organization. The result was published in Harvard Business Review (January-February 1992) with the title Balance Scorecard – Measures That Drive Performance. In 1993, Renaissance Solution, Inc., which was David P. Norton also chaired, applied Balance Scorecard in implementing strategies in a number of business firms of his clients. Harvard Business Review (January-February 1996) also published an article entitled Balance Scorecard as A Strategic Management Systems (Mulyadi: 2001). Each perspective in BSC could not stand by itself or they are reliant to one another. As an illustration, competence of every people in organization will not be useful if each individual does not work along with others. It is true that specialization is needed from each individual, but it does not mean that every individual has independence in working. This figure depicts how each perspective in BSC is interdependent among one another, especially the first three perspectives (customer perspective, internal business process perspective and learning and growth perspective), which are the factors that support financial perspective. It means that organizational effort to increase performance in customer perspective, internal business process perspective and learning and growth perspective will assist the make-up of performance in financial perspective.

Figure 2: Perspective in Balance Scorecard (Kaplan: 2004)



Financial perspective will not be discussed in this paper, because in fact, financial perspective is determined by three other perspectives. Figure 3 depicts how each perspective in Balance Scorecard is adopted into higher education context.

Figure 3:  
BSC' perspective in Higher Education



There is a change in perspective terminologies when using BSC in higher education. In higher education context, learning and growth change into human capital, perspective of internal business process changes into learning capital. Finally, customer perspective in higher education institute turns into faculty equity perspective.

### Strategy Formation of Faculty of Economics

Nowadays there are many overseas universities and domestic universities which are founded by groups of businessman, social organizations, even, publishers. Those universities are set up to facilitate the needs of each group to capture greater market. Moreover, the government's policy related to globalization destroys any barriers between nations and narrows the chances for local universities to compete in the market. The existence of Departments or Faculty brings more complex macro situation in which the local universities have to face. Therefore, the environment of Departments or Faculty does not only need qualified lecturers, building facilities, advanced library but also strong alignment between university and faculty or department. Alignment in this context is related to three elements: vision mission, strategy and performance measurement. Alignment is important and significant issue in higher education, because commonly every faculty or departments in university has vision mission, strategy and performance measurement that are not aligned with universities. This fact will result in inefficiency and ineffectiveness, because in every of these elements that faculty or department will implement consume many resources. From this point, we can see the significance of implementing Balance Scorecard in fact not merely in business world, namely organizations which is profit oriented. Balance Scorecard also becomes requirement of non-profit' organization such as higher education institute. This matter caused emulation also occurred between higher education institutes. Therefore with limitation of economic resources, higher education institute has to align the usage of existing economic resource in organization and organization' vision-mission.

Beside that university also needs strong networking with the industry around the campus both in the regional and national scopes. Cooperation with overseas universities in order to sharpen curriculum, learning process and lectures' quality development is necessary to be done, without neglecting the industry linkages, such as professional organization and business association. Through industry linkages, university can survive, and also share its competitive value, which is based on the vision toward the business community. This can be accomplished through alumnae profile or opportunity share.

The standardization of curriculum, the speed of accessing science and technology, and also the use of technology in learning process have created another new problem for every faculty

that wants to be distinctive. This condition happens because almost all faculties are developing their institution based on those factors. In this case, human skill is the basic ability to gain success in managing working environment. The skills include leadership, self-objectivity, analytical thinking, behavioural flexibility, oral and written communication, personal impact, resistance to stress and tolerance for uncertainty, (Schermerhorn: 1996). Human skill is an important factor for the alumnae to pursue their career in the real working environment. Student organization that has become the media for students to express themselves and practice their managerial skill should be the partner of the faculty to improve the human skill of the students.

In this paper we refer to the Vision and Mission of the University. If we have the core belief about Vision, it will help all members of the faculty to accomplish it. The SWOT analysis and the Strategic Planning are focusing on caring and global in all aspects of entrance, advantages, Information Technology and environment. They are also used as the base to change the strategy into programs or activities. Strategy is a way that the management uses to realize vision of an organization through its mission. The strategies in developing an organization must be a set of system called Strategic Management System. In this system the management and the staff determine the route/course that will be taken to reach the vision of the organization (Mulyadi and Johny: 1999). Considering those aspects, we have chosen the strategies to develop the Faculty of Economics in the future. Those strategies are:

1. Improving the quality of product (in terms of science) and learning process
2. Improving the productivity and quality of the lecturers, staffs and students
3. Improving the cooperation with overseas universities, professional organization and industry
4. Empowering the students organization to be able to produce the academic and human skill of the students

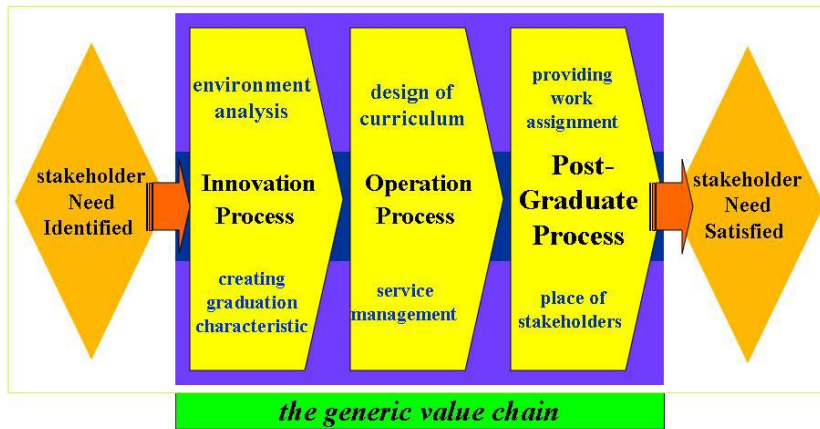
### **Faculty Equity Perspective**

Faculty equity focuses in faculty of economics as a whole. Stakeholders do not only get the benefit from education product of faculty of economics, but also from service, trust and various other factors. Faculty equity represents the strategy of combination and integration of brand product into faculty of economics culture. This will increase trust and faithfulness of stakeholders to faculty of economics. Faculty equity development can be done with good relation with students, industrial and profession world. Building good relation with those three components above, will build the image of economics faculty.

### **Learning capital Perspective**

This perspective in fact alighted from “the generic value chain” developed by Michael Porter, where “the generic value chain” consists of three phases, namely: (1) *innovation process*; (2) *operation process*; and (3) *post graduates process*.

Figure 4:  
The Generic Value Chain

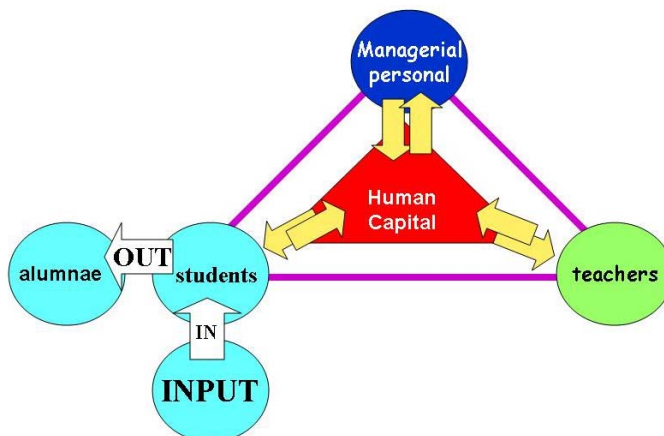


The three phases in “the generic value chain” is started with environmental analysis, so that the curriculum compiled by faculty of economics is based on issue and business practice. This last step is providing work assignment to alumnae. After human capital, learning capital is the second capital that is used by faculty of economics in serving its stakeholders. Through learning capital, all human capability and human commitment conscripted and focused to yield best value to student to get adequate financial returns.

### Human Capital Perspective

This perspective started from people, in this case are the students, lecturers and managerial personnel. Component of capital human consists of human capability and human commitment. To be able to compete in environment, faculty of economics has to build people with human capability and human commitment that fit faculty requirement.

Figure 5:  
Human Capital Perspective



## Balance Scorecard Model in Higher Education

In the frame of Balance Scorecard, the strategic objectives are formulized in 4 perspectives, which are financial perspectives, customer perspective, process perspectives, learning and growing perspectives. Thus, we set the standard of measurement (performer driver) based on this following principle: “If we can’t measure it, we can’t manage it-If we can’t manage it, we can’t achieve it”. In fact, Balance Scorecard could be used in measurement context, although in the first time, this tool was used as a tool for performance measurement in all executive company in America. Hereinafter, Balance Scorecard used in three aspects, namely: (1) a tool to translate organizational vision mission; (2) appliance translate organizational strategy; (3) performance measurement for individual and organization. This matter that motivates us to write down in abstraction above that Balance Scorecard can be used to assist university in aligning vision mission, strategy and performance measurement with faculty or department.

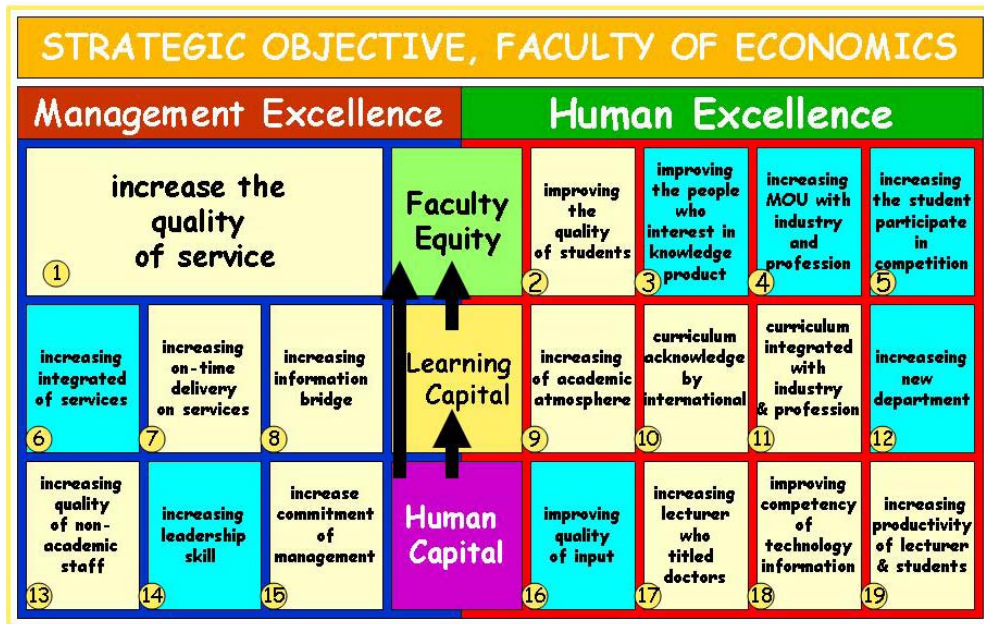
Figure 6:  
BSC in Strategic Planning



The picture below shows strategic objective, which faculty of economics has. The picture shows, how the concept of Balance Scorecard in higher education is combined with two pillars in institute higher education, management excellence and human excellence. Those 19 strategic objectives are derived from the matrix of human and management excellence with three BSC perspectives. The matrix between human excellence and BSC perspectives produces 12 strategic objectives. Meanwhile, the matrix of management excellence and BSC perspectives produces 7 strategic objectives.



Figure 7:  
Strategic Objective of Economics Faculty



### Mindset as Catalyst in BSC's Implementation

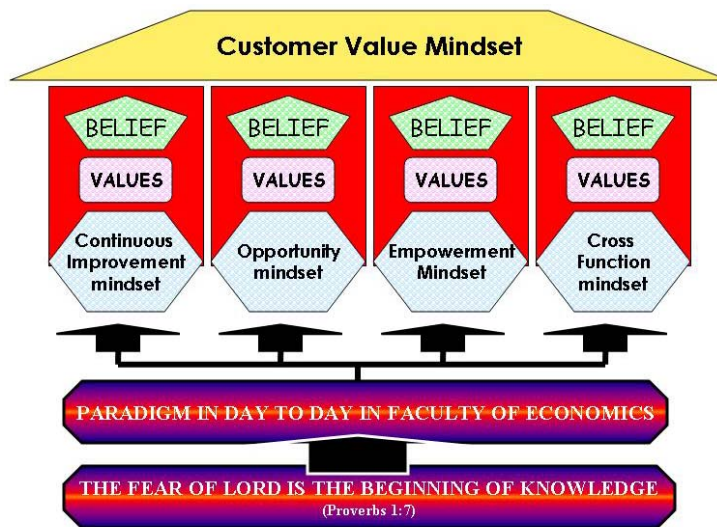
In this changing environment, organizations also have to change the employees' mindset. Mindset can be interpreted as coherent software that sticks in every people in organization. Every organization must know how to translate the vision into individual mindset in every organizational employee. Mindset is divided into three elements, which are (Mulyadi & Johny):

- Core Value: an attitude, nature of, and character which is hold high by employees when they are working in organization
- Belief: a confidence and trust that employees have when they are working in organization
- Paradigm: the way employees approach to business.

Mindset and human being can be illustrated as ice mountain phenomenon. The behavior looks like ice mountain, which is in fact the behavior caused by coherent software in human being itself, name mindset. Some types of mindset in organization are customer value mindset, continuous improvement mindset, opportunity mindset, cross functional mindset and employee empowerment mindset. This mindset subject is used to accommodate the changing in faculty of economics.



Figure 8: Mindset as Catalyst BSC' Implementation (Adapted from Mulyadi & Johnny: 1999)



## Conclusion

The theoretical frame work in that Balance Scorecard' perspectives is started with the knowledge perspective and growth stresses on the quality improvement of students, lecturers, and staff through both formal and non formal education. That will produce the quality of the learning process and the process to produce product knowledge and to enlarge the number of knowledge users which is conducted by considering the cost efficiency and effectiveness. The improvement of product knowledge users through formal education (S1, S2), research, consultation and continuing education in business will multiply the Faculty of Economics' financial perspective.

In Faculty Equity perspectives, it highly needs the support from the university's roles in providing:

1. Facilities of Academics Information Technology, students, and finance
2. The mechanism of organization between supporting units and Faculty
3. The balance movement between faculty and each department
4. Reward system which leads to a better performance

Regarding the Information Technology, we do hope the result from the work of Accounting Information Systems (AIS) team; can assist us in order to implement managerial activities. Matrix organization that has become a place in doing the organization at Petra should be able to firm the authority and responsibility so that it can create a synergy.

By having the strategic planning we convey, we propose to re-active the role of 2<sup>nd</sup> vice dean. Our suggestion is based on the strategies that affect Faculty's activities. The descriptions of the activities are matched to the 4 perspectives:

1. 1<sup>st</sup> vice dean has the authority and responsibility towards the perspective of faculty equity.
  2. 2<sup>nd</sup> vice dean has the authority and perspective in improving the academics quality and students' human skills through learning capital perspective.
  3. 3<sup>rd</sup> vice dean has the authority of human capital which relates to the lecturers and staff.
- The head of program has an authority and responsibility in the quality of the learning and teaching process and the process which produces product knowledge and growth perspective and special learning that relates to the lecturers and staff

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