

BALANCED SCORECARD (BSC): DOES IT REALLY MATTER IN MALAYSIAN PRIVATE INSTITUTIONS OF HIGHER LEARNING?

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ABSTRACT

Performance of Institution of Higher Learning is one of the important factors to transform Malaysia to become an education hub in the Southeast Asia. It is necessary for the institutions to determine their performance measurement system to achieve organizational excellence in terms of products and services for their stakeholders, especially for the Private Institution of Higher Learning (PIHL). PIHL is not only needs to offer attractive education services, but also needs to ensure their business and financial sustainability in the long run. In the 20th century, Balanced Scorecard (BSC) introduced by Kaplan & Norton is one of the prominent performance measurement system uses to measure performance and it has been widely applied among profit-oriented businesses and western universities. Some have tried to utilize BSC while others argued about its effectiveness in determining performance of IHL. However, the conceptual framework for the implementation of BSC is still unclear. This aim of this paper is to understand how Malaysian PIHL is applying the BSC as their strategy implementation and the challenges they faced while dealing with BSC. The findings of this study indicate that the perception of the responding institutions was in favor of using BSC as their strategic performance measurement system. They also revealed the items that need to be included in the BSC perspectives.

Key Words: Balanced Scorecard, Private Institution of Higher Learning, Performance Measurement System, Strategic Performance Measurement System

1. INTRODUCTION

The performance of an organization is among the prominent question in business study, because it relates to the sustainability of the business and staying longer in the industry while still being able to capture the market. Over the

years, there are many approaches uses to assess organization performance, the Balanced Scorecard (BSC) is undeniably among the most popular performance management system in organizations (Wiersma, 2009) because it stresses four important aspects of the organization's

strategies into a single and balanced framework (Kaplan and Norton, 2001b).

Kaplan and Norton (1992), indicated that the financial measure of a company's performance be supplemented with other measures that will capture the intangible assets of the growth, were to complement financial ones to give a clear picture of the company's performance. In 2018, the 20 public universities' operating budget for 2018 will grow from RM6.12 billion in 2017 to RM6.72 billion in 2018, an increase of RM597.84 million or 9.77 per cent.

Apart from that they would also be provided the key performance indicator and the target which they need to achieve by the year end. The key performance indicator such as MyRA is used to ensure the performance of the institutions can be balanced in many aspects and also towards their various stakeholders. On the other hand, the country's higher education system should attempt to increase the efficiency and optimum use of the assets available in the country and should promise the prosperity and academic and cultural empowerment of the community (Fooladvand and et. al., 2012).

However, the performance of Malaysian Private Institutions of Higher Learning (PIHL) is still in the dilemma due to the limitation of performance measurement tools and incapability to meet the Myra requirement set up by the Ministry of Higher Education of Malaysia (MOHE). Without clear guideline they might not be able to sustain in the long run. As in the case of private higher learning institutions, the necessity to provide performance indicators for the ministry and its governing bodies has also extended to other stakeholders such as management of the university, funding agencies, alumni, donors, students, parents, accreditation agency as well as prospective students. To be accountable

to the various stakeholders, it is necessary for higher educational institutions to ensure that their performance measurement system is in line with achieving organizational excellence. Therefore, depending on traditional financial measures would not be sufficient anymore. It is also important for Malaysian PIHL to link their performance measures to their university's strategies.

In addition, Malaysian PIHL should consider other performance measures (non-financial) in addition to their financial measures to ensure that their performance measurement system focuses on the critical elements of the organization's vision, mission, strategic direction and values.

Apart from being a performance measurement indicator, these measures also contribute to strategic planning, creation of focus and consensus on goals and directions within the organization and self-assessment (Ruben, 1999). The objective of the study is to understand how Malaysian PIHL is applying the BSC as their strategy implementation and the challenges they faced while dealing with BSC. The private institutions composed as a sample of this study, as this entity is not only responsible to provide an education service, but they must also be able to ensure their financial sustainability of the institution.

2. LITERATURE REVIEW

The BSC is a performance measurement and strategic management system developed by Kaplan & Norton (1992; 1996; 2001a). Kaplan et. al. (1992; 1996; 2001b) introduced BSC as a tool with specific indicators to evaluate organizations' performance (Aljardali, Kaderi & Levy-Tadjine, 2012). The integration of both financial and non-financial areas within these four perspectives creates a "balanced" approach to overcome the limitations of

Traditional Performance Management System (TPMS) which relies only on the financial outcomes (Hassan, Mohd. Amir&Maelah, 2012). Figure 1 indicates

the BSC structure as developed by Kaplan and Norton which consists of four distinct measurement perspectives (Schobel, 2012, p. 18):

FINANCIAL	CUSTOMER
Relative to the organization financial aspects	Concerns which process most influence customer satisfaction
INTERNAL BUSINESS PROCESS	LEARNING AND GROWTH
Considers what organizations have to do for its customers in order to ensure financial success	Concerns with improvements can be made to ensure sound business processes and satisfied customers

Figure 1: The Structure of Kaplan and Norton's BSC (Schobel, 2012)

2.1 Developments and Benefits of Balanced Scorecard

The BSC framework complements financial perspective and non-financial measures where it enabled a balance view of organisational performance (Tung et al., 2011). BSC continues to be a management device for measuring performance in meeting the needs of stakeholders in various sectors and is still being applied until today (Philbin, 2011).

Several researches reported that, more than 80% of the top 1000 corporations in the world have adopted the BSC and the number is increasing (Lin et al., 2014). Apart from the business world, BSC has also been successfully adopted by nonprofit organizations in government, health care, education and charity sectors, but with some modifications to the BSC design in order to fit the non-profit oriented objectives (Bouland, Fink, & Fontanesi, 2011). Academic institutions also recognized the need for implementing.

PMS due to increased competition among public and private IHL that gave rise to a growing interest among shareholders, stakeholders and customers on continuous quality improvement of the institution's performance (Franceschini & Turina,

2011). In the education sector, each school or faculty will need to establish its core competencies course and programmes to their vision and mission and they also need to consider their current available resources and state of competitiveness (Pereira, 2012).

Previous studies in the context of higher education indicate that BSC is a means of communicating the strategic direction of the organization (McDevitt et al., 2008; Tapinos, Dyson, & Meadows, 2005). BSC allows a shared understanding of objectives and targets (McDevitt et al., 2008; Umashankar & Dutta, 2007) and greater involvement from people (McDevitt et al., 2008; Umashankar & Dutta, 2007). On top of that, It also allows a better understanding of the strengths and weaknesses of the organization (Philbin 2011).

2.2 Malaysian Institution of Higher Learning

Tertiary education in Malaysia is under the administration of the Ministry of Higher Education Malaysia (MOHE). The mission is to develop a higher education environment that will shape the development of academic and IHL (Blueprint Report, 2012). This is in line with the vision of the government to make Malaysia the center of the

educational hub and to internationalize the total of Malaysian IHL. Malaysian education. Table 2 indicates

Table 2.1 Malaysian IHL

No	Types of Institutions	Total
1.	Public University	20
2.	Private University	57

Recently, IHL in Malaysia has made a tremendous achievement in terms of the number of graduates generated both in public and private institutions (Muniapan, 2007; Yee, Hazlin, & Mokhtar, 2013). With the intense pressure for internationalization of IHL, the Malaysian Federal government has initiated the National Higher Education Action Plan 2015-2025. This aims to reform the higher education quality in Malaysia to become a world class educational hub in Southeast Asia region (MOHE, 2018).

3. RESEARCH METHODOLOGY

This study employs semi-structured interview as a qualitative data collection method to gather information in regards to the extent of BSC's application. Semi-structured interview is an interactive-relational approach and interview with the knowledgeable persons in BSC, conveys the sense of important aspects of the BSC. Conducting interview allows researchers to ask further when it was necessary to

4. RESULT AND DISCUSSION

4.1 Analysis of the Transcripts

Table 4.1 Interview Participants

Respondents / Affiliation	PIHL	Years of service	Years worked with the BSC
1 / Top Management	A	15	Since implementation
2 / Professor	B	20	Since implementation
3 / Top Management	C	12	2

clarify any comments, concepts or recommendations suggested by respondents.

The respondents are referred to as Respondent 1 to 3 to protect their privacy (refer to table 4.1). All interviews lasted between 30 to 45 minutes and followed a structured format, with the possibility for the researcher to follow up on their answers as needed. In total, 7 interview questions were asked in regard to the suitability, measurement criteria, processes, identified challenges, and the key factors contributing to the selection of BSC as PMS in Malaysian PIHLs. The interviews were transcribed verbatim,

i.e. transcripts were produced for the purpose of analysis using the Nvivo 11 software. Emerging themes were grouped in nodes and these nodes were classified to draw any insights emerging from the interviews. The interviewees were given an opportunity to review their answers prior to them being "final" and included in the results Table 4.1 indicates the respondents and their background. These three PIHLs were in the same size and level. PIHL A had been involved in the BSC since implementation in 1998. They acknowledge some modification in the items in each of the BSC components. In fact, they are going to produce the latest

BSC to cater the changes in Malaysian higher education environments. Meanwhile, PIHL B had been involved in the modified BSC for three years and later changed to other PMS but still maintaining the components of BSC. On top of that PIHL C is in the process of integrating the BSC components into them in key performance indicator. Each PIHL is led by a Vice Chancellor (VC) and had differing lengths of tenure in their positions.

4.2 Themes Emerging from Interview Data

The emerging themes were: (i) Understanding of BSC as Performance Measurement System; (ii) Modified BSC; (iii) Challenges in BSC; and (iv) Role of PIHL. Understanding of BSC as Performance Measurement System is needed to measure the efficiency and effectiveness of an action through a metric system that represents the performance measurement. Respondent 1 indicates that it is important for the PIHL to have a performance tool. She further elaborated:

"I believe it is necessary for the government to establish a set of performance management tools in IHL is to create a proper educational objectives and standards that will maintain the sustainability among the IHLs in a globalized environment."

TPMS is a conventional practice of monitoring organisational performance based on evaluation of an organization's ability to achieve desired financial indicators, such as profit, turnover or market share and return on investment. Thus, TPMS is insufficient to cater today's world competitive environment. A second theme derived was modified BSC. Static BSC solely focused on past performance and might not be able to predict future performance, thus by integrating the financial and non-financial aspects with the current challenges and new environment; it will

lead the BSC to be more dynamic and able to be sustainable performance tools. All three respondents indicate that they were agreed that adopting modified BSC is must, as to ensure the relevance and reliability of the measurement. Respondent 3 further added that the modified BSC:

"Balance Scorecard is a balance measurement of financial and non-financial, however the components of BSC must be tailored to the nature of the university as an education provider which duly responsible to provide education and at the same time to ensure financial stability...thus the measurement item in BSC must consider all aspects..."

Despite of its benefits of BSC in decision making, Challenges in BSC are undeniable. Adopting BSC in the organization is time consuming where the organization needs to clearly identify the mission and vision of the organization. They also face the technological capability in order to support the system. To ensure quality in PMS, an organization needs a stable and reliable technology system. On top of that, human capability is also influencing the implementation of BSC. The entire organization, especially the human factors needs to digest the goals of the company and understand that their role affecting Challenges in every performance tools are undeniable. Respondent 2 added by stating that the organisation must need to be ready to face the challenges:

"I believe every organisation is relying on their technology capabilities, especially."

when it comes to performance measurement...therefore this is one of the challenges while implementing the BSC"

The last theme was the role of PIHL. In today's world of emerging knowledge, PIHL facing competition among public and private IHL that gave

rise to a growing interest among shareholders, stakeholders and customers on continuous quality improvement of the institution's performance. University through the faculty needs to establish its core competencies, subject to their vision and mission and they also need to consider their current available resources and state of competitiveness. All these three respondents agreed that their organization's role is to ensure the relevancy of their academic programs. Respondent 1 remarked that:

“As to keep up with the current environment and unexpected challenges, the role of PIHL needs to be diverse. Despite of providing a better service as an education provider, they also need to ensure the organisation is making profit, cut unnecessary cost as to ensure their ability to sustain in the long term.”

From the theme, the items that usually measured by responding institutions were as follows:

Table 4.2 Item in BSC perspectives

BSC perspectives	Emerging themes
Financial	<ul style="list-style-type: none"> • Enhancement in student intake • Annual grants • Reduction of cost
Customer	<ul style="list-style-type: none"> • Failure rate and student's complaint • Marketing & promotional activities • Percentage of enrolment out of applications • Student satisfaction survey • Percent of students with job placement • Alumni feedback • External rankings and ratings
Internal business process	<ul style="list-style-type: none"> • Income generation • Submission of teaching report and others • Teaching and supervision • Research and publication
Learning and growth	<ul style="list-style-type: none"> • Self-development • Professional body memberships • Student activity and participation • Research or publication • Number of presentations at conferences, seminars, workshops, teaching innovation projects, campus • Continuous learning approach

5. CONCLUSION

In summary, the BSC is a valuable tool as it is used in Malaysian PIHL. It has shaped the organization and allowed for PIHL to operate outside of the traditional higher education structure. This paper intended to study on how was the Malaysian PIHL is applying the BSC in strategy implementation and the challenges faced in the application of the BSC at Malaysian PIHL. This study

is focused on private institutions as this entity is not only accountable to deliver their roles as education provider, but also must be able to maintain their management ability to ensure financial sustainability of the university. This paper concludes that the BSC approach may require some substantial changes or modification to suit the nature of the organisation. Despite of that, the respondents also agreed that

the technology system and culture influencing the implementation of BSC. In addition, future research could look into the items disclosed as indicated in table 3.3 as to ensure the suitability as one of the characters in the BSC perspectives.

The BSC requires understanding, commitment and support from the top level of the business to the lower level. As culture changes and develops to accept the new approach and members of the organisation mature within the new culture, the organisation will find new things to measure, new goals in different areas, to make the BSC even more balanced and effective in supporting a living, growing, viable organisation. Different organisations have different needs, market areas, people, products and services, and will end up with significantly different BSC. The BSC is balanced in another dimension not just a balance of measures of essential areas of the business, but also a balance of goals versus accountability. If people do not accept accountability for achievement of the balanced measures and goals of the balanced scorecard, there is no BSC. The people of the organisation are the key to the success of the BSC system.

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