

History of OUS Performance Indicators

Part I: The Early Years (1997 to 2000)

Introduction

Performance measurement and indicators have grown in popularity in higher education organizations in the United States as well as other countries such as Canada, the United Kingdom and Australia. The emphasis is in making informed decisions using the most current research evidence available.

What follows is the story of the development and implementation of an accountability policy for the Oregon University System (OUS) beginning in 1997. The chronological view provides a context to consider present day questions and issues. For those individuals new to leadership positions within the System, this history or case study coupled with policy documents adopted earlier creates a “Handbook.” This Handbook provides more detail and supplements the Frequently Asked Questions (FAQs) also developed to answer the question, “Why are we doing it this way?”

When OUS implemented performance indicators in the late 1990s, we believed there would be a funding premium for the System and institutions that produced more and better-performing graduates, in the fields identified as shortages by the state. Overall, institutions and OUS have improved in a number of important dimensions, such as graduation rates, freshman persistence, entering freshman GPA, philanthropic support, and student diversity. Over the last six years, the Chancellor and staff worked collaboratively with institution presidents and vice presidents to develop a good fit between institution goals and performance indicators, given the various interests of the Board, institutions, and legislators. Despite few resources to undertake this effort, the results reflect the commitment of many individuals to respond to demands emanating from our environment.

As we enter the seventh year, we should consider our expectations for performance indicators. Will the 2007 sunset date mean the end of performance indicators? Or, will the more likely result be increased pressure for some form of quality control and accountability regardless of what it is labeled? What are the “active ingredients” for making the OUS performance indicator process an effective improvement strategy?

Background

Within the higher education industry, systems are in place to monitor the quality and standards of students, faculty, academic programs, and research activities. Some of the results of these evaluative processes include grades for student work, promotion and tenure for some faculty, publication of scholarly work, and funding of promising research ideas. These processes are

embedded in the culture of the academy. The higher education industry is competitive, but differently competitive from other sectors.

It is this difference that prompts demands from business leaders, legislators, and other stakeholders that higher education organizations be more market-driven and accountable for results. What does this mean for public higher education institutions?

- On one side, public higher education's "customers" expect high quality academic programs, more degrees produced in workforce shortage areas, graduates with skill sets that make them ready-to-work, and research ideas that have commercial potential. Having to address these competing demands with limited resource capacity to respond may not matter to students who want extra course sections or employers who want a new academic program approved and on-line immediately.
- On the other side, higher education's cost-effectiveness rests on the ability of the university to control costs, maintain efficiencies throughout the system, keep the student base growing, and find new and replacement streams of revenue. Presidents task Deans with cutting costs and improving efficiency.
- From a business perspective, keeping the balance between the dual demands of meeting customer expectations and maintaining cost-effectiveness is vital to a university's competitive edge. No matter how well each program is operating individually, some "customer" demands are not met.

Constituents question how taxpayer dollars are spent and want public higher education to be accountable. Federal requirements to report academic progress and success of student athletes reflect these concerns. Performance indicators and accountability are used by business and government sectors to improve processes and quality outcomes, and those sectors expect to see similar performance monitoring in higher education.

To respond to demands for accountability, most states have adopted some form of performance measurement. States that have adopted performance measures for higher education include Tennessee, New York, Colorado, Florida, Illinois, Kentucky, Texas, Virginia, Wisconsin, South Carolina, California, Arizona, and Washington.

- Reasons for adopting performance indicators include improving results, rewarding institutions, implementing standards aligning with K-12 reform, and providing budget flexibility.
- Some states were preemptive in designing performance indicator systems, but most developed systems following legislative or gubernatorial pressure to do so. Some have stipulated the performance indicators and targets to be achieved.

Oregon first explored "performance indicators" as a concept in a Presidents Council meeting in 1994. The Board adopted four broad societal goals at its January 1997 meeting to attain the

vision in the strategic plan for 2010, *Education Unbounded*. These goals became part of a legislative mandate to develop performance measures and indicators in the 1997 Legislative Session.

Senate Bill 919

With the passage of Senate Bill 919 by the 1997 Legislative Assembly, Oregon law mandated that the Oregon University System (OUS) develop performance measures and indicators for the goals adopted by the Oregon State Board of Higher Education (OSBHE) in January 1997 (*see Appendix A*). These four goals set in legislation are: access, quality, cost-effectiveness and employability.

These one-word goals start at the societal level with the assumption that they cascade down to the System and campus levels. Many public systems of higher education have adopted similar goals that combine long-standing beliefs about public higher education (Access Goal) with newer ideas about the necessity of college attainment to prepare people for the changing economy (Employability Goal). The intention was not to view these goals in conflict (e.g., access versus quality), but to adopt policies and practices that harmonized access, quality, cost effectiveness, and employability.

- The Oregon Business Council (OBC) and Associated Oregon Industries (AOI) introduced the original legislation calling for accountability and performance measurement for the Oregon University System.
- This law requires regular reports to the legislature about implementation progress and results, and includes a sunset date of 2007.
- Several of the OSBHE members were serving on, or had already served on, the Oregon Progress Board (OPB). The governor created OPB in 1989. OPB focused on using benchmarks as measures for the state's overall well being. The first strategic plan, *Oregon Shines*, provided baseline data and targets for 2005 and 2010 for over 250 benchmarks designed to monitor the attainment of a new vision for Oregon.

The many planning discussions that ensued within OUS happened in formal meetings of the Board, Academic Council, and Presidents Council as well as meetings in less formal settings. Some participants were skeptical that the new approach would bring more dollars to higher education. Others were concerned that the boundaries between public values and commercial interests were disappearing. Reducing “what higher education does” and the “results of what it does” to a handful of indicators was difficult.¹ OUS was already measuring many facets of the

¹ The process was public and open to Board members, Chancellor and staff, campus leadership, and legislators. The Chancellor's Office did not deliberately seek the involvement of faculty, students, or other constituents. Beyond the faculty and student representatives at the formal Board meetings, we believed that institutions had the responsibility for informing campus communities—deans, department chairs, faculty, and others. Several institutions involved senior faculty, deans and directors through existing structures and processes, or created new ones.

higher education enterprise as demonstrated by the publication of the *OUS Fact Book* every two years. But was it measuring what people outside the enterprise valued and held their interest? Would measurement of improved performance make a difference?

One of the issues debated was shifting the focus of measurement from input and process indicators to output and outcome indicators.

- The traditional approach of measurement used by higher education organizations has focused on such measures as the number of students admitted, the level of state appropriations per FTE student, administrative cost per FTE student, student/faculty ratio, average high school grade point average for entering freshmen.
- A more outcomes-oriented approach focuses on graduation rates, customer satisfaction, demonstrated value of program, mastery of subject matter, and customized learning opportunities.²

The OUS performance indicator initiative responded to demands in the environment to be accountable to constituents, responsive to “customers,” and more market-driven to meet the demands of the changing economy. This emphasis reflects a significant shift in values for public higher education in the United States, extending market and business principles into the traditional values of sustaining democratic political and civic life.

This is not to suggest that higher education has not played a significant role in economic and workforce development in the past. Federal investments — the Morrill Act creating land-grant universities and the G.I. Bill providing financial support to returning war veterans to attend college— were designed to serve the public interest. Corporate investments in academic and research programs at public universities are designed to serve private interests. However, the current call for accountability is different and is changing how public universities operate.

Implementation Plan

In response to the state mandate, OUS developed a work plan and timetable to phase in implementation of performance indicators. The purpose of improving processes through performance measurement and quality control was to:

- Provide better and more reliable information on the nature and performance of Oregon’s public higher education sector as a whole;
- Influence policy developments; and
- Contribute to the public accountability of higher education.

Given the limited resources to implement an accountability system, OUS chose indicators for

² In the rankings of state policy in *Measuring Up* and of institutions in *U.S. News and World Report: America’s Best Colleges*, a combination of input, process and output measures are used.

which baseline data already existed before developing data and baselines for “dataless” indicators.³ The OUS process took advantage of existing federal reporting requirements by aligning institutional reporting with the Integrated Postsecondary Data Systems (IPEDS), the core data postsecondary data collection program for the National Center for Educational Statistics (NCES).⁴

In October 1997, the Board approved 30-plus indicators of the four goals upon the recommendation of Chancellor’s staff. The Board asked for the verbal commitment of senior campus administrators that they would implement performance indicators. (See *Figure 1*) The agreements reached by consensus include:

- Focus on aggregate System performance in reports to the legislature and public;
- Create OUS targets by rolling up institution targets;
- Report targets and performance as “percentage change” to emphasize movement towards improvement targets; and
- Reflect individual institution characteristics and de-emphasize competition between OUS institutions by discouraging comparisons in performance results.

From the perspective of the Board, institutions would be responsible for setting targets, developing processes or initiatives to achieve targets, and improving results; and the Board and Chancellor would monitor and hold campuses accountable for the results of these efforts. To implement the performance indicators on the campuses, the Academic Council and Assessment Council played instrumental roles.

³ Existing data collection efforts drove the selection of performance indicators in all states.

⁴ The Integrated Postsecondary Education Data System (IPEDS) is a single, comprehensive system designed to encompass all institutions and educational organizations whose primary purpose is to provide postsecondary education. The IPEDS system is built around a series of interrelated surveys to collect institution-level data in such areas as enrollments, program completions, faculty, staff, and finances.

Academic Council and Assessment Council

The Assessment Council was created in 1994 initially to assist with the implementation of the Oregon Assessment Model (*See Figure 2*). Appointed by the provosts, the campus representatives to the Assessment Council included director-level appointments from Institutional Research, Student Affairs, Budget and other campus departments. This diverse group created a rich environment in which to obtain feedback on new ideas and share strategies for designing assessments and improving learning outcomes.

With the introduction of performance indicators, the focus of this group changed from accountability-within-assessment to overall accountability in the spring of 1997. The OUS survey of recent bachelor's graduates, developed in collaboration with the Assessment Council, was carried over into the accountability effort as a way of collecting information about the satisfaction with and rating of their overall educational experience, and educational outcomes (e.g., whether or not they were employed, attending graduate school, or unemployed).

The Assessment Council discussed the opportunities and limitations of performance indicators, including the challenge of operational improvements needed for successful implementation. Despite an emphasis on counting things and ensuring the accuracy of data, the conversation about what matters most in affecting educational outcomes was paramount. Among the substantive issues discussed were:

- How to measure learning and the mastery of subject matter material;
- The need to focus on “all students” not just “the traditional undergraduate student;”
- The need to track performance in real-time so improvements can be made; and
- The need to consider capacity and fiscal realities in setting improvement targets.

The Assessment Council worked collaboratively and debated performance indicator implementation issues, reached consensus and brought recommendations to the Academic Council for their review and adoption.

These opportunities to work through issues were critical to engaging campuses in shaping the direction and moving forward, despite some initial resistance. The members of the Assessment Council were aware of the national trends in assessment, accountability and accreditation and wanted to be in control of their destinies. (The Assessment Council was reconstituted as the Interinstitutional Planning and Research Group in July 2003 with the reorganization of the Chancellor's Office.)

Baseline Performance Reports

The Assessment Council and Chancellor's staff worked to complete Baseline Performance Reports in March 1998 for the System and each institution. These reports included ten-year trend data for indicators (when available), identified improvement targets for 2005, and provided a brief description of campus initiatives to reduce the gaps between the current performance and

the 2005 targets. The report to the Board focused on System-level data and targets. Despite our efforts to focus on aggregate performance, *The Oregonian* ran a story in which the data were converted to letter grades for each campus.

The Baseline Performance Report for the System was presented at a legislative hearing in 1999 at the time the new resource allocation model was being proposed. In the hearing, the Oregon Business Council advocated performance reports for every institution to create a system driven by market-driven notions of competition, individualism, and consumption.

Resource Allocation Model Link

As OUS was developing performance indicators (PIs), the Board Budget and Finance Committee began creating what is now called the Oregon Resource Allocation Model (RAM). The RAM redesigned how state appropriations, tuition and fee revenues, and targeted state funds would be distributed to campuses. After discussing several emerging implementation issues related to the RAM and the PIs at a Presidents meeting in December 1998, recommendations specific to performance indicators included agreement to:

- Align institutional goals and indicators with OUS goals and indicators “at the pain points;”⁵
- Link a limited number of PIs to performance funding;
- Include a common set of PIs for all campuses and some indicators unique to each campus to reflect mission differences;
- Develop a System plan for developing data for “dataless” indicators⁶;
- Use the newly developed lists of peer institutions to inform the setting of improvement targets;
- Develop a system for modifying existing as well as developing new indicators and targets; and
- Ensure that the process can pass the standards of an external and internal audit process.

⁵ A few campuses already had in place a system of performance measurement, and issues about defining measures and indicators differently from the OUS initiative created data inconsistencies that needed to be explained or reconciled. These inconsistencies proved to be distracting to the overall conversation of focusing on results.

⁶ Indicators for which we lacked data altogether included undergraduate abilities, employer satisfaction, lifelong learners/alternative formats, program productivity, economic impact, and time-to-degree for graduate and professional students. Pass rates on professional licensure exams proved problematic due to inconsistency in reporting by several professional standards boards.

Data Development

The work plan called for OUS to develop methods to gather data for several indicators for which data were not available systematically. These indicators included internships, economic impact, and employer satisfaction, all topics of interest to business and legislative leadership.

- After exploring options for using the student database to develop internship data, the Academic Council agreed with the staff recommendation to add questions about participation in internships to the OUS survey of recent graduates.
- A work group of two provosts (UO, WOU), two administration vice presidents (PSU, OIT), and Chancellor's Office staff (Controller and PI Lead Staff) reached consensus about how to measure indicators related to the cost-effectiveness goal: philanthropy, current fund balance, and faculty compensation. This group also considered capital improvements and the deferred maintenance backlog, but did not resolve issues of data interpretation (e.g., when a deferred maintenance backlog increases, it is not a good thing; setting ratios for capital repair budgets ignores the age of the building inventory and the impact of bringing a new building on-line).
- A working group of administration vice presidents (OSU, PSU), a provost (WOU) and the PI lead staff worked with a consultant to develop a consistent methodology for studies of the economic impact of each institution on its local community/region and the economic impact of the OUS-as-a-whole on the state's economy (e.g., leveraged resources, new jobs created, new spending).
- The Chancellor's Office delayed the development of a survey of employer satisfaction due to lack of funding.

External Review Process

An ad hoc committee of Board members, Chancellor and his staff, several presidents and provosts, and business and community leaders reviewed the policy direction. This group discussed the value of the process. They considered whether the indicators reflected the core mission, the drivers that would lead to improvement, and whether targets seemed reasonable. The group was very supportive of the direction and favored setting targets that were higher.

Incentive Funds

The OUS Budget Request for 1999-2001 identified performance funding as one of the targeted programs. (See *Figure 3*) OUS allocated less than 1 percent of the instructional component of the Education and General budget to performance incentives. Based upon input from the Academic Council and discussions with legislative staff and leaders, two indicators were tied to funding— freshman persistence and new Oregon transfers.

- OUS planned to increase the resources for performance funding up to 5 percent of the

instructional Education and General budget by 2003-2005, similar to the percentage used by the state with the longest record of using performance funding.⁷

- Compared to other states such as South Carolina, the OUS Performance Indicator and Performance Funding initiative would be characterized as relatively “low risk” for Oregon’s public, four-year institutions.

In the first year of implementing the incentive component, OUS allocated the largest portion of the small incentive fund pool to all campuses for meeting (or nearly meeting) improvement targets. An incremental approach to implementing the small sum of money, and the uncertainty around the effects of RAM implementation on campus revenues, dampened notions of making significant award differences in the first year. To support the importance of merit-based and differential awards, OUS Internal Management Directives (IMDs) were revised to include institutional performance in the presidential evaluation process. Presidents were asked to address the alignment of institution vision and strategy, their contributions and activities, and the results or insight from the performance indicator process. One-time merit increases were given to two presidents for significant improvement in performance indicator results. (As of July 2004, the presidential self-evaluation process will be decoupled from the annual institutional performance reporting process.)

Emergency Board

As required in a legislative budget note, OUS went before the Emergency Board (E-Board) to secure release of the first (and what turned out to be the last) performance funds in September 2000. The E-Board released the funds because of the “good faith” effort to implement performance indicators, but also expressed frustration and wanted OUS to do the following:

- Increase the number of performance indicators tied to performance funding;
- Drop enrollment-based indicators (i.e., new Oregon transfer students) since enrollment growth was already rewarded as part of the RAM;⁸
- Make the improvement targets more challenging for campuses; and

⁷ Tennessee has over 25 years of experience with performance funding. Institutions have the opportunity to earn a budget supplement of approximately 5.45% of the instructional component of its education and general budget for carrying out the following activities: obtaining accreditation academic programs; testing graduating students in their major fields and in general education using standardized externally developed examinations, and demonstrating that graduates scores at or above national averages on these tests; surveying enrolled students, recent graduates, and/or community members/employers to assess their satisfaction with the institution's academic programs and student services; conducting peer review of its academic programs; and clearly implementing the implementing the results of the assessment activities for campus improvements and programmatic revisions.

⁸ Enrollment is rewarded theoretically in the RAM, since the levers for funding required and quality desired have not been aligned. Given reductions in the funding relative to peers, enrollment growth at some campuses has translated into less funding per FTE student. Some campuses have the capacity to enroll additional Oregon students based on tuition receipts only or “on the margin.”

- Differentiate campus performance in decisions to allocate performance awards.

In sum, the legislators viewed the process as lacking credibility and being too timid. They wanted to see “winners” and “losers”. By the end of the hearing, OUS agreed to come back with a different approach for the next round of performance awards. Given the promises to campuses for distributing awards in that year, the incentives were given to the campuses as proposed.