

USING THE BALANCED SCORECARD FOR THE PERFORMANCE MANAGEMENT OF STATE UNIVERSITIES IN ROMANIA

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Performance is a widely debated concept in the literature, especially in the field of business. The performance of a public institution in general, and of an educational institution in particular, is much more difficult to quantify, mainly because of the specifics of the activity and the form of funding. Simply measuring performance is not enough to improve it, and the need arises to implement a performance management system. The Balanced Scorecard is widely used in Romania and has been implemented over the last two decades in both public institutions and companies. This paper aims to propose a Balanced Scorecard for the performance management of state universities in Romania.

Key words: Balanced Scorecard; university; management; performance, students.

JEL Classification Codes: I20, I21, I23.

1. INTRODUCTION

In any organisation, be it a company, a public institution, an NGO or any other economic entity, there is a need to direct efforts towards the achievement of objectives targeted. The need arises to exercise control over the work carried out within the organisation irrespective of the purpose for which the organisation was created, because within the organisation there are people working with personal and group interests that may not always be in line with the objectives of the organisation. The sustainable development of any entity in a competitive environment can only be achieved through continuous striving for performance and success.

The notion of performance is quite complex and multifaceted. Performance analysis must be carried out in relation to the mission statement and long-term objectives. In order to develop the organisation, performance measurement and reporting must be done regularly as part of a comprehensive performance management approach. In fact, many authors in the literature prefer to speak of a performance management system rather than a performance measurement system. Managers need a genuine performance management tool in order to guide their actions.

The use of non-financial measures of performance is not new, but it has been fully developed in the last decades of the 20th century. Thus, performance management tools have a history of nearly one century. The dashboard was designed to meet the information needs of managers for rapid decision-making. The dashboard was introduced in French companies in the 1930s, while the Balanced Scorecard has been around for only three decades. The biggest shortcoming of the dashboard is the lack of predefined performance areas. Because of this, there is a risk of implementing a dashboard containing an unbalanced set of performance indicators in financial and non-financial, strategic and operational terms, as well as concerning effectiveness and efficiency.



2. LITERATURE REVIEW

The changing economic environment, the technological developments and the shortcomings of the dashboard led to a real revolution in business performance measurement at the end of the 20th century, with a number of new tools being developed: Performance Measurement Matrix (Keegan et al. 1989), Performance Pyramid (Lynch and Cross 1991), the model proposed by European Foundation for Quality Management (EFQM, 1992), Balanced Scorecard created by Kaplan and Norton (1992), Performance Prism (Neely and Adams 2000).

The Balanced Scorecard has been in the spotlight for the past three decades in the US and many other countries because of its many benefits and applicability in a very wide variety of fields. Ch. Horngren et al (2006) believe that the name *balanced scorecard* derives from the fact that it balances the use of financial and non-financial indicators in order to assess short and long-term performance in a single report. The Balanced Scorecard (BSC) attempts to achieve balance in several respects, and this has been instrumental to its success.

The literature abounds in papers on the implementation and use of BSC in business, while the papers on its application in universities are fewer in number. Lina (2020) analyses the usefulness of the BSC for assessing the entrepreneurial potential of a Romanian university and concludes that the model can be a useful managerial tool. Kiriri (2022) analyses the usefulness of BSC for performance management of HEIs and concludes that “BSC is a performance management system and a strategic management tool that can and should be adopted by HEIs considering the environment they are operating in”. Brown (2012) states that BSC is a useful management system “to assist them in clarifying their mission and vision and translating their vision into strategies”.

3. BALANCED SCORECARD IN ROMANIAN PUBLIC INSTITUTIONS

The BSC model was originally conceived for the private business sector, but practice has shown the huge potential it has in the public sector as well.

BSC is widely used in Romania, both in the private sector and in public administration (Țaicu, 2013). Table 1 presents some examples of public institutions that have implemented BSC.

Table 1. Examples of public institutions in Romania that have implemented BSC

Local public administration	Central public administration
Arad City Hall	Ministry of Internal Affairs
Focșani City Hall	Ministry of Public Finance
City Hall of Bucharest District 2	
Gheorgheni City Hall	
Bârlad City Hall	
Vaslui County Council	

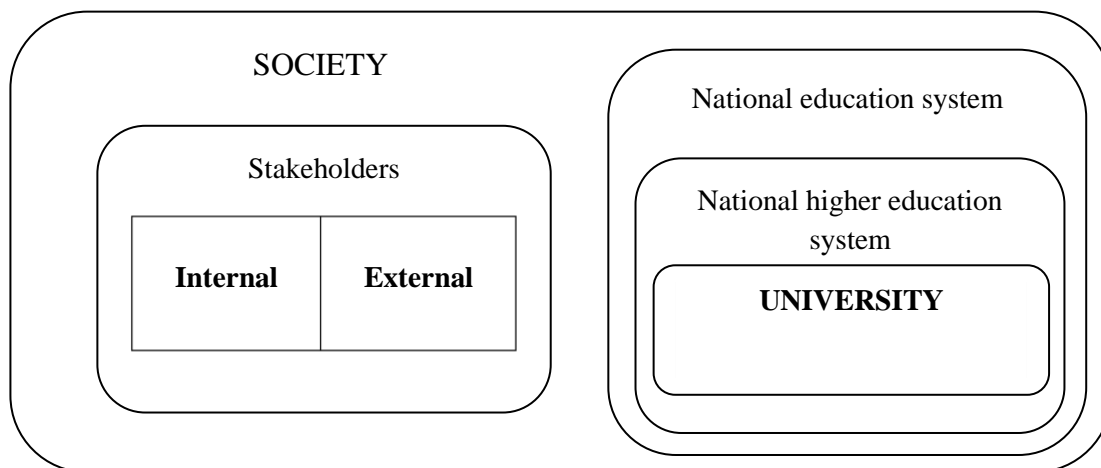
Source: elaborated by the authors

The implementation of BSC in public institutions in Romania was usually carried out within the framework of European funded projects.

Unlike the implementation of BSC in business, where the financial focus is the priority, in public institutions the most important thing is the mission. The purpose of the state is to meet certain social needs and therefore the performance of its institutions is seen through the prism of social impact. Public institutions do not have shareholders and this is another argument against the financial perspective.

4. UTILITY OF BALANCED SCORECARD IN UNIVERSITIES

The Balanced Scorecard has proven its usefulness in business, but can it also be successfully applied to nonprofit organizations in general, and universities in particular? Universities are institutions of higher education that offer degree programmes in various scientific fields.



Source: elaborated by the authors

Figure 1. Academia and the environment

Stakeholders are individuals, groups of individuals or organizations that have a vested interest in the work of the university, and may be affected or may affect the work of the university.

The university community consists of students, doctoral students, trainees, teaching and research staff, teaching and research assistants and administrative staff (Art. 14 (1)).

Table 2. Stakeholders of state-run universities

Type	Stakeholders	Interests
Internal	The senate of the university	The University Senate represents the university community and is the highest decision-making and deliberating body at the level of the higher education institution (Art 173, para. (1))
	Management Staff	Rector, vice-chancellors, deans, department directors – pursue information necessary for the performance of management functions. The Rector legally represents the higher education institution in relations with third parties and carries out its executive management, fulfilling the duties provided for by the Law on Higher Education. The Rector is the authorising officer of the higher education institution. The Dean represents the faculty and is responsible for the management and direction of the faculty. The head of a department conducts the management and operational direction of that department.
	Students and their parents	Both students and parents are interested in learning conditions, scholarships, student mobility, awards, internships. The career path of graduates will be reflected in the image of the university. Student representatives sit on the faculty council, the university board and the university senate. Students are organised in associations that can influence decisions.
	Employees	Employees seek job stability, career advancement opportunities, incentives for performance.
External	State	The State exercises its powers in the field of higher education through the Ministry of Education, the Government and the Parliament (Law 199/2023).
	Employers	Employers are interested in training specialists in their field of activity.

Type	Stakeholders	Interests
	Potential students	Potential students choose the university according to a variety of criteria: educational offer, quality of teaching, prestige, learning conditions, availability of dormitory accommodation, proximity to home, etc.
	Alumni	Alumni follow the evolution of the university. Sometimes, even a long time after graduation, they may request documents relating to their studies, such as the subject file needed for equivalences at other institutions. Through their professional and scientific achievements, alumni can contribute to the prestige of the university. Alumni can also support the university through donations and by raising its profile nationally and internationally.
	Local community	The local community follows the impact of the university on the economic, social and cultural development of the locality and the region. Universities enter into partnerships with local government institutions, pre-university education institutions, religious establishments, companies, etc.
	Suppliers	An entity such as a university is an important customer for any supplier. Being a public institution brings with it an added level of trust from suppliers.
	The public	The public is interested in the work of the university because of the major impact its existence has on the community. The existence of a university is beneficial to any community because it contributes to its economic, social and cultural development.

Source: elaborated by the authors

The Balanced Scorecard provides managers with a range of relevant financial and non-financial information on the activities they manage. Translating strategy into action is the principle on which this monitoring and reporting of organisational performance is based. Successful implementation of the BSC, in any type of entity, depends on the involvement of the management team. The implementation team needs to have a series of discussions with managers, they need to know detailed information about the entity's business.

In the BSC view, a balance must be struck between long-term and short-term indicators, both of which are important for the success of the organisation. Balance is also sought between input indicators and output indicators. Internal aspects (internal processes, organisational development) and external aspects are also in balance. Management practice has clearly shown that balance in the use of financial and non-financial indicators facilitates the achievement of strategic objectives. Another strength of the BSC is that it pursues the interests of both the organisation and society. Strategic planning is only complete and effective to the extent that the strategic objectives set out in the various documents developed within the institution are reflected in the objectives set at the level of each organisational division down to the level of individual posts. This ensures consistency between the strategic objectives and the actions taking place at the operational level and it facilitates the evaluation of staff and component structures.

5. IMPLEMENTING BSC WITHIN UNIVERSITIES

The Balanced Scorecard model proposed by R. Kaplan and D. Norton (1992) involved four axes:

“Financial Perspective – How do we look to shareholders?”

Customer Perspective – How do customers see us?

Internal Business Perspective – What must we excel at?

Innovation and learning perspective – Can we continue to improve and create value?”

The authors underline two key aspects regarding the newly created instrument: BSC “minimizes information overload by limiting the number of measures used” and “Companies rarely suffer from having too few measures”.

R. Kaplan and D. Norton (2001) proposed integrating social and environmental aspects into the traditional model by integrating those aspects into the traditional BSC axes. They proposed the

existence of societal indicators at the level of the internal process axis and the extension of the customer axis to all the company's partners.

In the literature there are numerous studies on adapting the BSC model to the needs of a university. While some authors retain the architecture proposed by Kaplan and Norton, others propose a large number of perspectives. Authors Al-Hosaini and Sofian (2015) conducted a review of the literature on the implementation of BSC in higher education institutions, and found a diversity of perspectives proposed to apply this tool.

We believe that the BSC tool can and should be adapted to the specifics of a university, yet creating a large number of perspectives may lead to the loss of effectiveness of using that tool. It should not be forgotten that the BSC emerged precisely as a reaction to the shortcomings of the dashboard.

The traditional BSC has the disadvantage that it does not capture performance in all its forms. Overall performance includes not only economic performance, but also social and environmental performance. The development of a sustainable BSC requires teamwork involving managers from several departments of the university. In order to better reflect social and environmental aspects, the BSC model can include indicators culled from five axes: financial, customer, internal processes, knowledge and learning, environment and society.

Strategic management implies that the long-term development and expected performance level are established at the level of the institution's management, and the formulation of the strategic plan is followed by its implementation, monitoring and evaluation. Strategic objectives must be SMART (specific, measurable, achievable, relevant, and time-bound). Control is a basic component of any system, and running a business in performance cannot be conceived of without some form of control. The role of control is to ensure that all components of the system contribute to the achievement of the objectives set.

The existence of a strategy is one of the criteria for the external evaluation of higher education institutions in Romania: "The higher education institution has a medium-term strategy (five years), which includes strategic development objectives set according to the evolution of higher education at national and European level, and annual operational plans that include planned activities and deadlines for achieving the strategic objectives. Quality assurance policy is an integral part of strategic management" (ARACIS, institutional evaluation visit sheet).

The university's mission states the role for which the university is established, and sets out the social environment to which it is addressed. According to the Law on Higher Education in Romania (Law 199/2003), the mission of higher education is to generate, certify and transfer knowledge by:

- (a) initial and continuous university and post-graduate training;
- (b) scientific research, development, innovation and technology transfer;
- (c) community involvement (Law 199/2003, art. 3, para. 1).

Higher education institutions can be state-run, private and denominational. These institutions have legal personality, are non-profit and apolitical (Law 199/2003, Art. 7, para. 4).

The mission of the higher education institution may concern: (a) education, (b) education and research, (c) advanced education and research (Law 199/2003).

The vision of the university is a projection of the aspirations towards the future, and provides an answer to the question "where do we want to go?"

We are now in the era of the knowledge-based economy, but also of the green and social economy. In this context, the sustainable development of a university is based on three major objectives:

- (1) to contribute to the development of human society as a whole through the provision of quality education and the results of scientific research (social performance);
- (2) to ensure the financial equilibrium of the university (economic performance);
- (3) to protect the environment and educate the younger generation to respect nature (environmental performance).

Performance must be judged in terms of the objectives proposed in advance because it is impossible to judge performance without clearly established objectives, which can be expressed quantitatively or qualitatively and must have a deadline for achievement. In order to assess the success achieved in implementing the strategy, a comparison between target performance and actual performance in the BSC should be made at university level. Reaching those targets must be interpreted as a success of the managers' strategic initiatives.

In order to be useful and effective, a performance measurement system must have four essential characteristics:

- (1) be simple in design to facilitate its understanding, application and integration into the management system;
- (2) it should assess all the activity that is related to the achievement of the university's mission and vision in order to identify the potential slippages that jeopardise the achievement of strategic objectives;
- (3) be low-cost to implement and use;
- (4) not be an impediment to the normal conduct of business within the university.

The use of the BSC in a university enables the achievement of adequate performance management by supporting the implementation of strategies and exercising control over the implementation of those strategies. The BSC is thus a genuine internal environment management tool. As regards the external environment, the BSC enables attention to be focused on key issues such as competition in the market for educational services and relations with social partners.

We believe that an effective BSC model for a university should follow the model proposed by Kaplan and Norton, with an additional axis – Environment and Society.

The *Student perspective* should be the most important in the BSC for a state university, given its mission and form of funding. Achieving student performance is critical to evaluating the university's performance.

The *Innovation and Learning perspective* will include indicators that reflect the university's performance in this area. The results on scientific research can significantly influence the funding received by the university and have a positive impact on its image.

The *Internal Processes perspective* will include indicators reflecting the state of the system led. The continuous resolution of problems arising in conducting the internal processes is a prerequisite for the achievement of strategic objectives.

The *Financial perspective* is important for the university, but not paramount as it is for business.

The *Environment and Society perspective* is necessary in the current context in order to ensure the reflection and tracking of indicators concerning the university's relationship with the environment and society.

To ensure successful implementation of the BSC model, within each perspective there must be four essential concepts: (I) strategic objectives, (II) indicators, (III) targets, (IV) activities.

We believe that there are mutually conditioning relationships between the five perspectives. Achieving the desired performance depends primarily on the funding of the institution, therefore, the *Financial perspective* is crucial. Adequate funding allows the institution to properly organize its *Internal processes*, which will determine the achievement of the desired targets within the perspectives of *Innovation and learning*, *Environment and society* and *Students*. In turn, the achievement of the proposed targets within the last three mentioned perspectives will determine an improvement in the university's funding.

A large number of all organizations fail to implement the strategy, partly due to a lack of coordination between subdivisions, and partly due to a mismatch between operational decisions and strategic objectives. In practice, there are two sources of failure: human resources and management decisions. With regard to the employees, two main problems can arise: misunderstanding the organization's vision, and personal or group objectives that are not in line with the organization's strategic objectives.

At the managerial level, the problems are related to the misallocation of resources in relation to the strategy adopted, and the allocation of most of the time to tactical decisions at the expense of strategic issues.

6. CONCLUSIONS

Despite its limitations, the BSC is a powerful alternative to the classic steering tools represented by the dashboard. Initially, the BSC was considered a simple performance measurement and reporting tool, but its usefulness in practice has led to its reconsideration as a strategic performance management tool. The use of the BSC for performance management in a mainly state-funded university can generate a number of definite benefits by ensuring alignment between short-term actions and the institution's strategic objectives.

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