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PERFORMANCE MANAGEMENT SYSTEM FOR INCREASING BUSINESS SCHOOL COMPETITIVENESS

The study's aim is to provide a comprehensive design of PMS also determining variables and performance standards that should be considered for managing business schools and achieving competitive advantages through building a robust foundation, finding appropriate basic information, and deploying suitable design PMS in day-to-day operations. The study presents an appropriate simple framework and stages that business schools can easily adopt to manage performance and relate to strategic performance measurement.

Keywords: *business school; performance management.*

Антон Мульоно Азіс

СИСТЕМА УПРАВЛІННЯ РЕЗУЛЬТАТИВНІСТЮ ЗАДЛЯ ПІДВИЩЕННЯ КОНКУРЕНТОСПРОМОЖНОСТІ БІЗНЕС-ШКОЛИ

У статті представлено максимально повний дизайн системи управління результативністю для управління бізнес-школою на основі виділення ключових змінних та стандартів результативності. Мета такої системи – досягнення конкурентних переваг через побудову стабільної основи системи, находження необхідної інформації та запуск системи такого дизайну, який би відповідав щоденним процесам у бізнес-школі. Представлено спрощену конструкцію такої системи, а також стадії впровадження системи в бізнес-школі задля ефективного управління результативністю в логічному співвідношенні до стратегічного бачення.

Ключові слова: *бізнес-школа; управління результативністю.*
Літ. 27.

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СИСТЕМА УПРАВЛЕНИЯ РЕЗУЛЬТАТИВНОСТЬЮ ДЛЯ ПОВЫШЕНИЯ КОНКУРЕНТОСПОСОБНОСТИ БИЗНЕС-ШКОЛЫ

В статье представлен максимально полный дизайн системы управления результативностью для управления бизнес-школой на основе выделения ключевых переменных и стандартов результативности. Цель такой системы – достижение конкурентных преимуществ через построение стабильной основы системы, нахождение необходимой информации и запуск системы такого дизайна, который подходил бы под ежедневные процессы в бизнес-школе. Представлена упрощённая конструкция такой системы, а также стадии внедрения системы в бизнес-школе для эффективного управления результативностью в логическом соотношении со стратегическим видением.

Ключевые слова: *бизнес-школа; управление результативностью.*

Introduction. Following similar attention to corporate organizations, issues relating to performance management system have been on the agenda of many business school institutions for the last two decades (Azis et al., 2014). Increasing competition in both public and private sectors including academic organizations gave rise to a growing interest in quality improvement as well as in designing and implementing performance measurement systems (PMS) (Franceschini and Turina, 2013). C.S. Sarrico et al. (2012) found that self-evaluation and performance management are not well developed in school institutions.

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A. Brudhan (2010) also noted that research and application of performance management principles are difficult due to the lack of standards regarding definition, classification, and usage of specific tools. It is difficult since it should integrate lot of systems, such as performance system, cost system, capability evaluation system, benchmarking system and planning system (Taticchi et al., 2010). In fact, measurement and improvement are often built without a clear understanding of what is being measured or improved (Tangen, 2005), G. Bouckaert and J. Halligan (2006) also noted that performance management often lacks a coherent treatment that explicates its significance, analyzes several dimensions as a working system and challenges its shortcoming.

Accordingly, business schools should be prepared to operate at a highly competitive education market. Such competitive component regarding graduate competences, lecturers, infrastructure, services and management, and internationally standards of assessment should be noted and improved. International collaboration among business schools is also needed to increase the quality of student, graduate work, research, teaching (learning) methods, curriculum etc. V. Gherghina et al. (2009) pointed out that reforms are necessary to adapt to the demands of today's society, which is constantly changing, by bringing quality standards and performance together. P. Taticchi et al. (2010) pointed out that the systems development need to meet the challenges faced within the environment. Higher education institutions should be focused on major restructuring and reforms in search for greater efficiency, effectiveness and accountability by having a policy increasing efficiency and reducing cost through amalgamations, downsizing and changes in delivery and accountability (Morris et al., 2007).

PMS should be applicable to managing business school quality, however such limitation has become the failure factor while integrating PMS within a broader system of general management (Bouckaert and Halligan, 2006). The factors are derived internally, such as system maturity, organizational structure, organizational culture, management style, competitive strategy, infrastructure of information system, unique features of organization, functions of business units etc. (Bourne et al., 2012; Gomes et al., 2007). Additionally, limitations involve a variety of forms, such as driver vs. outcome measures, subjective/qualitative vs. objective/quantitative measures, internal vs. external measures, and financial vs. non-financial measures (Ittner and Larker, 2001; Kaplan and Norton, 2001).

Problem statement and research objective. Following the background presented in the introduction, the research will determine the framework to be applied for accreditation in Indonesian business school context. Therefore, the intent of this study is to explore and analyze the recent efforts to manage business school's performance using a case study design (on 11 business schools). More broadly, this analysis represents an approach or a framework by which business school can maintain its performance and achieve competitive advantages in the era of globalization through deploying suitable PMS in is day-to-day operations. The challenging research questions would be: 1) What is the comprehensive design of PMS like that can accommodate both national and international business school accreditation? 2) What are the variables and performance standards that should be considered in managing Indonesian business school?

Literature review. Recent PMS frameworks have started to be viewed as an answer for sustenance and growth. A. Neely et al. (2001) stated many frameworks available provide little guidance on the appropriate measures identified, introduced, and are used to manage institutions. Several current frameworks are too generic and are used for general purposes, neglecting the type of a study program. By having an appropriate framework that has considered the context, business school institution, hopefully, can maintain its operation and compete globally with the others and be able to have high-quality graduates to respond to industrial needs.

PMS is considered as a means to continuously react and adapt to external changes for enhancing and sustaining business performance (Hesselbein et al., 2002; Inman et al., 2003; Becheikh et al., 2006). Literature has identified several important features of PMS (Abushaiba and Zainuddin, 2012), including the integration of measures with strategy and linking to value outcomes, a comprehensive and diverse set of performance measures, and the coverage of performance measures related to different parts of an organization (Malina and Selto, 2001; Malmi, 2001; Azis and Wibisono, 2010). A. Neely et al. (2002) mentioned that PMS is a set of metrics used to quantify efficiency and effectiveness of past actions and it enables informed decisions to be made and actions to be taken because it quantifies the efficiency and effectiveness of past actions through acquisition, collation, sorting, analysis and interpretation of appropriate data.

The major factors obstructing institutions from achieving high level of performance according to (Owen et al., 2001) are: 1) senior leadership lack of understanding of organization's external environment which leads to failure in translating organization's vision, mission and values into effective strategies and processes (see also Azis, 2012); 2) lack of alignment between internal business processes and customers' (marketplace) requirements; 3) the failure of organization's systems and processes to support organization's vision and strategy. They further emphasize that to be on track in its performance journey, PMS must propose the following characteristics: a) understanding of organization's environment by senior leaders and respond effectively to changes; b) in line shared vision, mission, values, and strategies; c) incongruent leadership practices with organization's vision; d) supporting work processes with adequate infrastructure; e) organizational culture compliance with the customers' needs.

Furthermore, PMS needs to be updated when external or internal changes influence organization's modus operandi (Franceschini and Turina, 2013). An institution should consider several internal factors impacting PMS effectiveness. M. Bourne et al. (2005) collected 9 internal factors from several studies. These internal factors should be taken into account while designing PMS, namely: 1) system maturity, more mature the system is more effective would be PMS implementation; 2) organizational structure will impact the aligning structure and measurement; 3) measurement is easier in larger organizations and more problematic in smaller ones; 4) organizational culture should be aligned with cultural elements embedded in the measurement system and cultural preferences; 5) management style, impacting different settings and phases of implementation and use; 6) competitive strategy, where measurement should be aligned to strategy; 7) resources and capability to "refresh" PMS; 8) information systems infrastructure, related to the use of high data integrity and low bur-

den of data capture; 9) other management practice and systems, such as budgeting or compensation, that can be also integrated into PMS.

Key results. The paper shows the PMS framework for business school. There is one prerequisite (Level 0): school environment and 3 perspectives (Level 1 to Level 3): organizational result perspective, internal process perspective, resource capabilities perspective. Organizational result perspective is grouped as strategic performance management since these perspectives are concerned with strategic decision-making while the remaining two levels are grouped as operational performance management because these parts are more concerned with day-to-day operational matters.

Level 0 is school environment consisting of 3 groups of information, namely organizational environment information, financial and market information, and product information. Level 1 is organizational result consisting of 8 main performance variables, namely financial (8 indicators), academic (7), brand (5), industrial partnership (4), institution partnership (6), student satisfaction and loyalty (10), industrial acceptability (7), and internationalization (6). Level 2 is internal process perspectives consisting of 4 main performance variables: teaching and learning (13 indicators), research activities (9), community services (6), and administration (13). Level 3 is resources capabilities perspectives consisting of 6 main performance variables: lecturers and staff (6 indicators), students (6), library, books and journals (6), stakeholders (2), technologies (7), and management practices (16).

The model shows that business school PMS should relate performance for the entire level strategy, from the top to first-line management. That's why this PMS should consist of set, well-defined and measurable criteria. These principles are taken as the basic thinking for developing PMS and for determining appropriate variables: 1) the chosen performance variables must comprehensively represent the system of a business school that they try to measure and be easily understood by all members of the institution; 2) the standard of performance for each criterion should be complemented by procedures to compare actual performance achieved to the standards provided; 3) business school PMS should focus on how the institution is currently performing and indicate where it needs to improve, in other words, it should foster the improvement rather than just monitor performance; 4) business school PMS should provide information on a timely basis.

Even though it seems that there is a hierarchical and procedural method from Level 0 to Level 3 in composing the linkage between performance variables, in practice the actual measurement can be done simultaneously. However, differences exist in the response time needed between these levels. As operational part, Levels 2 and 3 can happen more frequently such as weekly or monthly, while Level 1 as a strategy part usually happens annually or at least quarterly. Consequently measurement and analysis of performance results for each level can be done with a right time horizon. In this term performance management system should be regarded as a flexible process (Amstrong, 2006) and not as a rigid, standardized and bureaucratic approach. This framework also reduces the degree of top-down approach and is congruent with the business school daily operations.

The study has described the importance of having PMS to enhance business school competitiveness with the development, implementation, verification and val-

idation of the proposed performance management system based on financial and non-financial variables and also based on both qualitative and quantitative assessment. It has also discussed the basic information, and the related important issues in designing the appropriate PMS for a business school (see also Azis and Azis, 2013). The design of PMS is a complicated process as it involves many performance variables and formule.

Basically, there are 3 stages which cover 9 important aspects that should be comprehensively considered while designing PMS for a business school environment: 1) foundation for the guideliness; 2) basic information on the school environment; 3) designing PMS as a core consisting of 7 aspects: business school's vision, mission, and strategy statements, analyzing currently implemented PMS, determining performance variables, determining cause-effect between variables, determining performance standards, determining improvement priority, formulating recommendations and model evaluation.

As an effort to improve the existing PMS, the PMS model provides a wealth of data and information that could be used further on. Key performance indicators were developed to assist in decision-making, both in qualitative and quantitative aspects. This research can be useful as a basis for formulating business school's strategy for foreseeable future. It can be concluded that PMS model provides a sound and reliable prototype for current use and future development.

Conclusions and direction for further investigation. The main contribution of this paper is the criteria to be considered by business school's top management whereas most of the literature present similar criteria for manufacturing companies and seldom touch upon such criteria for business schools. The paper provides PMS framework that is most appropriate for Indonesian business schools, however, in this existing framework there is still room for further improvisation. In addition to satisfying the main objectives on developing business school PMS model, a number of benefits have also been noted during its application: 1) the system can advise management about business school performance and how to improve its competitiveness and where to concentrate efforts; 2) it offers an integrated approach that can be used as a learning process and a guidance to direct all staff and lecturers in the same direction in processes improvement; 3) information on any of performance standards and performance variables can be easily modified and altered.

Like other models, this one also has certain limitations. These would be:

1) Since it is impossible to collect all the related research or related data and information, it could be a limitation in its most current knowledge base. The reliability of system is then mostly influenced by knowledge acquisition processes and knowledge resources than can be accessed. Hence PMS model should be viewed as a dynamic model rather than a fixed one that should be improved, especially in part of determining performance variables and performance standards.

2) PMS model was validated in Indonesian business school environment. The adjustment should be made for certain performance variables and their related knowledge bases to be implemented in other national environments.

3) Using a rule-base approach in this model also has its limitations. Since there are potentially unlimited rules that can be implemented, therefore it is impossible to include every rule in the model.

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Стаття надійшла до редакції 22.09.2015.