Understanding institutional performance

Advice to the Secretary of State for Innovation, Universities and Skills

HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND

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Foreword

Good performance measurement has many positive benefits. It enables higher education institutions to understand their own performance and areas of strength, and policy makers to appreciate sector-wide issues and create appropriate policy and funding mechanisms. It helps users to select the services that best meet their needs. We also know that poor or incomplete performance measures can have unintended and sometimes perverse consequences; our report on the use of league tables provides evidence of that ('Counting what is measured or measuring what counts? HEFCE 2008/14).

Our challenge in HEFCE is to determine appropriate measures that add value whilst minimising the unintended consequences. The challenge for the sector is to use those measures in ways that sustain clarity of mission and continuously improve the student experience. We make suggestions in this report of new ways to present existing data that may help to demonstrate the link between mission and measures.

We start from a strong base, built from many years of experience in measuring the performance of institutions. We are highly committed to developing robust information sources with the sector, for instance the National Student Survey, the Higher Education – Business and Community Interaction survey and widening participation performance indicators. In developing these sources we have been careful to obtain the best advice available, to pilot the approaches carefully and to allow sufficient time for information systems to become robust and reliable. As a result, these measures and indicators are widely disseminated and are used for a variety of purposes – in some cases to inform funding by others; by institutions in their planning processes; and by potential students to shape their decisions – through, for example, the Higher Education Information Database for Institutions and the Unistats web-site.

However, we are committed to continual improvement and better performance measures can play an important part in that. We recognise that we should always question current measures and develop new ways of understanding relative performance. For example, we are in the midst of a major review of research assessment that will shape the measurement of research excellence. We are also looking at ways to include part-time students within widening participation indicators. Measures also need to change as the agenda in which we operate changes, and we propose in this report that we explore the feasibility of new measures in employer engagement, value added and user demand to recognise the changing market environment in which higher education operates.

David Eastwood

Chief Executive

Executive summary

1. At his presentation to the Wellcome Collection in February the Secretary of State announced his intention to develop a framework for higher education over the next 10 to 15 years. He asked eight individuals and organisations to produce recommendations on key areas.

2. HEFCE was asked to explore how we might measure the elements of a successful higher education system, focusing on five policy areas:

- research
- enabling businesses to innovate or knowledge transfer activity
- high-quality teaching
- improving workforce skills
- widening participation.

3. We were also asked to comment on how such measures could take account of institutional missions.

4. As the Secretary of State's intention was to promote debate, we have not drawn definitive conclusions in this report; but we have identified information gaps, raised questions and suggested possible areas for further work. We have written it to create a platform of shared understanding of the issues across a wide range of stakeholders.

5. We have a world-class higher education system, delivered through autonomous universities and colleges responding to market and policy incentives in ways that fit their mission, location and aspirations. In this report we have considered how information is used for funding; for policy development; by institutions to define mission and measure success; and by students and employers in making decisions on where to study.

The role of HEFCE in measuring performance

6. HEFCE has undertaken extensive work to define measures of quality and success, particularly in research, widening participation, teaching and enabling businesses to innovate; in workforce development our measures are less well developed. We use data to make funding allocations: for example, the Higher Education Innovation Fund (HEIF) is allocated on the basis of a bundle of knowledge transfer metrics; completion rates inform teaching funding. We also use measures to understand and develop policy so that we are able to make decisions informed by evidence.

7. An important part of our role in the sector is to disseminate the information we collect in ways that allow institutions to set their own targets and assess performance against those targets. For example, we publish Research Assessment Exercise (RAE) results, widening participation benchmarks, the National Student Survey (NSS) and the Higher Education – Business and Community Interaction (HEBCI) survey.

8. Even when information is not used to inform funding or policy it is often more efficient for us to act as a central body, so that we can collect information to common standards, definitions and processes. In some cases these data collection exercises are voluntary but

they have a high participation because they deliver value: the Estate Management Statistics are an example.

9. Performance measures and targets can have real benefits, but we recognise that there are also pitfalls in their use so we think carefully before introducing new measures. Although measures can encourage particular behaviours, it may only be a small step to them distorting behaviour as institutions try to maximise performance against target metrics. An issue with which we particularly struggle is that we can measure activity and volume but it is far harder to measure impact.

10. High-quality data are paramount: without assurances that the data returned are correct, all measures lose credibility. Our data assurance processes are an important part of our role in promoting public confidence.

11. We can see from the current debate about the quality and standards of teaching that even where there are robust, well-developed measurement systems, they can come under scrutiny. Two issues at the heart of the public debate on teaching quality are 'contact hours' – the number of hours in which students have direct contact with lecturers or tutors – and the total student effort required to achieve a degree. These are likely to remain salient, not least because of attempts to equalise the value of degrees across Europe through the Bologna process, and because of the expectations of students and the media. Assurance and measurement systems must be fit for purpose and proportionate, meeting the legitimate needs of users.

12. Although we calculate an institution's funding based on various measures of success, we primarily fund on the basis of a block grant, so that institutions have flexibility to invest in line with their mission rather than allocations made by us. Institutions receive further funding based on performance against metrics so that we can ensure that public funding delivers particular policy drivers. In this way we balance institutional autonomy with public accountability. We believe that block grant contributes to the diversity of the sector because it allows institutions to invest in ways that they believe are in line with their mission and will meet the needs of their users.

There is more to do

13. We recognise that, although we have significant experience in devising and implementing performance measures, more could be done. There are a number of ideas implied in this report that could be developed further. In learning and teaching, and knowledge transfer, we suggest that value-added measures could supplement proxy measures and identify an institution's impact and contribution to delivering Government policy. We could measure an institution's commitment and engagement to the widening participation agenda and there are a variety of new measures considered in relation to the emerging workforce development agenda. We would wish to consult more widely on whether these ideas should be developed further.

14. One way we could have responded to the Secretary of State's request would be to propose the introduction of official league tables that would demonstrate the relative performance of different institutions against the five policy areas. We do not think this is a good idea. In 'Counting what is measured or measuring what counts?' (HEFCE 2008/14), which we published in April, we set out the limitations of league tables and we do not propose

changing our position. However, we can present existing data in ways that would help institutions understand their relative performance without resorting to hierarchical, static approaches. We are suggesting that, in consultation with the sector, we should develop spidergrams based on an agreed number of performance indicators. The spidergrams would be the front end of a web-based tool that allowed the user to drill down to further detail and make a sub-selection of components when assessing one of the five policy areas, or to create a single summary of the overall performance of the institution across all five policy areas.

15. Value-added measures are discussed at various points in this report because feedback from the sector warmly endorses their development. However, value-added measures are notoriously difficult to construct and we have resisted doing so in the past because we have found that the measures prove more burdensome than valuable. Value added has been used in the schools sector for a number of years based on standardised testing; multi-level modelling and learner achievement tracking has also been introduced by the Learning and Skills Council (LSC) for post-16 education. A system of measuring the value added by higher education providers, where standardised testing is not the norm, has yet to be developed, either in the UK or in other countries. We propose that, in consultation with stakeholders, HEFCE should collect evidence from previous work on value-added measures so that we can draw conclusions on what might, or might not, be desirable.

16. In constructing this report we have been surprised by the amount of measurement information we collect and disseminate across the Council and the knowledge we have gained about good practice in this area. We suggest that a code of practice for the use of performance and funding measures should be developed so that we capture this wealth of knowledge for future use. We also propose that any new measures should be subject to our sector impact assessment process to review possible unintended consequences, check the balance between burden and public value and ensure measures capture the full range of benefits we want to encourage.

17. Further education colleges are largely missing from this analysis because HEFCE does not collect the same data for colleges as we do for higher education institutions. However, there is extensive information collected by Ofsted and the LSC which we may be able to use more effectively and we will explore this further in our discussions with the LSC on the Framework for Excellence.

The relationship between measures and mission

18. We have been asked to explore how a greater understanding of institutional performance could help to support diversity in the sector. This is far from straightforward. Our experience with HEIF metrics is that 'hard' knowledge transfer measures tend to correlate with research income, and that research-intensive institutions therefore tend to dominate research and innovation measures. This is not so much the case for the kind of softer measures that are also collected through the HEBCI survey. This suggests that the assumption that hard measures will differentiate between the 'core' missions of research, innovation, teaching, widening participation and workforce development may not be correct and we would need to find more sophisticated distinctions. Finding such distinctions would require careful thought and selection of appropriate metrics, which would be much disputed.

19. We expect all higher education institutions (HEIs) to have high-quality learning and teaching and to contribute to widening participation: one risk of a more explicitly differentiated funding system would be to create disincentives for HEIs to be involved in these key policy objectives. Indeed, suggesting that some institutions will excel at widening participation could increase the social segregation already apparent in the sector and contradict the thrust of the 'fair access' agenda. A risk is that success in widening participation could be interpreted as a sign that an institution is unable to recruit more highly qualified students, with the associated negative impact on an institution's reputation. This could in turn act as a significant disincentive to engage with widening participation activity.

20. Although research evidence has shown that the greatest multiplier in terms of external productivity has come from research results, the picture is complex. Potentially it is the interrelation between research, knowledge transfer, undergraduate and postgraduate education, continuing professional development and workforce development that will create the greatest economic impact in the future. Although there may be some institutions that see themselves operating primarily in one policy area, the reality is that it is the combination and the interplay between these areas that defines the mission of an institution.

21. In considering whether performance measures would drive mission we might conclude that although comparative measures drive performance, they do not determine mission. The RAE has allowed us to fund institutions selectively; however, research is so central to the very idea of a university that, despite receiving relatively little quality-related research funding, many institutions continue to place it at the heart of their mission.

22. The Secretary of State quite rightly wishes to promote parity of esteem, but this is difficult to tackle when there are entrenched barriers to changing the assumed hierarchy of missions. This is hindered by the narrow view of higher education that is sometimes promoted by the media and we need to be proactive in correcting these outdated notions about the place of higher education in society.

23. The sector is already diverse: universities and colleges work to a variety of missions that incorporate not only the five identified policy areas but many more such as internationalisation, a civic role or regional engagement. The role of collaborative activity is also important in shaping the mission and focus of an institution. We would not wish to narrow down the contribution of universities and colleges by focusing on a small number of policy areas, because this risks constraining innovation and the commitment of institutions to their localities and society. Institutions do operate in each of the five policy areas, but – rightly – they do it differently, meeting different customer and learner needs. We should celebrate the multi-dimensional nature of universities and colleges and, with the sector, explore ways to recognise and communicate these more widely, to promote public understanding of contemporary higher education and lift esteem across the sector.

The relevance of performance measures for institutions

24. To succeed in an ever more dynamic higher education sector, institutions must focus on continuous improvement and quantitative measures can help them to do this. Where institutions submit information to HEFCE or other Government agencies it is valuable to disseminate this in a way that allows for benchmarking and performance improvements.

25. Further work with the sector and with groups of universities or colleges with specific missions (such as the Russell Group, Million Plus and the 1994 Group) would help us to see if there are different ways to recognise missions and communicate these to user groups more effectively.

The relevance of performance measures for users of higher education

26. In higher education students will seek different kinds of information to that sought by employers; first-time entrants may look for different measures to mature students. Often decisions are based on intangible esteem indicators that relate to value and respect.

27. Information tailored to users (such as Unistats) and based on their views (such as the NSS) is valuable and valued. Collecting this sort of information is not cheap or easy. But the NSS has, despite criticism, become a robust indicator of student views. Increasingly, information is provided independently. Rankings and league tables are here to stay; the role of the internet is growing and may be a powerful tool in the future. Newspaper league tables do not provide an accurate picture of the higher education sector or its diversity. HEFCE has an important role in providing robust, comparable information to aid student choice.

28. There is not enough information for mature or part-time students, who do not need to identify simply what course to do, but may require a diagnosis of learning style, an understanding of professional requirements and a match to what universities can offer. Simple performance measures will not help here; we need a sophisticated interaction with information, advice and guidance mechanisms. This is equally as important for employers trying to gain information on higher-level skills. DIUS's student listening programme may provide us with new insights into the information needs of students.

29. We suggest that more could be done to provide useful information to users of higher education. We could consider broadening data collection to include employers, particularly as their co-investing role in higher education increases, and could explore whether the National Employer Skills Survey is the correct vehicle to do this. We propose working with user groups – particularly mature students and employers – to define what other information might be needed and to develop appropriate communication channels and diagnostic tools to help in their decision-making processes.

30. The Secretary of State stated that this was the start of a debate in the sector aimed at developing a framework for the future: there are various ways to recognise and reward success and diversity and, as set out above, we look forward to discussing with stakeholders a reasonable and realistic role for performance measures in this context.