FARM, AN ALTERNATIVE PERFORMANCE MEASUREMENT OF STRATEGIC FORMULATION FRAMEWORK FOR STUDENT ORGANIZATIONS

Ip, Yun-Kit Perry¹ & Chan, Suk-Ha Grace²

¹City University of Macau
²City University of Macau

Abstract

In a student organization, the designation and the service continuity of ExCo members are mainly determined by subjective voting. On campus, many of these organizations are lack of an objective measurement linking performance to re-appointment while Balanced Scorecard provides the performance measurement in need. We applied inductive reasoning with a qualitative approach, focus groups, to explore alternative perspectives specified for these student organizations. Beyond a reasonable doubt, no participants in the focus groups had an attempt or a reason to whittle the proposed perspectives down, we then accept FARM (Financial, Activities, Reputation and Memberships) as the new performance criteria for the students to vote or not to vote. Most likely, FARM could be generalized to other nonprofit making organizations.

Keywords: Balanced Scorecard, nonprofit making organization, performance measurement, subjective voting, ExCo members, focus group

Introduction

Performance measurement implies a scientific technique involving comparison to a specific scale (e.g. a meter in length, a tone of weight, and currency). A performance measures can be quite specific in nature. Financial performance, such as profit or return on investment, can often be readily measured because it is clearly defined and based on a clear application of rules (Courtney, and Teemu, 2016; Brown, 1995). There are literature of performance measurement for, say, non-profit making organizations (Gamble and Beer, 2017), tourism management (Sainaghi, Phillips and Zavarrone, 2017), financial economics (Ferson and Mo, 2016), choices in international joint ventures (Larimo and Le Nguyen and Ali, 2016), supply chain (Maestrini, Luzzini, Maccarrone and Caniato, 2017), digital marketing (Jarvinen and Karjaluoto, 2015),

Copyright © 2018, Scholarly Research Journal for Interdisciplinary Studies
decision making (Artz, Homburg and Rajab, 2012), operations and production management (Bourne, Pavlov, Franco-Santos, Lucianetti and Mura, 2013; Jaaskelainen, Laihonen and Lonnqvist, 2014), and production research (Bititci, Garengo, Ates and Nudurupati, 2013).

Without financial assistance/support, most self-funded student organizations are either shortage of resources or unwilling to spend money on establishing a performance measurement for evaluating the ExCo members though many have emphasized the importance of performance measurement (Taticchi et al., 2015; Ahi and Searcy, 2015). A member votes to select a nominee as to continue his/her service is largely based on or influenced by personal feelings, opinion and/or relations with the nominee even though the candidate has made no contribution to the organization at all. So far no specific measurement for the said organizations has documented. We are trying to fill the gap and have narrowed the scope of this study down to the performance measurement used as the criteria for voting the ExCo member who wants to continue his/her service.

Balanced Scorecard is a well-established management tool commonly used in profit making organization to keep track the staff performance (Kaplan and Norton, 1992). Ip and Koo (2004) use BSC to establish a Strategic Formulation Framework called, BSQ that has firstly been applied to a nonprofit making organization, Hong Kong Quality Management Association. BSQ has been using the second-generation perspectives, namely, Financial, Customer, Internal Process and Learning & Growth for more than a decade (Ip and Koo, 2004, Koo and Koo, 2007; Koo, Koo and Luk, 2008). In this paper, we have explored alternative perspectives specified for student organizations. The perspectives are the categories of performance measurement. The alternative SFF herein refers to an upgraded the perspectives with new alternatives.

In this paper, we tried to explore a set of performance measurement for BSQ to meet the student needs (Ip and Koo, 2004).

**Literature Review**

- **Strategy**

The strategic management discipline originated in the 1950s and 1960s. Peter Drucker, Alfred Chandler and Igor Ansoff are credited with the key pioneers in promoting the concept of business strategy (Hamel and Prahalad, 1989; Hatten, Schendel, and Cooper, 1978; Huff and Reger, 1987; McKiernan, 1997; Schendel and Hofer, 1979). In business world, strategy management concerns the formulation and implementation of the major goals of an organization and initiatives taken by senior management based on consideration of the
resources necessary and an analysis of the internal and external environments the organization facing (Nag, Hambrick and Chen, 2007).

- **Strategic Formulation**

In terms of processes, strategy involves two main processes: formulation and implementation. *Formulation* involves analyzing the situation of internal and external environment, making a diagnosis, and developing guiding policies (Rumelt, 2011). Koo, Koo and Luk (2008) emphasize that strategic formulation as well as implementation has become the important task for senior executives regardless of whether a profit-making or non-profit-making organization. Strategy development is usually about analyzing existing and desired status of the organization and then determining the most efficiency and effective means to achieve the objectives.

- **Strategic Formulation Framework**

Strategic formulation framework refers to the combined and integrated use of various tools, namely, BSC, SWOT and QFD can provide a more practical, comprehensive and systematic approach to diagnose the organization and to build a holistic strategic framework (Ip and Koo, 2004). These techniques can be integrated to form the SFF (Ip and Koo, 2004; Koo, Koo and Luk, 2008; Koo, Chau, Koo, Liu, and Tsui, 2011). There are a few of literature in relation to SFF.

- **Alternative Strategic Formulation Framework**

BSQ, which the hybrid of balanced scorecard, SWOT analysis and quality function deployment (QFD), is a kind of SFF that allows a step-by-step approach to translate vague strategy into action (Ip and Koo, 2004). Based on BSQ, Koo and Koo (2007) modified this SFF with a synergetic fusion of SWOT. And, Koo, Koo and Luk (2008) apply a pragmatic and holistic approach to SFF.

- **Balanced Scorecard**

BSC (Kaplan and Norton, 1992) not only focuses on financial sector, but also takes other perspectives into consideration, namely, customer, internal process and learning and growth. BSC is used to translate the uncountable and intangible objectives of the organization into countable and tangible ones, or translating theory into action, to measure an organization performance to achieve goal (Lin, Chen, Tsai, & Tseng, 2014). The three generations of BSC are as follows.
First generation

The first generation of BSC design was to measure and track the performance within the organization, it provided tracking approach to assist the organization in strategy implementation (Kaplan & Norton, 1992) with the four perspectives as shown in Diagram 1. The concepts of the four perspectives are to provide solid information for the organization, and assist organization to understand itself. Strategic objectives had been input in BSC which allows the organization not only use the approach as the benchmarking system, but also as a strategy planning tools.

Second generation

Kaplan and Norton (1996) emphasize that only strategic objectives and four perspectives is not enough to describe BSC. The perspectives have to link up the perspective relationships with the strategic objectives by defining the cause-effect chain among the objectives and by creating the concepts of Strategy Maps (Kaplan & Norton, 2004). By developing different strategic theme, which the organization must excel to achieve the organization’s vision. According to Kaplan (2010), the idea of create linkage between strategic objective and measures led to create of the strategy map. And, all BSC projects will build a strategy map of strategic objectives before selecting metrics of each objective.

Third generation

The third generation of balanced scorecard was developed to address the problems intrinsic in the second generations (Lawrie & Cobbold, 2004), it is distinguished by the components making up the balanced scorecard and the design process used to develop the validation of strategic objective selection and target setting. By creating a destination statement, it gets involvement of the organization’s manager to imagine the impact on the organization of the achievement of the strategic objective chosen before.

Despite of the fact that the third and even the fourth generation have developed (Excitant, 2014), BSQ still uses the performance measurement from the second generation of BSC (Ip and Koo, 2004).

Methodology

The first author worked and has been working with more than dozens of NPOs. By personal observation, he finds that many of these organizations turn to be inactive after honeymoon period or its prime time. Applying inductive reasoning from his observations, the first author
used Financial, Activities, Reputation and Memberships as the alternative perspectives. In FARM, financial perspective related to the management of money or how is money managed is still the first priority (Hornby and Parnwell, 1990). Activities is operationally defined as to organize activities. In other words, the ExCo should place an emphasis on arranging more activities. Reputation is about the general opinion about the character of, act as an organization including its ExCo, or the opinion that people in general have about the organization or its ExCo members, or how must respect or admiration someone or something receives, by the organization track record or character of its key members. Membership here is about the recruitment and the retention of members in a society.

Diagram 1: The four Perspectives of BSC

**Beyond a reasonable doubt**

In 1990, Norton and Kaplan concluded the four performance measurements from successful profit making organizations while in this study, the first author observed and gathered the measurement from NPOs. FARM, as shown in Diagram 2, was proposed to a director meeting in Hong Kong Quality Management Association, in which the directors are either professors or doctoral-degree holders, and they were pleased with the alternative perspectives cover the key performance measurement. Compared Diagram 1 with Diagram 2, they found the latter more specific in a NPO. Similarly, the first author tabled FARM to the boards of another three NPOs in Hong Kong and got accepted.

We are not trying to replace BSC’s original perspectives. Instead, FARM merely serves as the alternatives used in NPOs. Beyond a reasonable doubt that more than 30 participants joined focus groups and none of them had made objection about its alterability.

In this exploratory study, we then accepted FARM.
Conclusion and discussion

In English, the word, “farm” implies or can be associated with the fact that running an organization is hard work. Unlike profit-making organizations, student organizations have particular challenges in terms of performance measurement. Although student organizations may receive funding from government or other bodies tied to achieving specific outcomes, non-financial measures of performance are often more important than financial ones (e.g. reputation). With FARM, students can sub-divide these perspectives and develop key performance indicators to meet their unique needs. FARM provides a better picture about the performance of the existing ExCo before making a vote. And, we believe that it can be generalized to any other NPOs.

References


Hong Kong : Oxford University Press.


Harvard Business Review, Jan-Feb, 71-79.


Koo,L.C., Koo. H.and Luk, L. (2008). A pragmatic and holistic approach to strategic formulation through adopting balanced scorecard, SWOT analysis and blue ocean strategy – a case study of

Copyright © 2018, Scholarly Research Journal for Interdisciplinary Studies

Copyright © 2018, Scholarly Research Journal for Interdisciplinary Studies