The effects of New Public Management on the measurement, reporting and management of performance in higher education: A comparative study between Portuguese and British universities

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1. Introduction

Over the past few years, there have been several changes in the public sector, which could be argued to be due to factors such as global economic forces, the socio-demographic change, national socio-economic policies, pressure from citizens, party political ideas (Pollitt and Bouckaert, 2000), and the emergence of concepts such as ‘Managerialism’ or ‘New Public Management’ (NPM).

In higher education, these concepts gave rise not only to questioning the traditional nature of the sector, but also to a decrease in the public support, both politically and financially; to accusations of having insufficient quality, responsiveness, effectiveness, and efficiency; and to claims that it lacks intellectual capacity (Maassen and Cloete, 2004).

Having to take into account, more and more, the interests of a variety of external and internal stakeholders, universities have been urged to move from traditional models of participative management (the traditional bureaucratic-collegial model) towards more executive models of management, raising the interest in the transference of management practices from the private sector into the public sector (Clark, 1998; De Boer, 2003; Santiago et al., 2006).

A major development in higher education worldwide has been the preoccupation with organisational performance, which has led to an increased interest for ‘performance measurement’, ‘performance reporting’ and ‘performance management’ (Pounder, 1999; Radnor and Barnes, 2007).

Even though the urge to change has been felt in most European countries, not all have experienced the same changes in higher education. Within Western Europe, for example, the drive towards what Neave (1988) calls the ‘Evaluative State’ is most advanced in countries like the Netherlands and the United Kingdom. In fact, to Teichler

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Given that NPM has arguably not affected higher education in the same way across countries, it seemed interesting to compare the effects of these new management ideas over the way performance is measured, reported and managed in higher education in different countries and to determine what factors may have led to such differences.

In order to achieve this aim, the paper is structured in the following way: Section 2 gives an insight into the changes that have occurred in the public sector, focusing on the main characteristics of NPM. Section 3 focuses on the changes that took place in higher education. Section 4 is dedicated to performance measurement, reporting and management in higher education, presenting the way a performance measurement and management system works, and showing a systems view of performance measurement and management in this sector. In the following sections, the British and the Portuguese higher education systems are presented (sections 5 and 6, respectively), focusing each section on the history of each higher education system, on the performance measurement exercises that have occurred, and on each country’s funding system and use of performance indicators. Finally, Section 7 provides a comparison between the two systems and explains the future work.

2. The changing nature of public services

The nature of public services has changed over time, along with the organisation and type of intervention of the state.

By the end of the nineteenth century, the role of the state was minimal in many countries. Most current public services were either private or charity services (Osborne and McLaughlin, 2002). The state, which practiced a ‘laissez-faire’ policy, was little involved in the supply of social services (Ackroyd, 1995).

After the Second World War, most Western governments were anxious to avoid a return to high levels of poverty and unemployment. They started to intervene by rationalising many public services and introducing subsidies and price controls in others. It was the ‘welfare state’ era, structured by a commitment to two modes of coordination: bureaucratic administration, which promised a fair and uniform treatment to all, and professionalism, which promised a disinterested service, since it was based on expert knowledge (Clarke and Newman, 1997).

The co-existence of two parallel structures – the bureaucratic and the professional – where the latter has a central role in the functioning of the organisations has been denominated by Mintzberg (1989) as ‘professional bureaucracy’.

By the 1980s governments were not convinced that this model of administration provided an effective form of management for public services, when compared to the private sector, and started to implement changes as a result (Hughes, 2003).

To Peters (1996), there are several explanations for the change: first, the significant shifts that happened in the economy, forcing governments to respond; second, the demographic change that happened in almost all industrialised countries; third, the public reaction against public spending, demanding a more efficient and effective public service (especially the political left) or a smaller government (mainly the political right);
fourth, the cultural change; and finally, the decline in government’s capacity to regulate society effectively.

When the institutions of bureau-professional control that existed in most countries started to be challenged, there have been a considerable number of initiatives aimed at re-structuring public service organisations by implementing a new management more concerned with the organisation and coordination of services towards an increased efficiency in service delivery (Bleiklie et al., 2000; Kirkpatrick et al., 2005; Mwita, 2000; Pollitt, 2003).

In order to classify and explain the reforms that took place in many countries, some authors came up with concepts such as ‘managerialism’ (Pollitt, 1990), ‘New Public Management’ (NPM) (Hood, 1991), ‘market-based public administration’ (Lan and Rosenbloom, 1992), ‘entrepreneurial government’ (Osborne and Gaebler, 1992), or ‘post-bureaucratic paradigm’ (Barzelay, 1992). Throughout this paper the term ‘New Public Management’ will be used.

Although there has been some debate over the precise nature of NPM, according to the classic formulation (Hood, 1991: 4-5) it comprises seven doctrines:

- Hands-on professional management in the public sector, meaning letting the managers manage. The typical justification for this is that “accountability requires clear assignment of responsibility for action”.
- Explicit standards and measures of performance, meaning that goals have to be defined and performance targets set.
- Greater emphasis on output controls. This means that resources are directed to areas according to measured performance, because of the “need to stress results rather than procedures”.
- A shift to disaggregation of units in the public sector, involving the breaking up of large entities into smaller ones, funded separately. This is justified by the need to create manageable units and to “gain efficiency advantages of franchise arrangements inside as well as outside the public sector”.
- A shift to greater competition in the provision of public services. Rivalry is regarded as a key to lower costs and increased standards.
- A stress on private sector styles of management practice, involving a move-away from the military-style “public service ethic” and more flexibility in hiring and rewarding.
- A stress on greater discipline and parsimony in resource use, as means of “cutting direct costs, raising labour discipline, resisting union demands, limiting ‘compliance costs’ to business”. This is justified by the need to “do more with less”.

For some authors (e.g. Clarke and Stewart (1998); Osborne and McLaughlin (2002)), this view of NPM is too narrow. Clarke and Stewart (1998) argue that what happened in the UK, for example, after Margaret Thatcher’s government, has gone away from the narrow focus on the marketization of public services towards an emphasis upon ‘community governance’. This means that the planning, management and provision of public services started to be regarded as something to be negotiated between a number of actors, including government, the private sector and the voluntary and community sectors (Osborne and McLaughlin, 2002). Thus, the key task of government became the
management of these complex networks of public service provision (Rhodes, 1996). To Osborne and McLaughlin (2002: 10) “the debate about NPM has been broadened from the earlier narrow concern with marketization to one which focus upon governance as the pre- eminent task of public management”.

Even though a range of critiques has suggested that, among other things, NPM has been a passing fad, has undermined the accountability of public services to their communities, and has failed to deliver the promised efficiency and effectiveness of public services (Lynn, 1997; Pollitt, 2000), the emergence of NPM has arguably contributed to put the focus on making the public sector more competitive and public administration more responsive to citizens’ needs by offering “value for money, choice flexibility, and transparency” (OECD, 1993: 9). In other words, it can be stated that the objectives of NPM instruments are mainly directed towards increased accountability and efficiency (van Dooren, 2006).

Salminen (2003: 60) summarises the most significant efforts in the performance area brought by the emergence of NPM (Table 1).

<table>
<thead>
<tr>
<th>Areas</th>
<th>Performance efforts</th>
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<tbody>
<tr>
<td>Quality strategies in the public sector</td>
<td>Quality and customer orientation in public services; freedom of choice; substitutive and supplementary ways for public service delivery; cost-consciousness.</td>
</tr>
<tr>
<td>Marketization processes</td>
<td>Decrease of public personnel; privatisation; competition and profit making; new forms of public entrepreneurship.</td>
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<tr>
<td>New management techniques</td>
<td>Management culture; performance measurement and management; reporting; administrative cost awareness; accountability; control; public service ethics.</td>
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Source: Adapted from Salminen (2003: 60).

The focus of this paper will be on the influence that NPM has had on the implementation of performance measurement and management systems in higher education. But before analysing these systems, we will provide an overview of some of the changes that have occurred in this sector.

3. The changing nature of higher education

Similarly to what happened in many public organisations, universities have also faced increasing external pressures aimed at institutional change. For many years, universities have existed as respected institutions in the eyes of society. Traditionally, they emphasised self-improvement and collegial- and self-accountability. However, in the last decades, their governance, authority and status started to be questioned, in many countries, especially due to the changes that have occurred in higher education (Brennan and Shah, 2000). Mora (2001: 95) argues that:
“Institutions that date back to the Middle Age have experienced the most significant shift in their entire history. They have gone from training a selected elite to educating a large proportion of the population, under what has come to be called the mass system of higher education. As a result of new demands being made, higher education’s objectives have changed significantly.”

According to some literature (Amaral and Magalhães, 2002; Chevaillier, 2002; Salter and Tapper, 2002; Shattock, 1999), apart from the shift from an elite to a mass higher education system, expanding the student numbers, and bringing in new types of students requiring new types of courses; other factors have contributed to the urge to reform universities. Among these are the following: first, cuts in state funding; second, the replacement of the state by the private sector as the main employer of graduates; third, the emergence of new approaches, such as New Public Management (NPM); fourth, greater competition between institutions; and finally, the political awareness of the increasing difficulty of centrally managing the definition of ‘useful knowledge’. In this paper we are particularly interested in the influence of NPM on these reforms.

Thus, higher education systems have expanded, involving the creation of new institutions and the growth of existing ones. They have become more diverse, not only in types of institutions, but also in types of students who enter them and types of programmes. Higher education has also become more international, involving greater student and staff mobility and creating pressures for more harmonization of qualifications and internationalization of curricula (Brennan and Shah, 2000).

The move towards mass higher education has meant that universities have been opened up to public scrutiny, in ways previously unknown, putting them under constant pressure to provide systematic information about themselves and to make it publicly available.

New emphasis has been put on the implementation of effective co-ordination and control systems, needed to improve organisational performance (Brennan and Shah, 2000; Vilalta, 2001).

The growing preoccupation with performance in higher education led to the introduction of performance measurement and management systems in many countries, involving the systematic collection and analysis of information about the institution. The next section will focus on the measurement, reporting and management of performance in higher education.

4. Performance measurement, reporting and management in higher education

4.1. Clarifying concepts

*Performance measurement* may be defined as the act of quantifying, either quantitatively or qualitatively, the input, output, level of activity or outcome of an event or process (Radnor and Barnes, 2007).

After measuring performance, it is important to write a report and communicate the results to responsible decision-makers, so that they can decide what to do with the information being reported. To Radnor and Barnes (2007) *performance reporting*
consists of providing account on the level of input, activity, output or outcome of an event or process.

Thomas (2004) recognises the need to tell the performance story and not become mesmerised by the numbers themselves. To him, “formal performance reporting is only one window through which internal and external audiences will gain information and form impressions about performances. To call for more and better reporting assumes that the relevant audiences will read the documents and use them to judge performance” (ibid: 10).

Above all, information is fundamental to inform leaders/ managers, helping them to make informed decisions, to provide guidance, to develop the institution’s mission, vision and values, to communicate these to other members and to coordinate every component of the organisation. Moreover, information connects the management subsystems with each other and the management system with the outside world, helping, for example, external assessors in evaluating the performance of an organisation (van Dooren, 2006).

That is why performance management, the last stage, plays such an important role in performance measurement and management systems.

Performance management can be defined as the managerial work needed to ensure that the organisation’s top level aims (sometimes expressed as ‘Vision’ or ‘Mission’ statements) and objectives are attained. Usually this will require realistic time periods for their attainment, and the identification of sub-objectives and tasks which in turn have to be attained in a controlled way, contributing to top-level objectives (Holloway, 1999).

To Radnor and Barnes (2007: 393) “performance management is action, based on performance measures and reporting, aimed at improvements in behaviour, motivation and processes and promotes innovation.”

The next section will help to understand how a performance measurement and management system works.

4.2. The functioning of a performance measurement and management system

There should be a direct link between performance measurement and strategic and operational planning. This means that, ideally, strategic planning should help organisations to “clarify their mission, mandate and goals, to scan the future external and internal environments for threats and opportunities, to identify strategic issues and alternative ways to deal with them, and to develop a set of outcome indicators to progress towards their goals. All this elements [should] be linked to annual operational planning and to forthcoming budgets” (Thomas, 2004: 18). This represents the “aspiration to achieve predictable, systematic and rational control over the future direction of the organization in all dimensions of its performance.” (ibid: 18).

In its most simple form, the managerial process works as follows: (1) organisational objectives are identified (should be derived from the ‘vision’), and communicated to the staff; (2) measures are developed to reflect these objectives (the following questions should be answered: what will be measured, how, by whom and when); (3) targets are set in terms of those measures and management chooses action and effort intended to achieve targets; (4) progress is monitored using the pre-defined measures; (5) measures
are reported (the following questions ought to be answered: how and by whom information will be reported) and used to drive action, meaning that if the results diverge from targets, appropriate remedial action is taken, and, when necessary, targets are readjusted or new targets are created. And the process goes on (Anthony and Young, 1994). Thus, the centrality of this process is on the concept of feedback (see Figure 1).

**Figure 1 – Functioning of a performance measurement and management system**

Therefore, it is fundamental that a performance measurement and management system provides information on important matters, promotes appropriate behaviour, provides mechanisms for accountability and control, and creates a mechanism for intervention and learning (Haas and Kleingeld, 1998; Neely, 1998).

In order to understand the complexity of higher education performance, a systems view of performance measurement and management in higher education will be presented in the next section.

4.3. A systems view of performance measurement and management in higher education

Over the past two decades a simple model of public sector performance, which may be called ‘production model’ or ‘input-output model’, has been used (Talbot, 2007).

This model, based on systems-theory, provides tools for a dynamic and systemic ‘thinking’, since it acknowledges the existence of a closed loop between the actions of performance measuring, taking corrective action and achieving outcome response (Boland and Fowler, 2000). It comprises five main components: inputs, processes, outputs, outcomes and trust.

Figure 2 represents the input/output model that supports performance measurement, reporting and management in higher education and that, according to Pollitt and Bouckaert (2000), can be applied at various different levels (e.g. institutional or program level).
Figure 2 – Systems view of performance measurement and management in universities

According to this model, there is an ex-ante stage where, the state, for example, determines the budget allocation for universities, with which universities may or may not agree. This authorises expenses for inputs which are transformed into processes or outputs, resulting in outcomes (Bouckaert and Halligan, 2008).

In this model, higher education is seen as a process for transforming inputs (notably of students’ time, academics’ time, consumables, and the services of equipment and buildings) into outputs, which can be broadly classified as relating to teaching, research or services to society (the three main components of the university’s mission). The former includes the value-added of all those receiving instruction from universities, that is to say, any increment in the knowledge of students, whether or not they complete their studies. Research includes any increase in knowledge generated by the institution, in the form of publications or patents, for example (Cave and Hanney, 1992), and services to society include, for example, educational activities for outside organisations. 

Outcomes are the products of a university in the long-run, and include, for example, building a well educated society or contributing to economic development (Boland and Fowler, 2000).

All this process is monitored and controlled. As described above, the output is measured against a target and, if there is a difference between this target and the actual output/outcome, corrective action occurs.

In order to assess performance, some criteria are usually used. These normally relate to the three Es: economy, which is concerned with the input of resources and with ensuring that those resources are obtained at the lowest possible cost; efficiency,
concerned with how much output is achieved for a given level of input at a specified level of volume and quality; and effectiveness, concerned with the extent to which services confer the benefits which they are intended to confer (Holloway, 1999).

Given that performance measurement can widen the gap between managers and professionals, constructing trust between them is essential for a successful performance measurement and management system. Therefore, it is desirable at various crucial moments in the performance measurement process to arrange for interaction between academics and managers (De Bruijn, 2007).

In the last stage of the system’s view there is an ex post audit and/or evaluation, with an internal and external dimension. In higher education these tasks can be performed by external auditors or by an accreditation agency, which usually starts off the evaluation process by analysing a self-assessment report produced by each university. To Bouckaert and Halligan (2008), ideally, this feeds forward to the next cycle.

Our interest does not lay so much on ex ante evaluation or on the preparation of information for external ex post evaluation, but more on the monitoring and control stage and on the use of performance information to improve the performance of the institution.

This research seems appealing since some studies (e.g. Hood (2006)), suggest that within the public sector there has been more concern with using performance measures for performance measurement and reporting rather than necessarily using them to improve the services. Does the same happen in universities? And are there differences between countries and institutions? What was the effect of NPM in the measurement, reporting and management of performance in higher education?

In the following sections two higher education systems that have arguably followed different steps – the British and the Portuguese – will be looked at. While the UK has implemented profound reforms in the public sector, first under the Thatcher Government, in the 1980s, and later under Mr. Blair’s ‘third way’, the Portuguese Government has just recently started to prepare a deep restructuring of the higher education sector. We will be looking specifically to the evaluation of performance in both systems, in order to assess the impact of NPM on each one.

5. British higher education

5.1. Brief history and performance measurement exercises

In the UK, with the exceptions of Oxford and Cambridge, the four ancient Scottish universities and the church colleges, British universities were established largely through lay endeavour that took two main forms. “The first, typical of the civic universities established in the nineteenth century, was an alliance between local political, professional, commercial and industrial elites, first to press for the grant of a Royal Charter and, when successful, to mobilise the resources required to establish a university. The second form of lay endeavour, typical of ‘new universities’, was municipal enterprise” (Bargh et al., 1996: 4). In these institutions, the state and its agencies and the academic profession played subordinate roles. The former granted university charters, established local government structures and, modestly, contributed with some resources. The latter’s contribution was more related to the impact of
charismatic individuals than to the weight of an organised profession. Therefore, lay councils dominated the early universities.

After the Second World War, the dependence of universities on national funding accelerated. “The post-war expansion of higher education, especially after the publication of the Robbins Report in 1963, required the creation of planning structures national in scope, leaving councils and governing bodies with a subordinate role” (Bargh et al., 1996: 2).

When Margaret Thatcher came to power in 1979, British universities were still exceptional institutions in the public sector. They were largely independent and self-regulating, owing to the institutional charters bestowed on them by the Crown, and continued to enjoy freedom to select staff and students, to determine curriculum content, and to allocate funds. The degree of their financial dependence upon the state remained to some extent masked by the major mechanism through which government resources were allocated to them (the University Grants Committee – UGC) and the academic dominance of that mechanism. In fact, operating under the auspices of, first, the Treasury and then the Department of Education, the UGC worked on principles of trust, discretion and informality and the essential role of academic judgement in determining resource needs and allocation (Kogan and Hanney, 2000). In order to distribute the financial allocations, its judgements were, in fact, “peer judgements made on a reputational basis, although framed by analysis of likely student demand for different courses and expectations of the resources to be made available by the Government” (Cave et al., 1997: 5).

In 1981, university budgets were sharply reminded that institutional success could no longer be taken for granted. According to Kogan and Kogan (1983), there were financial cuts on universities of approximately 13%. Since then, several changes occurred in the British higher education system.

Figure 3 presents the major documents that have influenced the history of British higher education, from 1985 until now.
From what has been presented it can be argued that British universities are now generally more complex organisations. Academics no longer have a monopoly of influence on university culture and organisation. Universities have incorporated a more diverse workforce, including an enlarged group of managerial professionals, who are neither academics nor senior administrators (Rhoades, 2006). The boundaries between academic and non-academic work have thus become more diffused. There are new “hybrid communities” concerned with knowledge production and education both inside and outside universities (Henkel, 2007).

It also seems that along the years there has been an attempt to introduce business and enterprise cultures into British universities, especially by the introduction of new management practices. According to a study made by Brehony and Deem (2005), “continuous monitoring and audit of performance, efficiency and quality are now present in UK higher education”.

**Figure 3 – Major documents in British higher education history**
5.2. **Main features of the funding system and the use of performance indicators in the UK**

Following the recommendations of the National Committee of Inquiry into Higher Education, the Government asked the funding councils to develop suitable indicators and benchmarks of performance in the higher education sector. The Performance Indicators Steering Group (PISG) was established, with membership drawn from government departments, the funding councils and representative bodies. Since 2002/03, the Higher Education Statistics Agency (HESA) has published, on an annual basis, performance indicators (PIs) on behalf of HEFCE, who published them previously.

According to the HEFCE (2007), the role of these PIs is to: provide reliable information on the nature and performance of the UK higher education sector; allow comparison between individual institutions of a similar nature, where appropriate; enable institutions to benchmark their own performance; inform policy developments; and contribute to the public accountability of higher education.

The indicators currently cover (HEFCE, 2007):

- **Widening participation indicators** – it gives us the proportion of entrants coming from various under-represented groups such as state schools or colleges, specified socio-economic classes and low-participation neighbourhoods. It also covers students who are in receipt of Disabled Students’ Allowance (DSA);

- **Non-continuation rates (including projected outcomes)** – these are presented in two ways. The first considers students who start in a particular year, and looks at whether they are still in higher education one year later. The second method looks at projected outcomes over a longer period. Another way to look at non-continuation rates is to use information on current movements of students to project what would happen in the long run. Thus, the indicators project what proportion of students will eventually gain a degree, what proportion will leave their current university or college but transfer into higher education elsewhere, and what proportion will leave higher education altogether without any qualification;

- **Module completion rates** – it applies to part-time students. The provision of this information is dependent on how student data are returned to HESA. Only institutions in Wales are required to return a module record;

- **Research output** – the main indicators of research in UK higher education are the ratings from the RAE, which is held every four or five years. The research indicators that are produced as part of the PIs provide additional information on the quantity of research outputs relative to the resources consumed. These are different from the ratings of quality produced by the RAE and are designed to complement, rather than replace, them;

- **Employment of graduates** – the 2005/06 employment indicator is based on the new Destinations of Leavers in Higher Education (DLHE) survey, which replaced the First Destinations survey. The DLHE survey is carried out among graduates six months after the end of the academic year in which they graduate.
In the UK PIs are used by a wide range of bodies, including Government, universities and colleges, and funding bodies. The indicators are also considered of interest to schools, prospective students and employers. They are often complemented by other type of information, such as the students’ survey that is now used almost nationwide.

6. Portuguese higher education

6.1. Brief history and performance measurement exercises

In Portugal, the collegial traditions of universities are related to the social dynamics created after the 1974 revolution. It was by then that Rectors began to be elected by their peers, instead of being appointed by the government (Decree-Law 781/76).

From 1976 to 1986, the binary system, which included universities and polytechnics, both public and private, consolidated and government policies moved away from centralised control. There was also the creation of democratic collective decision-making bodies at all levels, with strong participation of students and non-academic staff, becoming election the main source of legitimating power (Amaral et al., 2003).

From 1986 to 1989, more autonomy was conceded by the government to universities.

Figure 4 presents the main laws and events that have influenced Portuguese higher education, from 1976 until 2005.
The first report on higher education evaluation was done in 1989 by a Commission, nominated by the former Minister of Education Roberto Carneiro.

In 1993, the Council of Rectors of the Portuguese Universities (CRUP) launched a pilot project, with the support from the Ministry of Higher Education, covering five scientific disciplines: physics, computer sciences, electrical engineering, economics and French. The pilot project was designed with the assistance from the Dutch Agency for the Evaluation of Universities (VSNU) and the research institute CHEPS from the Dutch University of Twente.

In November 1994, quality became a key issue with the promulgation of Law 38/94 – *The Higher Education Evaluation Act*. This Law determined that the evaluation system should be based on the scientific and pedagogic performance of universities, their academics’ level of formation, and their functioning conditions. It considered, particularly: a) teaching, mainly curricular structures, scientific level, pedagogic processes and innovative characteristics; b) the qualifications of the academic staff; c) research conducted; d) links to the community, mainly through service delivery and cultural interaction; e) the state of facilities and pedagogic and scientific equipment; and f) international cooperation projects.
Soon after the publication of Law 38/94, the Minister of Education signed a protocol with the Presidents of CRUP and FUP, recognising FUP as the representative entity for the public universities together with the Catholic University and defined the general guidelines of the evaluation system. The pilot project launched by CRUP in 1993 was integrated into the new framework and considered as the “first round of evaluations” to be concluded until 1999 under the coordination of the evaluation council established by FUP. The first round, which adopted a programme-oriented approach, took place from 1995 to 2000, and it included public universities and the Catholic University.

The other sectors of higher education organised their own evaluation agencies but had to wait for regulation that was finally established by Decree-Law 205/98, of 11 July, which instituted the practical principles for the recognition of the representative entities and created the National Council for the Evaluation of Higher Education (CNAVES), as a global coordinating body of the evaluation system. This body had to assist and assure the credibility of the process of higher education, and to review and report on the quality assurance procedures.

In 2005, the second round of programme evaluations, which had started in 2000, came to an end. However, after two rounds of evaluations, a systematic approach to monitor and to support universities was never developed. Follow-up of the assessments was inexistente and, in many cases, the reports failed to provide consistent, clear and sufficient information to the stakeholders. The reports were not easy to read, and according to ENQA (2006), it is doubtful that the different stakeholders of higher education, including employers, students and their parents, used them consistently.

Most significant was the general perception that the evaluation results had no consequences. There were no plans of action drawn up to overcome or attenuate weaknesses or reinforce strengths. There were neither procedures nor timings for follow-up actions. Neither governments nor universities took any follow-up action. Consequently, the impact of the evaluation approach was negligible.

In order to address the questions of quality of the system, the Ministry of Science, Technology and Higher Education (MCTES) commissioned, in 2005, an overall assessment and quality review of the Portuguese higher education system. The first task was commissioned to the OECD, and the second to ENQA.

Very recently, and following the recommendations of ENQA, Law 38/07 (16 August) created a new evaluation framework for Portuguese universities. Immediately after this (on the 23rd of August), MCTES created the National Agency for the Evaluation and Accreditation of Higher Education (Decree-Law 369/07).

In September 2007, a new juridical regime for universities was approved (Law 62/2007). According to this Law, universities can choose to continue as public institutions subjected to public law or to become public foundations subjected to private law, in terms of financial, patrimonial and human resources management. The decision to become a public foundation is subjected to the approval of the Portuguese government. If accepted as such, public foundations are administered by a Council of Curators composed by five members with acknowledged merit and professional experience, who are nominated by the government, based on a proposal made by the university. This Council is responsible for administering the foundation. The financing of the foundations by the state is determined through contracts, with duration not less than three years, according to pre-determined performance objectives.
6.2. Main features of the funding system and the use of performance indicators in Portugal

During the last three decades the Portuguese higher education system has undergone significant changes. Portugal has also followed the Western European generalised trend towards the development of a policy model based on institutional autonomy and stronger self-regulation, with the state reducing its level of intrusive regulation and moving to a more supervisory role. Nevertheless, the funding system of higher education is still a very powerful steering instrument to implement national higher education policies (Teixeira et al., 2004). In fact, the major component of the funding of Portuguese public universities comes from the state budget – over 90% in 2002 (OECD, 2006) – and consists of three separate strands: funding for teaching, covering salaries and other current expenditures, funding for research and funding for investment.

The funding formula has been through several changes and adaptations, but it is fair to say that until 2003 it was based on inputs, and did not contain indicators that would explicitly take into account the quality or efficiency of the institution. It could be argued that until 2006 the existing formula contributed to an increase in resource allocation equity and transparency; to promote increasing enrolments; and it allowed for improvements in staff management efficiency. However, it did not relate funding to quality assessment.

The 2006 formula is based on the overall number of students, but includes the following quality factors: qualification of teaching staff (measured by the percentage of academic staff holding doctorates) and graduation rates.

7. Findings and future work

From what has been described in the previous sections, it seems undeniable that pressures to change universities have become more acute in recent years as public funding has become more targeted, as institutional autonomy has changed, and as, in parallel, external performance management and other accountability mechanisms have required universities to publicly demonstrate their efficiency and effectiveness. Nevertheless, as discussed before, not every country or institution has responded to these demands in the same way.

Perhaps, the most profound reforms in higher education have taken place in Anglo-Saxon countries. For the United Kingdom, for example, these reforms are not isolated to a particular public sector but are a component of a much broader rethinking and restructuring of the role and function of government (Amaral et al., 2002). Portugal has just recently started to debate the need for deep changes in order to increase the efficiency, effectiveness, accountability and performance of universities. Actually, the Portuguese Government is currently preparing a profound restructuring of higher education.

Having analysed the British and the Portuguese higher education systems, some conclusions can be drawn.

First, it seems clear that the traditional approach to state steering of higher education in Portugal is recently being replaced by new approaches to performance measurement and management in ministry-university relationship. In fact, the economic autonomy of
universities is being encouraged by alternative financial arrangements, such as the recent possibility of universities to become foundations. In the UK, universities have traditionally been less dependent on the state and more autonomous. However, in the last two decades, this country has moved towards both market and state authority control.

Second, while British universities have implemented systems of performance measurement since the 1980s, using PIs and peer review to inform decisions, Portuguese universities’ current expense budgets based on a performance formula, for example, were only implemented, for the first time, in 2006.

Third, there have been evaluation exercises both in the UK and Portugal. However, in the Portuguese case, this was done only at programme level and, after the publication of the reports, there did not seem to be any follow up action. This means that even though performance measurement, based on peer judgement, was done and reports were produced, there was the general perception that these reports had no consequences.

Finally, in what concerns the effect of NPM ideas over performance measurement, reporting and management, it seems that these activities have been largely influenced by NPM in the British higher education system, whereas in Portugal, they are starting to be implemented.

Even though there are probably a number of factors that influence the way performance is measured, reported and managed in universities, such as values, cultural issues, the design of the performance management systems, it is believed that governance structures play a major role.

De Boer (2002: 44) regards governance structures as a “set of rules concerning authority and power related to the performance of a university’s activities directed towards a set of common goals”. It reflects the way an organisation divides and integrates responsibility and authority.

The issues that are more frequently referred to in relation to institutional governance in higher education include the choice of the Rector (either by election or appointment), the degree of external stakeholder participation, institutional leadership, the size and composition of the governing boards, the effectiveness and transparency of decision making, the governance and management of institutions, i.e. the relationship between the governing bodies and the Rector, the balance between the accountability of institutions to governments and their autonomy in financial and academic matters.

Therefore, in our future work, we would like to know better what kind of internal mechanisms universities have to enhance their performance, how this is done and who influences the process. Our interest lies not only on the self-evaluation made by universities to prepare for external evaluation, but also on day-to-day internal evaluation procedures (incorporating inputs, processes, outputs and outcomes).

In order to investigate this issue deeply, we will analyse two cases (one from each country) in-depth, focusing on top managers and on the governing bodies that exist in each university. The relationship between the Estates that constitute these bodies – Student, Administrative, Academic, and External Representatives –, and the influence exerted by each one of these Estates will be looked at.

The main purpose will be to explore if the results obtained from the performance measurement process are being used to develop corrective action in order to improve organisational performance; to what extent do governance structures influence the way
performance is measured and managed in those institutions and how each one of the governing bodies’ constituencies can influence what is done with the data that is gathered during performance measurement exercises.

8. References


