

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

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

¹*City University of Macau*

²*City 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*



Scholarly Research Journal's is licensed Based on a work at www.srjis.com

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 Karjaluo, 2015),

decision making (Artz, Homburg and Rajab, 2012), operations and production management (Bourne, Pavlov, Franco-Santos, Lucianetti and Mura, 2013; Jaaskelainen, Laihonon 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

Copyright © 2018, Scholarly Research Journal for Interdisciplinary Studies

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 much 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.

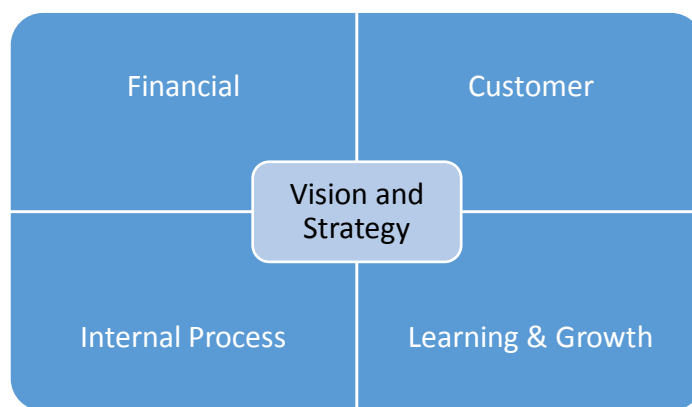


Diagram 1: The four Perspectives of BSC

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.



Diagram 2: Alternative Perspectives of BSC

Conclusion and discussion

In English, the word, “farm” implies or can be associated the students 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

- Ahi, P. and Searcy C. (2015). *Assessing sustainability in the supply chain: A triple bottom line approach. Applied Mathematical Modelling*, 39 (10), pp. 2882-2896
- Artz, M. Homburg, C. and Rajab, T. (2012). *Performance measurement system design and functional strategic decision influence: The role of performance-measure properties. Accounting, Organizations and Society*. Oct. 37(7), pp.445-460.
- Bititci, U. S., Garengo, P., Ates, A. and Nudurupati, S. S. (2014). *Values of maturity models in performance measurement. International Journal of Production Research*. 26 Oct, pp.1-24.
- Brown, J. B. (1995). *The balanced score-card: short-term guest or long-term resident?. International Journal of Contemporary Hospitality Management*. 7(2/3), pp.7-11.
- Bourne, M., Pavlov, A., Franco-Santos, M. Lucianetti, L. and Mura, M.(2013). *Generating organizational performance. International Journal of Operations and Production Management*, 11 Nov. 33(11/12), pp1599-1622.
- Courtney, D. B., Teemu. P. (2016). *The role of performance measurement. CPAA. Ehrlich, J. J., & Graeven, D. B. (n.d.). Reciprocal self-disclosure in a dyad. Journal of Experimental Social*
- Copyright © 2018, Scholarly Research Journal for Interdisciplinary Studies

Psychology, 7, 389-400.

Excitant (2014). *The Fourth Generation Balanced Scorecard Approach*.

<https://www.excitant.co.uk/resources/white-papers/the-fourth-generation-balanced-scorecard-approach/>. Accessed on 14 May 2018.

Ferson, W. and Mo, H. (2016). *Performance measurement with selectivity, market and volatility timing*, *Journal of Financial Economics*, Jul, 121(1), pp.93-110

Gamble, E and Beer, H. A. (2017). *Spiritually Informed Not-for-profit Performance Measurement*. *Journal of Business Ethics*, 141(3), p. 451(18).

Hamel, G. and Prahalad, C. K. (1989). *Strategic Intent*. *Harvard Business Review*. May- June, pp.63-76

Hatten, K. J., Schendel, D. E., and Cooper, A. C. (1978). *A strategic model of the U.S. brewing industry: 1952-1971*, *Academy of Management Journal*, 21(4), 594.

Huff, A. S., and Reger, R. K. (1987). *A review of strategic process research*, *Journal of Management*, 13(2), 211.

Hornby, A. S., & Parnwell, E. C. (1990). *Oxford Intermediate Learner's Dictionary of Current English*. Hong Kong : Oxford University Press.

Jaaskelainen, A., Laihonen, H. and Lonqvist, A. (2014). *Distinctive features of service performance measurement*. *International Journal of Operations and Production Management*. 34(12), pp.1466-1486.

Jarvinen, M. and Karjaluoto, H. (2015). *The use of Web analytics for digital marketing performance measurement*. *Industry Marketing Management*, Oct. 50, pp.117-127.

Kaplan, R. S. (2010). *Conceptual Foundations of the Balanced Scorecard*. Harvard Business School Accounting and management Unit Working Paper No. 10-074.

Kaplan, R. S., & Norton, D. P. (1992). *The Balanced Scorecard: Measures that Drive Performance*. *Harvard Business Review*, , Jan-Feb, 71-79.

Kaplan, R. S., & Norton, D. P. (1996). *Linking the Balanced Scorecard to Strategy*. *California Management Review*, 39(1), 53-79.

Kaplan, R. S., & Norton, D. P. (2004). *Strategy Maps: Converting Intangible Assets into Tangible Outcomes*. Harvard Business Review Press.

Koo, H, Chau, K. Y. Koo, L.C. Liu, S. B. and Tsui S. C.(2011). *A structured SWOT approach to develop strategies for the government of Macau, SAR*. *Journal of Strategy and Management*. 41(1), pp.62-81.

Koo, L. C. and Koo. H. (2007). *Holistic approach for diagnosing, prioritizing, implementing effective strategies through synergetic fusion of SWOT, Balanced Scorecard and QFD*. *World Review of Entrepreneurship, Management and Sustainable Development*, 3(1), pp.62-78.

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*

- a consumer product manufacturer in China. *International of Managerial and Financial Accounting*, 1(2), pp.127-146.
- Larimo, J. Le Nguyen, H. and Ali, T. (2016). *Performance measurement choices in international joint ventures: what factors drive them?* *Journal of Business Research*, Feb, 69(2), pp.877-887.
- Lawrie, G., & Cobbold, I. . (2004). *Third-generation balanced scorecard: evolution of an effective control tool.* *International Journal of Productivity and Performance Management*, 53(7), 611-623.
- Lin, Y. H., Chen, C. C., Tsai, C. F., & Tseng, M. L. (2014, November). *Balanced scorecard performance evaluation in a closed-loop hierarchical model under uncertainty.* *Applied Soft Computing*, 24, 1022-1032.
- Maestrini, V., Luzzini, D. Maccarrone, P. and Caniato, F. (2017) > *Supply chain performance measurement systems: A systematic review and research agenda.* *International Journal of Production Economics*, Jan, 183, pp.299-315.
- Nag, R., Hambrick, D. C, Chen, M. J. (2007). *What is strategic management really? Inductive derivation of a consensus definition of the field.* *Strategic Management Journal* 28(9): 935-955.
- Ip, Y. K. and Koo, L. C. (2004). *BSQ strategic formulation framework, a hybrid of Balanced Scorecard, SWOT analysis and Quality Function Deployment.* *Managerial Auditing Journal*, Vol. 19, No.4, pp.533-543.
- McKiernan, P. (1997). *Strategy past; strategy futures*, *Long Range Planning*, 30 (5), 791.
- Rumelt, R. P. (2011). *Good Strategy/Bad Strategy.* *Crown Business.*
- Sainaghi, R. Phillipd, P. and Zavarrone, E. (2017). *Performance measurement in tourism firms: A content analytical meta-approach.* *Tourism Management*, Apr. 59, pp.36-56.
- Schendel, D. E., & Hofer, C. W. (1979). *Strategic management. A new view of business policy and planning*, Little Brown, Boston, p. 9.
- Schendel, D. E., & Hofer, C. W. (1979). *Strategic management. A new view of business policy and planning*, Little Brown, Boston, p. 9.
- Taticchi, P., Garengo, P., Nudurupati, S.S., Tonelli, F., and Pasqualino, R. *A review of decision-support tools and performance measurement and sustainable supply chain management.* *International Journal of Production Research*, 53 (21) (2015), pp. 6473-6494.