

## Chapter 3.3

# Human Resources in the Balanced Scorecard System

**Juha Kettunen**

*Turku University of Applied Sciences, Finland*

### INTRODUCTION

Strategic planning is a matter of mapping the route between the perceived present circumstances and the desired future situation. Strategic management adapts higher education institutions (HEI) to their environment including educational policy, local demand for skilled labor, and other factors. The purpose of HEIs is to positively affect the development of society and the local community.

The balanced scorecard approach developed by Kaplan and Norton (2001, 2004, 2006) is a framework for the communication and imple-

mentation of the strategy. The approach creates a shared understanding of the strategic plan by describing the plan using strategy maps, strategic objectives, measures and target values for the planning period (Niven, 2005). The balanced scorecard approach can be combined with other approaches and management tools.

The purpose of this article is to report on a development project where the balanced scorecard approach was applied in the management information system (MIS) of an HEI. The MIS integrates the different approaches of management into human resources (HR) planning. It is important that the balanced scorecard approach is supported by the MIS. This is especially criti-

DOI: 10.4018/978-1-60960-587-2.ch303

cal in large organizations. Many administrative units and organizational levels emphasize the importance of automation enabling management to consistently aggregate the scorecards of lower organizational levels to the overall scorecard. The MIS with a portal is a valuable communication channel, information processor, management tool and the joint memory of the organization.

The empirical part of the article describes the MIS of the Turku University of Applied Sciences (TUAS), where the MIS is based on strategic management and the balanced scorecard approach. The system integrates budgeting, action plans, HR planning and quality management. The data warehouse approach is used to capture data from the diverse source systems and to store the data in an integrated database. An MIS portal was developed to support the management process and be open to the personnel of the institution. The portal supports the dialogue and commitment of the personnel to the strategic outlines. The portal is open to management and the personnel of the institution.

## **BACKGROUND**

### **Balanced Scorecard Translates the Strategy into Action**

The autonomy of HEIs has increased. The autonomy emphasizes stronger management and the increasing accountability of institutions to society and other stakeholders. The management of HEIs is acquiring more integrated and strict but at the same time loose forms (Meyer, 2002). Analyses of autonomy and self-regulation in higher education do not, however, provide any specific tools for the management of HEI (Maassen & Stensaker, 2003). Strategic management is widely used in the Finnish HEIs (Kettunen & Kantola, 2006) and is also a strong candidate for the framework of the management system also in other countries (Bush & Coleman, 2000; Middlewood & Lumby, 1998).

The balanced scorecard has been designed as a mechanism to make the strategic plan more understandable to management and personnel. The approach has been widely used in the private and public sectors. The experiences of many studies testify that the balanced scorecard approach is well suited to a higher education setting and allows the alignment of a wide variety of measures with the unique mission and strategy (Kettunen, 2004, 2006; Papenhouse & Einstein, 2006; Self, 2003). The balanced scorecard is a useful tool, because it can be used to align the HR and many other management tools with strategic planning (Mouritsen, Thorsgaard Larsen, & Lumby, 2005; Rampersad, 2005).

The balanced scorecard of the TUAS includes five perspectives:

- **Societal impact:** The societal impact perspective includes an objective which describes the institution's outreach and engagement in society and the local community.
- **Customer:** The customer perspective includes the objectives of student and employer satisfaction. Customer satisfaction is what essentially all the organizations try to achieve.
- **Finance:** The financial perspective describes the objectives of public funding and external income.
- **Internal processes:** The internal processes perspective typically describes the sequential internal processes of an organization.
- **Learning:** The learning perspective describes the objectives of HR that are drivers for future performance. The achievement of these objectives is required to reach the objectives of the internal processes.

In many other organizations the societal impact and customer perspectives have been combined into one perspective.

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