

## **Development of Performance Management Concept in Higher Education Context**

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**Abstract:** This paper aims to analyze the development and application of performance management in higher education institutions context and identifying the recent trends of Performance Management and their applicability for Higher Education Institutions by reviewing the literature. The literature shows a confusion of using the terms of Performance Management and Performance Appraisal interchangeably. The literature confirms the applicability of Performance Management in Higher Education sector, but it needs to be redefined and adapted to the vision and needs of the universities. The recent trends of Performance Management are 360° appraisal and Balanced Scorecard the literature confirms and recommends their applicability in Higher Education Institutions. Performance Management enables the universities to improve the overall performance to achieve its goals and the outcomes need to be employee satisfaction, motivation and commitment and to help the university understand job performance through measures, and individuals rewarded and recognized through an accurate and constructive feedback.

**Key Words:** Performance Management, Performance Measurement, Performance Appraisal, Higher Education Institution, 360° appraisal, Balanced Scorecard

### **Theoretical Background**

This study aims to provide a description of the development of Performance Management in the universities and the applicability of Performance Management in Higher Education sector and the recent trends of Performance Management by reviewing the literature.

### **Introduction**

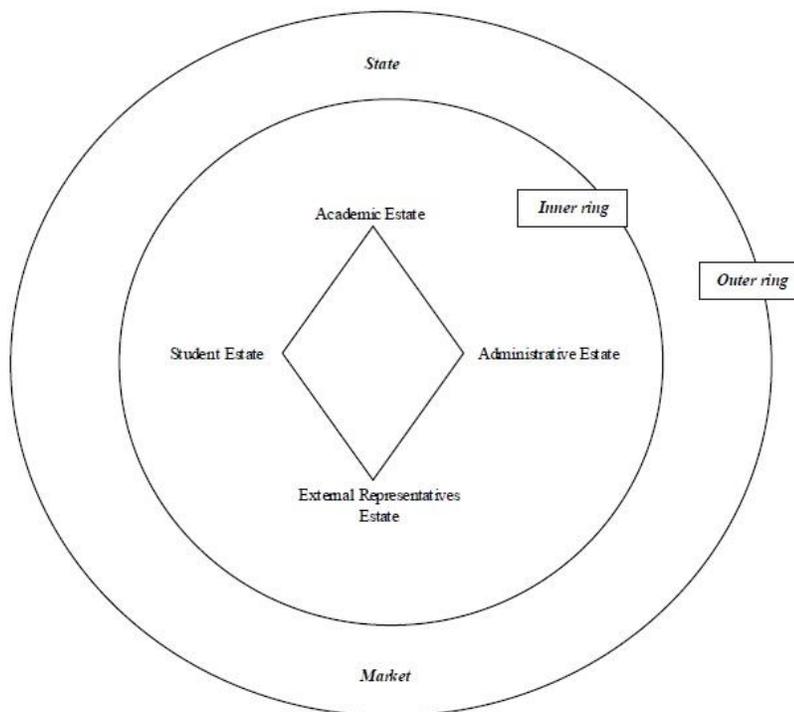
In the past, universities enjoyed their autonomy, but have been recently confronted with pressures such as accountability, instable environment and global competition and are affected by current trends like marketization and changing roles of governments (Deshmukh, et al., 2010; Decramer, et al., 2008; Decramer, et al., 2007; Johnes & Taylor, 1990).

Universities are playing a vital role in developing human capital in the economic and development growth of countries (Jalaliyoon & Taherdoost, 2012). Therefore, higher education plays a fundamental role in the future of nations and their position in the world economy.

However, in a simple context of input-process-output model of universities, the input of universities are students and lecturers, the process is teaching and conducting research, the output is graduated students and published articles. One of the New Public Management's characteristics is performance measurement and accountability (Tolofari, 2005). Nevertheless, the process can be improved and gain more efficiency through the best use of Performance Management (PM) practices and policies as recommended in Hoare 1995's report. The report suggests for a phase in a comprehensive approach to PM for both academic and general staff (Morris, 2011). De Waal suggests developing countries to use western management technique of PM to improve and manage performance (de Waal, 2007).

The topic gathers two distinct literature areas of research, PM as one of the HRM's function and higher education institutions or tertiary education. Higher education institutions are multi-product organizations, which produce two different outputs, research and teaching by using multiple inputs (Warning, 2004). HEI's setting is characterized by goal diversity, uncertainty, and diffused decision-making but it is not mainly guided by the principles of profit maximization and cost minimization (Lindsay, 1981).

Governance of universities or higher education institutions consists of two rings structures. The first is an outer ring includes the state and market; the second is an inner ring includes academic estate, administrative estate, external representative estate and student estate as illustrated in Figure 1 Governance Structures of Higher Education.



“Governance Structures of Higher Education” Adapted from (Morris, et al., 2007)

Clearly, it can be noticed that the government underpins HEIs and already recognizes the significance of their outcomes and its impact on region's growth and development. However, HEIs need to introduce various PM practices in their organizations for motivation in order to cope with development and demands to make their PM more result-oriented for the overall improvement of organizational performance (Decramer, et al., 2008).

### **Performance Management in Higher Education Institutions**

Performance Management is a " process for establishing shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing and developing people that improves individual, team and organizational performance" (Armstrong, 2009). PM is one of the key practices of Human Resource Management (CIPD, 2009), and it is the 'Achille's Heel' of human resource management and the most difficult system to be implemented (Pulakos, 2009) due to its complexity in reality (Den Hartog, et al., 2004, CIPD 2013, Abdulkareem & Oyeniran 2011). Universities need to manage performance effectively to develop and become more accountable to respond to the environmental changes and to gain a competitive advantage through an effective use of PM. Moreover, in higher education institutions, control is limited and is not easy due to specialization, tenure, faculty decisions and staff rigidities (Lindsay, 1981).

PM predicted as an important issue in many organizations, and defined as one of the human resources practices bundle (Leopold & Harris, 2009). PM practices are most effective when they are aligned with the organization's HR competitive strategy (Stewart & Brown, 2009). Huselid (1995) has studied the impact of human resource management and found that it has an economic and statistical impact on employee performance and different practices of human resource management can affect performance differently.

In fact, there is a clear link between HRM and PM, the approach of PM that involves aligning human resource management practices in such a way that they maximize current and future employee performance (Den Hartog, et al., 2004). PM played a central role in modernizing and reforming organizations in other countries (Decramer, et al., 2007) and organizations that implemented PM system and are using it, performed both financially and non-financially better than organizations less PM driven (Ana-Maria, et al., 2009). Hence, it might be necessary for higher education institutions to have a HR department to functionalize the other practices of higher education institutions and support the holistic process of PM that brings together the elements to improve organizational performance.

However, in order to be effective, PM should firstly, ensure that people have the knowledge and ability to perform it, secondly, it should be strategic to include broader issues and longer-term goals and thirdly integrated, to link various aspects of the business, people management, individuals and teams (CIPD, 2009; CIPD, 2013). It can be noticed from the literature that PM is a systematic process that develops the skills of the organization and it leads to the best use of human resources when applied to the whole levels of workforce.

PM has three different models, including PM as a system to manage organizational performance, PM as a system for managing employee performance and PM for integrating the management of organizational and employee performance (Den Hartog, et al., 2004).

In CIPD surveys indicated that PM is a sophisticated and powerful tool that can't be separated from other management systems and helps the line managers to exercise people management responsibilities effectively and gets the best out of the people (CIPD, 2005). The outcomes of an effective PM are employee satisfaction, employee motivation and commitment which ultimately lead to higher performance (Decramer, et al., 2012).

It is critical to create a PM system in HEIs, it helps to understand job performance through performance measures, individual employees rewarded and recognized, having development opportunities through accurate performance evaluation and in providing constructive feedback, but PM needs to be redefined to function effectively in HEIs (Deshmukh, et al., 2010).

Some studies suggest a cynical perception of PM practice in higher education institutions. For example, (Morris, et al., 2011) in their survey findings concluded that performance should be appraised and the focus should be on development and motivation of academics, findings also indicate failure of the current PM to motivate or develop higher education institution academics to their satisfaction. Moreover, there is a disconnect between the rhetoric of PM and the reality being experienced in universities and in the research they require for specific key findings for PM in higher education institutions (Morris et al., 2011) and these results are consistent with (Stavertis, 2007 as cited in Morris, et al., 2011).

However, the concept of PM is applicable in the segment of higher education as it is in profit-oriented enterprises (Serdar, 2010). Alternatively, a different concept states that the typical business approach to PM would not work in higher education institutions, therefore, the existing PM models and approaches need to be adapted to the needs and visions of higher education institutions for a gradual system that allows institutional transformation and systematic adjustment (Abdulkareem & Oyeniran, 2011).

### **Performance Measurement**

Performance evaluation is a critical component of strategic human resources management in public and nonprofit organizations (Pynes, 2009). Performance measurement defined as a set, process or parameter which are used for quantifying the efficiency and effectiveness of past actions (Neely, et al., 2002). In addition, it is clear that universities need to understand the past actions in order to base the future decisions on, Hubert states that "Without a general understanding of past events, there will be no permanent change and improvement" (Hubert, 1984 as cited in Azmaa, 2010).

Measuring efficiency and effectiveness in organizations is a difficult task in all organizations, but in HEIs, it is hardly likely to be any easier (Johnes & Taylor, 1987). Universities should emphasize on academic performance measures rather than financial performance (Pingle & Natashaa, 2011).

Among the measurement systems, Balanced Scorecard BSC is increasingly applied in higher education and recommended for universities to use it in order to evaluate their work in different perspectives

(Wang, 2010; Jalaliyoon & Taherdoost, 2012). It is a promising and valuable tool for implementing PM system (Pingle & Natashaa, 2011). Balanced scorecard is to help to show the importance and need to balance four different organizational elements financial, customer, learning and growth and internal process (Smither & London, 2009; Pingle & Natashaa, 2011).

Figure 2 illustrates the performance measurement framework for universities.

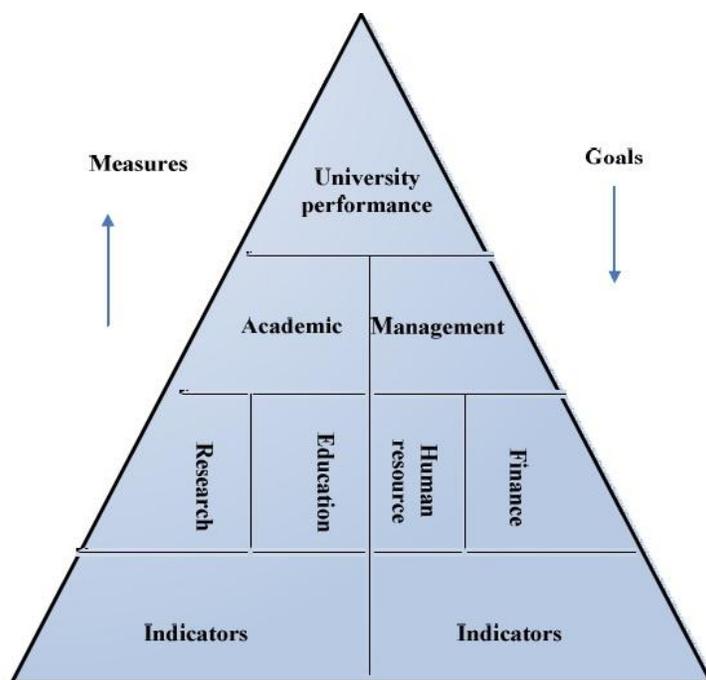


Figure 2 Performance measurement framework of Higher education Institutions. Source adapted from (Wang, 2010).

In order to measure performance, universities need to develop indicators of performance to measure the outcomes that best reflect the uniqueness of the HEI. Therefore, performance of individuals can be measured by reference to key performance indicators KPIs and metrics. Key performance indicators are results or outcomes that are identified as being crucial to the achievement of high performance and forming the basis for the performance monitoring and measurement system (Armstrong, 2009).

Performance indicators, if used intelligently and flexibly, it can give useful insight into university performance and it is important that performance indicators be accompanied by a clear statement of goals (Ball & Halwachi, 1987).

There are four basic performance indicators identified by (Johnes & Taylor, 1990) for higher education institutions are 1- The non-completion rate of each university's student entrance. 2- The success of alumni has obtained a job. 3- The degree results of each university's graduates. 4- Research output rates.

Moreover, three major categories of performance indicators in higher education institutions identified by (Higgins, 1989):

- 1- Internal: e.g. first grade graduation rates, attraction of research funds.
- 2- External: e.g. number of graduates in employed, staff publications and patents.
- 3- Operating: e.g. unit costs, staff ratios, and staff workloads.

### **Performance Appraisal**

Performance appraisal (PA) has been focused on as a part of a broader organizational context in which PA is a major part and a key component of a systematic process of PM (Armstrong & Appelbaum, 2003; Den Hartog, et al., 2004; DeNisi, 1996; Toppo & Prusty, 2012; Bach, 2005. PA is a “formal assessment and rating of individuals by their managers at, usually, an annual review meeting” (Armstrong, 2006). PA has been discredited because often it has been used as a top-down and mainly bureaucratic system (Armstrong, 2009).

In universities, PA systems server three function, first to identify and evaluate the performance of university individuals, second to provide incentives for the university individuals and third to monitor the university’s progress to attain its goals (Dilts, et al., 1994).

Obviously, the literature shows the advantages of using PA. Nevertheless, there is a significant amount of dissatisfaction with the appraisal process, due to lack of leadership that supports the process, supervisors not been held accountable for the timely completion of their appraisals, and lack of training provided for supervisors for doing PA (Flaniken, 2009). PA schemes can degenerate into worthless routines and rituals, especially when adequate time, training and budgeting for follow-up action are not associated (Casey, et al., 1997). Moreover, Managers are more satisfied than employees are with most aspects of PA (Mount, 1984)

The key factors in the acceptability and effectiveness of PA systems in higher education institutions are the degree to which those appraised believe that performance review outcomes are used in a developmental way (Simmons & Iles, 2001).

360° performance feedback or appraisal is a multi-source feedback, that defined as “a process in which someone’s performance is assessed and feedback is given by a number of people, who may include their manager, subordinates, colleagues and customers” (Armstrong, 2009). 360° appraisal is recommended to be used in higher education institutions context (CUCSA, 2011; Morris, et al, 2007).

### **Conclusion**

The concept of PM is applicable in the segment of Higher Education Institution, but it needs to be redefined and adapted to the needs and vision of universities. Higher Education Institutions need to recognize and differentiate between Performance Management and Performance Appraisal but commonly the literature approves that the terms used interchangeably but Performance Appraisal is a part of Performance Management. Universities need to implement PM Policy to improve the performance of

individuals and align individual goals and objectives with the university strategic goals to improve the overall performance of the university to achieve its goals.

Performance Appraisal in universities needs to appraise the performance of everyone in the university that includes academics and administrators, the focus should be equally on both academics and administrators but with different key performance indicators. Availability of a well-functioning Human Resource Department in a university can be very beneficial to the university to implement and design an effective PA to review and to keep the records of the results. Universities can take advantage of the recent trends of Performance Management such as 360° Appraisal and Balanced Scorecard, the literature shows their applicability in HEI segment and recommends these methods of PM to be practiced in HEIs context. Moreover, the outcomes of PM should be employee satisfaction, motivation and commitment and help the university to understand job performance through measures, individuals rewarded and recognized through an accurate and constructive feedback.

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