A Balanced Scorecard for UKZN and its Use in the Institutional Audit

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Executive Summary

A balanced scorecard system has been developed at UKZN as part of the move of the institution into the area of performance management. The recent compilation of the institutions Strategic Plan, and the culmination of a number of planning phases at School, Faculty and College levels, has identified a number of key Performance Indicators (PIs) to be monitored and assessed annually. These PIs were used to open the initial lines of enquiry at UKZN in preparation for the Institutional Audit (IA) of 2008.

This paper deals with the fundamental design and components of the system and how it was used to lead the discussion of self-reflection at UKZN in preparing the initial portfolio for the IA. In addition, the paper covers the enhancements made to the system in area of integrating the university’s Management Information Systems with BSCard to improve the ability to understand the underlying data behind each PI and to facilitate further assessment of PIs relative to the defined benchmarks.

Introduction

This paper deals with the development of a balanced scorecard for UKZN. The process highlights the need for an assessment tool to gauge the performance of the university relative to stated goals either in the Universities Strategic Plan, or relative to accepted benchmarks in the higher education sector. While developing this facility at the institutional level, the need to have a similar tool at the School or Faculty level is recognized, and has been incorporated into the current version of the application. The UKZN Balanced Scorecard or BSCard, is a web application framework built on a model of simplicity and flexibility and can be modified for a number of situations depending on the needs of the institution. In this paper we consider the use of the BSCard system for identifying lines of enquiry for the 2008 Institutional Audit of UKZN.

What is the balanced scorecard?

Developed in the early 1990s by Drs Robert Kaplan (Harvard Business School) and David Norton (Balanced Scorecard Collaborative), a new approach to strategic management was termed the ‘balanced scorecard’ approach. In an attempt to address some of the weaknesses and vagueness of previous management approaches, the balanced scorecard approach provides a clear prescription as to what companies or institutions should measure in order to ‘balance’ a number of perspectives. Initially designed for use in the corporate arena, the approach has taken on further application to other organisation and institutions.

The balanced scorecard is a management system (not only a measurement system) that enables organisations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve centre of an enterprise.

What is meant by ‘balanced’

Historically, in business, financial results were the only thing that mattered. Kaplan and Norton argued that this traditional focus on only financial results was inadequate for companies striving to succeed in the information age. There was a need to ‘balance’ the financial aspect with other aspects of the business such as
investment in suppliers, employees, processes, technology and innovation. Kaplan and Norton describe the innovation of the balanced scorecard as follows:

‘The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation.’

This resulted in the development of a balanced scorecard which suggests that organisations are best viewed, and measured, from four perspectives:

- The learning and growth perspective;
- The business process perspective;
- The customer perspective;
- The financial perspective.

While these areas may seem inappropriate to higher education institutions, there is a lot of common ground. The learning and growth perspective is directly applicable to the welfare of both teaching staff and learners in higher education, and can be monitored in terms of the learning outcomes of students, but more so in terms of the retention and development of teaching and academic support staff. The business perspective is directly related to the production of quality graduates and providing a suitable environment to promote graduates of a high quality. The outcomes in terms of teaching and learning are relevant here. The customer perspective relates to the learner and parent as the customer, and the specific outcomes would entail student satisfaction analyses as well as workplace evaluations of an institutions graduates.

**Procedure**

A workshop at the 2006 AIR Forum on the development of Institutional Dashboards (xxx, 2006) proposed that the identification of Performance Indicators (PIs) and the subsequent organisation of these into a meaningful dashboard should be a simple and concise process. These discussions proposed that no more than 30 PIs be selected for an institution since this number can be easily displayed on a page. The group proposed a simple spreadsheet model focusing on the key areas of x, y and z.

At UKZN this simple concept has formed the basis of the development of the BSCard system, but some fundamental changes have been included. The main change is to move away from the spreadsheet environment and to develop the system into fully fledged web application. Using some innovative display methods, PIs are not restricted in number, but are grouped and categorized for display purposes. Another fundamental change is to introduce a method of assessment that considers two areas of performance. Each PI is rated in terms of its position to the benchmark, as well as its movement towards or away from the benchmark since the last assessment.

**Identifying and Maintaining PIs**

Many published works exist on the use of PIs in higher education, and highlight the more common areas of assessment or measurement. Currently, UKZN recognizes PIs in the areas of Finance, Outreach (Community development & engagement), Research, Staff & Student, and has proposed a list of 57 performance indicators in these areas for monitoring (Appendix A). Many of these PIs are aligned to the norms and standards set by the Department of Education (DoE), and the remaining are from informed by the Strategic Plan of the university. By far the majority of PIs (xx%) are associated with the Student sector.

**Ranking PIs**
PIs are ranked into a number of user-defined ranks. Currently, UKZN ranks PIs into Low Medium and High priorities. Since the system is in the initial stages of implementation, all PIs have been classified as high priority.

**Categorizing PIs**

Maintaining and presenting a large number of PIs is facilitated through the use of categories and groups. The high level categories have been mentioned (Finance, Outreach, Staff, Research & Student), but the system has the facility to sub-categorize where necessary. Sub-categories of Student into Undergraduate, Postgraduate, Success, etc. have been introduced. The system has the additional facility to associate PIs into target Areas. The role of the target Area is an additional classification allowing a PI to be associated with more than area. This aspect will be dealt with in more detail in the ‘BSCard and the Institutional Audit’ section of this paper.

**Recognizing different levels within the Institution**

The need has been identified to operate the BSCard system at different levels within the institution. The facility has been included to set, maintain and assess PIs at the College, Faculty and even School level within the organisation.

**Assessing PIs**

Each PI is evaluated at regular intervals (usually annually) having access to the relevant data over the appropriate reporting period. The current value and recent movement of each PI is assessed relative to the benchmark and in terms of two criteria.

- The status of the PI is an expression of whether intervention or action needs to be taken. In order to maintain simplicity and brevity, four levels are recognized: Critical, Not OK, OK and Optimal.

- The location and direction of movement of the indicator relative to the benchmark. A number of combinations of location and movement are recognized, vis. Above & moving away from benchmark, Above & moving toward benchmark, Above benchmark, no movement, At the benchmark, no movement, Below & moving away from benchmark, Below & moving toward benchmark, Below benchmark, no movement.

**Scoring PIs**

The scoring of PIs is a small component of the BSCard system and is used to gain an overall summary statistic for the institution. Each assessment category is given a rating or score, and these are summed and averaged in the institutional dashboard.

**The Reporting Framework**

The reporting framework is a web application with level controlled user access. The user has the choice to view selected PIs via the use of the various categories discussed above. The main purpose of the reporting framework is to display the PIs along with the defined benchmark, and the current assessment of the PI. Information on the source of the benchmark, the source and rules of extraction of the data, and comments by the assessor can be accessed by the user via the reporting framework.

The framework also provides the user with additional information around the PI in the form of Fact Sheets (Appendix ??).

**Providing Additional or Background Data and Information**

Most balanced scorecard systems provide some for of analysis fact sheet or summary report of the data and information associated with each PI. The creation of a single page fact sheet that is linked to a PI has been included in the BSCard system. This facility allows for a document to be uploaded to the system and
accessed via a hyperlink from the reporting framework. The aim of the fact sheet is to view the data and analysis conducted on a PI and leading up to the point of assessment of the PI. This additional information is critical for users to understand how and why a PI has been assessed as such. It also serves to advise analysts in the future as to the source of the data, the conditions and rules of extraction, and the method of analysis, to ensure that subsequent analyses are conducted with consistency. This is an important aspect of the success of any performance system, making sure we compare apples with apples over time. An example of a Fact Sheet is given in Appendix B.

**BSCard and the Institutional Audit**

In preparation for the IA of 2008, UKZN established 7 task teams to deal with the different areas of the Audit (Audit Coordination, Teaching & Learning, Research, Community Engagement, Academic Support, Human Resources & Finance and Student Services). In the initial discussions, the results of the first BSCard evaluation was presented to the task teams in an attempt to open the initial lines of enquiry. The purpose of the exercise was to reflect on these results and to prepare a portfolio that was self-reflective in nature, identifying both strengths and weaknesses.

The BSCard system has a facility to identify Target Areas and allows the allocation of PIs to these areas on the basis of relevance. This means that one PI could be associated with many Target Areas if applicable. This facility was used to assist the audit process. Six target areas were defined based on the responsibility of each task team and the PIs allocated accordingly. This served to extract and report only the PIs relevant to each task team at each of the meetings.

**Integrating the UKZN Management Information System**

This process had the effect of identifying an additional facility to enhance the BSCard system. While the fact sheets were useful, the task teams invariably requested more detailed information, particularly at lower levels (Faculty and School). This necessitated the system to able to integrate seamlessly with the current Management Information System where these details already exist. Components of the MI system were then linked directly to a PI and accessed via a hyperlink from the BSCard system. This enhanced the flexibility of the system dramatically and served to integrate the MI system further into other reporting areas of the university. This also necessitated that the Higher Education Management Information System (HEMIS) data from the institution be readily accessed from the MI system. A further component of the MI system was developed to report just HEMIS data, and a total of about 100 standard reports made available from this data warehouse. This meant that the user could choose to report from the production system or from the HEMIS system as required.