

# **THINKING TOWARDS STAKEHOLDER SATISFACTION IN HIGHER EDUCATION: AN APPLICATION OF PERFORMANCE PRISM**

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## **ABSTRACT**

Quality of service and customer satisfaction is key concerned area in the today's business. When considering education, quality of educational service and stakeholder satisfaction can be taken as more important. Most of the performance management systems are fails to address and consider the entire stakeholder needs after considering the importance and contributions of all stakeholders to the organization. The Performance Prism Model can be used as one of performance management and measurement tool which is closely looking at measurement from a stakeholder perspective. Performance prism model is taking consideration of two ways process as first identify the what are the want and needs of stakeholders and second to identify what are the organizations wants and need from its stakeholders. The purpose of the study is to review the performance prism model and to identify the possibility of application of this model into higher educational institutions. Finally presents the interrelation between stakeholder need, organizational capabilities, existing process, strategies and stakeholders' role. The study concluded that use of performance prism model can be highly benefited in an academic institution and the process should start from identifying stakeholder needs, and then formulate strategies using existing capabilities and process and finally deliver better value with the support of all stakeholders in the system.

Keyword: Performance Management, Academic Institution, performance prism, strategies, stakeholders

## **1. INTRODUCTION**

Mission of any institution of higher education must be the pursuance of "Knowledge Management" in its best from and spirit (Kasetwar, 2008). Stakeholders are involving in maintaining the relevance and quality in higher education and their ultimate goal of the higher education should be better knowledge management. Higher education institutions stakeholders can be define as the groups or individuals who can affect, or are affected by, the institutional activities such as academic activities (academic staff and students) , administrative ( academic and non academic staff), research work ( academic and non academic staff, funding agencies, government ,students, industry and society as whole), financial support (government and other financial supporters), students activities( students, parents, graduates, alumina, training organization) etc. Quality and relevance of education and stakeholder satisfaction can be taken as the most important concerns.

Performance measurement is a cycle of never ending improvement. It plays an important role in identifying and tracking progress against organizational goals, identifying opportunities for improvement and comparing performance against both

internal and external standards (Department of Trade & Industry Report, 2000). In a successful organization, performance is measured by the improvements of services quality experienced by the customers as well as by the results delivered to other stakeholders. The performance measurement information is an essential part of accountability that enables any organization to assess and report on progress (what is working well and what needs improvement), to determine priorities for improvement and set improvement target and to make programme and budget decisions to maintain good performance and to improve performance in areas requiring improvement (Government of Alberta, 2006).

The Performance Prism Model (PPM) can be used as one of performance management and measurement tool which is closely looking at measurement from a stakeholder perspective (Neely et al, 2001). The purpose of this paper is to review the performance prism model and to identify the possibility of application of this model into higher education institutions. This paper also identified the key stakeholders, each of identified stakeholders' wants and needs, what type of role the organization expect from each stakeholder and how can we use the organizational capabilities to achieve the specific strategies through existing process. Finally presents the interrelation between stakeholder need, organizational capabilities, existing process, strategies and stakeholders' role.

## **2. REVIEW OF LITERATURE**

Three main questions arise in performance measurement as why we measure, what should we measure (Neely, 1998) and how we should measure our performance. Current trends in the field of business measurements specifically concentrated on customer satisfaction, employee satisfaction, tangible assets, supplier performance and financial performances (Neely, et al, 2002). Designing, introducing and using an appropriate measurement system is a key challenge faced by any type of organization. It can be considered as chain of appropriate activities that involve persons. This can be done as identifying need of changes within organization to deal with current global development and vision, self-guidance, learning, identifying behavior relationship between the personal ambition of individuals and the shared organizational ambition (Rampersad, 2004,2005).

Total Quality Management (TQM) concept is also widely discussed in higher education. Owlia and Aspinwall (1996) examined different views on the application of industrial quality management principles to higher education. They considered interpretation of basic terminology like quality, measurement, customer, applicability of TQM, quality standards and quality awards in higher education. There is also a debate on measuring educational quality or service quality (SERVQUAL) within higher educational sector (Rowley, 1996). The product based total quality management model regarded students as a product of higher education (Mahadevapa, 2006) and the producer is the college or university which offers degrees. The prospective employers are considered as the customers of higher education institutes.

Structural performance measurement models such as Balanced Scorecard (BSC) and European Foundation for the Quality Management (EFQM) Excellence Model are widely used to monitor the higher educational institution or programme performance.

These models are concentration and given more emphasis on various stakeholders aspects.

The most popular and widely known performance evaluation framework is the Balanced Scorecard (BSC). This was developed jointly by Robert Kaplan and David Norton, Professor of Accounting at Harvard Business School, and President of Renaissance Strategy Group respectively. The basic argument of the BSC is transparency. It recognizes that if an organization has a good, well-balanced measurement system, that information should be available to others. This information should be capable to answer following questions within organization which enable a company to translate vision into a strategic performance management system. This system measures the past, monitors present performance, and captures information which indicates how well the organization is positioned for the future (Kaplan and Norton, 1992, 1993, 1996).

- How do our customers see us? - The Customer Perspective
- What must we excel at? - Internal Perspective
- Can we continue to improve and create value? -Innovation and Learning Perspective
- How do we look to our shareholders? “ - The Financial Perspective

Limitations of the BSC has also often revolved around the view that there is no specific mention of all stakeholders such as employees, suppliers ,alliance partners, intermediaries and regulators, community or pressure groups (Neely,Adams and Crowe, 2001). The Performance Prism Measurement Framework has been developed by the centre for Business Performance at Cranfield School of Management and the Process Excellence Core Capability Group of Andersen Consulting. This model is classified as a second generation performance measurement and management framework and which addresses the shortcomings of many of the traditional measurement frameworks(Bourne, Neely, Mills and Platts, (2003) being used by organisations today. This model, with its comprehensive stakeholder orientation, encourages policy makers to consider the wants and needs of all the organization’s stakeholders, rather than a subset, as well as the associated strategies, processes and capabilities (Neely, Adams and Crowe, 2001).

### **3. OVERVIEW OF PERFORMANCE PRISM MODEL**

Contributors of performance prism model contrasted (Neely, Adams and Kennerley, 2002) the model with other models used as the former starts from stakeholders not from strategy as in the latter. They also commented on many of the existing works on performance measures suggesting that measures should be derived from strategy and be consistent with strategy. They argued that organizations need strategies because they want to deliver value to stakeholders. Therefore, the starting point for any discussion of measurement has to be stakeholders. The performance prism model provides a structure that encourages managers to answer five inter-related questions when designing their measurement systems.

These questions are,

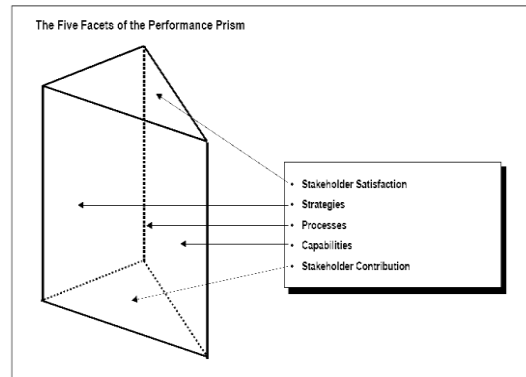
- Stakeholder satisfaction -Who are the key stakeholders and their wants and needs?

- Strategies - What strategies do we need to deliver value to stakeholders?
- Processes- what processes do we require to deliver these strategies?
- Capabilities -What capabilities do we need to operate and enhance these processes?
- Stakeholder contribution-what contribution do we require from our stakeholders if we are to maintain and develop these capabilities?

The five facets of performance prism (Figure 1)

1. Stakeholders Satisfaction
2. Stakeholders Contribution
3. Strategies
4. Processes
5. Capabilities

Source: Neely, A & Adams, C. *Perspectives on Performance: The Performance Prism*.  
<http://www.exinfm.com/pdf/files/prismarticle.pdf>



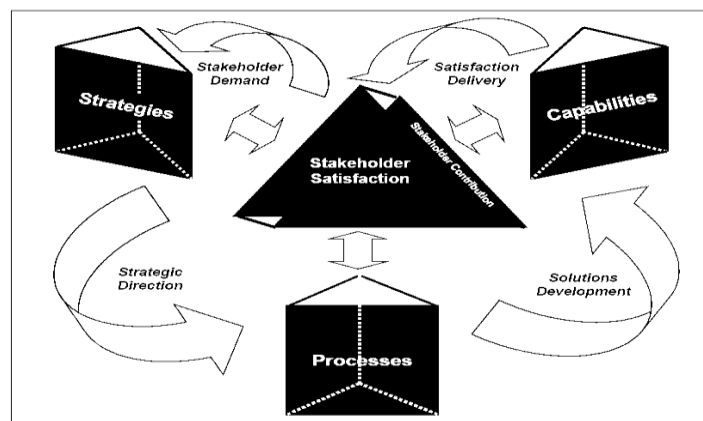
The prism looks at measurement from a stakeholder perspective. When deciding what to measure managers have to first identify who their stakeholders are and what they want and need. Only then can they begin to decide what they should measure.

This model taking consideration of two way process as,

1. What are the want and needs of stakeholders.
2. What are the organizations wants and need from its stakeholders.

Figure 2 presented the model and stakeholder satisfaction is the key indicator in this model and main purpose is to identify who are the key stakeholders and their wants and needs. Then second stage organization should focus on the strategy according to stakeholder demand. Then should focus on what processes we need to deliver these strategies.

Figure 2: Perspectives on Performance



Source: Neely, A & Adams, C. *Perspectives on Performance: The Performance Prism*.  
<http://www.exinfm.com/pdf/files/prismarticle.pdf>

Next step is to finding out the capabilities needs to operate and enhance these processes. Finally organizational focus is to identify organizational wants and needs from stakeholders to maintain those capabilities.

## **4. AN APPLICATION OF PERFORMANCE PRISM IN HIGHER EDUCATION: A CONCEPT REVIEW**

### **4.1 Stakeholder Identification**

The first step of stakeholder analysis is to identify the relevant stakeholders. In an education institution, a stakeholder analysis should start by identifying the key stakeholders such as students, faculty, and administrators. At the same time educational institutions need to consider, among others, their alumni, the parent body, the community where they are located, and the entities--both public and private--that will be employing their graduating students.

Various types of stakeholders are involving within the system of higher education. Kasetwar (2008) has identified main stakeholders in higher education institutions point of view and their role of improving quality of institutions. They are namely as parents, students, educationalist, faculties, head of institution, academic heads of the universities, statutory bodies, industries, trainers, educational loan providers, researches and academic scientists, society, politicians, judiciary.

The important stakeholders can be identified as students, academic staff, non-academic staff, employers, training organization, graduates, government, professional organizations, and parents, funding agencies, other interesting parties, administration and society. Most important key stakeholders are students, staff, administration and employers.

### **4.2 Stakeholder Satisfaction**

What are the want and needs of stakeholders of higher education. Students want quality service and facilities which can make them as responsible and employable graduates. Academic staff wants better teaching and working environment with appreciation of work quality and benefit. Employers want quality graduates with knowledge, skills and attributes who can contribute to their organizational success. Government wants smooth functioning of the universities with the facilities provided by them.

Table 1 presented the selected stakeholders in the higher education institutions and their wants and needs. However pointing out the specific need and wants from each stakeholder is not an easy task when considering the higher educational institutions. Because educational institutions consisted with multiple stakeholders and each stakeholder are having multiple needs and wants and also requirement of needs and wants also different.

Table 1: Stakeholder Satisfaction

<b>Stakeholder</b>	<b>Stakeholder Wants and Needs</b>
Students	Quality Education Academic Guidance Appropriate Academic environments
Graduates	Employability skills , life long leaning experiences and achievements
Academic staff	Achievements, academic support, teaching and research skills improvement opportunities and financial and non financial benefits, recognition
Non Academic staff	Achievements, support, financial and non financial benefits, recognition
Parents	Quality education and more opportunities for their Children , responsible and skillful graduates
Society	Quality education, employable and responsible graduates and accountability
Government	Smooth functioning , financial management and good governance
Employers	Skillful and market oriented graduates
Training Organizations	Committed trainees

### **4.3 Strategies, Processes and Capabilities**

Formulating strategies to add value to stakeholders and to fulfill stakeholder needs are more important. Higher educational institutions need to look into existing and required institutional processes and institutional capabilities. At the same time strategies, processes and capabilities need to be linked to each other. Formulated strategies can not be implementing without proper process and capabilities, such as committed employees, practices and infrastructure.

### **4.4 Stakeholder Contribution**

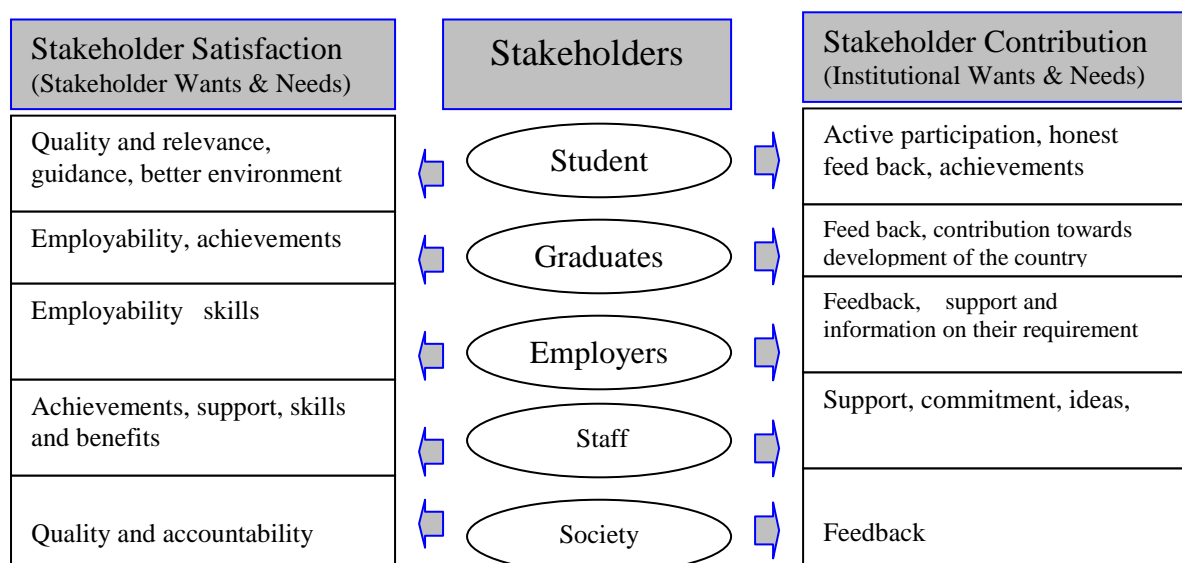
In the other way what we expect from our stakeholders. We expect proper involvement from the students' side in teaching, learning process and functioning of the activities and also feedback to enhance the process. Employers need to provide their expectations and needs and also the proper feed back on existing product. Academic staff also need to provide their contribution, innovative thinking on improvement of the program, commitments towards working. Then after examine the reciprocal relationship with each stakeholder. Table 2 presented the selected stakeholders in the higher education institutions and institutional wants and needs

from each stakeholders. Figure 3 present the combine model of facts related to stakeholder satisfaction and contribution.

Table 2: Stakeholder Contribution

<b>Stakeholder</b>	<b>Institutional Wants and Needs</b>
Students	Active participation, honest feed back, self achievements
Graduates	Feed back, contribution towards development of the institutions and country
Academic staff	Support, better contribution , commitment, innovative ideas
Non Academic staff	Smooth functioning , better management , commitment and support
Parents	Feed back and support
Society	Feedback and support for institutional improvements
Government	Financial support and guidance
Employers	Feedback, support and information on their requirement
Training Organizations	Enhancing skills and job oriented training

Figure 3: Combine Model



## 5. CONCLUSION

Identifying all stakeholders' needs and creating value to all stakeholders are key concern areas within the performance management in the knowledge management society. There is no single model still accepted for measuring and managing performance in higher educational institution. Most of the performance management systems are fails to address and consider the entire stakeholder needs after considering the importance and contributions of all stakeholders to the organization. Hence, understanding the needs of higher education institutions stakeholders, how can we satisfy those needs and how to incorporate those needs into the institutional strategy after consideration of capabilities of the institutions are important. The higher education institution needs to understand the stakeholder perspective in making their decisions. The successful implementation of this type of model depends heavily on the accurate definition of its concepts, the way of identifying of all related activities and pattern of linking those activities within organization. However, balancing all areas is not an easy task in the higher education. All the parties should engage with the activities in the organization and hard work and commitment of all stakeholders is important in the higher education sector. This study concluded that use of performance prism model can be highly benefited in an academic institution and the process should start from identifying stakeholder needs, and then formulate strategies using existing capabilities and process and finally deliver better value with the support of all stakeholders in the system.

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