

11. Monitoring performance

Introduction and aim

Once a provider's strategic plan has been agreed, the role of the governing body is to monitor its delivery, and the achievement of the planned outcomes. To facilitate their role, governors will typically agree with management a set of key performance indicators (KPIs) to be monitored. Consideration may also be given to extent to which the KPI cover short- and/or longer-term time horizons.

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1. Implementing the strategic plan

Once the provider's strategic plan is 'signed-off' by the governing body, the executive is responsible for its implementation and the delivery of the agreed strategic priorities and outcomes.

2. Holding the executive to account

To enable Governors to be able to hold the executive to account, a framework with an associated process for monitoring the provider's performance against planned outcomes needs to be established. This should enable areas of strong or weak outcomes to be easily and quickly identified.

3. Codes of governance

The relevant codes of higher education governance emphasise the role of the governing body in monitoring and assessing the performance of the provider. The governing body 'must rigorously assess all aspects of the institution's sustainability in the broadest sense, using an appropriate range of mechanisms which include relevant key performance indicators (KPIs)...'¹ And, the governing body is expected to approve KPIs and annual budgets, ensuring that they have due regard to the interests of students, staff and other stakeholders, and monitoring institutional performance in terms of these.²

4. Why measure and monitor?

The rationale for measuring, monitoring and assessing performance is that: '*measurement provides focus and feedback. Focus comes from an awareness that outcomes will be examined, and success and failure noted, creating a personal incentive to perform well*'³. This may, of course, run the risk of leading to unintended consequences as areas or activities which are not subject to measurement and monitoring may be neglected.



5. 'Public' providers

Most higher education providers are not-for-profit 'public' organisations, offering education for public benefit, rather than operating as for-profit providers. While public providers exist for educational purposes, they are also autonomous and independent legal entities, and over the longer-term must operate as a sustainable business in order to survive. This highlights that providers normally have multiple objectives, covering both educational and business outcomes.

6. Time horizons

Providers need to pay attention to short-term performance measures (e.g. student enrolments, actual vs budgeted expenditure), but also be mindful of their longer-term strategic position and sustainability. They may wish to adopt performance indicators that allow informed judgments to be made about their longer-term, as well as shorter-term, performance.

7. Longer-term indicators

To monitor performance over the longer-term (say, three-plus years) governing bodies may wish to consider adopting summary (or 'super') performance indicators as follows:⁴

- Academic profile and market position: a contextual indicator, reflecting the provider's academic aspirations and its intended position within the higher education sector. It seeks to capture the academic character and strategic positioning of the provider, including its academic profile.
- Institutional sustainability: sustainability is not the same as survival, and although frequently framed in financial terms, it is not just about money. Sustainability is about operating in ways, which do not impair the provider's future capabilities. It includes the ability to attract and retain the staff required to deliver its vision and goals, as well as generating sufficient cash to support strategic investments and ensure the provider remains financially resilient.

Should the governing body decide to adopt longer-term indicators, it will need to consider how movements can be assessed through the use of qualitative and quantitative data.

8. Shorter-term KPIs

Most providers will adopt and use a set of shorter-term KPIs. These focus on movements across a shorter-time period, looking for example at the performance in-year, as

well as year-end. Over time the cumulative outcomes and resulting trends shown by the movement of the shorter-term KPIs will affect the movement of the longer-term indicators and the provider's strategic position and sustainability.

9. The balance scorecard⁵

To accommodate the pursuit of multiple objectives many providers have adopted a 'balance scorecard (BSC)' or 'dashboard' approach to reporting performance⁶. The intention behind the development BSC is rather than relying on a one set of, say, financial indicators to assess and monitor performance, a wider set of indicators can be introduced to give a more rounded or 'balanced' basis on which to judge performance.

10. Adopting a balanced scorecard

The BSC approach should begin with the provider's strategic plan and associated strategic priorities and aims. Typically, this might involve looking at aims and objectives in respect of, say, four key areas. For example:

- Student recruitment and experience
- Research and knowledge transfer
- Finance
- International engagement

11. Choosing KPIs

For each strategic priority and associated aims and objectives, there is a need to select KPIs that offer a reliable basis of judging performance. For example, a focus on student recruitment and experience could lead to indicators covering recruitment, progression and satisfaction, perhaps:

- Ratio of undergraduate applications to places (measure of demand)
- Percentage of a cohort achieving an award (measure of retention & success)
- Results of National Student Survey (NSS) (measure of student satisfaction)



12. Agreeing the KPIs

Governors should be engaged in the process of agreeing the set of KPIs, to be used to monitor performance and judge outcomes. Governors should satisfy themselves that the selected indicators are not simply those which can be easily measured, but reflect key priorities and objectives. When selecting individual indicators Governors should consider:

- Are they based on reliable and accurate data that can be objectively verified?
- Do changes result from management actions? (i.e. not due to extraneous factors)
- Can baselines be established against which subsequent performance is judged?

13. Governors' role

Governors should focus on a small number of top-level indicators (both summary and short-term), which reduce the risk of Governors being swamped by excessive data, and allow attention to be focused on the key priorities and objectives. While Governors should focus on a small number of indicators, this does not preclude the development of a larger set of KPIs for the purposes of internal management. This allows the executive team to link operational performance at faculty/ school/ department level to the provider's top-level strategic priorities and objectives.

14. Setting targets

Normally, a performance target covering the period of the provider's strategic plan will be agreed for each KPI. Setting the target (outcomes) may be informed by comparisons with the provider's past performance (historical trend) or by the level of performance achieved by competitors (peer referencing). The provider may also agree milestones – intermediate targets – for each year of the strategic plan.

15. Stretching targets

If the intention is to improve on current performance then a target may be set which is stretching. Alternatively, where current performance is judged to be good and matches rivals, attention may be directed at maintaining the current level. Targets may be expressed in absolute terms (e.g. level of success in the NSS), as a percentage change, or percentage point improvement (e.g. movement of 5 percentage points from, say, 70% to 75%). Governors should ensure that appropriate performance measures and targets are adopted by the provider, and that the data is presented in a form which enables 'lay' governors to make

informed judgments about the provider's progress to meet the strategic objectives even though individual governors may not have professional expertise in the area to which the indicator relates.

16. How often are KPIs updated?

The frequency by which individual KPIs are updated will depend on the availability of updated data on which they are based being released. For example, access to the source data allows providers to track applications to full-time courses throughout the annual recruitment cycle, enabling any associated KPI to be updated in-year. Data for other indicators, for example, the NSS, is only collected and published annually.

17. Review of KPIs by governors

Governors will normally review the provider's KPIs perhaps several times a year. Examination of the data should focus on assessing whether satisfactory progress is being made towards, or sustained, in meeting the indicators agreed threshold.

18. Traffic lights

To assist in reviewing movements in KPIs, many providers use a traffic light system to highlight performance. At its simplest, a three-phase red-amber-green (RAG) system is used. If an indicator is significantly off-target, it is shown as red; if there are some concerns, amber; and if performance is judged to be on target, green.

19. Corrective action

If an indicator is 'red', or there is a marked deterioration in the level previously achieved, governors should expect to receive a clear explanation from management as to the reasons, and what action, if any, is required. Exceptionally, if poor performance continues and is judged to be outside of the control of the provider, the target itself may need to be reset.

20. What can go wrong?

Typical problems include the 'wrong' areas or activities are being monitored; inappropriate indicators are chosen; too many indicators are selected; or the data is hard to understand and interpret. In addition, there may be a failure to understand the links between different indicators, and insufficient attention given to provider's academic profile and market position or sustainability.



21. Integrated reporting

A further development in monitoring performance is the development of integrated reporting (IR). The adoption of IR is typically based on the [International Reporting Framework \(IRF\)](#) developed by the [International Integrated Reporting Council \(IIRC\)](#). The IFR offers a holistic way of organising thinking and reporting, highlighting the role of six capitals (e.g. intellectual resources, finance and human resources) and their linkages in creating value. A number of providers have adopted integrated reporting⁷.

22. Conclusions

It is important to establish a framework for monitoring the implementation of the provider's strategic plan, and to regularly assess progress in meeting the intended outcomes. Providers need to think carefully about the choice of KPIs and the use of both longer-term and short-term indicators. There is also growing interest in the adoption of integrated reporting.

23. Questions to review

- Q Is there a clear process for monitoring strategic priorities and objectives?
- Q Are Governors looking at the things that really matter?
- Q Are there reliable KPIs covering all key areas/activities of the provider?
- Q Are clear targets set for the selected KPIs?
- Q Do Governors regularly receive clear and informative updates of the KPIs?
- Q Is effective action taken if performance targets are missed?

End notes and further reading

- ¹ Committee of University Chairs (2018), [The Higher Education Code of Governance](#), Revised June, p.15.
- ² [The Scottish Code of Good Governance](#), July 2017, p.10.
- ³ Lafley A.G. and Martin R.L (2013), *Playing to Win: How strategy really works*. Boston: Harvard Business Review Press, p149.
- ⁴ Committee of University Chairs (2006), [Report on the Monitoring of Institutional Performance and Use of Key Performance Indicators](#).
- ⁵ Kaplan R S and Norton O P (1996), *The Balanced Scorecard*. Boston: Harvard Business School Press.
- ⁶ Typically, a dashboard will have a set of dials (or similar presentation of the data). The face of each dial is divided into segments and coloured: green, amber and red. An arrow on each dial points to the position of the indicator. If the arrow is directed at the green segment, this shows satisfactory performance, while if placed in the red segment, performance is judged to be failing.
- ⁷ [Advance HE](#) is leading a project involving a number of higher education providers which are developing and piloting integrated thinking and reporting. A short video about integrated thinking and report is [available](#).

