ABD Journal, Volume 3, 2011

The Business School Strategy: Continuous Improvement by Implementing the Balanced Scorecard

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Abstract

The strategic goal of accreditation by AACSB International remains continuous improvement in the quality and content of management education. This paper proposes an integrated framework for attaining and maintaining accreditation. The framework starts with the mission statement that leads to the development of a strategy. The components of the strategy are expanded into four perspectives with goals and measures or metrics within a Balanced Scorecard. The paper considers an integration of the mission statement components with the faculty responsibilities that are related to metrics within the Balanced Scorecard. The Balanced Scorecard serves as a means of measuring performance and modifying business school strategies within a changing environment, including relationships and challenges.

Introduction

Higher education increasingly faces demands to be accountable to their stakeholders. Many business academics and administrators have strongly criticized business education's relevance to business and the community in general. Business schools have generally not defined and measured outcomes and thus value-added to their programs. It is extremely important for schools to develop and measure processes that lead to successful outcomes, especially schools seeking AACSB accreditation and those already accredited. This paper describes and applies a specific method within a framework of continuous improvement that has significant potential to accomplish such a task within a business school: The Balanced Scorecard (BSC) approach (Papenhausen & Einstein, 2006). However, for successful implementation of the BSC and to create alignment and synergy across the institution, support by all levels of management is necessary. This necessary support can be gained from faculty and staff, by an effective communication system that includes expectations so that each member devises their own objective to contribute to the mission and vision of the institution (Karpagan & Suganthi, 2010).

Background

The concept of the Balanced Scorecard (BSC) was first introduced by Robert S. Kaplan and David P. Norton in 1992. The basic premise of the BSC is that financial results alone cannot capture value creating activities. In other words, financial measures are lagging indicators and, as such, are not effective in identifying the drivers or activities that affect financial results. Therefore, Kaplan and Norton (1992) suggested that organizations, while using financial measures, should develop a comprehensive set of additional measures to use as leading indicators or predictors of financial performance. They suggested that measures should be developed that address four perspectives.

In essence, the BSC provides a way of organizing and presenting numerous complex, interrelated data to provide an overview of the institution and foster effective and more efficient decision-making and the basis for continuous improvement (Beard, 2009). The development of the BSC requires identification of key components within the following four categories:

1. The financial perspective. Measures in this perspective should answer the question, "How should we appear to our shareholders?"

2. The customer perspective. These measures should answer the question, "How should we appear to our customers?"

3. Internal business processes perspective. Measures in this perspective should answer the question, "What processes must we excel at?"

4. Learning and growth perspective. These measures should answer the question, "How can we sustain our ability to change and improve?"

In essence, the Balanced Scorecard is a customer-based planning and process improvement system aimed at focusing and driving the change process. It does this by translating strategy into an integrated set of financial and non-financial measures that both communicates the organizational strategy to the members and provides them with actionable feedback on attainment of objectives.

A critical factor for an effective BSC is the alignment of all the measures in the four perspectives with the organization’s mission and strategic objectives. The BSC allows managers to track short-term financial results while simultaneously monitoring their progress in building the capabilities and acquiring the intangible assets that generate growth for future financial performance (Kaplan & Norton, 1992). Thus, the BSC enables managers to monitor and adjust the implementation of their strategies and to make fundamental changes in them over time (Karathanos & Karathanos, 2005).

BSC applications focus on for-profit organizations. However, a few studies of the BSC look specifically within business schools for applications including Drtina, Gilbert, and Alon (2007) who suggested integrating measures with clearly defined strategies as a first step with various guidelines. Papenhausen and Einstein (2006) used the BSC at the University of Massachusetts-Dartmouth based on a survey to show how the BSC approach could be implemented in a college of business. Armitage and Scholey (2004) successfully applied the BSC to a specific master's degree program in business, entrepreneurship, and technology. Cullen, Joyce, Hassall, and Broadbent (2003) proposed that a Balanced Scorecard be used in educational institutions for reinforcement of the importance of managing rather than just monitoring performance. Sutherland (2000) reported that the Rossier School of Education at the University of Southern California adopted the Balanced Scorecard approach to assess its academic program and planning process. Chang and Chow (1999) reported that responses in a survey of 69 accounting department heads were generally supportive of the Balanced Scorecard's applicability and benefits to accounting programs (Karathanos and Karathanos, 2005). Also, Chang and Chow (1999) indicated that in 1993 the University of California, San Diego's senior management launched a Balanced Scorecard planning and performance monitoring system for 30 institutional functions using three primary data sources: 1) UCSD's internal financial reports; 2)National Association of College and University Business Officers benchmarks; and 3) faculty, staff and student customer-satisfaction surveys. This exercise was conducted under the framework of the university's vision, mission, and values. Reported benefits and outcomes to date have included reorganization of the workload in the vice chancellor's area, revision of job descriptions with performance standards, introduction of continual training for user departments, ongoing customer assessments and increased responsiveness to communication needs through the use of technology. O'Neil and Bensimon (1999) described how a faculty committee at the Rossier School of Education of the University of Southern California adapted a Balanced Scorecard model originally developed for business firms to satisfy the central administration's need to know how they measure up to other schools of education. The format of the Balanced Scorecard adapted by the faculty included the following four perspectives: 1) academic management perspective (How do we look to our university leadership?); 2) the internal business perspective (What we excel at?); 3) the innovation and learning perspective (Can we continue to improve and create value?); 4) the stakeholder perspective (how do students and employers see us?). O'Neil and Bensimon (1999) indicated the following favorable results from the "academic" scorecard implementation:

- Easier approach for the university to accomplish its strategic goals;
- A systematic and consistent way for the provost's office to evaluate performance reports from various schools and departments;

- The scorecard established common measures across academic units that have shared characteristics; and
- The simplicity of the scorecard makes it easier for academic units to show how budget allocations are linked to the metrics of excellence.

Conceptual Viewpoint

The following concepts are an integral part of the paper:

- Strategy- describes how an organization matches its own capabilities with the opportunities in the marketplace to accomplish its overall objectives.
- Balanced Scorecard- a tool that translates an organization's mission into a comprehensive set of performance measures that provides the framework for implementing its strategy.
- Continuous improvement- the process and company philosophy that create a never-ending search for higher levels of performance within many organizations.
- The preamble to the 2003 AACSB standards for business accreditation challenges schools to engage in continuous improvement of the quality of the content, delivery, and administration of management education.

At the organization level, developing the Balanced Scorecard involves identifying several key components of operations, establishing goals for these and then selecting measures to track progress toward these goals. The number and nature of components can be expected to vary depending on the nature and the strategy of the organization, though the following four components are typical for a Balanced Scorecard:

1. Customer Perspective (How do our customers see us?). This component tracks how well the organization is meeting the expectations of its customers.
2. Internal Business Perspective (At what must we excel?). It focuses on the internal processes that the entity must perform well if it is to meet customers' expectations.
3. Innovation and Learning Perspective (Can we continue to improve and create value?). This component focuses on the infrastructure that the entity must build and sustain in order to ensure and enhance its ability to satisfy customers' expectations.
4. Financial Perspective (How do we look to providers of financial resources?). It tracks how well the organization is translating its operational results into financial well being.

Measures

The strategic directions can be developed and measured within the generic structure of the Balanced Scorecard. The following is the adaptation of the sample Balanced Scorecard developed by Bailey, Chow, and Haddad (1999) for a university and its strategic business units.

1. Stakeholder/Customer Perceptive

Goals	Measures
Students	Average SAT, GMAT, GRE
Attract high-quality ethically diverse students	High school GPA Market share of student enrollment Geographic draw area % minority enrollment
Develop high-quality students	Student portfolios GPA over time, average grade awarded Integration of technology into curriculum
Retain high-quality students	Financial aid offered Retention rate Student satisfaction surveys Tuition compared with comparable schools
Graduate high-quality students and placement	Number of degrees awarded Number of students recruited Starting salaries Number of visits by recruiters
Employers satisfaction with graduates	Employer survey rating graduates' effectiveness Perception surveys Support of programs and initiatives

Faculty satisfaction and quality	Participation in decision-making Encouragement for research, attendance at conferences Office space and computer availability % full time % doctorally qualified Level of faculty publications/conference attendance/presentation Student perception of faculty quality Student/professor ratio % of budget devoted to faculty development
Alumni satisfaction	Increased assistance with placement Level of alumni giving Number of alumni attending special events Number of alumni serving on advising boards or guest lecturers in classes
Community public-enhance relationships with community, improve public image	Employer surveys Outreach programs to community Community perception of faculty and staff Internships/co-op programs Advisory committees News articles featuring school and/or faculty

2. Internal Business Perspective

Goals	Measures
Teaching and learning excellence	Evaluation by external reviewers and employers Peer Review

	Student satisfaction with teaching quality Grade point standards Quality and technological level of teaching space, computer labs, and libraries Presentation capabilities Degree of deployment of technology in learning Experience
Curriculum program excellence	Degree to which curriculum is up-to-date with educational, business, and commercial trends Reviews by advisory boards Periodic review of each program
Quality and currency of faculty	Faculty credentials, development plans, appraisals Contracts with business and industry Utilization rate of multimedia in classrooms
Faculty sufficiency	Amount of teaching by participating and supporting faculty
Efficiency and effectiveness of services	Degree cycle time Teaching load policy management % of students completing program in 4 years Analysis of use of space Student satisfaction Placement services and opportunities Availability of internships/co-ops

	Allocation and use of equipment and supplies

3. Innovation and Learning Perspective

Goals	Measures
Teaching and learning innovation and faculty development	Number of innovations incorporated into classroom Level of technology Quality of instruction, advising, mentoring Number of ongoing instructional development programs Number of new initiatives, courses, programs Formally approved curriculum changes Seminars presented Expenditures for teaching enhancement Number and quality of faculty publications, presentations Attendance at conferences Honors and awards received by faculty Innovation versus competing schools
Quality of facilities	Adequacy of classrooms, equipment, computers, library resources % of budget for improved facilities Time required to service, replace, allocate
Specific strategic decision	Report of the implementation of decentralization efforts for sites

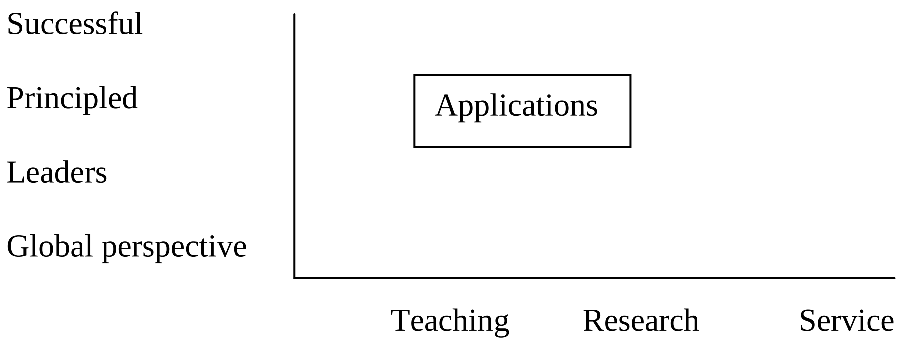
	Implementation, decentralization of campuses Evaluation of strategic planning results

4. Financial Perspective

Goals	Measures
Fund raising	Total funds raised Alumni/business funds generated Size/growth of endowment Number of donors Growth rate of annual fund Number and amounts of grants and contracts received Level of unrestricted giving
Revenues from operations	Tuition revenue growth Nontuition revenue as % of annual budget % of funds from tuition that stay internally Contribution analysis Class size, student/faculty ratio
Human capital investment	Faculty turnover rate Salaries relative to peer group Dollars/faculty Program for release time and sabbaticals
Financial management-budgeting	Balanced budgets and increased budgets Funds totally accountable Efficiency and effectiveness of budget allocations spent Effectiveness of monitoring supplies and equipment

	Number of dollars for each revenue generating activity Cost per "credit hour production" relative to benchmark

The continuous improvement starts with a mission statement. A school develops and publishes a mission statement or its equivalent that provides direction for making decisions. The mission statement derives from a process that includes the viewpoint of various stakeholders. An example of a mission statement is "The mission of the Byrd School of Business is to educate students to become successful, principled leaders with a global perspective." As stated in the five year AACSB maintenance report (2011), the mission guides strategies and choices including program emphasis and assurance of learning, student population/profile targets, faculty composition and recruiting goals, resource allocation, and the development of strategic initiatives that represent high-priority, continuous improvement efforts. A matrix approach to the mission and faculty responsibilities would include:

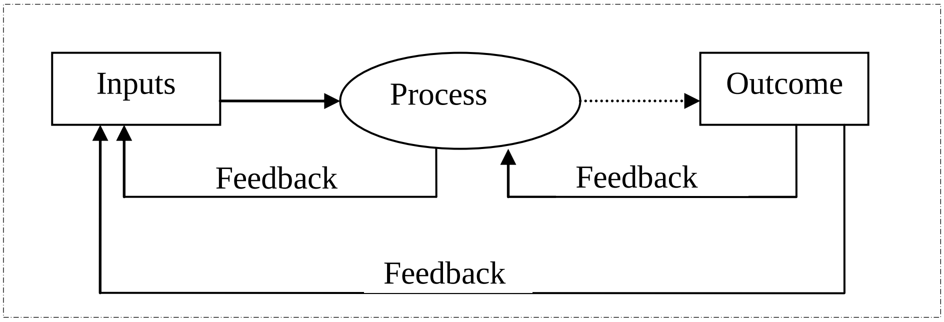


This subset would form the foundation for development and expansion within the perspectives of stakeholders/customer, internal business, and innovation/ learning as well as provide assurance of learning. The application of the missing components would operationalize the strategy through teaching, research, and service.

The AACSB shift to process-based standards is evident in several of the 2003 standards that require each school to utilize processes that generate the capability to enhance an important service or product for its external customers for management education. Further, the standards are intended to improve internal service or products supporting management education: develop faculty, improve instruction, and enhance intellectual activity. Process-based standards define and document the capability of transforming inputs into desired outcomes. Because processes define an organizing structure to create these capabilities, one could argue that an important metric used to evaluate a school's performance against a given standard should be documentation of the processes that create the capability required in each standard. Accreditation standards that are process-based support continuous quality improvement in management education while those that are input-driven or outcomes-focused most often do not. Therefore, the measures or metrics must be identified as to process-based. For example, under the stakeholder/customer perspective, the measure of the level of faculty publications, conferences attendance, and presentations, is evidence how faculty are developing their research agenda and the development of quality journal articles over time. Another example would be the development or use of a case at the undergraduate level within certain core courses to assess student learning thus assessing common concepts or achievements across the curriculum. The ideas developed could be generalized into a basic model of a transformation process involving inputs, process, outputs, and a feedback loop.

The inputs are transformed into outputs as a result of a defined set of related steps or operations called a process. Generally the inputs represent resources from both the internal and external environments, including the products or outputs from other subsystems of the school or university including students, physical environment and organizational infrastructure. The outputs generated by the system include the service or value addition generated by the process. The outputs can be assessed using outcomes-related metrics. The purpose of the feedback loop is to facilitate continuous improvement through the entire transformation process. The basic model is shown below (Hedin et al., 2005):

Figure 1: Transformation Process Model



An Integrated Framework Approach

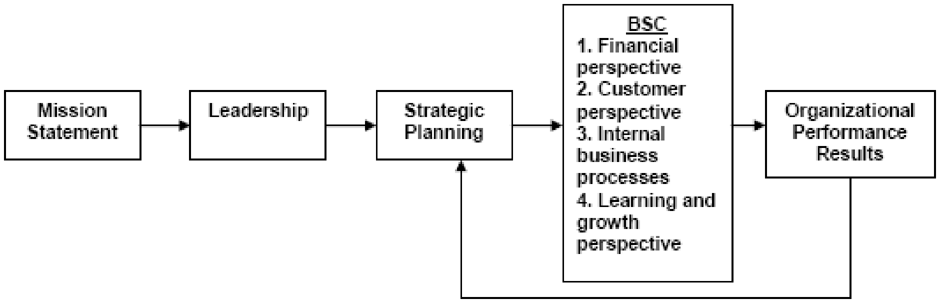
Many agree that translating the balanced scorecard from a business perspective to the complex world of academia is a challenge. The integrated framework approach would start with the overall strategy based on the mission statement. The mission statement would be integrated with resources such as faculty including their perspectives of teaching, research, and service. A comprehensive strategy would include measures or metrics with the four perspectives outlined. The content within the perspectives would be viewed on a continuum of improvement over time. The framework can be further developed by considering other AACSB standards for measurement and application within the BSC and consideration of actual data provided by a university.

The framework would provide a systematic perspective for long-term planning and decision making. A generic architecture to describe the framework is shown in figure 2. The measures or metrics could be further developed into a BSC strategy map as illustrated by Kaplan and Norton (2004). Each measure would be considered in a chain of cause-and-effect logic that connects the desired outcomes from the strategy with the drivers. The construction of the strategy map can serve as a preparatory phase for designing the sets of indicators that will measure the key goals.

The strategy map clarifies the strategic direction which the institution has taken or could move in, the goals that need to be achieved, the quantitative targets and the cause-effect relationship between the various resources to benefit the stakeholders. Basically, the strategy map allows the institution to "narrate its strategy in a clear, simple, and meaningful way (Broccardo, 2010).

The causal linkages in the BSC strategy map can enhance quality programs by articulating ways that process improvements can link to strategic outcomes. For example, quality improvements in the internal perspective could improve one or more outcome measures in the customer perspective. This could lead to cost reduction, an outcome in the financial perspective (Karpagam & Suganthi, 2010).

Figure 2: Generic Architecture



Continuous improvement within an environment, including relationships and challenges will lead to the planned or expected outcomes. The measures or metrics illustrated in this paper may then be tied to multiple goals. The important point is that each measure or metric align with the organization's strategy based on the mission statement.

Conclusion

The current environment demands increasing accountability from business schools, especially those schools seeking AACSB accreditation. The proposed framework centered on the Balanced Scorecard approach offers an alternative for developing and implementing a strategic performance management system in a business school. By identifying and using key performance measures that are consistent with the institution's mission and core values and by seeking continuous improvement, opportunities are created to add to the education value in higher education (Beard, 2009). The implementation of a strategy based on the mission statement requires communication and active participation by not only the business school faculty but the faculty and administrators across the campus. This would lead to consistent messages and sets of priorities throughout each academic school or division. Through continuous improvement, each faculty member will gain a thorough understanding and appreciation for the strategy, implementation of planning, and results achieved. A successful BSC can provide feedback to the administration and faculty that can lead to a long-term process that will foster individual and collective growth resulting in improved organizational performance.

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