SYSTEM-WIDE PROGRAM ASSESSMENT
WITH PERFORMANCE INDICATORS:
ALBERTA'S PERFORMANCE FUNDING MECHANISM

Alice Boberg
Faculty of Education, University of Calgary
Calgary, Alberta

Bob Barnetson
Alberta College-Institute Faculties Association
Edmonton, Alberta

Abstract: This article outlines the development and implementation of performance indicators (PIs) and performance funding in Alberta's higher education system. Subsequently, the model of organizational functioning that underlies performance funding is made explicit. Finally, this article explores the effectiveness of performance funding at increasing goal attainment based upon the literature and our emerging experience.

Résumé: Dans le contexte du système albertain d'éducation supérieure, en premier lieu les grandes lignes du développement et de la mise en œuvre des indicateurs de performance (PIs) et leur financement sont esquissées. Par la suite, le modèle organisateur qui soutient le financement de la performance est explicité. Finalement, selon un recensement de la littérature et selon nos expériences émergentes, l'efficacité de ce financement est exploré par rapport aux buts éducatifs et leur rendements.

Accountability and performance measurement are not new ideas. In the 1970s and '80s, systems of performance measurement such as Management by Objectives (MBO), Program Planning and Budgeting Systems (PPBS), and Management by Results (MBR) were all in vogue. They gradually disappeared because they failed to accomplish what they set out to do but now they are back in vogue and once again the originators (i.e., governments) have failed to notice the inappropriate use of performance indicators (Perrin, 1998). In this article, we analyze why the use of performance indicators is inappropriate.
PERFORMANCE INDICATORS AND PERFORMANCE FUNDING

Cave, Hanney, Henkel, and Kogan (1997) classify indicators as simple (neutral descriptions), general (data unrelated to goals), and performance (possessing a point of reference or goal against which a performance is compared). For example, overall institutional enrollment is a *simple indicator* because it provides a neutral description of institutional enrollment. Students’ perceptions of how enrollment affects the feeling of community would be a *general indicator* because the indicator’s evaluation is unrelated to institutional goals. If an institution is mandated to increase its enrollment by ≥ 4% each year, the percentage change in enrollment would be a *performance indicator* because it contains a goal against which performance is compared.

As measures of institutional performance, PIs tend to be numeric and operationalize concepts such as quality by specifying measurable evidence of goal completion (Dochy, Segers, & Wijnen, 1990). Kaufman (1988) identifies five organizational elements to which PIs can be applied:

1. *Inputs* are raw materials (e.g., resources, policies, communal characteristics).
2. *Processes* are how inputs become products, outputs, and outcomes (e.g., teaching).
3. *Products* are results that are fed back into the system to become outputs and outcomes (e.g., courses completed that eventually lead to an output such as degrees awarded).
4. *Outputs* are aggregate products of a system (e.g., degrees awarded, papers published).
5. *Outcomes* are the effects of outputs in society (e.g., employment rates, life expectancy, democracy).

Figure 1 presents an outcomes-based PI measuring the employment rate of graduates. This PI surveys all graduates, and the percentage employed is determined. That percentage is plotted along a scale with 100% being the implicit performance target. This indicator is a performance indicator because it contains a goal or point of reference (i.e., 100% employment) against which performance is judged.

Linking funding to data derived from PIs is widely used in the United States (Burke & Serban, 1999) and is gaining currency in Canada (AECD, 1995a; Bowman & Snowdon, 1997; Cassin & Morgan, 1992). *Performance funding* represents a significant change in that re-
sources are allocated based upon a performance rather than in anticipation of a performance (Layzell & Caruthers, 1995). Proponents of this approach argue that allocating a small portion of an institution's funds based upon performance can propel institutions to address government priorities without introducing damaging instability in funding (Bateman & Elliott, 1994). A posteriori funding is consistent with the principles of the New Public Management; responsibility for achieving outcomes is devolved to individuals and institutions while government retains control via resource allocation (Aucoin, 1990, 1995; Marshall & Peters, 1990).

This approach to governance is called the evaluative state or contract government (Neave, 1988) and is a response to pressure to reduce the size of government spending stemming from economic globalization (Castles, 1996; Dominelli & Hoogvelt, 1996; Teeple, 1995) and the resurgence of social conservativism (Aucoin, 1995; Jeffery, 1999; Pratt, 1998). The evaluative state entails creating a public sector based upon market principles; quasi-independent agencies have their outputs measured by government, and the value of outputs are tied to rewards. This market-like environment insulates governments from direct responsibility for inequitable outcomes; outcomes stem from the actions of independent agencies and the impersonal forces of the market (Pannu, 1996; Peterson, Erwin, & Wilson, 1997; Slaughter & Leslie, 1997).

There is little difference between performance indicators and performance funding as both are tools designed to manipulate behaviour and alter the relationship between academics and those who develop and operate PIs and performance-funding systems. Performance indicators act as a conceptual technology. That is, by quantifying knowledge, it becomes possible to shape what issues are considered and how those issues are considered by embedding a series of assumptions in both the selection and structure of the PIs used (Barnetson & Cutright, 1999). In this way, those who construct PIs can influence behaviour by opening up the work of institutions...
and academics to evaluation by outsiders (Polster & Newson, 1998). Tying resource allocation to PIs increases the pressure on academics and institutions to achieve the goals implicit in each PI. The introduction of these documentary-based decision-making systems usurps the role of orally contested decision making and restructures the relationship between academics and those who construct PI systems such that decision-making power is transferred upwards towards administrators and outwards towards governments, students, and corporations (Newson, 1994).

**PIS AND PERFORMANCE FUNDING IN ALBERTA**

Alberta’s public higher education system enrolls approximately 123,000 students in 4 universities, 2 technical institutes, 15 colleges, and 4 religiously affiliated, not-for-profit university-colleges (AECD, 1998a). Government funding is approximately $788 million — representing a 45.3% decline in per-student real-dollar government funding between 1982 and 1997 (ACIFA & CAFA, 1998). A series of small funding envelopes are awarded on a competitive basis and are designed to encourage and assist institutions in achieving government goals (Treasury, 1998). During the 1990s, Alberta’s higher education policy has focused on reapportioning the cost of higher education, increasing vocational outcomes, and increasing the development and transfer of knowledge and technology to the private sector (Barnetson & Boberg, 2000).

A 1994 White Paper mandated the creation of an accountability reporting framework to outline higher education’s outputs and outcomes (AECD, 1994). Criticism of existing accountability mechanisms included a focus on inputs and processes, a lack of systematic use, and inconsistent data definitions impeding inter-institutional comparisons (AECD, 1995b). A series of 76 indicators were developed in consultation with institutions (AECD, 1996a, 1996b). A second goal mandated by the White Paper was the creation of “a new funding mechanism that rewards an institution’s performance in providing accessibility, quality and relevance” (AECD, 1994, p. 15) to annually distribute $15 million.

Performance funding in Alberta is driven by nine of the accountability reporting framework’s 76 indicators (AECD, 1997). Five indicators are used by all institutions (the learning component), while four indicators are for research universities only (the research component). The learning component’s five indicators are broken down
into three categories based on *New Directions*’ key goals of responsiveness, accessibility, and affordability (AECD, 1994). Institutional *responsiveness* to the needs of learners and to provincial social, economic, and cultural needs is assessed by examining the employment rates of graduates and graduates’ satisfaction with their educational experience. Institutional progress toward higher levels of *accessibility* (i.e., increasing the number of students enrolled) is indicated by examining changes in full-load equivalent (FLE) enrollment based on a three-year rolling average. This indicator is adjusted for institutional location and recognizes that urban institutions have historically been better able to maintain stable enrollments because of a larger population base (AECD, 1996c). Institutions’ success at maintaining *affordability* (i.e., providing quality learning opportunities to the greatest number of Albertans at a reasonable cost to the learner and taxpayer) is indicated by examining administrative expenditures and outside-generated revenue. The research component has four indicators. Council Success Rates identifies national granting council awards (MRC, NSERC, and SSHRC) per full-time faculty member as compared to peer institutions. Citation Impact is the expressed ratio of citations to published papers. Community- and Industry-sponsored Research per full-time faculty member was derived from Statistics Canada and the Canadian Association for University Business Officers data. Research Enterprise is the total sponsored research revenues generated and is expressed as a proportion of the government grants.

Performance funding operates by taking an institution’s numeric score on an indicator (e.g., percentage of graduates employed) and plots it on a linear scale (e.g., 0–100%). Benchmarks divide the linear scale into a series of performance corridors (e.g., 60–69%, 70–79%, 80–89%, > 89%); all institutions falling within a corridor are assigned the same number of points for that indicator. The points assigned for performance on each of the five learning-component indicators are tallied, and that score constitutes overall performance for funding award performances (AECD, 1996c). Research universities engage in a similar process with the research component indicators, and the scores for each of the two components are weighted and combined. University research is weighted based upon the amount of institutional funding that is directed at research. This varies between 8% and 20% of overall spending.

A two-year pilot of the mechanism began in 1996/97. In 1997, performance funding was distributed in two ways. First, each institu-
tion received a system-wide net award of 1% of its operating grant to reward system-wide improvements in productivity. Second, institutions were rewarded based on their performance: 8 (of 21) institutions received an additional award of 1.5% based on their performance, 9 institutions received an additional 0.75%, and 4 institutions received no performance-based funding (AECD, 1997). The percentage of operating grants received as a performance award in 1998 decreased slightly (to 1.26% and 0.63%) because, while institutional performance improved, the total funding for performance awards available remained fixed at $15 million (AECD, 1998b). These awards accumulate over time since they are added to institutions’ revenues the next year (Treasury, 1998). A review of the mechanism was announced in July 1998, and the government subsequently committed to increase the annual value of the awards to $16 million in 1999 and $23 million in 2000 (Treasury, 1999).

Examining the introduction of performance funding suggests it was designed to increase institutional productivity and increase government influence:

1. *Increase productivity*. Performance funding is designed to increase the number of students enrolled while decreasing the level of per-student funding. Performance funding also directs attention (through the reward system) to increasing efficiency and decreasing the cost to government via decreasing administrative costs and increasing outside revenue generation. Focusing on the economic outcomes of higher education by using PIs such as graduate satisfaction and employment rates conceptually constrains discussion of quality to the narrow definition of quality as value for money. This allows government to sidestep the issue of the qualitative impact of increasing productivity that would need to be addressed if a broader definition of quality were to be adopted.

2. *Increase government control*. Performance funding creates *de facto* regulation by allowing the government to stipulate institutional outcomes. Performance funding also places responsibility for attaining government-determined goals on the shoulders of institutional boards of governors. At the same time, it ignores environmental (e.g., the cyclical nature of Alberta’s resource-based economy) or input (e.g., the 37% decline in real-dollar, per-student tuition and grant revenue since 1982) factors which influence performance.
MODEL OF ORGANIZATIONAL FUNCTIONING

Performance funding is based on a rational model of organizational functioning outlined in Figure 2. This approach assumes that goals cause behaviours that result in outcomes that are rewarded or penalized in order to alter future goals. Performance indicators are used to allocate rewards in order to increase the level of goal attainment. The model operates based on four relationships between the components.

**Figure 2**

*Model of Organizational Functioning*

\[ G \leftarrow 1 \rightarrow B \leftarrow 2 \rightarrow O \leftarrow 3 \rightarrow R \]

- **G**: Organizational goals
- **B**: Organizational behaviours
- **O**: Organizational outcomes
- **R**: Rewards and punishments

Primary relationships
1. Goals cause Behaviours and Behaviours are specified in terms of Goals.
2. Behaviours cause Outcomes and Outcomes can be related to Behaviours.
3. Outcomes cause Rewards and Rewards can be linked with Outcomes.
4. Rewards cause Goals and Goals are specified in terms of Rewards.

Goals and Behaviours

In order for performance funding to increase goal attainment, it is necessary for organizational goals to cause organizational behaviours. Seeking to attain goals makes behaviour understandable (i.e., occur for a reason) and, therefore, manipulable. The model also requires that goals be shared; manipulating behaviour at an organizational (i.e., aggregate) level requires the existence of organizational goals (i.e., a common purpose). The absence of common (if disputed) goals makes it difficult to manipulate organizational outcomes because the impact of rewards is unpredictable and thereby invalidates the model’s basic mechanism (i.e., that performance data can be used to alter outcomes through the application of rewards to modify goals and thus behaviours). It is also necessary for behaviours to be specified in terms of goals; consistent goal attainment requires that actors’ behaviour be purposeful. If action is not directed at achieving organizational goals, it seems unlikely that the application of rewards based on performance data can modify behaviours.
Behaviours and Outcomes

In order for performance funding to increase goal attainment, it is necessary for organizational behaviour to cause organizational outcomes. Altering outcomes presupposes that outcomes result from behaviour. While no organization exists in isolation, the model’s basic mechanism is compromised if organizational outcomes are generated (or deterministically influenced) by activities exogenous to the organization. It is also necessary for outcomes to be understood as the product of behaviours. The mechanism assumes that goal attainment can be increased through behavioural change motivated by the pursuit of rewarded outcomes. If it is unclear how outcomes are caused by behaviours, it is not possible for actors to effectively pursue goals and the model’s mechanism is invalidated.

Outcomes and Rewards

The model’s mechanism requires that outcomes trigger a reward. A reward provides a reason to alter the organizational goals that cause behaviours and outcomes. If outcomes do not have consequences, the mechanism will not increase institutional goal attainment. In order for rewards to alter goals, behaviours, and eventually outcomes, the mechanism requires rewards to be linked to outcomes. If the relationship between a reward and an outcome is unclear, organizations will not be able to intentionally alter their goals and behaviours in order to achieve a more desirable outcome.

Rewards and Goals

In order for PIs to increase goal attainment, rewards must cause goals to be adopted or modified. Increasing institutional goal attainment is manifested in organizational outcomes, and the model assumes outcomes stem from goal-seeking behaviour. If, for some reason, goals are not influenced by rewards (e.g., because the rewards are less significant than other factors), there will be no change in behaviour and, consequently, no change in outcomes. The mechanism also requires that goals be specified in terms of rewards. The model is designed to manipulate goals, therefore, it requires that the reward structure be understood (i.e., clearly indicate which goals are desirable). Seeking to obtain rewards makes goals understandable and, therefore, possible to manipulate.
Expecting all four relationships to operate perfectly is unnecessary; if the mechanism works on a regular basis, it would have utility. It is not unreasonable, however, to note the impact of accumulating error on the model’s functioning. When each of the relationships is true 95% of the time and the dysfunctions occur at random, the model is predictive 81.4% of the time. When each relationship is true only 75% or 50% of the time, the model is useful 31.6% or 6.3% of the time respectively.

EMERGENT CHALLENGES TO PERFORMANCE FUNDING

The following sections evaluate the challenges to using performance funding to increase institutional performance and government influence over institutions. The tensions that emerge when these two goals are sought via a single mechanism are also examined.

Increasing Productivity with Performance Funding

This section argues that the assumption that performance funding will increase institutional productivity is suspect. Alberta’s performance funding mechanism pressures institutions to increase efficiency without considering the qualitative impact of larger enrollments and lower levels of funding. The use of solely quantitative indicators to capture educational outcomes sidesteps the qualitative issue. Further, the assumption of rationality in organizational decision-making may be deficient.

Productivity and Quality in Higher Education

Productivity is the ratio of output to input and is improved by increasing the benefits yielded by each unit of cost (Massy, 1996). In this way, productivity is very similar to efficiency (which is increased by decreasing per-unit costs). Productivity and efficiency are dissimilar in that productivity also incorporates the notion of quality. That is to say, productivity increases only occur if per-unit costs decline and quality is maintained or increased. For example, increasing the number of students enrolled does not increase productivity if students learn less because of decreasing access to faculty, laboratories, and library resources. Harvey and Green (1993) outline five definitions of quality:
1. **Quality as exceptional** — The traditional view of quality sees it in terms of exclusivity and precludes measurement. Somewhat more useful is the notion of excellence as measured against agreed minimum (although high) standards.

2. **Quality as perfection** — Related to viewing quality as excellence is the idea that quality implies consistent conformity to specifications.

3. **Quality as fitness for purpose** — Relevance is the key to quality as fitness for purpose. Fitness for purpose can be defined by the customer or based on institutions’ missions.

4. **Quality as value for money** — This approach to quality emphasizes the return on investment yielded by education.

5. **Quality as transformation** — This approach draws on the notion of education facilitating qualitative change. This is a fundamentally different approach to quality in that it recognizes that education is done to (rather than for) a student. The process is, therefore, unique in each case, and this presents a significant challenge to most production-based models of quality and quality assurance.

Horsburgh (1998) argues that the transformative definition of quality is the only meaningful definition because it assesses institutions’ ability to both enhance and empower students. Students are enhanced by learning skills and knowledge and empowered by developing an understanding of the explanatory framework being used (Harvey & Knight, 1996). The other conceptions of quality operationalize the metaconcept of transformative quality but focus on peripheral aspects and/or use indicators that are poor proxies for the actual performance to be measured. The use of PIs results in adopting a value-for-money definition of quality. This approach to quality is inadequate for assessing productivity gains because it allows institutions to decrease their ability to enable and/or empower students in order to accommodate additional enrollments. The independent Study Group at CAUT sees the value-for-money approach as “a sophisticated technique for increasing governmental control of the operations of the university and for imposing a particular agenda” (CAUT, 1993, p. 57).

Capturing Educational Outcomes with Quantitative Indicators

The quantification of educational outcomes is a nearly universal characteristic of performance funding. Choosing to measure economic outcomes (generally measured quantitatively) conceptually closes
the door to measuring cultural outcomes (generally measured qualitatively) because the way we conceptualize measuring one is incompatible with measuring the other. Nedwek and Neal (1994) argue that the pervasion of an input-output (i.e., mechanistic) model of education neither fully models the educational process nor captures all educational outcomes. Combined with the use of data at high levels of aggregation, the mechanistic approach provides no direction for improving instruction and fails to develop a culture of institutional self-evaluation and improvement (Mentkowski, Astin, Ewell, & Moran, 1991; Yorke, 1996). According to Deming (1986), improving educational outcomes results from studying the production process rather than inspecting outcomes.

Rationality in Decision Making

The model of organizational functioning assumed by performance funding frames organizational activity as the rational pursuit of goals. Three inter-related concepts permeate discussion of rational decision making: (1) the pre-existence of purpose, (2) the necessity of consistency of choice, and (3) the primacy of rationality. A fourth (implicit) premise is that a single decision maker or decision-making body carries out decisions.

First, assuming action is the pursuit of goals “reflects a strong tendency to believe that a useful interpretation of human behaviour involves defining a set of objectives that (a) are prior attributes of the system and (b) make the observed behaviour in some sense intelligent, vis-à-vis those objectives” (March, 1976, p. 70). Action, however, may occur for reasons such as:

- executing standard operating procedures and fulfilling role expectations, duties, or earlier commitments;
- defining virtue and truth during which the organization discovers or interprets what has happened to it, what it has been doing, what it is going to do, and what justifies its actions;
- distributing glory or blame for what has happened in the organization and thus exercising, challenging, or reaffirming friendship or trust relationships, antagonisms, power, or status relationships;
- expressing and discovering “self-interest” and “group interest,” specializing, and recruiting (to organizational positions or to informal groups); and
• having a good time, enjoying the pleasures connected to taking part in a choice situation (March & Olsen, 1976a, pp. 11–12).

Second, consistency between intentions and outcomes is the basis of evaluation in rational approaches to choice and is predicated on the traditional ordering of goals, behaviour, and outcomes (March, 1976). If goals develop or change during action (as they might if choice is a process of discovering or interpreting organizational mission or past actions), consistency becomes an irrelevant criterion of judgment. This suggests that developing evaluative criteria a priori may be inappropriate.

Third, rationality in decision making — that is, “a procedure for deciding what is correct behaviour by relating consequences systematically to objectives” (March, 1976, p. 70) — is suspect. The tradition of adaptive rationality assumes a simple model of experiential learning. Action is taken; the environment responds; the response is interpreted and evaluated; and new action reflects the learning generated by the sequence (March and Olsen, 1976b). A more reasonable approach to rationality in decision making is to assume that learning is intended but that “(a) what happened is not immediately obvious, (b) why it happened is obscure, and (c) whether what happened was good is unclear” (March and Olsen, 1976b, p. 59).

Fourth, further eroding the case for rational decision making are multiple decision makers and decision points (Parsons, 1995). This exacerbates the tendency of goals to change during action and for incorrect inference of causal relationships as well as adding a political element to decision making. Assuming that society is a collection of rational, autonomous decision makers striving to maximize their utility is the basis of the market model (Pratt, 1998). Organizational decision making is about collective action in a community and, therefore, requires both collective will and effort and is influenced by community norms and history. The reification this involves is both fallacy (i.e., aggregate bodies do not have independent will) and truth (i.e., this is the best possible description of the process). Loyalty, influence, and co-operation are used to create the consensus necessary for collective action. This makes the group the primary unit of society and undermines the notion of autonomous decision making.
INCREASING GOVERNMENT INFLUENCE VIA PERFORMANCE FUNDING

Alberta’s performance funding mechanism was designed to alter the balance of power in the higher education system (i.e., make institutions less autonomous) by manipulating institutional behaviour.

Changing the Balance of Power in Higher Education Systems

Elton (1988) notes that (however temporarily) stable systems owe their stability to a balance between power and checks on power. Shifting the locus of power destabilizes the system; checks are too great where power was lost and too small where power was gained. Because those who gain power likely instigated the change, there is little incentive for them to plan corrective action. Changing the balance of power upsets the status quo and creates the perception of winners and losers (Albright & Gilleland, 1994). Individuals within the system respond to this change by creating new (unplanned) checks on power. For example, those who have lost power may also lose motivation, therefore previous co-operation must now be coerced. The net effect is a decreasing ability to achieve outcomes throughout the system and declining cost effectiveness.

The tendency of systems to initially resist change is one source of unintended consequences resulting from the introduction of performance funding. The tendency of systems to realign themselves based on rewards and penalty is the second. Performance funding tends to create pressures that may be detrimental to long-term goals (Ewell & Jones, 1994). For example, institutions may focus on maximizing scores on PIs without changing practice and this may lead to declining credibility or quality — graduation rates can be increased simply by lowering the standard of performance required (Darling-Hammond, 1992).

Other strategies (e.g., teaching to tests, culling weak performers early, increasing admission selectivity, funding instruction to the detriment of maintaining infrastructure, etc.) may be contrary to educational goals such as improving understanding and accessibility as well as maintaining the public investment. This reflects the accuracy of the axiom: what gets valued gets rewarded and what gets rewarded gets valued (Richardson, 1994). Given the goal ambiguity (and often goal conflict) within institutions, simple measures of performance often ignore the delicate balance of compromises necessary to make organizations work.
Epistemological Assumptions of the Model

Performance funding operates by manipulating behaviour. In doing so, the designers draw on mechanical and political metaphors for organizations. The mechanical metaphor is part of the positivist tradition that assumes (1) the world exists independently of the knower, (2) knowledge can be discovered and described through models, and (3) empirical testing is the way to accomplish this. Positivism is subject to criticism because it assumes that observation is a passive activity. Hawkesworth (1988) persuasively argues that observation stems from active selection and interpretation. This means that knowledge is constructed (based on individual experience, ability, and aptitude).

Active knowledge construction supports the above-noted limits to inferring causal relationships. It also suggests that the implicit purpose of the rational approaches to decision making (i.e., to develop a model of the world to maximize control) is unworkable because this approach can never accurately capture a process that each person constructs differently. This challenges three beliefs:

1. Control of our world can be attained to a reasonable degree by accurately determining causal relationships (i.e., the mechanics of the process) and then manipulating inputs and process such that desired outcomes are realized.
2. Choosing not to create comprehensive models of the mechanics of a process (and believing that such models are in fact impossible to create) is an abrogation of our responsibility to better understand the world and steward the public’s investment in higher education.
3. The pursuit of goals is the purpose of both individuals and society, and not choosing this approach decreases the value of the individual to society.

All of these beliefs are underlaid by the assumptions of pre-existent purpose and rational action. Rejecting these assumptions suggests a shift in perspective to one characterized by interpretativism.

TENSIONS BETWEEN PRODUCTIVITY AND ACCOUNTABILITY

Three tensions emerge when a single mechanism is used to increase productivity and government influence.
1. *Contradictory aims.* Performance funding is designed to at once increase government influence and institutional productivity. Tying PI data to funding creates *de facto* regulation and therefore increases control. This same dynamic is expected to increase productivity by pressuring institutions to improve operations. Combining these goals into one mechanism fails to recognize the divergent paths to them. Productivity increases stem from critical self-evaluation and internal reform. Institutions seeking performance awards to alleviate financial pressures and curry government favour have no incentive to undertake critical self-evaluation because performance funding rewards them for producing high scores on outcomes measures, not insight into input or process failures. While performance funding may implicitly encourage self-evaluation in pursuit of productivity increases, this is unlikely to occur because of resource scarcity within institutions and because institutional performance on the relevant PIs arguably results from factors outside institutional control.

2. *Contradictory methods.* Performance funding is based on the principles of market-based competition and demand, but its execution is bureaucratic in that the government sets the PIs that simulate market competition. The inherent contradiction of this hybrid model brings to the fore all of the short-term dysfunctions of the market and bureaucratic approaches but garners none of the long-term benefits. For example, rather than increasing efficiency, competition between public-sector providers creates the long-term redundancy and waste expected of bureaucracies; inefficient providers are never driven out of the marketplace because of political considerations related to accessibility. At the same time, the goal of ensuring quality that underlies the public provision of experiential goods such as education is undermined because the competitive nature of performance funding pressures institutions to act in line with the mechanism’s reward structure. In a seeming paradox, institutions increase enrollments to garner additional funding, but those enrollments are never adequately funded; institutions act in a way that undermines quality because the consequent decline in quality is incalculable within the quantitative framework of performance funding.
3. Definition of quality. Performance funding adopts a value-for-money approach to educational quality consistent with the market orientation of higher education policy. Evaluating value for money is premised on summative evaluation of fixed and predetermined outcomes. This approach allows the government to increase its control over educational institutions through the stipulation of outcomes. The transformative definition of quality mirrors the dual role of higher education (societal reproduction and criticism) and increases an institution’s ability to improve productivity because it addresses the core processes and benefits of higher education. Evaluating transformation is premised on formative evaluation focused on change. This reduces the control government can exert on institutions through the specification of outcomes via performance funding.

CONCLUSIONS

Alberta has introduced PIs and performance funding to increase institutional productivity and government influence over institutions. The analysis presented above suggests this subtle (yet highly invasive approach) has a number of deficiencies that may impair its ability to achieve these goals. Further exploration of the assumptions underlying performance indicators may yield additional insight into how PIs operate as conceptual technologies as well as alternative ways to use PIs based on different organizational metaphors.

REFERENCES


