Introduction

The quality of higher education is a key determinant of international competitiveness. Recent reforms in Hungarian higher education, in accordance with the so-called Bologna directives, aim at stimulating competition among institutions, reshaping the governance of universities and colleges and strengthening management accountability. As a consequence of these reforms, greater emphasis on performance orientation will be required when performance measurement and management techniques are fundamentally non- or misunderstood in Hungarian academia.

Lately, several European universities have ventured to measure the performance of their lecturers and researchers, but well-developed and tested models are still not available. The direct adoption of American practice is questionable as cultural differences (mostly in performance orientation and individualism, which both affect education) as well as divergent development paths in higher education (with considerably stronger market and practice orientation in America) hamper the application of US and Canadian experiences in the European context. In Hungary, the relative weakness of management thinking – a long-standing heritage of the planned economy, which did not disappear until recently – created an even more unfavourable environment for performance management initiatives. It has proven difficult to overcome the routines of loose financial control, total academic independence and the low level of personal and organizational-level accountability.

In this paper, we are going to survey those factors which influence the success of performance measurement systems in higher education context through the example of one of the faculties of the Corvinus University of Budapest (hereafter Corvinus), the leading Hungarian university in economics and business education. As its share of market revenues had been higher than that of other universities since the mid-90’s, around year 2000 the former rector launched several initiatives to enhance performance-orientation (e.g. strategic planning, introduction of a new management control concept, improvement of PR and fundraising activities). In our focus, however, there is a more recent initiative, an individual-level performance measurement system implemented at the Faculty of Business Administration, the largest and most influential faculty of the university. We are going to analyze this system from the point of view of content (i.e. what to measure and how to measure) and from the point of view of the process of implementation (i.e. how to introduce and operate).

As we will see, reactions to the individual level performance management system are not as good as it was hoped and supposed by the faculty management. What are the reasons for this? Is performance management is inherently flawed in universities? Or are there context specific factors which hinder successful implementation? Or was the reason simply the
mismanagement of the process of change? Was top management support missing or inadequate? Or did planned changes threaten to upset the status quo in the eyes of the key players in electing faculty management?

The lessons learned by Corvinus, both positive and negative, are both intellectually inspiring and bear enormous actual relevance to both Hungarian and other universities as experiences about how performance initiatives are accepted or rejected and how organizational resistance may be overcome are of great value.

**General considerations about performance management systems**

How can we evaluate the content and the process of implementation of an individual level performance measurement system? The current performance management literature provides some general criteria based on which performance management systems can be evaluated. Some commonly mentioned useful hints – ‘universal’ recommendations – are as follows:

- **Strategic focus.** Performance objectives and measures at all levels of the organization (including the individual level) should be derived from the strategy of the organization, providing it has a strategy. Strategic focus is crucial primarily in enhancing effectiveness: while the mere fact of being measured may lead to an increase in efficiency, enhancing effectiveness becomes problematic when priorities in resource allocation are unclear and consequently organizational gaming evolves.

- **Clear and widely accepted objective.** The most common purpose of organizational university performance management systems – to enhance efficiency and effectiveness – can be achieved in several ways. If members of the organization do not know in which way the results of measurement will be used, uncertainty prevails and frustration might occur. If managers (the ‘users’ of these systems) do not exactly know the purpose, performance management systems will not bolster up performance: they intend to measure ‘everything measurable’, which causes information overload and, consequently, slower decision making and poorer decision quality (see Neely et al., 2002:26-27).

- **Constant and consistent communication.** Lack of information about the change of organizational systems generates uncertainty in people and leads to organizational inertia. The introduction of a performance management system is often followed by resistance from organizational members. In order to overcome inertia and resistance to change, effective leadership is needed which can be realized through continuous, credible and consistent communication.

- **Top management support.** The introduction of a performance management system will uncover differences in performance (against targets and ‘peer’ organizational units), influencing the distribution of power within organizations. Top management support is needed to overcome the resistance of people and areas whose position is becoming ‘undermined’. Top management support should also mean ‘top management use’: when the pure motivation is just to have a performance management system and prove that the organization is fully up-to-date regarding management systems, the implementation project may end up in a totally useless solution.

It is important to add, however, that a key theme in performance management texts is that while certain recommendations concerning performance management tools may be considered as ‘universal’, adaptation to the specific needs of the sector and the organization itself becomes crucial when any implementation is launched. The question arises: what are the needs and unique characteristics of higher educational organizations, and more specifically, of the Corvinus University of Budapest and the Faculty of Business Administration?
In order to help the evaluation of the selected performance measurement system, the most important contextual factors grouped into four categories and analyzed. These categories are the followings:

- Factors stemming from the unique characteristics of higher education organizations;
- Factors stemming from the characteristics of the wider (national) environment;
- Factors stemming from the characteristics of the Corvinus University of Budapest and Faculty of Business Administration;
- Factors stemming from the way of introduction and the content of the given performance management system.

In the next sections, we turn our attention to these factors.

**Characteristics of higher education organizations**

Universities and other higher educational institutions are unique organizations. Why are they unique? It can be said that universities have characteristics such as the expert knowledge of their members which make them so special. There are, however, many other organizations which have one or more of those features. For example, the members of hospitals and consultancy firms also possess similar expert knowledge as professors have. Therefore, it is not the existence of one or other characteristics which make universities unique, but the co-existence (constellation) of the following characteristics. In addition to the description, we point at the possible consequences on the development and implementation of performance measurement systems.

**Goal ambiguity**

Goal ambiguity is the result of the growing number of stakeholders, who have different and often heterogeneous expectations (Cohen, March et al., 1972; Lockwood & Davies, 1985). Two problems arise here.

First, relevant stakeholders are sometimes impossible to identify. For example, new knowledge benefits future generations or beneficiaries (students, potential research users etc.) are actually unaware of the impact university activities have upon them. In terms of the principal-agent theory, it is unclear who should hold control rights over higher education institutions (Buckland, 2004).

Second, ranking expectations is problematic in itself because they are rarely comparable, but the contradiction between expectations makes ranking impossible. For example, universities are expected to be accountable and independent at the same time. They have to serve the society by producing useful knowledge and skilled workforce, but they have to look on it with a critical eye as well.

Goal ambiguity results in a continuous balancing effort between organizational autonomy and external institutional expectations. Performance management at universities has to cope with the fact that while performance is difficult, and in some cases even futile, to measure, the autonomy of institutions is being increasingly reduced by external expectations. Various institutions – amongst them all stakeholder groups – pronounce various requirements towards universities. For example, different university rankings appear regularly in journals, backed up with recommendations to potential students as to where they should go and what they should study in order to forestall as many obstacles in their careers as possible. This has at least two important consequences: first, as external evaluators somehow measure the performance of universities to make up such rankings, universities themselves will be forced
to introduce the same measures, thus developing at least basic performance management system. Second, if more sophisticated performance management systems exist, they have to take heed of such expectations – and rankings – in their focus and the corresponding measures.

In general, goal ambiguity increases the chance that academic staff cannot agree on goals which, in turn, may hinder the development of a proper measurement system.

**Ambiguity in the technology of teaching and research**

Processes in higher education are complex (Cohen, March et al., 1972) which can be attributed to difficulties in measuring outputs and inputs and to the lack of clear connections between efforts and outputs.

First output of both teaching and research are hard to control or measure. For example, the use and benefit stemming from basic research cannot be judged by current criteria of excellence. Who could tell in the 18th century that integration and derivation considered as a mathematical whim at that time which had an end in itself would be so important 200 years later in the age of computers (Grey, 2001)?

In the case of teaching, we can surely count the number of graduates and provide similar indicators, but the real performance is the difference between the student entering in and graduating from the university. Stephens argues that ‘If we must use a metaphor or model in seeking to understand the process of schooling, we should look to agriculture rather than to factory. In agriculture we do not start from scratch, and we do not direct our efforts to inert and passive materials. We start, on the contrary, with complex and ancient process, and we organize our efforts around what seeds, plants, and insects are likely to do anyway. […] The crop, once planted, may undergo some development even while the farmer sleeps or loafs. No matters what he does, some aspects of the outcome will remain constant.” (quoted by Weick, 1976:2) In other words, the efficiency and effectiveness of teaching can be seen only several years after graduation resulting in weak and delayed feedback mechanisms. One of the consequences is the so-called Cobweb-cycle (Varga, 1998), that is the delayed adjustment of the supply of graduates to the demand of employers in labor market (another reason for that, however, is the length of educational programmes). As the effect of teaching can be measured in long run, it is harder to separate the influence of other factors.

Second, it is important to add that although students are usually considered as homogenous input, their abilities, social backgrounds, motivations and aspirations can vary, therefore the added value of teaching in higher education (a more accurate indicator for teaching performance) is also hard to measure.

Third, both teaching and researching are human-intensive activities, which lead to organizational and information-processing difficulties (X-inefficiency; Levin, 1997). As a consequence, it is hard to judge whether an innovation in teaching or research is more efficient than other methods because we have only rough estimates about the nature of connection between inputs and the level of outputs. To put it differently, neither teaching, nor research can be standardized (or in terms of economics there are no clear production functions).

Ambiguity in the technology of teaching and research makes the object and method of evaluation tricky because criteria for evaluation are far from being clear and subjectivity plays an especially prominent role in performance appraisal. An equally hot issue is who should evaluate (see also the next section): university management, students, the labour
market, peers etc. are all possible and relevant stakeholders whose opinions can, and probably should, be taken into consideration. Multi-perspective performance management systems – like 360-degree evaluation – are, however, often hard to maintain with an appropriate focus. The objectivity of feedback received from various stakeholders, especially students and peers, is also difficult to gauge and multifarious unintentional, or intentional, biases by evaluators may lead to unwanted consequences in effectiveness. Moreover, it is unclear, or at least contingent upon the aim of evaluation, who should be chosen as peers (peer groups) and how peer opinion, or benchmarking results, can be channeled into the organization.

**Fragmented organization**

Academic staff has expert knowledge in a given profession which can be judged by the peer group. As a result, university managers can exercise only formal authority, the professional authority belongs to community of disciplines. Disciplines, however, have different view of knowledge, norms, customs, and disciplinary cultures (Becher & Trowler, 2001). Therefore universities usually lack of coherent and strong organizational culture – they are culturally fragmented. Academics have dual identity which shapes their behaviour. They belong to their disciplinary community as well as to their university.

The organizational structure based on faculties and departments reflects this cultural fragmentation. Weick suggested that in universities such organizational units are in interdependent and loose connection with each other which he summarized in the metaphor of *loosely-coupled systems* (Weick, 1976; Orton & Weick, 1990), while Cohen and March argued that universities are organized anarchies (Cohen & March, 1974).

The fragmentation of the organization has two important consequences on performance measurement. First, managers have less control over faculty behaviour. Second, adequate performance measurement systems may vary across disciplines. That is because what is considered as "quality" or valuable can be very different in disciplines (see, for example, Kekäle, 2002).

Cultural fragmentation is further complicated by the fact that individuals have different roles in the university. Almost all lecturers have related research activities and most researchers take part in teaching, some even have management or administrative duties, although the proportion of involvement in different responsibilities may be radically different between individuals. Thus, performance management systems have to usher faculty members towards a fragile balance between activities which is most appropriate for the whole organization. Consider, for example, the case of a successful and popular lecturer in operations management, who has in addition published a series of acknowledged papers in international journals, and has now been elected dean of a faculty – what individual performance measures should be chosen for him and how should these relate to one another? And how will his different contributions be assessed by the organization-level performance management systems he encounters in his various activities?

**Link between the individual and the organization**

As it was mentioned before, academics have at least two identities. They belong to their profession as well as to their university. Therefore, some of the activities they pursue – such as teaching and researching – are connected to their ‘academic identity’, while other activities – such as consultancy, product development, expert analysis, etc. – are linked with their ‘professional identities’. Activities are synergic with each other which is advantageous
and disadvantageous for the university. On the one hand, both teaching and academic research benefit from other professional activities, and in addition, successful professionals may increase the reputation of the university. On the other hand, academics usually use the brand of the university to gain more credibility and authority for their professional activities, and in the end, to make profit for themselves. In addition, the boundaries of the organization are much harder to define.

Although universities recently use every effort to channel professional activities into academia by, for example, turning themselves into organizations which provide various services to governments, non-profit and business organizations, the question of how professional activities should be treated remains unresolved. This characteristic bears a special problem: whereas the performance of a university comes forth as the totality of many individual performances and their various synergies, and thus organizational-level performance should be measured and managed, evaluation is difficult to decouple from individual contributions. Performance management systems introduced at universities have to deal the fact that the knowledge created does not belong to the university but to individual researchers — heavyweight intellectuals enjoying a considerable degree of autonomy — in contrast to other sectors, where the right of disposal over knowledge — for example, in the form of patents — indisputably belongs to the company with which the researcher has a contract. This right of ‘appropriation of knowledge’ may help, in many cases, strengthen individual bargaining positions against universities. As a result, individual and organization-level performance management systems have a tendency to diverge from each other and function in almost total isolation. The complexity of the issue is further increased by the fact that the introduction of any performance management system, irrespective of level, focus and whether it is legitimated through financing-centered reasoning or ‘strategic talk’, is likely to constrain the autonomy of individual faculty members and therefore resistance to change can be expected. We shall discuss resistance in the next section but it should be noted that the task of (re-) aligning individual performances is no more a measurement problem – where such bargaining positions develop, the quality of contributions is presumably beyond any doubt – but a thorny performance and career management issue.

_Elected leaders and the distribution of authority_

An important characteristic of higher educational institutions is that academic leaders are elected by the members of the university. This feature puts forward the importance of coalition building and negotiations between interest groups. In short, universities are considered as highly political organizations (Baldridge, 1971; Baldridge, Curtis et al., 1978) which has consequences on the implementation of any new systems.

University managers are theoretically the primary users of performance management information obtained from the control systems and should, accordingly, be adamant supporters of the implementation of such systems. Managements, however, often show a certain aversion to using performance management systems as such an unpopular measure could seriously undermine their chances in vying for positions, or fulfilling the promises they made in a previous vote campaign. Vote maximization is apparently as remarkably strong at universities as in politics, which constitutes a serious constraint on the effective use of formal performance management systems.
Some conclusions on performance management systems

Although the impact of different characteristics on performance measurement systems was detailed, it can be asked that after all, what kind of performance management systems should be applied in universities. Ouchi (1979), Earl and Hopwood (1981) and Daft and Macintosh (1981) use some general variables to explain what optimal performance management systems look like in different situations. These variables are measurability of output; knowledge of the resource transformation process; ambiguity concerning cause and effect relationships; ambiguity concerning goals; task knowledge; and task programmability. The models may have undergone some modifications since their first appearance but have nonetheless maintained their distinctive original traits (see e.g. Macintosh, 1994).

It can be seen that all the three models give a four-field typology of performance management systems as their output. Each organization should choose the performance management approach that best suits its basic tasks. What is included in basic tasks and what is excluded from them is a matter of subjective interpretation but, as we saw before performance management frameworks should be designed with a focus on organization-level strategy and the strategy-dependent value-added activities (Horváth, 2003).

In the case of a university, basic – or value-added – tasks are most commonly grouped into two categories: education and research. These two business processes can then be subdivided into lower level processes and activities along various logics. Education can be compartmentalized into undergraduate, graduate and postgraduate education on the one hand, and into preparation of teaching materials, lecturing, student performance appraisal etc. on the other. Research may be regarded as a multistage project overarching problem generation to formulation of solutions to presentation of solutions; but it can also be structured according to the expected research output, assuming that it largely determines research process characteristics.

While universities also perform various activities under the headings ‘teaching’ and ‘research’ that are well-analyzable (consider, for example, the correction and evaluation of a multiple-choice exam questionnaire), the majority of their basic tasks are mostly of an intuitive, non-programmable nature (already a slight modification in exam rules can shift our example into this category: consider the case of an essay on oppression and domination in organizations). The higher we go in the process hierarchy, the more difficult it is to carry out a sensible process analysis. It is rather disputable, for example, whether the knowledge transfer process, in which tacit and explicit knowledge is handed over from academic staff – using various means, knowledge repositories and educational tools – to students, could be vivisected and moulded into any take-away blueprint. It is rather a ‘black box’ in which, guided by some generally accepted do’s and don’ts, an idiosyncratic transportation and reformulation of knowledge occurs. With more or less success, we must add, as cause and effect relationships remain in this black box unclear: probably no university lecturer can foretell with hundred per cent safety what will trigger off an efficient and successful learning process at one student or another.

Similarly, output itself is not clear: it is often debated whether universities should produce ‘clever’ and ‘omniscient’ graduates or well-marketable white-collar workers of a societal subfield. Should universities form educated people or people for whom labour market demand exists? What should research focus on and how should research findings be presented? Are universities, and in particular business and economics education, expected to provide basic or applied knowledge? To what extent is *l’art pour l’art* scientific indulgence appropriate and, after all, who will decide upon these dimensions? These and similar questions relate, of course, to the ambiguity concerning goals. As organizational goals of
Universities are so manifold, while very often unspecified, the definition of outputs seems rather tricky a venture (see e.g. Bernardin, 1996; Shatlock, 2002).

Applying the three frameworks to universities, we get – not too surprisingly – very similar results. In Ouchi’s model, low output measurability and partial knowledge of the resource transformation process will place universities in the ‘rituals and ceremonies’, that is, the clan control field. In Earl and Hopwood’s framework, high ambiguity concerning both goals and cause-and-effect relationships results in inspiration-driven decisions, whereby ‘idea machines’ are proposed as appropriate performance management systems. In Daft and Macintosh’s typology, low task programmability and partial task knowledge—in his terminology: research technology— theoretically make universities rely on prospect-oriented performance management systems, in which general data are used but reporting is infrequent, goal-setting follows a bottom-up process, the system itself is directed at planning and coordination while its motivational impact is low.

Such a brief analysis suggests that universities might find it appropriate to develop ‘informal’, values-based, ‘intuition-friendly’ performance management frameworks which contain technocratic elements only insofar as it seems to fulfill a coordinative, integrative function. Performance management theory thus suggests that universities should adopt values-based performance management systems. These systems strongly build upon clan control, but clan control is seldom enough: several environmental and university-specific influencing factors as well as the impact of the business community entail that more and more universities introduce formal performance management systems. In the next section we turn our attention to these environmental factors.

Characteristics of the Hungarian academic sector

**Brief overview of the last 15 years of the Hungarian higher education**

Nowadays challenges that Hungarian higher education faces are very similar to those of the institutions throughout the European Union, where most current changes can be explained through the requirements of the so-called Bologna directives. Problems of mass education and increasing pressure towards more efficient and effective use of public expenditures—and thus the need to prove that universities are ‘useful’ for society—are clearly noticeable in Hungary, too.

**Fast expansion**

After 1990, the Hungarian higher education went through fast expansion. The number of students enrolled in HEIs increased fourfold between 1990 and 2005, and reached 422,000 in 2005, of which 226,000 are in full-time education (OM, 2005:11). From year to year, there are about 150,000 applicants, of whom app. 100,000 is allowed to enter higher education. After graduating high school, 50% of students apply for higher education. The demand for a second degree is constantly growing: in 2004 the rate of students in second-degree education reached 22% (OM, 2005:13). The number of lecturers in academic staff was 17,302 in 1990/91 and increased to 23,787 in 2004/05, of which 16,892 are full-time employees (OM, 2005:155). It can be seen that the number of lecturers employed did not follow the expansion of higher education.
While Hungarian higher education is still dominated by state ownership, many church-owned and private (or non-profit) HEIs have been founded since the beginning of the 90’s. In 2005, there were 69 higher education institutions in Hungary, of which 31 are state-owned, 26 are church-owned and 12 are private but 86,3% of all students are enrolled in state-owned institutions (OM, 2005:11).

Legislation, funding, and their consequences

The LXXX/1993 Act on Higher Education granted autonomy to HEIs as regards the election of the members of university governance but kept a tight control over financing issues at the Ministry of Education and the Parliament. The system of scientific degrees was modified to reflect global trends: Ph.D. courses were introduced at universities, which obtained the right to grant Ph.D. degrees, while the appointment of Doctors of Academy was supervised by the Hungarian Academy of Sciences. The Hungarian Accreditation Committee (MAB—Magyar Akkreditációs Bizottság) was given the right of accreditation of higher education courses. MAB was created autonomously by HEIs themselves in 1991 with the aim to safeguard the quality of higher education. However, this instance of self-emergent quality control could not really fulfill the role conceived for it as it was becoming a forum where conflicting interests met (Fábri, 2000:59). Members of the Committee evaluated the quality of academic programmes of concurrent institutions—and found it all too often ‘low quality’ or ‘technically flawed’. On the other hand, they supported a wide variety of their own programmes, fostering a proliferation of courses, while disregarding labour market needs and job opportunities. A unique feature of the Hungarian higher education law concerns university governance issues: one third of the members of university councils (the governing body of universities) is elected by students, which gives students considerable negotiating power.

In 1995/96, the government changed the financing system of higher education: the former institution-based funding was replaced by per-student-based funding which differentiated among various courses according to their estimated costs but did not build quality elements into financing. (It is still debated whether these ‘standard’ costs should include depreciation costs or not, however, all the large infrastructure development projects have been financed by the state from supplementary sources.) This motivated HEIs to increase the number of students enrolled and move towards less intensive forms of education in order to increase revenues and cut costs. This motivation—together with the anomalies in the accreditation process—further encouraged the proliferation of courses of meagre quality. Later some ‘quality indicators’—basically an adjustment reflecting the academic degrees of faculty members—were incorporated into financing regulations, however, the main motivation for HEIs has not changed ever since. Another reform in 1995/96 was the introduction of Széchenyi Scholarship for professors, offering highly competitive remuneration for the most prestigious scholars in order to keep them in Hungary and, particularly, in the academic sphere.

In 1995, the government decided to introduce tuition fee in state-financed courses. The amount to be paid was rather symbolic than burdensome (app. 40 euros per semester) but it soon got to the limelight of political debate. In 1998, the entering government—in one of its first decisions—cancelled even this symbolic tuition fee and declared that higher education should be free for students who successfully passed entrance examinations. (This declaration produced a political climate which will prohibit the introduction of tuition fee in the visible future as well.) However, decreasing level of public expenditures and the need for increasing the number of students in higher education led to the introduction of for-fee courses at the end of 90’s. The list of courses financed by the state is determined from year to year by the government. In 2004/05, one half of the students enrolled paid for his or her courses (OM, 2005:12).
Opportunities for strategic performance management are severely constrained by the fact that HEIs are subject to the central annual budget and apply cash accounting procedures. Development sources are dependent on the Ministry of Education and limited by the figures set in the central annual budget. It follows that HEIs have to ‘justify’ their budget volume every single year and competing for development sources is perceived as a zero-sum game. Due to political debates about the allocation of central budget resources and continuous (even mid-year) changes in budgets allocated to the institutions, public sector organizations face a less static environment than their Western European counterparts. The proportion of state-provided sources in the budget of HEIs shows a decreasing trend (similar to global tendencies), motivating them to start for-fee courses and engage in research activities meeting market requirements. Total spending on higher education was 205 billion HUF (app. 820 million EUR, 1,01% of GDP, 3,500 EUR per student in full-time equivalent in 2004) (OM, 2005:177-178). ‘Market’ revenues of HEIs varies between 20-50%. (At the Corvinus University of Budapest the percentage of state funding is around 50%.)

Struggle for integration

The second half of the 90’s was characterized by a ‘pressure towards integration’. Both the academic and the geographical structure of Hungarian higher education were (and – in spite of all integration efforts – factually are) rather dispersed. The 55 state-owned universities were merged into 12 (mainly regionally organized) universities, 11 colleges, 5 art schools, and 2 military and police academies in 2000. The integration aimed at resolving structural tensions of the higher education sector, exploiting synergies between institutions and earning economies of scale. It may be concluded that these expectations have not been fulfilled. The process of integration was characterized by self-organization and the government could not enforce its interests (Fábri, 2000:47). Practically, each university managed to choose its merging partner(s) according to its own interests and, consequently, the process was driven by efforts to preserve prestigious positions rather than by intents of strategic restructuring or the economic rationale of realizing economies of scale. There is no sign of any synergies having been attained in the integrated system: former faculties concentrate all their energies on keeping their independence within the integrated institutions. The parallel existence of departments of the same profile prohibits large-scale cooperation between faculties administering similar courses; cross-lecturing between schools and faculties is virtually nonexistent. Nor is the progress of integration in administrative functions and shared services more advanced: offices, IT maintenance and libraries are typically managed at faculty levels.

Limiting factors of performance management applications in the Hungarian higher education

Structural problems

The structural disequilibrium of the Hungarian higher education, as an ‘inherited’ consequence of the socialist regime, is slowly changing. The structural disequilibrium can be characterized by the following factors:

- Budapest-centred system. The Budapest-centred system contributes to the low mobility in the Hungarian ‘academic labour market’. The institutional system is less Budapest-centred now than it was 15 years ago but the increasing number of students in smaller universities and colleges led to quality problems.
- **Quality problems with new programmes.** The most popular, ‘trendy’ programmes (e.g. business administration) started quickly in the first half of the 90’s but most ‘traditional’ courses (e.g. heavy industry engineers, agronomists, primary school lecturers) are still running because of the need to provide employment for academic staff. The attempt of these traditional faculties to ‘relabel’ their products, for example by using ‘management’ in the title of their courses, reflects only a slow—and perhaps only rhetorical—adoption of up-to-date syllabi. The competences of academic staff do not always meet professional requirements. The self-controlled nature of accreditation leads to a proliferation of programmes, without strategic considerations being taken into account.

- **Unbalanced structure of programmes.** The transformation of the ‘traditional’ system goes slowly and dozens of programmes ‘produce’ graduates with virtually worthless ‘papers’. The existence of state-financing and lobbying by affected academic staff keep these programmes alive.

**Lacking accountability at organizational level**

While the proportions of state-financing in higher education are continuously decreasing and capital expenditures for development projects are at a critically low level, wastage is also prevalent (underfunding and wastage at the same time). The integration of HEIs during the late 90’s did not resolve the financial problems. The parallel existence of departments with the same profile in the same HEIs (due to the failure of real integration) causes opportunities to improve performance and to cut costs by shared services not to be utilized sufficiently. Relationships between faculties reflect former independence.

The government has very limited space to employ performance-based tools, the per-student-based (input-oriented) funding system does not take produced outputs into consideration. HEIs are free to elect their own leaders, and these leaders’ performance cannot be evaluated by the government, even if they spend public funding. The only tool the Ministry of Education has to influence HEIs is to tightly control their financial transactions, which is a very ineffective way of governing HEIs. Leaders of HEIs themselves often lack the competencies and capabilities to effectively manage the institutions.

Despite of the increasing share of for-fee courses, students have not become real customers yet. Students attending state-financed courses do not pressurize HEIs in order to improve the quality of education—nor do ‘paying’ customers who consider HEIs as ‘paper factories’, and try to graduate as easily as possible.

However, it should be noted that new policies move towards output-based evaluations. The Bologna process will likely enhance organizational accountability and thus performance management applications. Implementing a performance management system may become part of the image of a modern university, and, this way, a factor of demonstrating ability to reform. According to the logic of the isomorphism, copying the international best practices improves legitimacy of HEIs.

**Low performance expectations at individual level**

Social demand for graduated people increased rapidly after transition. Because of the fast expansion of the 90’s, the ‘professional background’ – not only lecturers with up-to-date knowledge but also lecturers in some fields, like economics and law, in general – became unsatisfactory. This led to the appearance of a very unique feature of Hungarian higher education: lecturers were allowed to get multiple full-time jobs (!) at different places (!) at the
same time. This could be considered reasonable at that time but proved to be very harmful later. Not surprisingly, multiple jobs remained at ‘formal’ levels, with professors only ‘giving their names’ during the accreditation process but getting double (or triple or even more) salaries thereafter (so called ‘Intercity professors’). It should be added that salaries were (and still are) considerably lower than those in Western European countries (app. 640 EUR per month for an assistant professor, 1,120 for an associate professor, and 1,600 for a university professor), and lower than what a career in business can offer. This practice resulted, on the one hand, in universities providing assistance, through their own staff, to building up their own concurrence. This led to a de-concentration of higher education as well. On the other hand, individual interests attached to preserving multiple jobs thwart all reform initiatives aimed at restoring the consistency and transparency of compensation systems.

Furthermore, growing demand for up-to-date knowledge in the business sector (both from transforming Hungarian companies and newly entering multinationals) offered attractive, well-remunerated career paths for faculty members as businesspeople or consultants, resulting in a ‘selection of the unfit’ for the academic community. Business career constituted an alternative career for the best people in the field of economics and business, while maintaining one or more prestigious position(s) in the academic sphere became a norm for the ‘grey majority’. These two factors jointly led to a situation where academia had a low priority for the best players but at the same time offered the only remaining possibility for the worst performers. The negotiation power of the latter has unfortunately been increased by the fact that the labour status and the compensation system of faculty members are determined by the public servants’ law, which makes it rather difficult, or practically impossible, to differentiate in salaries or dismiss the worst performers. That is why academic positions are all too often treated as ‘second jobs’ – this is especially true in the case of management schools.

One of the advancements of the new 2005 Higher Education Law will be a regulation which limits the number of full-time academic positions held at the same time (sic!) at two institutions. This regulation will gain legal power pending a positive result from a scrutiny by the Hungarian Constitutional Court. The new law requires that HEIs set up a performance-based pool to compensate well-performing lecturers, however, bad performance still cannot be ‘punished’ by decreased salary or lay off.

The ‘double life’ (‘university and beyond’) of lecturers has severe consequences upon the implementation of performance management applications. Having independent sources of income, lecturers ‘suffer’ less control from HEIs. The low share of university income in the total income of lecturers increases the distance between them and HEIs, softens the borders of HEIs, undermines personal accountability and responsibility, and strengthens resistance against the implementation of systems attempting to increase transparency.
The case of the Faculty of Business Administration at the Corvinus University of Budapest

Overview of the Corvinus University

The Karl Marx University, the predecessor of Corvinus University of Budapest, was established in 1948 as the first university of economic sciences in Hungary. During the last decade the name of the institution was changed on several occasions. At the end of socialist era the new name became Budapest University of Economic Sciences. In this period the university had three faculties: Faculty of Business Administration, Faculty of Economics, and Faculty of Social Sciences.

In 2000, due to the integration process in Hungarian higher education, the university merged with a college, which became the Faculty of Public Administration, and offered a bachelor degree in this field. In 2004 three new faculties joined the Budapest University of Economic Sciences and Public Administration: Faculty of Horticultural Science, Faculty of Food Science, and Faculty of Landscape Architecture. From September 2004 the new name of the university is Corvinus University of Budapest.

17,342 full-time and part-time students were enrolled for the courses of Corvinus in 2004, of which 35% at 3-year-long programmes, 63% at 5-year-long programmes, and 2% at PhD courses. The number of employees increased according to the enlargement of the university. In 2002 the university had 969 employees which grew to 1536 in 2004 (the size of the academic staff was 974). Revenues of the university in 2005 can be expected to total around 38 million euros (55% from state sources, and 45% from ‘market’ revenues).

Elements of performance management at the Corvinus University of Budapest

During the last few years the management of the university initiated a renewal process of the organizational and management systems. This process covered all important aspects of management, from strategy formulation to professionalizing public relations and rebuilding the academic community. Focusing on performance management systems, Table 1 summarizes the main elements of performance management system-related changes in chronological order.

However, it should be noted that these changes have only a very limited impact over actual behaviour: initiatives that produce surplus revenues (e.g. channeling funding from business organizations) were warmly welcomed and widely accepted, but control systems concerning resource (re)allocation are of low prestige and it is difficult to change the status quo. Transfer pricing between programmes of different faculties is still based on a formula where contribution value is calculated through multiplying the number is students by the number of classes. The application of this formula leads to many distortions: no quality factors can have an impact over resource allocation. For example, a lecture held by a professor for 300 students implies the same transfer price as 10 seminars held by 10 lecturers for 30 students each. There are more seminars held at the programmes of the Faculty of Business Administration than at the two other ‘traditional’ faculties (Economics and Social Sciences; the former independence of the other four faculties survived at the level of their individual control systems), which implies more resources to be used for the same output—in terms of the transfer pricing system. In actual fact, the Faculty of Business Administration subsidizes the losses of the other two faculties, which would not be a problem for the faculty if it were based on strategic considerations and took place in a transparent manner.
Table 1.

**Formal elements of the renewal of the performance management system at Corvinus University**

<table>
<thead>
<tr>
<th>Steps of change (in chronological order)</th>
<th>Essence/direction of the change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation of a strategic planning system</td>
<td>Strategy formulation based on stakeholder analysis and core competence model. Widespread involvement and communication (internal and external too).</td>
</tr>
</tbody>
</table>
| Implementation of a management control system including:  
  • defining responsibility centers (expense, service, and mission centers);  
  • renewal of cost accounting;  
  • implementing management reporting. | Faculties defined as mission centers, professional and technical service units as service centers, units of administration as expense centers. The accounting system was supplemented by the elements of management accounting like product line costing, cost center accounting and responsibility accounting. |
| Implementation of new financing forms including:  
  • company chairs;  
  • investments in infrastructure financed by business organizations;  
  • public private partnership in research and teaching. | The proportion of financial sources from business organizations increased from 1% to more than 10-15%. Some of the forms of financing were implemented in Hungary for the first time. |
| Renewal of financial planning and budgeting systems | The second step of implementing a comprehensive management accounting and control system aiming at enhancing transparency and decentralized responsibility for performance and resources. |
| Introducing new transfer pricing system | Implementing a new transfer pricing system among faculties and within faculties based on educational performance. |

Source: based on Bodnár et al., 2004

In 2003, when new faculties joined the university, further deployment of performance management systems halted. The rector, who had been initiating and leading changes that far, was not re-elected. One possible explanation may be that organizational members did not want more transparency to come with further improvements in the performance management system. As mentioned above, the Faculty of Business Administration is interested in larger transparency concerning resource use and allocation but university-level systems (such as the cost allocation or transfer pricing system) seem inalterable. Nevertheless, individual-level performance evaluation as a further step towards performance-oriented operations can be introduced at the faculty level as well.

**Drivers to measure and manage individual performance at Corvinus University and at the Faculty of Business Administration**

When examining the implementation of performance management systems, basically three questions emerge for analysis: Why? How? and What? What factors motivate the implementation and why does implementation happen now? What does the process of implementation look like? What is the content, what are the elements of the system
introduced? This section gives a short overview of the implementation of the individual performance evaluation system (IPES) introduced at the Faculty of Business Administration along these three questions.

When uncovering motivations, concurrent explanations may emerge, depending on the point of view and perception of the analyzer or on the theoretical framework used. In accordance with this, factors that can be identified as motivators of implementation do not reflect a single and fully consistent view. Indeed, the motivations given below may be concurrent or supplement of each other.

- **Budget cuts.** Universities generally face a continuously decreasing budget volume and so does Corvinus. Pressure for more efficient operations calls for a better planned use of the most important strategic asset of HEIs: human capital.

- **Free rider effects.** Academic positions are often kept even when someone has found a (first priority) full-time job outside the university because of the prestige of the name of the university. Another problem concerns holding multiple academic positions at different HEIs. As the knowledge that lecturers and researchers possess at the Faculty of Business Administration are valuable for both the business sector and other HEIs, they are strongly motivated to ‘sell’ themselves at other places as well and spend less time at the university. In this aspect, individual performance evaluation is a means of organizational control over individuals which sets minimal performance requirements, and controls for them (and if somebody is good enough to do their job beyond fulfilling these minimal requirements, it will not be prohibited by the university).

- **Difficulties in dismissing public servants.** Laws protect public servants in their relationships with their employers to a great extent. This high level of workplace stability makes it very difficult, or almost impossible, to dismiss public employees. When the employer intends to lay off employees who lack competencies needed for good-quality work, the decision should be based on objective and well-grounded criteria (however, the ‘success’ cannot be guaranteed, public servants can be dismissed by law only on two occasions: as a result of a disciplinary enquiry, or due to restructuring). This need for objective evaluation may call for performance evaluation as well.

- **Organizational isomorphism.** According to institutionalist theory (Meyer–Rowan 1977, DiMaggio–Powell 1983), the ‘rationale’ for implementing various management tools is their acceptance as ‘useful’ tools in the wider environment of the organization. Performance management, strategic human resources management and management by objectives are key words in these systems and open-minded young faculty members, who have gained experience at leading universities, support their implementation. Another important factor is that faculty management (the Dean and his deputies) believe in these tools. The Bologna process will likely enhance the need for performance-orientation in the future as well.

- **Reliable data for resource allocation.** Performance in higher education is highly dependent on the individual performance of academic staff members. This is why the performance of departments and other organizational units can be approximated by summing up individual performance measures. In this aspect, an IPES is a management control tool in the hands of faculty management which can be used to influence organizational units by allocating financial resources based on these data. As regards resource allocation, performance indicators measured may be used to have an impact on allocation at the university level, i.e. between faculties: if the measured performance of a faculty is higher than that of other faculties, it may improve its negotiation power (however, the problem of ‘interdisciplinary comparison’ with different standards of teaching and research activities still has to be resolved).

Some factors can also be identified that help the implementation of IPES at this faculty. These are as follows:
- **Faculty of Business Administration.** Having strong relationships with business organizations, faculty members have greater affinity towards applying advanced management tools such as an IPES. From the other hand, this also means that faculty members know the drawbacks as well, providing good chances to ‘rationalize resistance’.

- **Size.** This is the biggest faculty of the university, which makes a formalized system more adequate and appealing, regarding coordination needs and performance accounting.

- **Position in the university.** Despite of the fact that this faculty has the greatest contribution to the university in terms of educational output and revenue, its weight is relatively low in decision making processes (each faculty having the same weight). An IPES may be used as a tool for revealing performance differences.

### Implementation and content of the performance evaluation system

#### The implementation process

In the autumn of 2003 the Dean of the faculty established a committee in order to elaborate a framework for individual performance evaluation. The committee consisted of three members and a chair (one of the authors of this paper was also invited to be a member). The definition of the project purpose was rather lax: the Dean invited the committee to establish a system which reflects (and measures) the most important performance elements of university activities, uncovers differences in performance levels between departments, and strengthens the negotiating power of the faculty in the university-level redistribution process. (Since the majority of market revenues is produced by the Faculty of Business Administration, faculty members often have the feeling that they cross-finance other faculties, which are unable or unwilling to reflect market requirements).

The committee worked out the first draft of the evaluation sheet during the winter of 2003/2004. The structure of the first draft referred to the fact that the point value of various activities was determined through rough time estimates (e.g. holding a seminar requires 5 hours a week, and writing a category ‘A’ paper should not take more time than 150 hours). Later versions do not contain this column, however relative proportions of point values of various activities have only been slightly modified – commitment to original values has remained at a high level.

During the spring of 2004, all academic staff of the faculty were asked to make comments on the evaluation sheet. Several comments arrived concerning the point values used on the sheet, and the ratios of various task categories (e.g. minimal requirements in administrative tasks could have not been met due to the ‘lack’ of ‘enough’ tasks). Only few comments arrived concerning the purpose of the system and its linkages to other organizational performance management systems (e.g. effect on compensation, linkage to HR policy or strategic objectives). The system remained in the form of a ‘pure’ evaluation sheet for a long time without any guidance available about the interpretation of activities and about how to fill in the evaluation sheet. Nor has a clear overview about purpose and strategic fit been worked out so far. In reaction to the comments which pinpointed the lack of personal development, a separate sheet was added to the evaluation form: a simple template for the individual plans for the next year. Practically, this template did not contain anything but a line where ‘Plans for the next year’ was written in a blank box below, and there was another line for the signature.

During autumn of 2004, all departments had the opportunity to ‘test’ the system and could estimate the point values of their activities. During the winter of 2004/2005, the evaluation
The content of the individual performance evaluation system

In this section we briefly overview the performance evaluation sheet used (see details in the appendix). Activities to be measured are grouped into five categories: (1) Teaching and curriculum development; (2) Research and managing research activities; (3) Activities in academic/professional networks and administrative positions; (4) Consulting (outside the university); (5) Other activities. While there are minimal requirements set at categories (1)-(3), consulting work is worth no points, and there are no ‘other activities’ specified (max. 10 points may be added by the head of the department). External consulting activities are tried to be limited at one day per week (using an understatement which could be translated into English as ‘volume of consulting recognized in work performance’). See Table 2 for minimal requirements (equivalents for point values can be found in the appendix).

| Table 2. Minimum requirements set for academic staff in various categories |
|-------------------|-------------------|-------------------|-------------------|-------------------|
|                   | Assistant professor | Senior assistant professor | Associate professor | Professor |
|                   | Researcher | Lecturer | Researcher | Lecturer | Researcher | Lecturer |
| Classes           | 60        | 75       | 60        | 85       | 75        | 100       |
| Examinations      | 38        | 42       | 33        | 40       | 11        | 32        |
| Teaching quality  | 8         | 8        | 10        | 10       | 18        | 18        |
| Sum               | 106       | 125      | 103       | 135      | 104       | 150       |
| Publications (research) | 17   | 5        | 30        | 5        | 40        | 10        |
| Managing research activities | 7  | 0        | 7         | 0        | 8         | 0         |
| Sum               | 24        | 5        | 37        | 5        | 48        | 10        |
| Activities in academic / professional networks and administrative positions | 0 | 0       | 0         | 0        | 8         | 0         |
| Consulting        | 0         | 0        | 0         | 0        | 0         | 0         |
| Other activities  | 0         | 0        | 0         | 0        | 0         | 0         |
| SUM               | 130       | 130      | 140       | 140      | 160       | 160       |
The evaluation sheet makes a distinction between researchers and lecturers at the degrees of assistant, senior assistant, and associate professors, setting lower requirements in research activities. No such distinction is made for professors. However, the difference in requirements is not too large: both lecturers and researchers are assigned at least four 75-minute-long courses per week and, for example, assistant professors have to hold only one extra seminar per week, as compared to researchers, in order to meet minimal requirements. An associate professor can meet these expectations by giving an extra foreign language lecture and a seminar throughout an academic year.

Mid-year and final examinations are separated from classes in the evaluation and have considerable weight compared to holding courses. The quality of teaching is determined by students’ course evaluations, final exam results of supervised PhD students and results achieved at student conferences. Minimal requirements increase along the career path.

Requirements in publication, research and other research management activities are very low for lecturers (for example, writing one article per year in a non-listed journal is enough for assistant and senior assistant professors), and somewhat higher for researchers. The performance of senior assistant professors is highly decisive from the point of view of their future academic careers – that is why requirements for these positions should be scrutinized. For example, to fulfill minimum requirements, a researcher has to publish two or three articles per year (depending on the journal) and participate at two conferences. It is also worth some points if somebody writes research proposals and applications, which reflects one of the strategic objectives of the faculty: to increase external funding. However, writing one proposal per year (irrespective of the result) and managing a research project without external funding are enough to meet requirements. Organizing academic events, participating in academic networks, participating in bodies of faculty governance are a requirement only at the level of associate and full professors.

Critical analysis of the performance evaluation system

Reactions to the individual performance evaluation system

In March 2006 we asked the academic staff employed by the faculty to evaluate the individual performance evaluation system. The evaluation took place by filling in a questionnaire containing 32 closed questions regarding to a) the objectives of the system, b) to the consequences of the results, c) to the content of the performance evaluation questionnaire and the way results are processed, d) to the mechanism how the system was introduced and operated and e) to the overall performance of the system. The questionnaire also contained 3 open questions regarding to what is seen as positive and negative in the system and what should be changed.

219 questionnaires were distributed both by post and in e-mail, 50 of which were returned (the rate of return is 22.8%)\(^1\) (see Table 3).

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\(^1\) The official number of academic staff employed by the faculty is 239, but some lecturers and researchers were unavailable due to leave on absence, maternity leave or being on abroad.
### Table 3: the number and distribution of returned questionnaires by grade

<table>
<thead>
<tr>
<th></th>
<th>Assistant professor</th>
<th>Senior assistant professor</th>
<th>Associate professor</th>
<th>Professor</th>
<th>Other</th>
<th>No answer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of questionnaires distributed</td>
<td>36</td>
<td>72</td>
<td>67</td>
<td>21</td>
<td>23</td>
<td>219</td>
<td></td>
</tr>
<tr>
<td>Number of questionnaires returned</td>
<td>12</td>
<td>12</td>
<td>17</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>50</td>
</tr>
<tr>
<td>Rate of return (%)</td>
<td>33.3%</td>
<td>16.7%</td>
<td>25.4%</td>
<td>19.0%</td>
<td>8.7%</td>
<td>22.8%</td>
<td></td>
</tr>
</tbody>
</table>

In the questionnaire, the staff were asked to indicate their agreement with positive statements on a five-point scale where “1” means “fully disagree” and “5” means “fully agree” with the given statement (by marking “0” staff could indicate if they have no information or opinion about that topic).

In general, we can say that those who returned the questionnaire seem to be quite dissatisfied with the performance evaluation system. 17 of 32 questions including the four overall summary questions did not reach 3.0 and none of the results exceeded 3.6 (see Table 4).

- Regarding the goal of the system, faculty members did not really feel that they had been informed adequately about the introduction. As they were thinking about the possible goals of the system, revealing performance differences between organizational units was placed first, while supporting personal development earned lower mean score. The system is seen as means of control rather than an HR development tool.

- The highest dissatisfaction can be found in the case of possible consequences of results (question 7-13). This is the block of questions where the proportion of those people who do not have opinion or information about the topic is the highest. Question 28 (“I get adequate feedback about my performance based of the PMS and its consequences”), which achieved 2.04, can be also attached here as it deals with feedback and consequences of results.

- Surprisingly, most people think that the individual performance questionnaire is well detailed and it covers most activities. The possibility to manipulate the performance (achieving 2.56), however, is worth attention. It is also a sign of warning, that preliminary results of individual performance questionnaires of 2005 show that most people easily exceeds the minimum requirement based on their grades, that is they perform above 100%. What is also interesting is the relatively clear interpretation of categories of ‘researcher’ and ‘lecturer’, while there is no such distinction is made at Corvinus University. We might interpret this fact as a positive attitude towards making such a distinction in the future.

- Turning our attention to open questions, we found that most people mentioned the objective and comparable performance is a benefit of the system. It is also interesting that several people mentioned that the mere existence of the system is a positive thing, which signifies a general positive attitude toward performance management efforts. It may justify the institutionalist approach: the introduction of such a system is believed rational. This hypothesis can be also supported by Question 24: the staff thinks that their superiors are also committed towards the system (however, 20% did not have information or answered the question).
<table>
<thead>
<tr>
<th>Number of Question</th>
<th>Section</th>
<th>Question</th>
<th>No answer</th>
<th>Does not have information</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The goal of the system</td>
<td>Members of the faculty were clearly informed about the objective of the PMS.</td>
<td>0</td>
<td>2</td>
<td>2,73</td>
<td>1,25</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>The expectations of the PMS are attached to the strategic objectives of the Faculty.</td>
<td>0</td>
<td>8</td>
<td>3,00</td>
<td>1,23</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>The PMS contributes to setting the course of personal development.</td>
<td>2</td>
<td>0</td>
<td>2,90</td>
<td>1,13</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>The PMS helps to identify those who perform exceptionally well or poorly.</td>
<td>0</td>
<td>2</td>
<td>3,00</td>
<td>1,15</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>The PMS helps to reveal differences in performance between research groups, departments and institutions.</td>
<td>0</td>
<td>1</td>
<td>3,22</td>
<td>1,10</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>The PMS helps to reveal differences in performance between faculties.</td>
<td>2</td>
<td>6</td>
<td>2,93</td>
<td>1,22</td>
</tr>
<tr>
<td>7</td>
<td>The consequences of the results</td>
<td>The faculty were clearly informed about the possible consequences of the results of PMS.</td>
<td>1</td>
<td>3</td>
<td>1,89</td>
<td>0,99</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>The PMS influences promotions in the future.</td>
<td>1</td>
<td>14</td>
<td>2,43</td>
<td>1,07</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>The PMS influences personal stipends (e.g. bonuses).</td>
<td>0</td>
<td>13</td>
<td>2,32</td>
<td>1,13</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>The PMS helps the distribution of available resources between departments and institutions.</td>
<td>0</td>
<td>8</td>
<td>2,60</td>
<td>1,04</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>The PMS helps the distribution of available resources between faculties.</td>
<td>0</td>
<td>13</td>
<td>2,46</td>
<td>1,12</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>Information provided by the PMS helps heads of departments and institutions to manage more effectively.</td>
<td>1</td>
<td>3</td>
<td>3,09</td>
<td>1,19</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>Information provided by the PMS helps the management of faculties and the university to manage more effectively.</td>
<td>0</td>
<td>5</td>
<td>3,00</td>
<td>1,04</td>
</tr>
<tr>
<td></td>
<td>The overall performance of the system</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>29</td>
<td>In sum, I think that the objectives of the PMS are known and clear.</td>
<td>0 0 2,92 1,21</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>In sum, I think that possible consequences of results based on the PMS are known and clear.</td>
<td>0 0 2,58 1,07</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>In sum, I think that data surveyed in the PMS questionnaire reflect real performances.</td>
<td>0 0 2,64 1,05</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>In sum, I think that the PMS was introduced adequately.</td>
<td>0 0 2,71 1,06</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>The mechanism of the PMS, filling and processing of the questionnaires are well known for me.</th>
<th>1 4 2,38 1,21</th>
</tr>
</thead>
<tbody>
<tr>
<td>27</td>
<td>I get adequate feedback about my performance based of the PMS and its consequences.</td>
<td>1 4 2,04 1,09</td>
</tr>
<tr>
<td>26</td>
<td>I get quick feedback with regards to difficulties in filling the questionnaire.</td>
<td>0 8 3,05 1,40</td>
</tr>
<tr>
<td>25</td>
<td>In case of needs, I know whom to address if I have difficulties with filling in the questionnaire.</td>
<td>0 0 3,42 1,23</td>
</tr>
<tr>
<td>24</td>
<td>My superiors are committed towards the goals and application of the PMS.</td>
<td>1 9 3,45 1,11</td>
</tr>
<tr>
<td>23</td>
<td>Suggestions were taken into consideration during the development of the current version of the PMS.</td>
<td>0 18 2,66 1,21</td>
</tr>
<tr>
<td></td>
<td>The content of the performance evaluation questionnaire and the way results are processed</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>The questionnaire does not make it possible to manipulate the performance, data reported in the questionnaire can be checked.</td>
<td>0 5 2,56 1,18</td>
</tr>
<tr>
<td>21</td>
<td>Standards attached to different grades are acceptable compared to each other (e.g. the difference between expectations towards assistant professors and senior assistant professors is acceptable).</td>
<td>0 12 3,05 1,16</td>
</tr>
<tr>
<td>20</td>
<td>Standards attached to grades (assistant professor, senior assistant professor, associate professor, professor) are realistic.</td>
<td>0 6 3,27 1,00</td>
</tr>
<tr>
<td>19</td>
<td>The interpretation of the category of &quot;researcher&quot; and &quot;lecturer&quot; is clear and my grouping is unambiguous.</td>
<td>0 2 3,48 1,35</td>
</tr>
<tr>
<td>18</td>
<td>The interpretation and the way of calculation of column &quot;activity&quot; in the PMS questionnaire are clear.</td>
<td>1 1 3,06 1,16</td>
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<tr>
<td>17</td>
<td>The questionnaire contains only those activities which belong to the job of researcher/lecturer.</td>
<td>0 1 3,53 1,19</td>
</tr>
<tr>
<td>16</td>
<td>The questionnaire contains all the activities which are necessary to meet the requirements of researchers/lecturers.</td>
<td>0 0 2,82 1,26</td>
</tr>
<tr>
<td>15</td>
<td>The time required to fill in the questionnaire is acceptable.</td>
<td>1 0 3,08 1,15</td>
</tr>
<tr>
<td>14</td>
<td>The questionnaire of the PMS is adequately detailed.</td>
<td>1 0 3,53 1,04</td>
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Evaluation according to the general considerations

Strategic focus

Key elements of the strategy of Corvinus are (1) encouraging research activities and maintaining leading role in Hungary; (2) improving quality of education and attracting students both for state-financed and for-fee courses; (3) increasing funding from business organizations (however, it should be noted that this strategy is rather a selection of objectives than a thoroughly considered and widely accepted strategic document). Since the Faculty of Business Administration has the best chances to achieve these objectives – and, if successful, to provide support to other faculties – strategic renewal should be especially in the focus of activities here.

Some elements of the performance evaluation system show progress from the aspect of strategy-oriented performance management but several details and the lack of strategic embeddedness are signs of misfit. The distinction made between lecturers and researchers might reflect the strategic objective of ‘encouraging research activities’. At the same time, research requirements can be met without effort by those who choose to act as lecturers, and relatively easily by researchers. The rate of researchers and lecturers does not reflect any kind of strategic considerations: academic staff members are free to decide whether they want to act as lecturers or researchers. Additionally, meeting minimum requirements in all of the categories is not a must: the head of department is fully allowed to approve ‘modifications’ from subordinates. Measuring teaching quality by using students’ evaluations is another advancement of the system but consequences have only occurred in the case of huge scandals. Emphasizing the importance of writing research proposals (and rewarding ones that come with external financial support) reflects the strategic objective concerning external funding – however, the results of these activities are of less importance. Direct motivators linked to get external financial support would serve better.

Strategic focus is also limited by the fact that the Faculty of Business Administration has not clarified its strategic objectives yet: the targets set for individual measurement rather reflect individual and departmental interests than organizational objectives. What is even more problematic is that HR strategy is completely missing from the background: performance evaluation does not fit into the strategic use of human resources. Neither HR and career development nor compensation systems support evaluations. While measuring and presenting differences in performance was a clear motivation at the introduction, results of the evaluation do not influence the allocation of resources.

Clear and widely accepted objective

The main objective of the system was communicated as it being a tool for HR development and the sheet added subsequently for performance planning was intended to warrant this. Viewing the system critically, and taken the lack of HR strategy into consideration as well, the system can be seen as directing purely to evaluation. The mere existence of the evaluation sheet cannot be considered a ‘system’: it is not clear who will be responsible for measurement, how the process of measurement will be organized, how activities showed on evaluation sheets will be validated, or what consequences the evaluation process and different performance levels will have. The objectives which are communicated cannot be held ‘widely accepted’ due to the fact that several people do not see them as individual performance evaluation but as a tool for uncovering performance variances among departments. In this view, the system might be used as a basis for resource allocation, which
makes organizational gaming more probable. Shortcomings of the system and the validation process also favour gaming.

**Constant and consistent communication**

In the previous section, when we gave an overview of performance management elements, we concluded that organizational resistance mostly occurred when formal controlling systems were meant for implementation. In lack of clear communication of the objectives, faculty members view the system as a new tool for organizational control confining their academic autonomy. While the committee responsible for system development was willing to react on comments concerning the evaluation sheet, broader aspects of the questions remained unanswered. The launch of the system in 2004 was communicated as being a pilot project but a better and more legitimate way of implementation would be to introduce performance planning elements aimed at HR development (crucial for MBO systems) in the first round, and to measure and evaluate past performance only afterwards, in a second round.

Another lesson learned might be that it is not advisable to start the implementation process with an evaluation sheet with point values of activities. Faculty members’ attention will get excessively focused on discussing relative values of activities and diverge from strategic aspects. Starting ‘sharp’ implementation with piloting the sheet has a dangerous downside: it is very probable that all departments will ‘test’ the system and calculate their positions in relation to others. Subsequent attempts to change the system (the ‘status quo’) will be limited by previously set values.

**Top management support**

In this case, the Dean of the faculty backed the implementation process, thus top management support was present. However, this support is weaker than in business organizations due to the fact that university leaders are elected leaders, and have to fulfill voters’ requirements in order to be reelected. Voters may support the Dean as far as the results of the system can be used for pressurizing other faculties in university-level resource allocation games but this support quickly disappears when signs of eventual low performance become noticeable within the faculty. In this sense, top management support should also mean readiness and ability to change the status quo if necessary, which was in contradiction with both the Dean’s intentions and power base, and the communicated reasoning.

**Conclusion**

Social pressure towards a more efficient and effective use of community (public) resources drives universities to manage their most important resources (human resources) in a more systematic and strategically oriented way. There are several influencing factors that make implementations more difficult in the academy, such as how to manage knowledge workers, how to balance between quality teaching and research, the ambiguous relation between organizational and individual performance, alternative roles and alternative (or supplementary) careers academic staff members may play, and the dilemma of elected leaders—how to implement changes, which alter the status quo of their voters, in order to improve performance. Several other contextual factors impede the wider application of performance management systems in the Hungarian higher education: slow progress of
integration led to parallel operation of departments of the same profile, underfunding and wastage is present at the same time, partly due to cost effects of multiple jobs and careers outside the universities.

In our paper we analyzed the efforts of the Faculty of Business Administration at the Corvinus University of Budapest to implement an individual performance management system. Important lessons may be drawn from this case since all the HEIs are or will be facing similar challenges—how to be more accountable with public expenditures while taking special interests and characteristics of activities into consideration.

Summarizing our critics about the case investigated, we can conclude that the main factor of limited success lies in the confused relationship between university level, faculty level and individual level resource allocation mechanisms. An underlying cause of low organizational performance can be found in individual interests: arguments that refer to ‘academic autonomy’ are in fact often directed at maintaining the present high level of individual independence that employees (faculty members) enjoy in their employment contracts. Lower efficiency and subsequent financial problems lead to conflicts between faculties but the status quo of faculties prevents any move towards a performance-oriented and transparent control and transfer pricing system. As far as university-level resource allocation prefers teaching activities to research, faculty level performance evaluation systems must reflect this fact. This imperative ‘meets’ the interests of faculty staff who hold teaching activities to be a safer way of ‘collecting’ the minimally required amount of points than if they engaged in ‘riskier’ research activities. Since the resource use of the faculty in education activities is higher due to more intensive forms (e.g. more seminars held at the programmes), quantifying and presenting this kind of ‘higher quality’ may lead to an improvement in the bargaining power against other faculties. While increasing research efforts is a high priority strategic objective, redistribution mechanisms do not reflect this importance. While there is no formal linkage between organizational and individual level performance management systems, interests and motivators coming to surface during the development process pervert the system so that it will reinforce false mechanisms of operation.

Top management support for the introduction of a performance management system is not enough. The willingness and ability to ‘use’ the system, that is the credible communication of the consequences of performance variances is also essential. When leaders are elected (which is the case for universities) it becomes difficult to ‘use’ the results of performance measurement since it upsets the status quo. The main danger of the introduction of an individual performance management system without laying down the strategic bases, fitting it into the strategic management of the institution, and using it without a consistent HR strategy lies in the fact that the system, due to the effect of distorted organizational mechanisms and individual interests, contributes not to a more performance oriented operation but to the stabilization of misfits. For example, while applying more intensive forms of education (with fewer students in the classroom, fewer compulsory classes and higher workload at home, and with more feedback from lecturers) is a strategic objective, the emerging individual performance evaluation system safeguards ‘traditional’ values by demanding large numbers of lectures.

Clan control would be seemingly appropriate in a university setting. Tendencies show, however, that clan control is increasingly complemented by formal systems. If this is so, we should avoid implementation pitfalls. On this point, maintaining a strategic focus has a considerable role, therefore the importance of university governance – which controls strategic decision making – should be accentuated. The same holds for performance management systems which can fulfill information needs in an integrated way.
References