

## A Brief Discussion about University Performance Management Road from "Evaluation" to "Management"

Zhiyu Zhao

Shanghai Publishing and Printing College, Shanghai, China

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**Abstract:** In recent years, University performance management has achieved certain results in performance evaluation, but it has also revealed many drawbacks of pure performance evaluation. From internal management of universities, to the management requirements of education authorities and financial departments, the transition from "evaluation" to "management" of university performance is imminent and imperative. Based on the policy background and development process of budget performance management, this article briefly analyzes the problems existing in previous performance evaluation, and proposes performance management suggestions and countermeasures, with a view to providing valuable reference for performance management in universities.

### 1. Comprehensive Budget Performance Management Policy Background

In 2003, after the Third Plenary Session of the 16th Central Committee explicitly proposed the establishment of a "budget performance evaluation system", central and local finance began to explore performance evaluation of budget projects, and the concept of budget performance management was gradually established. In 2012, the Ministry of Finance issued the "Budget Performance Management Work Plan (2012-2015)", promoting the expansion of performance management from post performance evaluation to ex ante performance target management, expanding the pilot scope of project performance targets and performance evaluation in central departments year by year, and establishing a common indicator system framework for budget performance evaluation.

In 2014, Shanghai Municipal Bureau of Finance issued the "Implementation Measures for Budget Performance Management in Shanghai" (HCJ [2014] No. 22), which clarified that budget departments (units) should prepare project performance objectives as required when setting up projects and preparing project budgets. The budget competent department should review the project performance objectives filled in by budget units based on the requirements for preparing project performance objectives before the departmental budget "first up".

In 2019, Shanghai Municipal Government issued the "Implementation Opinions on the Comprehensive Implementation of Budget Performance Management in Shanghai" (HWF [2019] No. 12, hereinafter referred to as the "Implementation Opinions"), clarifying the objectives of the comprehensive implementation of budget performance management in this city: by the end of 2021, A new budget performance management mechanism featuring "evaluation of budget decisions, goals for budget preparation, monitoring of budget implementation, evaluation of budget completion, and application of evaluation results" has been fully formed throughout the city. The Shanghai Municipal Bureau of Finance has issued the "Measures for the Overall Expenditure Performance Management of Shanghai Municipal Budget Departments (Trial Implementation)" (HCJ [2019] No. 19), implemented the "Implementation Opinions", accelerated the establishment of a comprehensive, full process, and full coverage budget performance management system, and effectively strengthened the overall expenditure performance management of departments.

In 2022, Shanghai Municipal Bureau of Finance issued the "Measures for Performance Evaluation of Budget Management in Municipal Departments" (HCJ [2022] No. 13) and the "Detailed Evaluation Rules" (hereinafter referred to as the "Measures" and "Detailed Evaluation Rules"), with budget performance management accounting for 15 points out of 100 points.

## **2. History of Budget Performance Management in Universities**

Comprehensive third-party evaluation period. Starting in 2018, according to the requirements of education authorities and financial departments, universities have selected 3-5 key projects from the current year for tracking evaluation and 3-5 projects from the previous year for performance post evaluation management and submitted them to superior departments. Third-party institutions have been hired for tracking and post evaluation. The cost of third-party evaluation is included in the budget of the university.

Self evaluation period. In 2021, the Ministry of Finance issued the "Guiding Opinions on Entrusting Third Party Organizations to Participate in Budget Performance Management" (CY [2001] No. 6), specifying that financial institutions or other institutions responsible for performance management in budget departments should focus on organizing specific project performance management work for business institutions, affiliated units, and subordinate departments and units. In principle, matters such as performance target setting, performance operation monitoring, and performance self-evaluation that belong to the strengthening of internal management by budget departments and units should not be entrusted to third-party organizations. University performance has entered a self evaluation period. The scope of performance evaluation is not fully covered, with a focus on post evaluation<sup>[1]</sup>.

From performance "evaluation" to "performance management". According to the new Financial Rules for Public Institutions (Order No. 108 of the Ministry of Finance) in 2022, it is clear that "comprehensively implementing performance management and improving the efficiency of fund use" is one of the main tasks of financial management for public institutions. In the "Evaluation Measures" and "Evaluation Rules", performance management is no longer restricted to performance evaluation reports, and overall and comprehensive requirements are proposed for budget performance management in universities from six aspects: system construction and implementation, prior performance evaluation, performance target management, performance monitoring management, performance evaluation management, and application of performance results. Performance management is no longer a performance evaluation, and internalization of performance management is imperative.

## **3. Existing Problems and Difficulties**

(1) Evaluation subject. The professionalism, cost, and credibility of evaluations vary greatly among different evaluation subjects. Entrusting third-party institutions to evaluate seems to have a high degree of professionalism and credibility, but the input and output of universities have significant industry characteristics, which are significantly different from enterprise input and output evaluations. Most third-party institutions lack the professionalism of management and evaluation in the field of higher education. At the same time, entrusting a third party for evaluation has a high cost. Third party agencies clearly mark prices based on the amount of the evaluation object and the charging standards. Even if there is a discount in the case of price competition, the overall cost is relatively high. Self evaluation in universities: Most universities do not have specialized budget performance management institutions and personnel, and most of them are considered by budget management personnel from the financial department. They are lack of professionalism and credibility, and most of them are self evaluated by the implementation department, which is relatively lacking in objectivity.

(2) The largest proportion of personnel and funds lacks evaluation. As a public institution that focuses on intellectual investment, the most important investment in universities is personnel funds. Currently, the proportion of personnel funds in universities is mostly 60-80% of the annual departmental budget of universities. The funds are invested based on the number of headcount, the number of employees on the job, the basic salary and performance salary standards, the base and proportion of social security provident fund contributions, and the funds for enterprise employees approved by the education department. Personnel funding, which accounts for the largest proportion of university funding, lacks corresponding performance evaluation and management from concepts

to methods.

(3) It is difficult to achieve short-term results in education, teaching, and scientific research. In addition to personnel funds, the budget funds of university departments are composed of public funds and special funds. The public funds mainly include property management fees, energy fees, postal and telecommunications fees, information operation and maintenance fees, sporadic maintenance fees, rental fees, etc; The investment in special funds mainly consists of two basic and two auxiliary projects, student awards and grants, information technology construction, connotation construction, retirement funds, pensions, disability security funds, and special retirement funds. In addition to pension, disability insurance, and retirement funds, other funds are mainly used for education, teaching, scientific research, and social services. As we all know, "ten years of trees, one hundred years of people", it is difficult for education investment to produce short-term output, which is a cyclical long-term process, especially for scientific research. In the past few years, performance management has been based on performance evaluation. From the approval of department budgets to the completion of fund implementation, it seems that the entire accounting year, except for winter holidays and year-end closing periods, is actually less than ten months. It can show benefits, achieve results, and achieve performance goals, with a high degree of idealization. In terms of education and teaching, to evaluate the overall performance of universities, short-term indicators related to student dimensions can be introduced, such as student contribution (annual enrollment growth rate, enrollment rate, excellent papers and awards, etc.), student satisfaction (dropout rate, excellent rate of course teaching evaluation, infrastructure satisfaction, employer satisfaction with graduates, etc.) for evaluation<sup>[2]</sup>.

(4) There is a lack of causal correspondence between inputs and outputs. Throughout the past few years, the performance evaluation project management indicators based on mainly include investment management, financial management, project implementation, project output, and project benefits. Investment management focuses on the timeliness of funding and budget implementation rate; The project output focuses on the actual completion rate, timeliness rate, and compliance rate; Financial management focuses on the legality, compliance, and safety of the use of funds, the soundness of systems, and the effectiveness of financial monitoring; Project implementation emphasizes the soundness and effectiveness of the project management system. Obviously, evaluation indicators are based on system construction and the timeliness and completion rate of funds, lacking substantive evaluation indicators. University funding application departments are also very intelligent in setting performance goals and know how to advance and retreat. They often set quantitative indicators such as the number of trainees, the number of subsidies issued, the distribution rate, the number of training or conferences organized, the number of participants in training or conferences, and the number of papers published. The indicator value is also controlled at a fully controllable and achievable level. The investment in connotation construction funds is often composed of production expenses, research travel expenses, commission business expenses, labor costs, and other expensed expenses, as well as capitalized expenses such as equipment procurement costs. A large number of taxi tickets, production cost invoices, and labor costs are flooded with them, and the causal relationship between funding input and output is ignored, making project funding often a disguised benefit for the department in charge of the project.

(5) Insufficient internal drive in performance management. Performance management requires that the investment of funds in colleges and universities be based on the efficiency of the use of funds. As a public welfare institution, colleges and universities follow the "three important and one major" rules of procedure in their management decisions, considering more necessity and taking budget constraints as an important basis for decision-making. If we want to take the efficiency of fund use as the starting point, it is necessary to start from the decision-making level of universities and change the thinking and decision-making mode of fund investment management, which is bound to weaken the convenience of some vested interests. Lack of internal drive is the first issue to be addressed.

(6) It is difficult to determine the scientific and reasonable setting of performance goals. At present, there is a lack of reliable reference for universities to develop performance indicators.

Therefore, universities usually use performance indicators from business departments as their own evaluation indicators, which makes budget management performance evaluation rough and difficult to have practicality, and performance evaluation becomes mere formality<sup>[3]</sup>. Applicants often set relatively loose performance goals, combined with considerations of no benchmark period or evaluation benchmark quantity, which makes it easier to obtain high scores in result evaluation or achieve performance goals, leading to the phenomenon of performance goal relaxation<sup>[4]</sup>. The unique attributes of the education industry have increased the difficulty of setting performance indicators<sup>[5]</sup>. Simply applying established financial indicators, resulting in indicators not being operational; The setting of indicators is too arbitrary, with too many qualitative indicators and too few quantitative indicators. However, the actual completion value of qualitative indicators is greatly influenced subjectively, making it difficult to intuitively reflect economic and social benefits in the short term, and unable to truly reflect the actual effect of project expenditures<sup>[6]</sup>. The same as question 4, the performance evaluation indicators and indicator values are set by the application department. Whether the centralized management department simply summarizes them or truly implements the centralized management responsibility requires that the indicators be linked to the school's medium and long-term development plan, and that the indicator values be set at a level that requires appropriate efforts to achieve. It is crucial for the scientific and reasonable setting of performance goals and objectives. At the same time, the performance review of education authorities and financial departments tends to be procedural and substantive, which also has a great driving force for university performance management.

#### **4. Suggestions and Countermeasures**

(1) Establish a sense of performance management. Carry out university performance management from the perspective of institutional construction, organizational structure, staffing, and decision-making mechanisms. In the past few years, the implementation of performance evaluations required by superior departments has been generally stylized and task oriented; Comprehensive performance management requires a top-down, bottom-up, full process, full range, and full coverage. Only when the decision-making leadership of colleges and universities attaches great importance to establishing a sense of performance management, clarifying the responsibilities of performance management from department to personnel, and effectively linking the performance of fund use with fund input and individual performance wages can the implementation of performance management in colleges and universities be promoted.

(2) Incorporate personnel funding input and output into performance management. The prominent feature of colleges and universities is that intelligence investment is the main factor, and talent is the primary productive force. In contrast, personnel expenditure accounts for 60-80% of the department's budget expenditure in college funding. It is necessary to link personnel expenditure investment with key indicators of college education evaluation such as school development planning, discipline and professional construction, industry discourse power, and rulemaking power, explore and pilot the personnel expenditure input output performance management evaluation indicator system, and continuously monitor and evaluate it, linked to investment and assessment.

(3) According to the direction of funding investment, the evaluation is classified according to the performance manifestation cycle. According to the investment direction and the length of the output effect period, the public and special funds for universities are divided into basic security categories (pension, disability security, and retirement special funds), student awards and assistance categories, two basic and two auxiliary categories, and connotation construction categories. According to different types of funding investment, and based on the cycle of performance manifestation, short, medium, and long-term classification evaluation is conducted. Basic security and student awards, recommended short-term evaluation (1 year); Mid-term evaluation of two basic and two auxiliary categories of recommendations (3 years); Medium to long-term or even long-term evaluation of connotation construction suggestions (over 3 years).

(4) Provide key evaluation indicators and reference indicator values by category. The core of building a budget performance indicator system is the key and difficult point of performance

work<sup>[7]</sup>.The key evaluation indicators cannot be uniformly output based on the thesis, and it is necessary to set key evaluation indicators and indicator values that are difficult and require practical efforts based on different directions of funding input. College education, scientific research, and social services are highly professional.The centralized management department and the education competent department is crucial. They cannot be offside, let alone absent, or mere formality.

(5) Strengthen input output causal management. As mentioned in the previous question, the causal relationship between a large amount of expensed expenditures in university special funds and output requires performance management personnel and centralized management departments to effectively perform their duties and perform due diligence management. Whether the payment of labor fees is actually related to the project and what valuable information has been provided for the project; Whether the entrusted business fees are relevant, reasonable, and necessary for the project construction; Whether a large amount of travel expenses and taxi fees are related to project construction. Under the premise of "having a budget and spending, without a budget and no spending", accounting supervision must keep up with the situation. All necessary elements are complete, and accounting supervision must not become a mere formality.

(6) Establish a mechanism for multi department collaboration and mutual evaluation among universities. Third party evaluations such as accounting firms do not have sufficient understanding of the professional nature of university business, and the evaluation costs are too high; The lack of objectivity in university self-evaluation makes it difficult to convince others in management. It is recommended that a performance management working group be formed within universities by centralized management departments, finance, audit, and other departments to strengthen internal collaborative management of performance; Under the leadership of the education department, a mutual evaluation mechanism for university performance evaluation has been established, and the reform has been carried out according to the classification of universities. A performance classification evaluation working group consisting of 3-5 people from different types of universities has been formed. Mutual evaluation within the industry is highly professional, economical, objective, and authoritative.

## 5. Conclusion

In summary, performance management in colleges and universities is imminent and imperative, and problems and difficulties need to be addressed in a positive manner. From system construction and job allocation to continuous monitoring, result application, and decision support, there is a long way to go. This article analyzes the problems and difficulties in performance evaluation and management in the past, and provides relevant suggestions, which can serve as a reference for universities to effectively implement budget performance management from the horizontal to the side and from the vertical to the bottom.

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