

# Defining Stakeholders for the BSC System Development: University's Faculty Case

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**Abstract** — This article is concerned with one of the initial parts of the research of BSC for educational organizations in general and Universities in particular – strategic goal-setting, and more specifically with the role of stakeholders in this process. It was assumed that the different stakeholders define different goals for the University as a whole and for its different Departments. Moreover, these stakeholders' role depends on the structure of the university and its system of management. It was defined that stakeholders' structure is influenced by the University's management function decentralization level. The article presents the results of the research that was taken in order to find if there is any correlation between these factors. RUDN University and its Economic Faculty were taken as an object of the research in order to illustrate the results of the study

**Keywords:** *Balanced Scorecard, University, stakeholders, RUDN, strategic goal-setting, management function decentralization*

## I. INTRODUCTION

Balanced Scorecards (BSC) System as a system of Strategic Management that is based on the defined optimal indicators and indexes already plays significant role in companies of different industries. Some of universities and other types of educational organizations have also been gradually attracting BSC for their Strategic Management issues. However, as educational organizations have some specific features in comparison with commercial organizations, BSC development and implementation methodology must be revised and adopted for their cases.

BSC development includes several stages [1] among which

- Strategic Goal-Setting (or concretization),
- Development of Strategic Map,
- Defining of Indicators and their Target Values,
- Development of the BSC Implementation Plan.

Current research is devoted to the initial stage of BSC development for University as a whole and for its Departments – Strategic Goal-Setting.

## II. EDUCATIONAL ORGANIZATIONS' STAKEHOLDERS

Educational Organizations cannot be considered as usual commercial organization that is aimed in profit maximization. Especially this is actual for Russian Universities that were fully financed from the State budget not far ago [2]. Nowadays, some of them are on self-financing, others partially financed from the municipal or state budgets. This obviously defines the strategic aims of each University through their main stakeholders aims.

So, the main aims of the research were

- to define the stakeholders of Universities in general and for different types of Universities in Russia in particular,
- to define the stakeholders of Universities' Departments and conditions that determine their influence.

In accordance with Russian State Quality Management Systems Standards (GOST R ISO 9000-2015) stakeholder of an organization is a person or other organization that may influence the performance of an activity or decision-making in the organization, or be affected by organization, or perceive itself as the latter [3].

On the level of Subject of the Russian Federation the following groups of stakeholders are usually defined [4]:

- regional government,
- educational organizations of different levels, including other universities in the Region,
- large companies and enterprises,
- small and medium enterprises,
- labor market,
- civil society institutions [5],
- state government that carries out the legal regulation of the University activity and main order for training of the specialists [6].

The anthropologic approach presumes also consideration of interests of such stakeholders as

- potential students and their parents,

- current students,
- research and teaching staff,
- administrative and support staff,
- ethnical and other social groups.

Overall, all stakeholders of the University can obviously be classified into two groups: external and internal.

Among external stakeholders are

- state government that carries out the legal regulation of the University activity and main order for training of the specialists through distribution of the quantity indicators for budget admission,
- regional government and municipal government that include the University into the regional and municipal educational program,
- employers (large industrial enterprises, small and medium business companies, social sphere organizations etc.) that are interested in getting competent qualified specialists,
- schoolchildren, school-leavers and their parents that are on the stage of choosing the place of future education,
- educational organizations of different types situated in the region,
- different public organizations and unions that are not connected with the educational system directly (political parties, ethnical and other social groups, scientific organizations, art unions etc.) but interested in social partnership.

Among internal stakeholders there can be named

- students of different programs and different educational stages (bachelor and master students, PhD, MBA and DBA students) and their closest relatives,
- teaching and research staff,
- administrative and support staff,
- Rector,
- Heads of training directions.

For the research purposes external and internal stakeholders can be divided basing on the degree of their participation in the University activity and the level of impact on the University.

### III. UNIVERSITY'S STAKEHOLDERS ANALYSIS

In Russia educational organizations of higher education are divided into several group on different basis. These are:

- National, Federal, Regional, Municipal or Private;
- Federal University, National Research University, University, Academy, Institute.

These groups differ by the level of autonomy, amount of financial support from the state, regional or municipal government, range of educational programs etc. Obviously,

the level of stakeholders' influence and participation will differ from type to type.

The object of the current research that was taken as an example is the RUDN University (Moscow, Russian Federation). It has a status of University and it is a member of the state program of Russian Universities' strategic development. For it the role of stakeholders can be defined as following (Table 1).

TABLE I. STAKEHOLDERS ON THE UNIVERSITY LEVEL

	<b>Significant Participation</b>	<b>Insignificant Participation</b>
<b>Strong influence</b>	State Government Rector Heads of training directions Employers Students and their closest relatives	Regional Governments Rating Agencies
<b>Little influence</b>	Schoolchildren, school-leavers and their closest relatives Educational organizations Teaching and research staff Administrative and support staff	Social organizations

<sup>a</sup>. Source: prepared by the Authors basing on [4]

In accordance with the research conducted state, rector, heads of training directions, employers, students and their closest relatives go into group of main stakeholders. These are the stakeholders that have the major impact on the University and at the same time actively participate in the University's activity, strategic management and decision-making processes. University's strategic goals should be focused on these Stakeholders' interests and expectations.

Among important University stakeholders the Regional Government and Rating Agencies can be named. Despite the fact, that they do not usually actively participate in University's life they have enough power to have strong impact on it, either positive or negative. These stakeholders' expectations should be kept satisfied, but the main strategic goal shall not be focused on them.

Important stakeholders are also in the group "Little influence - Significant participation" - schoolchildren, school-leavers and their closest relatives, educational organizations, teaching and research staff, administrative and support staff. These stakeholders' main feature is that even though they usually have little influence on the University they can move to the group with "Strong influence" if they gather together as they are very much interested in everything that is connected with the University and actively participate in its life (or are going to participate in case of school-leavers). In order to avoid these stakeholders' movement to the stronger group they should be kept timely informed about University activity and processes, their opinion should be carefully listened. However, strategic goals of the University should not be focused on their needs.

Stakeholders from the group "Little influence – Insignificant participation" are currently the least important for the University, but they should be regularly monitored.

The groups of stakeholders change significantly when the object of analysis changes from the University to one of the Departments. In this case, role and structure of the

stakeholders will differ from Department to Department depending on the type of organizational management function in the university. Therefore, to define role of stakeholders on the Department level we need to find the factors that affect this difference.

In a market economy the higher professional education industry is becoming more and more similar to a business [7]. Consequently, all the principles, theories and methods that are used for investigations of businesses can be appropriate for universities.

As businesses as universities can be classified in accordance with their management function level of centralization. Organizations, in which top management reserves most of the authority for the executive strategic decision-making, have centralized management function. Decentralized management function in an organization assumes that the authority to make execute strategic decisions is distributed across different levels of management [8].

Centralization is a reaction of an organized system that is aimed at preventing distortion of information when transmitting it through an increasing number of management levels.

Among features of centralized management function are the following:

- executive strategic decisions are made on the highest levels of organization's hierarchy,
- knowledge, information and ideas are concentrated on the top levels and ready decisions are communicated to the lower levels,
- top managers have relatively wide controlling functions while the organization hierarchy has multiple levels.

In organizations with decentralized management function the responsibility for a number of key strategic decisions is delegated to the lower levels of hierarchy.

Among features of decentralized management function are the following:

- some executive strategic decisions are made on the lower levels of organization's hierarchy like branches, affiliated companies, departments etc.,
- knowledge, information and ideas are concentrated on the lower levels and moves up to the top levels,
- top managers have relatively narrow controlling functions and the organization's hierarchy is relatively flat due to greater autonomy on the lower levels.

Decentralized management function does not assume full independence of its main units. Decentralization can touch upon only a few management functions, some departments or levels of management.

This is applicable to the educational organizations as well. To define if the stakeholders' role changes on different levels of University's management there was analyzed the decentralization level which involves the allocation of strategic business units (SBU).

For the purpose of GE company business segmentation McKinsey consulting company defined strategic business units as autonomous business units that can be managed as separate enterprises [9].

Arthur D. Little Inc. (ADL) has the similar approach to the SBU defining. ADL defines strategic business units as independent divisions that takes the responsibility for the part of external market. Each business unit develop their own independent ais and strategies [10].

It is obvious that if the University's division is an SBU then it will have another range of stakeholders than the division which is fully dependent on the top management.

Despite the fact, that the SBU identification is subjective and in most cases is defined by the companies on their own unique basis, there are universal features of strategic business units among which (in accordance with ADL definition [10]):

- SBU has competitors that compete with it directly but not with the company as a whole,
- SBU has direct consumers,
- changes in quality, trademarks, prices etc. influence only the SBU's products, but not the whole company's,
- SBU can use all the needed resources of the company,
- SBU is a central base for long-term strategic programs planning and implementation, they have own strategic goals which do not conflict with the company's aims but can be partially independent,
- SBUs are the centers of profit in the company,
- each SBU can develop its own competitive strategy, which elements are price defining, products' differentiation, market segmentation, implementation of innovations, focus on clients etc.

Divisions of the company that are not defined as SBUs are the structural elements of the company like department, workshop etc., which do not have the SBU's features. These divisions have relative autonomy and unite the working places, production facilities and resources for reaching the goal set by the company. These divisions cannot be the independent business units. Consequently, their aims are derived from the company's goals and do not involve independent elements.

In sphere of higher education management function centralization or decentralization can exist on different levels:

- on the governmental level there is defined the extent of independence in spheres of programs' development, methods of training, organizational development on the national and international levels, requirements to the students etc. In the countries with the high level of centralization in high education usually the major part of financing goes from the state or regional budget and that is the basis of universities' competition,

- internal structure of the university defines the level of independence of faculties, institutes, researching centers etc. in executive strategic decision-making processes like pricing and profit distribution, admission of students etc.,
- on the level of performers, that is also defined by internal documents. In the universities teaching and researching staff usually autonomous in defining the content of their courses, published articles and research works. The main direction of activities and the performance results are controlled.

Russian Federation is the country with the high level of centralization of management function in higher education on the governmental level. But it does not mean that decentralization on the lower levels is impossible. If the university makes decision about decentralization of the management function on the faculty level the SBUs are defined. They are performing on the basis of contract relations with the university and develop their own strategies within the limitations set by the government. And the Heads of these SBUs are those who take the responsibility for following the governmentally set rules. At the same time there is no need for all the divisions of the university to be the SBUs.

Coming back to the aim of defining the role of stakeholders of University Departments we now can suggest that whether the Department is SBU or not can have a great impact to the stakeholders' structure.

For the aim of the current research we defined the stakeholders of the University Department for two cases:

1. University Department is SBU (develops own competitive strategy, has major part of own funds at its disposal, actively participates in students' admission and makes decisions about their expulsion etc.).
2. University Department is not and SBU but just a division.

In first case the role and structure of stakeholders will be very similar to those of the University as a whole (Table 2).

TABLE II. STAKEHOLDERS ON THE DEPARTMENT AS SBU LEVEL

	<b>Significant Participation</b>	<b>Insignificant Participation</b>
<b>Strong influence</b>	Rector Heads of training directions Employers Students and their closest relatives	State Government Regional Governments
<b>Little influence</b>	Schoolchildren, school-leavers and their closest relatives Educational organizations Teaching and research staff Administrative and support staff	Rating Agencies Social organizations

<sup>b</sup>. Source: prepared by the Authors basing on [4]

In case when the University Department is an SBU State Government moves to the group "Strong Influence – Insignificant Participation" as its participation in the Department's activity is indirect. Rating Agencies move to

the group of "Little Influence – Insignificant Participation" as they do not have any impact directly on the Department.

As to the staff, for this case only Department staff is taken into consideration. Top Management of the University stays in the key group as well as the employers, students and their closest relatives, with whom the Department – SBU contacts directly.

In case the Department is not an SBU the stakeholders' structure will change (Table 3).

In case the University Department is not an SBU the decisions on the Department level can be made only in full accordance with the University Top Management orders. Interestingly, Rector can be either in the group "Strong Influence – Significant Participation" or in the group "Strong Influence – Insignificant Participation" depending on the weight of the Department in the University structure.

TABLE III. STAKEHOLDERS ON THE DEPARTMENT DEPARTMENT LEVEL IN CASE DEPARTMENT IS NOT AN SBU

	<b>Significant Participation</b>	<b>Insignificant Participation</b>
<b>Strong influence</b>	Rector Heads of training directions	
<b>Little influence</b>	Employers Students and their closest relatives Teaching and research staff Administrative and support staff	State Government Regional Governments Rating Agencies Social organizations Schoolchildren, school-leavers and their closest relatives Educational organizations

<sup>c</sup>. Source: prepared by the Authors basing on [4]

State and Regional Governments moves to the group of indirect and therefore insignificant participation. Moreover, to the same group goes schoolchildren, school-leavers and their closest relatives, because in this case they firstly choose the University and the direction of their education.

Other educational organizations also do not consider Department as an independent unit and therefore have indirect impact on it and insignificant participation.

Students and their closest relatives stay in the group "Little Influence and Significant Participation", that is why they should be kept informed and the Department should timely react to the signals coming from them, but the strategic goals cannot be aimed at this group.

As to the group of Key stakeholders of the University Department that is not an SBU, there are only two of them – Rector and Heads of training directions (in fact the Executives of the University), that issue orders which are obligatory for the Department.

Consequently, strategy of the University Department that is not an SBU must be focused on meeting the expectations of these stakeholders. And the strategy of the Department cannot be separated from the University strategy. Departments have only functional strategies in accordance with their place in the University structure.

#### IV. RUDN UNIVERSITY ECONOMIC FACULTY STAKEHOLDER ANALYSIS

Economic Faculty of RUDN University was taken as an object for this research on the Department level. Firstly, we need to find out whether it is an SBU or not. We took the scale of management function centralization level in which one end reflects the Faculty-SBU as the highest level of decentralization (9) and the other end reflects Faculty as dependent division of the University as the lowest level of decentralization (0). We considered the main features of the SBUs as factors for evaluation and conducted a survey among Economic Faculty teaching and researching staff and those who are responsible for different management functions on the Faculty level. The values that were given by the respondents to different factors were rounded to units.

The resulted of the survey are the following:

##### 1. Factor – **Direct Faculty Competitors**

Value – 1

Competition in RUDN cannot be considered on the Faculty level as different Faculties can perform educational programs for same specialties and educational directions.

##### 2. Factor – **Direct Customers**

Value – 2

Students' admission takes place on the University level and school-leavers choose the University and specialty or direction, not the Faculty. All the advertising, attraction of customers, PR are made for the University as a whole. The students can come directly to the Faculty or particular program if they find the information about it from informal sources like graduates, but this has little indirect impact on the admission.

##### 3. Factor – **Changes in quality or trademark influence all the Faculty but not the University**

Value – 0

Faculty does not have its own trademark. This is applicable only to the University. Any changes in reputation of RUDN brand have significant impact on all the University activities without exclusions whereas, for instance, merging of two Faculties or other cross-Faculties structural changes do not affect the Faculty's perception in any way.

##### 4. Factor – **Participation of the Faculty in long-term strategic planning in the University**

Value – 0

Economic Faculty does not participate in University's strategic planning processes. Strategic goals and KPIs are given to the Faculty from the higher levels of University management. Faculty has relative independence only in finding the ways of their reaching.

##### 5. Factor – **Faculty as a center of profit**

Value – 9

Commercial activity of the Faculty brings profit to the University.

##### 6. Factor – **Availability of the Faculty own funds at disposal**

Value – 0

All the Faculties expenses are strictly regulated by the top management.

##### 7. Factor – **Independent Pricing Policy**

Value – 0

Faculty is not allowed to change the price on its own.

##### 8. Factor – **Differentiation of the Faculty's products**

Value – 2

All the educational programs must correspond with the curriculum with approved basic and variable parts. Some differentiation of main programs is possible due to variations in elective courses. Faculty also can develop own programs of additional training.

##### 9. Factor – **Focus of the Faculty on the Customer needs (students, parents, employers)**

Value – 1

Faculty receives feedback from its students, their parents and potential employers. However, this information can be used only after going through University level Customer Relations Departments. And even on the University level most of the customers' requirements cannot be met as the training process is strictly regulated on the governmental level.

So, values of almost all factors are close to 0. That means that Economic Faculty of RUDN University cannot be considered as an SBU. Therefore, the main stakeholders of the Economic Faculty RUDN are Rector and Heads of training directions.

#### V. CONCLUSIONS

The conducted research results let us to come to several conclusions:

1. University Department's strategy can be different depending on the level of management function decentralization. In case the University Department is a relatively independent strategic business unit, it will have its own competitive strategy for developing and maintaining competitive advantages of the Department. In case the University Department is a fully dependent division in the University structure, it will have only functional strategy aimed at increasing the effectiveness of its functions' performing.
2. In case of University Department – SBU, strategic goals are set both on the University and on the Department levels. Department strategic goals go along with University goals but also include own development directions. In fact, strategy of the Department in this case is a complete strategy which is aimed at Department development but does not contradict to the University strategy.
3. In case when University Department is not SBU, the strategic goals that are set on the University level are cascaded down the hierarchy to the final performers. It is vital not to copy goals for the lower levels but transform and adopt them in accordance with the

contribution that each Department can make to the University strategic goals reaching.

4. Economic Faculty RUDN which was taken as an example object for the current research is not a strategic business unit and its key stakeholders are Rector and Heads of the training directions. Other stakeholders have indirect impact on the Faculty. Consequently, Economic Faculty cannot have its own strategic goals and for the purposes of Balanced Scorecards development for the Faculty the strategic goals must be taken from the University strategic goals and cascaded to the Faculty level.

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