

The current article represents the category of the Balanced Scorecard (BSC) as a management tool and the spheres of its usage. Four perspectives, from which an organization is advised to be viewed, are described thoroughly. The article also includes information about the importance of the BSC as a criterion of educational excellence performance and the step-by-step application tips of its practical application. The work is concluded with few words of critics that are represented as disadvantages of the BSCs.

#### Preamble

The **Balanced Scorecard (BSC)** is a strategic performance management tool — a semi-standard structured report, supported by proven design methods and automation tools that can be used by managers to keep track of the execution of activities by the staff within their control and to monitor the consequences arising from these actions. Since 2000, the use of the Balanced Scorecard, its derivatives and other similar tools has also become common in the Middle East, Asia and Spanish-speaking countries.

The concept of the BSC was first introduced by Robert S. Kaplan and David P. Norton. They suggested that organizations should develop a comprehensive set of additional measures as leading indicators. The BSC implies viewing an organization from four perspectives and developing metrics, collecting data and analyzing it relevant to each of these perspectives:

- *Learning and Growth Perspective.* This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In the current climate of rapid technological change, the knowledge-workers are necessarily required to be in a continuous learning mode. In any case, learning and growth constitute the essential foundation for success of any knowledge-worker organization.

- *The Business Process Perspective.* This perspective refers to internal business processes. Metrics based on this perspective allow the managers to know how well their business is running and whether its products and services conform to customer requirements.

- *The Customer Perspective.* Recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction in any business. These are leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs.

- *The Financial Perspective.* Kaplan and Norton do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority, and managers will do whatever necessary to provide it. In fact, often there is more than enough handling and processing of financial data. There is perhaps a need to include additional financial-related data, such as risk assessment and cost-benefit data, in this category.

As the number of enrollees increases and educational inputs become more demanding each year, an educational organization must find ways to make its goals and strategies work. Measuring,

as most experts say, is one of the top ways to know whether an institution trails on the right track. The balanced scorecard for education evaluation is the fitting method to evaluate how far and how effective the school has gone in terms of educational inputs.

This balanced scorecard is actually a strategy management system. Colleges and universities across the continental US and around the world use this tactic to improve an already established institution-wide planning process. Just like most scorecard systems, the education evaluation scorecard system interprets the goals and strategies of the institution into a comprehensible and measurable set of indicators. Most of these indicators, nonetheless, have direct link to the strategies and goals. The balanced scorecard system actually serves as the transportation channel between decision making and effective implementation of performance communication, goals tracking, and strategy measurement.

Most education evaluation managers would wonder why experts call it a "balanced" scorecard. What does actually make a scorecard truly "balanced"? Well, as a starter, an education evaluation scorecard system utilizes a group of core yardsticks or indicators that characterize and gauge institutional effectiveness. In order for the scorecard system to become objective, it needs to cover four important areas of the educational organization: external stakeholder, internal stakeholder, innovation and growth, and operational-financial performance. When there is presence of all these areas, only then can a scorecard become truly "balanced". It is the only way that it can identify what the school should apply or use in order to improve performance. It is the single way also to know which indicators tell the effectiveness of an input.

The internal process of an education evaluation balanced scorecard involves the process of inputting, managing, processing, and analyzing data. The right term for a collective amount of raw data is benchmarking. It is the result of the collaboration in research, negotiation, and analysis of each college department or administrative section. Each section in the organization should have its own set of goals, especially those who are involved in the academic side. In order to meet these goals, the benchmarks will serve as keys to adjusting and assessing strategies.

For a manager to be effective in creating partial and practical benchmarks for evaluating educational performance of the institution, he or she must give focus on every area of the organization.

For instance, in the external stakeholder perspective, the benchmarks that the managers can most likely use are student access and success, outreach, marketing, and connections to the academic communities. In the internal stakeholder perspective, the manager may include effective communication, secure and safe campuses, and integrated planning and performance measurement.

Under the financial and business perspective, the possible benchmarks are as follows: updates on facilities, appropriate replacement of school equipment, updating of the school facility, and practical and comprehensive resource planning strategy. For growth and innovation perspective, the manager may cover coordi-

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## APPLYING THE BALANCED SCORECARD TO EDUCATION

Thesis theme:

*Intellectual capital as a factor of the effective industrial development in Armenia*

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nated and unified programs for teaching staff development, and innovation in delivering education modules, services, and programs.

Schools can use other possible benchmarks in their balanced scorecard for education evaluation. The idea is to cover every important area of the institution and to come up with indicators that are timely, balanced, measurable, and practical.

## BSC AS A CRITERION OF EDUCATIONAL EXCELLENCE PERFORMANCE

The balanced scorecard should be used in educational institutions for reinforcement of the importance of managing rather than just monitoring performance. Nowadays a great many of educational institutions adopt the policy of the balanced scorecard in order to assess their academic program and planning process. The organizations use both (a) formative assessment to measure learning early in the learning process, and (b) summative assessment to measure progress against key relevant external standards and norms regarding the knowledge and skills that students have. The point is the measures or indicators you select should best represent the factors that lead to improved student, operational and financial performance. To understand the BSC's role and application in the educational system, the basic criteria of the expected measures in education are listed below:

- **Student Learning Results.** Results should be based on a variety of assessment methods, should reflect the organization's overall mission and improvement objectives, and together should represent holistic appraisals of student learning.

- **Budgetary, Financial and Market Results.** Instructional and general administration expenditures per student, tuition and fee levels, cost per academic credit, resources redirected to education from other areas, scholarship growth.

- **Faculty and Staff Results.** Innovation; courses or educational programs completed; learning; on-the-job performance improvements; collaboration and teamwork; knowledge- and skill-sharing across work functions, units and locations; employee well-being, etc.

- **Organizational Effectiveness Results, Including Key Internal Operations Performance Measures.** Capacity to improve student performance, student development, education climate, indicators of responsiveness to student needs, key measures or indicators of accomplishment of organizational strategy and action plans.

- **Governance and Social Responsibility Results.** Fiscal accountability, both internal and external; measures or indicators of ethical behavior in the governance of the organization; regulatory and legal compliance.

## THE STEP-BY-STEP APPLICATION OF THE BSC TO EDUCATION

Divide your approach towards the educational institution into seven categories. These are as follows:

- ✓ Leadership;
- ✓ Strategic Planning;
- ✓ Student Focus;
- ✓ Measurement, Analysis and Knowledge Management;
- ✓ Faculty and Staff Focus;
- ✓ Process Management;
- ✓ Organizational Performance Results.

Categories 1 to 6 deal with the educational institution and category 7 deals with the results.

- Set new targets for each of the seven categories. Develop both short-term solutions to current problems and long-term plans and goals. These strategies and goals should form the center piece of your leadership efforts. This constitutes your BSC.

- Align the educational institution to your strategy. Talk to your staff and students.

- Introduce a color code for all areas you are measuring. As BSC creator Robert Kaplan says, measurements inspire people. Make the color code clear to all employees and students.

- Make your practices as transparent as possible. By showing how you are working, what your objectives are and the results as

they stand, you will build up a level of trust with the ruling parties of the educational institution.

- Present your strategies and the results to the board of the educational institution and to others each year to discuss what went well, what went wrong and why.

The consequence of the steps represented above lead to the efficient work of the monitoring the educational system.

## A FEW WORDS OF CRITICS

The BSC has always attracted criticism from a variety of sources. The criticism mostly focuses on technical flaws in the methods and design of the original BSC. Other academics have simply focused on the lack of citation support. But a general weakness of this type of criticism is that it typically uses the 1st Generation Balanced Scorecard as its object: many of the flaws identified are addressed in other works published since the original Kaplan & Norton works in the early 1990s.

Another criticism, usually from pundits and consultants, is that the Balanced Scorecard does not provide a bottom line score or a unified view with clear recommendations: it is simply a list of metrics.

There are few empirical studies linking the use of Balanced Scorecards to better decision making or improved financial performance of companies, but some work has been done in these areas.

Single organization case studies suffer from the 'lack of a control' issue common to any study of organizational change — you do not know what the organization would have achieved if the change had not been made, so it is difficult to attribute changes observed over time to a single intervention (such as introducing a Balanced Scorecard).

The BSC is not a solve-all device, but it is a good monitoring tool.

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