Using balanced scorecard in educational organizations

Hamid Tohidi\textsuperscript{a,*}, Aida Jafari\textsuperscript{b}, Aslan Azimi Afshar\textsuperscript{b}

\textsuperscript{a} Industrial Engineering – Industrial Engineering Dept., Islamic Azad University, South Tehran Branch, Tehran, Iran
\textsuperscript{b} Degree in Industrial Engineering, Islamic Azad University, South Tehran Branch, Tehran, Iran

Received November 15, 2009; revised December 3, 2009; accepted January 25, 2010

Abstract

The purpose of this article is Strategic Planning in Iranian educational organizations (especially schools). Although there are lots of problems in educational organizations, strategic planning is used rarely. The results of this article might be useful for managers of educational and related organizations, relating their internal processes to strategies and make them applicable. Using the BSC tool, the author shows how a Strategy Map is planned for educational organizations and how necessary data are gathered with interviews held with managers who had planned strategies for their organizations and who had not. In addition, the BSC abilities and flexibility – in comparison with other strategic planning models – to solve educational organization problems and increasing its effectiveness and efficiency, have been shown in the results.

Keywords: Strategic planning; Balanced Scorecard (BSC); educational organization; strategy map; strategy.

1. Introduction

In late 1980s, lots of articles were published in management magazines in America and Europe about the inefficiency of different performance measurement tools at companies. \cite{1} In 1987 researches were made by National Association of Accountants (NAA) and Computer Aided Manufacturing-International (CAM-I) institute in America. It’s shown that 60% of 260 accountant managers and 64 executive managers in the US companies are dissatisfied of their performance measurement tools.

The Balanced Scorecard (BSC) is one of the performance measurement tools that determine intangible assets of the organization. This system is more frequently used in a Strategic Planning than performance assessment. Due to the long domination of traditional management approaches in Iranian educational systems, seldom do they use a balanced performance measurement tool. Most of them are using the financial measures only. This unbalanced system forces the organization not to pay attention to its intangible assets. \cite{5}

After giving general descriptions on the BSC, this article shows the application of this model to build a Strategy Map and then will demonstrate the benefits of the BSC versus the other strategic planning methods.
2. General

Generally the creation basis of all strategic planning methods is competitive environment and strategic planning is used to achieve goals and vision, while the organization is competing with its competitors.

Researches made by Robert S. Kaplan and David P. Norton show that implementing and applying the strategies are more important than its planning methods. The most important pitfalls for deploying strategies are: “Miscommunication of Strategies to lower levels of organizations”; “Lack of Alignment of Strategies with people”; “Lack of management commitment”; “Lack of enough resources Assigned”. [1] Experiences of successful organizations in applying strategies prove BSC’s ability to solve above-mentioned obstacles. And this makes it to be a strategic planning method as well as a performance measurement tool. For an organization to function effectively, it has to determine and manage numerous linked activities. [8] The most strength point of BSC is its ability to illustrate the cause and effect relations between strategies and processes through four perspectives: “Financial perspective”; “Customer perspective”; “Internal business process perspective”; “Learning and growth perspective” [9] Based on this reasoning, to achieve its financial benefits, an organization has to take its customers’ needs and expectations into account, initially. To do this, educational organizations should adopt a process approach when developing and implementing a quality management system. [4] And to have this, it finally needs to increase its personnel’s knowledge.

The results of analysis on Iranian educational organizations show that seldom do they use any specific strategic planning model. And those who do suffer from difficulties similar to those mentioned above. So, considering its abilities, BSC is talented to be a completely effective and efficient strategic planning model in Iranian educational organizations.

There are steps to build a Strategy Map using BSC; first, the organization should identify its strategic theme and analyze them to find the top 20 percent portions which contribute the organization achieving 80 percent of its goals, in the line of vision. Second, for each theme, relevant initiatives and actions need to be determined. Finally the cause and effect relations between these initiatives should be mapped in Strategy Map. It’s worth mentioning that for each initiative, Lagging and Leading Indicators as well as their targets and required financial resources should be determined in “action plans” framework, which are not in the scope of this article.

3. Strategic Themes

The educational organization can recognize its strategic themes by analyzing seven zones shown in figure 1:

![Figure 1. Strategic Zones](image)

Being a profit (mostly private) or a nonprofit organization, use of this model is different. In nonprofit organizations, strategic theme analysis starts by analyzing stakeholders, while in private ones, the starting phase is analyzing competitive environment. (This article focuses on private educational organizations.)
Note: some zones may need less attention in some organizations because of its business. Each zones shown in figure 1, might be analyzed:

**Competitive Environment:**
In this part things which could make competitive situation for the organizations are will be analyzed:
- **Competitors:** In this zone the organization should analyze its competitors and their situations and treatments.
- **Resources:** Organizations which use shared resources might be in competition.
- **Customer:** A customer who buys all of educational services of the organization is important. In this case the customer needs and his/her satisfaction is a strategic theme to the organization because such customers help the organization survive. The organizations risk is too high in this situation.
- **Probability of emerge of new competitors (Entrance barriers):** Entering to any business has its own process and difficulties. Because of difficulties to enter into educational business in any fields (e.g. high education, guidance schools, training providers, etc.), the probability of creation new competitors may change. It’s important to pay attention to the competitor’s growth speed. In other words it may be so easy to enter in educational business but being a strong competitor and achieving successful results may need much time.
- **Replacing service:** Customers may have different opportunities to meet their needs. This could make competitive situation.

**Vision:**
The educational organization must define and develop its vision. Strategic themes might be influenced by its vision.

**Enablers:**
The educational organization should identify its internal Strength and Weakness points. These are under organization’s control. [7] For example; suitable educational space, effective teachers and methods and financial strength, might be the organization’s strengths. [3] The organization should identify and develop its Competitive Advantages among its strength themes.

**Environment (Risks):**
It is necessary for the educational organization to identify its Opportunities and Threats. Unlike the Strength and Weaknesses, Opportunities and Threats are not under control of the organization. [6] Opportunities and Threats are studied in five fields:
- **Economic study:** The educational organization is effected by economic situation of the society and country (e.g. families’ average income, oil costs (Plays critical role in Iran economic.), inflation rate, etc.). [6]
- **Political study:** Change of politically critical positions (e.g. president or minister of education) and policies might influence on the organization.
- **Social study:** Population growth and many other social changes might be important to the organization’s strategies.
- **Cultural study:** Cultural factors like religion, cultural differences, etc. are important.
- **Technological study:** Educational technologies and methods (e.g. cognitive education) and developing information technology may influence the educational organization.

**Customer:**
Attracting talented students is too important for the organization and makes competitive environment too. Market share for an educational organization may define to the count of its talented students.
Also the customer requirements (in both stated and implied requirements) are determined and met with the aim of enhancing customer satisfaction by organization. [8]

**Stakeholders:**
The educational organizations’ stakeholders might be different case by case. Society, establishers, ministry of education might be the educational organization stakeholders.
The educational organization should balance the extents to which different stakeholders’ needs are met.
Organization’s life cycle:
The educational organization’s treatment may differ depending on the position in its life cycle.

4. Strategic initiatives and actions

Results taken from other strategic planning models in at least 20 educational centers show that most of them are choosing these strategic themes among other themes according to Pareto rule: “Increasing benefit”; “Managing brand”. Next topic (strategy map) suggests strategic initiatives and actions for each strategic theme mentioned above. It’s shown by strategy trees in figures 2 and 3. This is made by meetings and discussions held with managers in organizations. [7]

5. Strategy Map

Strategy says that how an organization ensures stable benefits for its stakeholders. [2] Using strategy trees shown in previous topic, educational organization should build its Strategy Map. So some initiatives shown in strategy trees might not be seen in Strategy Map. According to the strategy trees, the educational organization’s Strategy Map might look like figure 4:

Note: In nonprofit organizations, Financial Perspective is the effect of Customer Perspective (as cause) and will be shown in second level.
6. Conclusion

As what is said, there are lots of strategic planning tools and methods. Their effectiveness and efficiency differs from business to business. In Iranian organizations processes are done in different ways due to lack of standard educational system and the specifications of this business. Here are some benefits of using BSC tool in Iranian educational organizations: “The educational organization focuses on some strategic educational services instead to providing numerous low quality services”; “The annual action plans will be harmonized”; “Personnel involvement in decision-making increases”

The proposed model is stimulus for further researches on these subjects: “Analyze the influence of process approach using the international standards like IWA 2 to the BSC strategic planning for educational organizations”; “Application of strategic planning tools used in other strategic planning models in BSC strategic planning for educational organizations”

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