

Rewarding and developing staff in HE: evaluation of phases 1 and 2

**A report to the HEFCE by
Deloitte & Touche**

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1. EXECUTIVE SUMMARY

1.1 Overview

The HEFCE's 'Rewarding and Developing Staff in Higher Education' initiative has resulted in improved human resource management (HRM) practices across the sector. In this first year, institutions have implemented a range of solutions to tackle the six priority areas. There is evidence to demonstrate that the initiative has resulted in significant changes being introduced at an institution level: including improvement in HR infrastructure; policies to address recruitment, progression and performance management; initiatives to tackle equal opportunities and job evaluation issues; and measures to improve the level of management skill. These have the potential to raise the level of institution performance and that of the sector as a whole.

We have observed trends emerging that point to the evolution of HR management from a transactional approach focused on administration to transformational approach focusing more on strategy and change within the sector. There is also a great deal of evidence that the project funding has either kick-started fundamental change in HR practice or speeded up implementation of planned initiatives, both with very positive impacts. However, it is too soon for the evidence to be available that indicates a causal link to sector performance as a whole.

1.2 Submission and Supporting Processes

Evaluation and Feedback

The evaluation of submitted HR strategies resulted in robust assessments that generally reflected accurate and true representations of the strengths and limitations of strategies. The majority of higher education institutions (HEIs) perceived evaluations to be accurate and the process transparent. However, some did not fully understand the evaluation criteria.

Initial feedback from the evaluation process itself was too generic and short to be useful for many HEIs whose strategies had been evaluated as emerging or full. The evaluation roles of the Office for Public Management (OPM) and HEFCE Regional Consultants led to some communication issues and duplication of effort in specific areas. These points have already been addressed.

Consultancy Support and Advice

Consultancy support and advice provided to HEIs through OPM was well received. OPM applied a sound understanding of the sector and knowledge of HR strategy. HEIs perceived OPM consultants to be effective at transferring knowledge. However, a number of HEIs commented upon some unease at OPM performing the roles of both evaluating HR strategies on behalf of HEFCE and advising HEIs.

Good Practice Guide

The good practice guide on setting HR strategies (HEFCE 02/14) was used in some form by almost all HEIs (90%). The guide checklist proved particularly useful. However, the timing of publication meant that many HEIs felt that it did not assist

them with the development of their strategy for the initial submission. The guide has subsequently been a valuable resource for HEIs.

Regional Seminars

Regional seminars were well attended and provided an excellent opportunity for networking. HEFCE presentations and practical case studies were of most value to HEIs, while presentations from OPM were commonly considered of least benefit.

1.3 HR Initiatives and Development within the Sector

HEFCE funding has facilitated considerable HRM development within the sector. Funding has allowed some HEIs to speed up the delivery of planned HR initiatives while others have been able to introduce new programmes.

In this first year of funding HEIs have sought to tackle the range of priority areas, principally the first three. They have also been able to develop their HR infrastructure through recruitment of specialists and development of HR management information systems, in order to build their competence to achieve success. It is, though, too early to suggest that 'fundamental' change has been achieved. However, there is clear evidence to demonstrate that the building blocks for measured change are being developed.

The following provides a summary of commonly undertaken HR activities over the past year. For the majority of HEIs activities have tended to focus on the first three priority areas, namely: Recruitment and Retention, Training and Development, and Equal Opportunities.

- Introduction of market-related pay supplements, relocation allowances and revised recruitment and retention practices. These initiatives are focused on recruitment hotspots.
- Recruitment of training and development advisors and the implementation of IT, equal opportunities (EO), leadership development and supervisory skills training.
- Equity audits and the establishment of action plans - although these activities have tended to focus upon gender issues, as well as the recruitment of job evaluation resources and specialists.
- Staff views and headcount reduction exercises often focusing upon voluntary reductions. Some HR functions are now being actively involved in strategic organisation planning.
- Review of performance management policies and in a small number of examples the introduction of sophisticated techniques such as balanced scorecard models.
- Performance management systems and managerial training to address poor performance issues.

1.4 Outcomes and Results

It is too early in the process for changes to have worked through and delivered comprehensive measurable change in the sector as a whole. However, a number of case study HEIs and stakeholders were able to describe results in a number of areas. Within the report we identify some of the ‘best practice’ initiatives we have observed.

- Recruitment and retention difficulties within the sector remain although some HEI have been able to address issues in specific areas.
- Several HEIs have gained or been reinstated as accredited Investors In People. Others have introduced institute-wide initiatives on leadership development for instance. However, training outcomes were seldom assessed more rigorously than feedback from participants.
- Although early in the process a number of positive EO targets and developments have been made by several HEIs. Many HEIs are awaiting the outcome from national negotiations before undertaking job evaluation.
- In terms of staffing needs, many HR functions now play a far more central role in the planning process and are working with senior line management to effect changes in structures. Some of the funding has financed voluntary redundancy initiatives which has facilitated much needed change.
- It is difficult to assess the impact of performance management systems and managing poor performance. Tackling poor performance issues has tended to become wrapped up in the design and launch of new performance management systems.
- Many institutions have established the data management processes necessary to monitor change during this year.

1.5 Long-term Evaluation of the Initiative

- A form of cost benefit analysis taking into account Treasury Green Book guidelines provides input to the evaluation model.
- Our proposed model provides a basis for evaluation of inputs, processes and outputs for each level – reaction, learning, behaviour, business and strategic. As such it addresses both the quality of processes and quantification of outputs through key performance indicators.
- In order to address the strategic level, it is important to define what ‘fundamental change’ means for HR management including a number of indicators such as HR being central to the strategic planning process.
- We recommend that a long-term evaluation methodology along these lines is adopted.

1.6 Future Funding Models

- Senior line managers such as Vice-Chancellors are more keen on funding for the initiative being incorporated within core funding, whilst HR managers would like the funding to remain allocated. There is a belief that any future potential threat to funding would be unlikely to hit core funding and, therefore, if it remains a specific stream it might be less secure.
- Most senior line and HR managers would like to see an end to the application process, but some HR Managers feel it is an important discipline for HEIs to be able to justify funding, but maybe on a two to three year rather than annual cycle. However, it should be remembered that if an HEI's strategy was evaluated as full, the funding was granted for three years, so that the frustration of an annual submission is only for those who have not achieved a full strategy.
- The concept of 'earned autonomy' has resonance with most stakeholders; HEIs in particular value their autonomy. The focus may therefore be shifted from application to auditing over time. There might be specific reporting requirements detailed within the annual operating report in addition to those already stipulated.
- Our recommendation is that the funding of this initiative should remain specific stream of funding until institutions can demonstrate the effective implementation of their HR strategies.

2. INTRODUCTION

This report sets out the results and conclusions of our evaluation of the HEFCE's initiative to reward and develop staff in higher education. It brings together data and analysis from a variety of HE stakeholder groups including HEIs, HEFCE, unions and employee representative bodies.

The report outlines analysis from both quantitative and qualitative data sources (see Appendix 2 Methodology). A variety of documentation has been reviewed, combined with an analysis of data from stakeholder groups collected through an electronic survey, structured interviews and case study investigations.

The presentation of our analysis and findings is divided into a number of distinct sections. These sections are as follows:

- Section 3 Submission and Supporting Processes details and evaluates the bidding process and the assistance provided by HEFCE
- Section 4 HR initiatives and Developments in the Sector outlines and evaluates the HR programmes, policies and initiatives implemented by HEIs as a result of HEFCE funding
- Section 5 Outcomes and Results assesses the results achieved by HEIs from the implementation of their HR strategies
- Section 6 Long-term Evaluation of the Initiative describes potential evaluation models and details a preferred model
- Section 7 Future Funding details options and recommendations relating to the future funding of rewarding and developing staff initiatives
- Section 8 Conclusions and Recommendations collates our key conclusions and recommendations. This section is largely repeated as the Executive Summary.

The information and analysis has been evaluated with the assistance of numerous HE stakeholders. The Deloitte & Touche team would like to thank these stakeholders for their input through the evaluation process.

2.1 Overall Objectives of HEFCE

The objectives of the initiative reflect the six priority areas outlined by HEFCE:

- Address recruitment and retention difficulties actioned in a targeted and cost-effective manner
- Meet specific staff development and training objectives that not only equip staff to meet their current needs but also prepare them for future changes
- Develop equal opportunities targets, with programmes to implement good practice throughout institutions
- Regular reviews of staff needs, reflecting changes in market demands and technology

- Annual appraisal process based upon open and objective criteria, with rewards connected to the performance of individuals and, where appropriate, their teams
- Action undertaken to tackle poor performance.

2.2 Project Objectives and Scope

The broad objective of the evaluation was to consider how far the aims and objectives of the initiative had been achieved, and to assess the degree to which it had generated fundamental change and development in human resource management (HRM) within the sector. The notion of fundamental change and development has not been clearly defined to date. For the purposes of this evaluation we have interpreted fundamental change as meaning a significant improvement across the sector in both HR practices and outcomes achieved.

The scope of evaluation was sent out in the invitation to tender, dated March 2002. It included the following areas.

- To consider Phases I and II of the initiative, in particular, to evaluate:
 - how far the aims and objectives of the initiative have been achieved
 - the quality, efficiency and transparency of the bidding process
 - the clarity of consultants' and the Advisory Group's role
 - the frequency and quality of contacts with HEIs.
- To assess the degree to which the initiative has already generated fundamental change and development in HRM within the sector.
- To establish evaluation systems for future long-term assessment of the initiative.
- To consider the possible benefits and costs of integrating all or a proportion of these funds into core funding.
- To identify possible opportunities for the future development of the initiative.

3. SUBMISSION AND SUPPORTING PROCESSES

3.1 Overview

The submission and supporting processes were designed to provide a fair and transparent method for the allocation of additional funding amongst HEIs. Before this process was undertaken HEFCE had completed a consultation, inviting comment from relevant stakeholder groups and ensuring a wide and varied input.

The submission process invited HEIs to submit HR strategies, as either ‘full’ or ‘emerging’, in order to receive allocated funding. HEIs were given broad guidelines and expected to develop strategies tailored to their specific needs. HR strategies were to be received by 1 June 2001.

The Office for Public Management (OPM) was engaged to assist with the evaluation of submitted HR strategies. Additionally, HEFCE Regional Consultants were to play a role in the evaluation. Following the evaluation of strategies using a criteria framework developed between OPM and HEFCE, feedback was provided to HEIs through regional consultants.

Concurrently, HEFCE engaged OPM to compile a good practice guide on setting HR strategies (published as HEFCE 02/14). The guide was designed to assist HEIs to think strategically, facilitate the sharing of good practice, and provide case studies as well as practical guidance to institutions attempting to develop their HR strategies.

A number of regional seminars were facilitated by HEFCE. These seminars provided the opportunity for HEFCE project team members to present and answer questions, as well as for specific issues to be discussed. Regional seminars also provided the opportunity for networking between HR professionals from different HEIs.

Consultancy support was offered to HEIs following the evaluation of HR strategies. OPM was engaged to deliver these services following a competitive tender. The level of consultancy support offered to HEIs varied according to need. HEIs with less developed HR strategies were offered greater levels of support than those with more developed strategies.

At the time of writing (July 2002) HEFCE is undertaking the second round of evaluations and providing feedback to HEIs.

Where percentages are included in this report, this reflects the results of the web-based survey.

3.2 Submission and Feedback

Strengths of Submission and Feedback

The balance of evidence indicates that HR strategies were assessed robustly and that evaluation outcomes generally reflected the strengths and weaknesses of each of those strategies. This is reflected by the vast majority of HEIs (82%) either agreeing or strongly agreeing that the evaluation of the HR strategy was accurate.

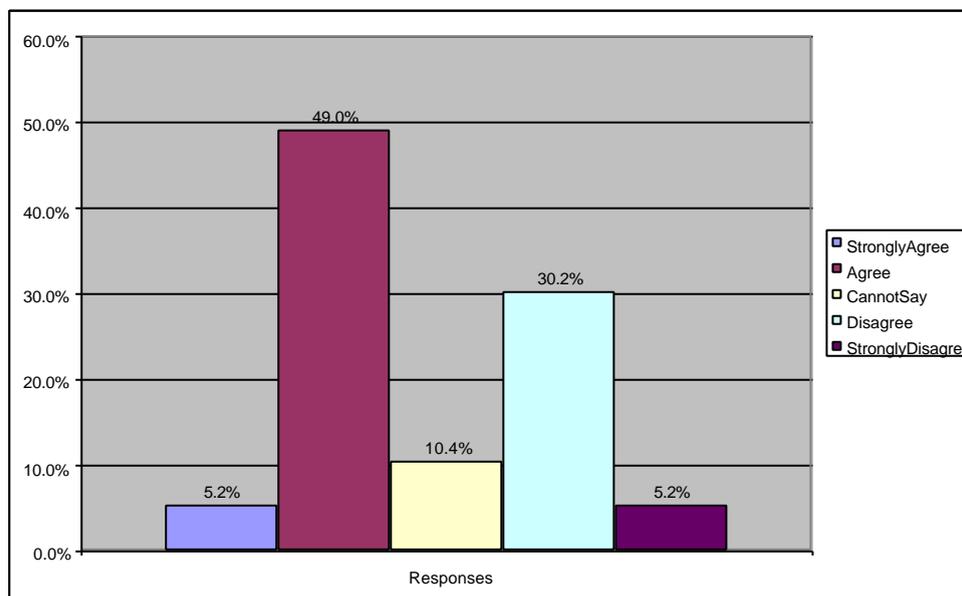
The evaluation process was both transparent and widely understood by HEIs. Again, the vast majority (76%) of HEIs considered the evaluation process itself to be transparent and understood. However, interviews indicated that this was not always the case, with a few HEIs not having a good understanding of the criteria applied to evaluate strategies. A small number of the stakeholders interviewed felt that the funding process needed to be more transparent.

The six priority areas were considered by most to be broadly reflective of the HR priority issues within the sector. Several HR Directors interviewed explicitly commented that these matched the needs of their institution. A small number indicated that they had additional priority areas that were outside these six, such as improving HR technology.

Weaknesses of Submission and Feedback

Feedback from the initial evaluation of HR strategies was too generic and short to provide the level of guidance desired by many HEIs, particularly those evaluated as emerging. This is reflected in results set out in Figure 1, detailing the extent to which feedback and guidance following status decision (full or emerging) was relevant and useful. Although a majority thought that the feedback and guidance was relevant and useful, a third did not.

Figure 1 Responses to Statement: ‘Feedback and Guidance was Relevant and Useful’



The structure of the wider project team included OPM consultants, HEFCE regional consultants and the HEFCE project manager and sponsor. An initial lack of understanding and clarity between the role of HEFCE regional consultants and OPM consultants in evaluating HR strategies led to some duplication and communication issues. Both internal HEFCE representatives and other stakeholders noted these initial problems. HEFCE has now clarified roles and will be providing greater feedback to HEIs for the second round of evaluations.

A number of HEIs were unsure whether they were able to submit draft strategies to HEFCE prior to the deadline in order to obtain some guidance and feedback about their final submission. This process of seeking feedback was often undertaken through HEFCE regional consultants.

Many HEIs considered the length of time given to develop HR strategies to be very short. Several commented that HEFCE did not provide adequate notice about the process, despite considerable communications and consultation. During the evaluation, it emerged that the length of time required to develop HR strategies was often related to the sophistication of HR within those institutions at that time i.e. the less influential the HR function, the longer it took to produce the strategy. However, to accommodate this, HEFCE encouraged the submission of emerging strategies rather than delaying the initiative

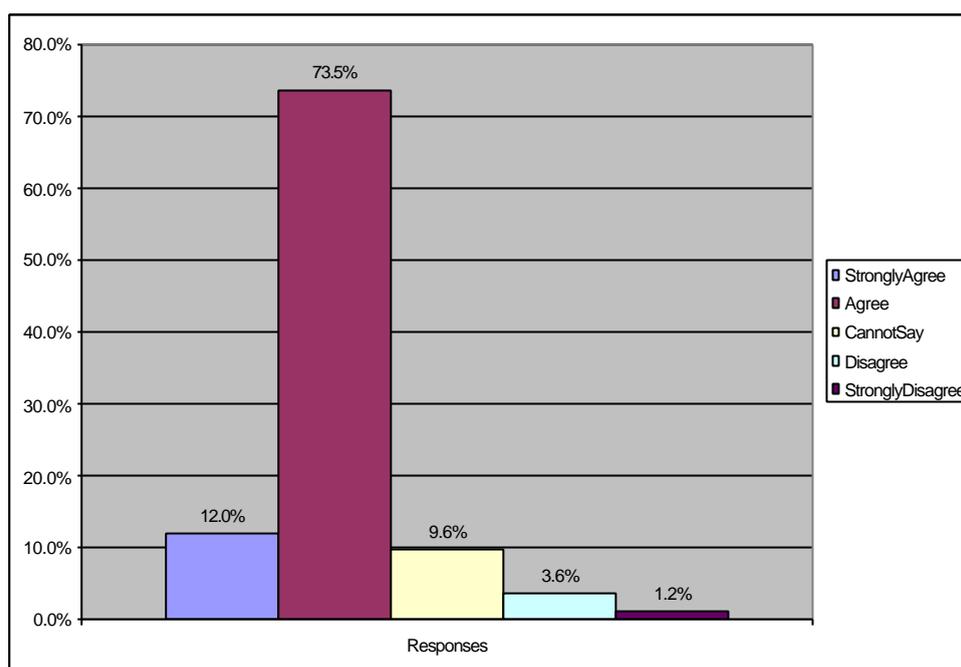
3.3 Consultancy Support and Advice

Strengths of Consultancy Support and Advice

The availability of consultancy support was welcomed by HEIs. The assistance of OPM, specifically, has been well received. Feedback regarding OPM consultants' knowledge of the sector and HR strategy has, for the most part, been extremely positive. The vast majority of HEIs felt strongly that the role of OPM was easily understood (85%) and considered that OPM applied a comprehensive understanding of the HE sector (70%).

As part of the consultancy process HEIs consider that OPM has been able to effectively facilitate the transfer of knowledge to institutions. This is reflected in results set out in Figure 2.

Figure 2 Response to Statement 'Consultants were able to Transfer Knowledge Effectively'



Weaknesses of Consultancy Support and Advice

Due to resource constraints and the need to focus on HEIs with the greatest need, extensive consultancy support could not be offered to every institution. A significant number of HEIs commented that additional support would have been useful in developing and implementing their strategies further. A number of HEIs commented that the level of support they were offered was insufficient for consultants to fully understand the issues affecting their institution. To achieve a balanced view it must be remembered that OPM’s budget allowed for an average of around three days per HEI, sufficient to provide guidance to each HEI to further develop their strategy, not to design solutions to their problems.

The timing of consultancy support was considered by many HEIs to be less than optimal. Interviews commonly revealed a desire for consultancy support prior to the submission process, and/or additional support during the first year of the project.

The provision of consultancy support while HEIs were developing HR strategies for submission in June 2001 would no doubt have assisted in ensuring HEIs met HEFCE requirements more completely. However, at the time HEFCE would have had little or no basis to provide differing levels of support and there was nothing to prevent institutions procuring their own consultancy support. Differing levels of support were subsequently offered based on whether an HEI’s strategy was judged to be ‘emerging’ or ‘full’.

A number of stakeholders commented on their unease with OPM both assisting HEFCE with the evaluation and providing consultancy support to HEIs; a slight ambiguity in their role. However, there is no evidence to suggest that this has influenced the take up of consultancy support. Some suggested that submission processes may benefit from the development of a comprehensive probity plan, aimed at proactively addressing these issues. However, OPM operated through a clear

contract to provide services, so the issue is more in stakeholder perception of the role of the consultancy.

3.4 Good Practice Guide

Strengths of the Good Practice Guide

Almost every HEI (90%) made some use of the good practice guide either prior to or following the submission of HR strategies. In addition, almost all HEIs stated that they found the guide relevant (95%), clear and easy to use (88%), and for the vast majority it provided practical guidance (84%). The document itself was clearly useful to a large proportion of HEIs.

A number of interviewees commented that the guide checklist provided in the appendices was a valuable tool.

Weaknesses of the Good Practice Guide

The timing of the guide did not fully assist HEIs in submitting strategies. This was true despite an earlier draft being available and posted on the HEFCE web-site. For many HEIs the timing of publication limited the extent to which they could usefully apply findings from the guide. There appears to have been some reluctance to apply results from the draft for fear that the results might change significantly in the final publication.

A number of HEIs raised queries as to why certain examples were used as good practice and not others. The guide notes that at the time of publication there were some areas where examples of good practice were difficult to find, particularly in areas such as evaluation and measurement. In practice, some HEIs were looking for best practice examples on most issues. Clearly, the number of best practice examples will increase as HRM improves across the sector.

The guide explicitly sought good practice from within the HE sector, although it did include examples from outside the sector. There is merit in any further documented or presented assistance to HEIs looking beyond HE and drawing upon wider public and private sector examples. This should assist in moving HRM in higher education beyond current levels.

3.5 Regional Seminars

Strengths of Regional Seminars

HR representatives and/or senior managers from almost every HEI (90%) attended at least one regional seminar during the strategy submission process. This indicates the popularity of seminars within the sector.

The purpose of seminars was to facilitate communication between HEFCE and HEIs, share examples and experiences, and to provide an opportunity for informal networking between HR professionals in the sector. This was well understood by those that attended (86%).

Presentation at regional seminars from HEFCE, particularly by the HEFCE's Director (Finance and Corporate Resources) were greatly valued, since he provided background

information that helped HEIs to put the initiative into context. Case studies and real life examples were also viewed as being most useful.

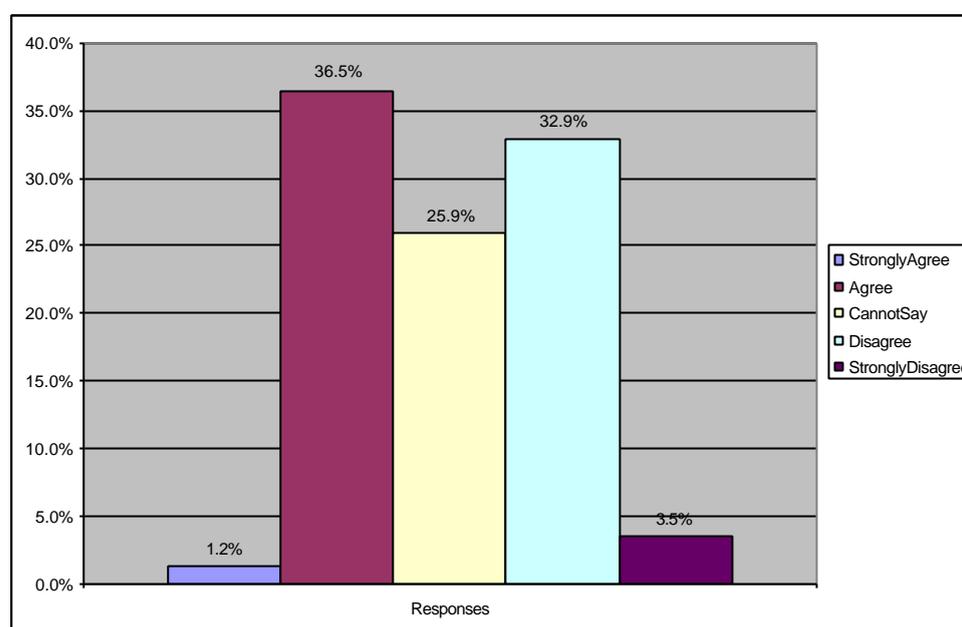
Regional seminars were considered by the vast majority of attendees to be well organised (85%).

Weaknesses of Regional Seminars

Many attendees considered some aspects of regional seminars to be of less value. Presentations from OPM consultants were commonly viewed in this manner. Given the positive feedback to the consultancy support provided by OPM this may reflect the topics or presentation style of the consultants. Others also stated in interview that the performance of OPM at the seminars was less impressive than in one-on-one situations.

Although regional seminars provided a good opportunity for networking within the sector, the extent to which regional seminars assisted with problem resolution was mixed (see Figure 3).

Figure 3 Responses to Statement: ‘Regional Seminars Helped to Resolve Problems’



It should be noted that other support mechanisms, such as the consultancy advice, more readily lent themselves to the solving of problems.

Several HEIs raised points relating to the timing of regional seminars. A number expressed the view that there were not enough seminars in each region and too little choice of dates. In addition to this, HEIs felt that they may have been able to solve more problems relating to the HR strategy if they had taken place either earlier (prior to formulating strategies) or later (once strategies had been formulated) in the process.

3.6 Relationship between HEFCE and HEIs

Throughout the evaluation process, HEIs noted that they perceived the relationship between themselves and HEFCE to have been strengthened through this initiative. In particular, the scope of the HEFCE/HEI relationship has widened to include HR, where previously the relationship focused on other areas such as finance and governance. Despite this strengthening of relationships across the sector there are a number of examples of HEIs that were slightly confused about the role of advisers {??} and OPM in the submission process. For instance, some felt that their strategy had been evaluated twice, once by an adviser [??] and once by OPM.

This confusion has hopefully now been resolved. OPM ran a workshop with HEFCE regional consultants prior to the latest round of strategy submissions and this has resolved many of the misunderstandings over role.

3.7 Conclusions

From this analysis, we can conclude that each element of the supporting infrastructure was both valid and useful. In particular, the programme of regional seminars should continue and there are relevant plans in place. HEIs have built and can build further on the networking engendered by the seminars to form a network for problem sharing and solving. The good practice guide can be developed further and populated with excellent practical examples, many of them described through this project. The development of an interactive benchmarking tool will help this learning process.

4. HR INITIATIVES AND DEVELOPMENTS IN THE SECTOR

4.1 Overview

This section of the report details the HR initiatives and developments that have been commonly implemented by HEIs over the past 12 months. Many of these initiatives would not have been undertaken by HEIs if additional funding had not been made available.

The HR initiatives undertaken by HEIs have tended to focus upon the first three priority areas. This is not surprising given HEFCE guidance on the submission of HR strategies as emerging.

4.2 Recruitment and Retention

Overview

Pay levels are clearly a significant factor affecting HEIs' ability to recruit and retain staff. Consequently many HEIs have used the funding to assist in addressing pay-related issues. However, salary adjustments in the form of market-related premiums are not the only approach used to recruit and retain. Other financial and non-financial incentives are also used.

Financial Incentives

To attract candidates to 'institution-critical' positions, many HEIs have introduced market-related pay supplements. Our research indicates that these supplements commonly focus upon academic and professional staff groups that are either in high demand internationally or with the private sector. Posts included IT, engineering, psychology and business orientated lecturing roles as well as internal IT and finance positions.

Some HEIs have looked at financial incentives beyond salary. Relocation packages were viewed as a key element in attracting staff to some areas.

In one particular case study, HEI had provided relocation assistance to approximately 30 academic and professional staff members in the past year.

In addition a number of HEIs following pay benchmarking have introduced market-related supplements - to attract and retain key talent.

One HEI has assessed retention difficulties in key areas, for example IT support. In the past 9 months only 1 of the 40 internal IT staff members has left the institution This was due to a combination of additional market-related pay adjustments and changes within the wider economy.

Non-financial Incentives

Flexible working practices are being used to attract employees by several case study HEIs, as well as being noted by several survey respondents. Flexible practices included those related to working hours, job sharing and part-time roles. Staff in several HEIs, including representatives from outside the HR department, commented that this was having positive effect on the quality of candidates they were able to attract in some areas.

Numerous HEIs have revised, widened or developed induction and mentoring schemes that aimed to assist with retaining employees, as well as facilitating training and development.

One case study institution has further developed its Employee Assistance Programme to include both counselling and mediation. 196 people in the institution used the programme in the last year. This system is being evaluated by members of the institution's psychology department to ensure its effectiveness.

Enabling the Recruitment Process

Evidence from a number of HEIs indicated greater use of the Internet to post job advertisements. Some institutions had extended this so that candidates could apply for jobs directly over the internet. This has helped streamline recruitment processes and reduce the HR resources required for basic administration.

Many HEIs had appointed recruitment officers to help focus efforts on specific recruitment needs and issues. This enabled HR resources to focus on other activities.

Exit Interview Data from Leavers

A common strategy for the majority of case study HEIs related to the use of exit interview data to gain a better understanding of the reasons for staff leaving the institution. One case study HEI had allocated HEFCE funding to recruit an additional HR project analyst specifically for this role.

4.3 Staff Development and Training

Overview

Staff development initiatives tended to be focused on specific training programmes, as opposed to developing strategic plans. These programmes were often in support of other HR initiatives. There was little evidence of radical changes to the ways in which training was delivered.

Development Initiatives

Management development was commonly identified as a requirement, with relatively few HEIs having introduced comprehensive management development programmes for academic and non-academic leaders. Others felt it was a good idea but had not yet formulated plans.

A small number of case study HEIs had planned and were beginning implementation of institution-wide development programmes, e.g. leadership skills of senior management.

Specific staff training programmes used by HEIs varied considerably. Common examples included diversity, IT, HR and supervisory skills training. The identification of training needs typically was ad hoc, although some evidence of links to performance management practices was evident.

Training and Development Resources

Recruiting someone specifically to design and deliver training and development, or increasing the current training and development resources, had enabled some HEIs to provide a greater focus on training and development needs. For many HEIs this was closely aligned to learning and development strategies and or Investor –In –People (IiP) programmes. Some HEIs have been re-awarded IiP, others have regained it, and one is being audited every 18 months rather than three years to ensure that it is keeping on track.

Evidence of e-learning or mixed media learning was scarce, although a number of HEIs had planned initiatives in years two and three of funding. Few survey respondents noted e-learning as a strategic development.

One case study HEI is currently evaluating its pilot e-learning initiative with a plan to roll this out to all staff.

Equal Opportunities

Overview

Almost every institution acknowledged a need to increase the diversity of staff across the sector. There are clear statutory requirements in this area that need to be met. For most HEIs, the starting point was to develop a clear understanding of their current status. Typically this has involved improving the quality of the information and reporting systems. Initiatives to increase diversity varied, but those that had sought external help to conduct a diversity audit commonly reported that they now had a clear view of the priorities for this area.

Equality Audits

A number of HEIs have enlisted the assistance of the Equality Challenge Unit to conduct equality audits. Specific feedback on this service was that it enabled the HEIs

to gain a clearer understanding of how they compared in terms of diversity within the sector. It has also given them clear diversity goals as well as highlighting areas of weakness. Several case study HEIs had conducted their own internal equality audit and action planned accordingly.

Employee Data

Many HEIs had undertaken data collection exercises on the gender and ethnicity of their staff. A number had extended this exercise to include staff disability statistics, although this was often viewed as an extremely difficult exercise.

An example is provided by one case study HEI that had reduced the percentage of staff classified as 'unknown ethnic origin' from 17% to 8%. Another had reduced this 'unknown' classification to below 10%, where previously it was above 30% in some areas.

An increasing use of technology was evident, with a number of HEIs reporting that they had recently implemented a new HR Information System or that they planned to do so in the future. A number of benefits were reported, with more accurate staff data and better reporting functionality being key. This additional functionality provides HEIs with a far greater understanding of their staff make-up, and also provides the ability to track changes in demographics over a sustained period.

Job Evaluation

In order to ensure a defensible position against equal pay claims, a number of HEIs have continued their introduction of job evaluation systems. Others are looking at the Hay system rather than HERA (Higher Education Role Analysis, a computer-based system). However, many HEIs are awaiting the outcome from national negotiations on HERA before undertaking implementation. There are potential issues here. The views of key stakeholders vary, particularly amongst the unions: from 'HERA has come a long way in its development and might be appropriate' to 'we are not keen on the methodology at all'. An intermediate response recognises the requirement to implement a system of some kind. And whether HEIs choose HERA or Hay, there needs to be the facility to compare results from the two systems.

Diversity Initiatives

Diversity related initiatives were many and varied. Examples include EO seminars and training sessions, the establishment of diversity committees, extension of childcare facilities, and the increased use of flexible working practices. Almost every case study HEI was undertaking some form of initiative in this area. A number of HEIs had recruited Equal Opportunities Officers to increase their depth of knowledge and ability to act in this area.

4.4 Review of Staff Needs

Overview

Much of the focus on this priority was on identifying areas that were over-resourced. This reflects the budgetary pressures faced by individual departments within HEIs. There was far less emphasis on identifying areas that required additional resourcing, other than within the HR function itself. A lack of integration between support

functions (especially HR) and the academic side means that to understand the staffing needs, many HR departments are focusing on fostering better working relationships and working more closely with academic staff.

A number of HR functions are now far more central to the planning process.

One HEI has restructured around a balanced scorecard approach, with the organisation now focusing on finance, its products (courses etc), its customers (students and other stakeholders) and people (its employees). The four direct reports to the Vice Chancellor represent each of the four streams. The HR Director, as a result, has a central role in the strategic planning process.

Organisational Reviews

Several case study HEIs had conducted organisation and/or efficiency reviews, specifically aimed at identifying future staffing needs. In one HEI, such a review had resulted in an organisation being restructured into a smaller number of larger departments. Another had used a similar exercise to identify areas of over and under resourcing.

Headcount Reductions

Voluntary redundancy and early retirement programmes were both used by several case study HEIs and were noted by a number of survey respondents as mechanisms to reduce headcounts where over-staffing had been identified. Several HEIs planned or were in the later stages of similar such staff reviews. HEFCE funding had enabled this to happen at a number of HEIs.

Staff Retraining

Many HEIs were proactive in switching resources from less popular to more popular subject areas. In some HEIs this has required radical staff retraining. Some HEIs offered voluntary retraining programmes, while others have been stronger in promoting new skill development.

4.5 Annual Performance Reviews

Overview

Many HEIs had developed performance management systems prior to HEFCE funding. However in many cases these systems were not robust or did not apply to all staff groups. The majority of case study HEIs had performance review processes in place, but many of these have been reviewed, revised and or extended to include a large proportion of all staff groups. A lack of information or robust measurement criteria has meant that poor performance has typically been less well managed.

Individual Objectives

Commonly HEIs had reviewed and revised appraisal documentation and performance management processes in an attempt to be clearer, to contain more robust measures, and to be more aligned to organisational needs. A small number of HEIs have sought to link individual measures more closely with those of the HEI.

One case study HEI has implemented a balanced scorecard approach to help structure individual targets. This is particularly innovative within the sector and demonstrates an infusion of typically private sector initiatives into HE.

Performance Management Tools

The use of balanced scorecard tools demonstrates the increasing sophistication of some HEI performance management practices. However, a number of HEIs appeared to lack a clear vision and understanding of how performance management tools could best support improved individual and organisational performance. Common tools and techniques were either not being fully used or being inappropriately applied. For instance, one institution had introduced a competency framework, but then made the use of it voluntary. Competency frameworks work most effectively when they are central to development and performance management activity. Partial use undermines their effectiveness.

4.6 Managing Poor Performance

For many HEIs a lack of performance information and robust measurement criteria has meant that poor performance has typically not been well managed. As such, the only evidence we have of HR initiatives to address the management of poor performance was in the form of revised performance management systems. Rather than put in place systems to tackle poor performance specifically, HEIs have improved their performance management systems as a whole and, through this, expected to identify and manage individual performance issues.

4.7 Conclusions

The majority of initiatives implemented can be found in the first three priority areas, as might be expected. There are many concrete examples, particularly linked to recruitment, development and equal opportunities. To a certain extent, progress on job evaluation has been held up by the development of HERA.

HEIs have tended to wrap up tackling poor performance with developing effective performance management systems. The clearest indication of HR playing a more central role in the operation of HEIs at a business level is through the priority area of staffing needs. Many HR functions are now fundamentally involved in the resource planning process and are therefore able to influence the other areas of HR priority more effectively.

5. OUTCOMES AND RESULTS

5.1 Overview

This section of the report details the outcomes and results that have been achieved by HEIs following HEFCE funding and the implementation of HR strategies. The outcomes and results relate directly to the HR activities of institutions undertaken over the past 12 months following HEFCE funding.

The web-based survey asked respondents to indicate whether initiatives had been implemented and whether they were considered a success in the eyes of the respondent. The results are indicated below.

Table 1. Outcomes of Initiatives (Survey Results)

Priority Area	Recruitment and Retention	Staff Development	Equal Opps and Job Evaluation	Staff Needs	Performance Reviews	Poor Performance
Introduced	76%	75%	75%	56%	48%	43%
Considered Successful	87%	97%	77%	81%	87%	68%

While it is extremely early in the process to evaluate outcomes from strategic initiatives, a number of early examples of progress were highlighted during the course of this evaluation.

5.2 Level 1: Reactions

Prior to HEFCE funding, few HEIs had a central document setting out their HR strategy. HR programmes and initiatives were commonly set out in business, faculty, or training and development plans. This initiative has forced HEIs to compile a focused document of strategic HR intent.

For many HEIs, HEFCE funding has allowed them to speed up the implementation of planned HR programmes and initiatives. For others the development of HR strategy and planning has become more significant. The visibility of HR and its perceived importance has been raised within many institutions. Stakeholders outside the HR departments of HEIs commonly and consistently communicated to the evaluation team that HR across the sector has received a significant increase in profile as a result of this initiative. Our own observations confirm this development.

Funding has allowed the HR departments of many HEIs to focus more on HR strategy than on transactional and administrative activities. For a significant number of HEIs it has allowed their HR department to focus on strategic issues and concerns for the first time, as additional resources or methods have been used to support transactional activities.

In this first year of funding a significant component of expenditure has been allocated to the development HR infrastructure, including technology implementation and specialist support on job evaluation and diversity. The previous section of the report

detailed examples such as the recruitment of HR resources and software developments. The development of this infrastructure in year one is a necessary part of developing HRM within the sector for the long term.

Despite feedback that the six priority areas were generally reflective of the HR needs of HEIs, there is evidence that some HR strategies have been forced into the six priority areas. A small number of HEIs commented that some of their HR initiatives were outside these areas. A common theme is the priority given to HR systems implementation, which helps improve HRM efficiency and provides the data to measure progress.

5.3 Level 2: Learning

Evidence indicates that this initiative has significantly increased the HE sector's awareness and, to a lesser degree, understanding of HRM. This has been reported from multiple stakeholder groups both within and outside HEIs. Within HEIs, increased understanding has been most prevalent at senior levels. This was a view commonly expressed from Vice-Chancellors and Principals. There is little evidence to suggest this understanding is being widely developed at less senior institutional levels.

Many Vice Chancellors and Registrars were thrust into the role of HR strategy authors, as there was no-one with sufficient experience within their HR functions able to draft the strategy. The understanding of other senior line managers has been raised by the involvement of HR professionals, who became central to the acquisition of significant funds.

There are also examples of departmental heads being involved in more rigorous HR planning activities, such as formally bidding for that part of the funding set aside for training and development. Funding is then allocated on the basis of planned outcomes.

For all HEIs the area that has most benefited from this initiative in terms of learning and skill development is the HR department. The recruitment of HR experts from outside the sector, with skills in areas such as job evaluation and training, is having a positive impact on the professionalism and capability of HR across the sector. However, from the site visits conducted there are still HR capability gaps within many HEIs.

It has also been described that the level of debate between meetings of HR practitioners at regional level has improved from 'talking shops' to meetings where real debate and the exchange of views occurs to solve real, pressing problems. Learning through networking and discussion has also been clearly evident.

5.4 Level 3: Behaviour

This level measures both the degree to which HR strategies have been implemented and the degree to which they have impacted on behavioural changes within HEIs.

Very few HEIs have in place mechanisms to assess changes in behaviours apart from performance management systems. It was beyond the scope of this project to assess to that detailed level of evaluation. However, a number of positive behavioural outcomes were described by various case study HEIs and survey responses.

As a result of the introduction of market-related pay premiums and revised relocation policies, one case study HEI has been able to change the behaviours of recruitment candidates, and reduce the withdrawal rate for academics and senior manager candidates being offered positions.

An interesting working example of retraining policies was provided by another HEI. Following a decrease in student numbers in the language department, a lecturer from this department is being retrained to deliver student courses in information technology.

Another often-quoted example is the introduction of probation processes, so that academic jobholders are subjected to a formal review after a defined period rather than 'almost having the job for life'. Another example of more flexible employment policies is the high numbers of contract staff. There is a concern that it is difficult to build commitment and motivation with such a high level of contract staff. The balance to this is the cost of full-time staff.

The degree to which HEIs have been able to implement their HR strategies has varied considerably. Several case study HEIs have maintained implementation timetables. A number, however, acknowledging the ambitious nature of targets set in year one, have not been able to achieve initial timeframes. For many HEIs this has highlighted a learning point in respect of the timeframes involved in developing and implementing HR programmes.

Anecdotal evidence indicates that behaviour-level outcomes are being achieved more readily where HR is championed by the head of the HEI and where the most senior HR practitioner has a mechanism to support not only HR, but also organisational initiatives. This was commonly reflected by HR Director reporting lines being close to the head of the HEI. Such activities often demonstrate the level of commitment to the attainment of HR objectives.

5.5 Level 4: Business Results

For the majority of HEIs it is too early in the process for business results to have been generated. Despite this, many of the case study HEIs in particular were able to provide tangible examples of where their HR strategy was impacting upon business-level performance.

Recruitment and Retention

There are well-publicised recruitment and retention difficulties within the HE sector. These difficulties were reflected in recent results from the survey of HE institutions commissioned by the Universities and Colleges Employers Association (UCEA). However, despite these difficulties, a number of institutions were able to report significant outcomes over the past year.

One institution had reduced the number of vacant positions within a number of faculties. Several had addressed recruitment and retention difficulties related to IT staff, with one HEI having only one member of IT support staff leave in the past nine months. These IT staff-related outcomes could also, in part, be ascribed to changes in demand within the wider economy.

An interesting perspective put forward by a number of HEIs and stakeholders concerned the degree of turnover that was optimum. Some HEIs wanted less turnover,

others wanted more. In London, for instance, turnover is counter-cyclical. When the economy is doing well, recruitment into higher education is difficult. In a slump, recruitment is easier because staff are not recruited to the finance sector, for instance.

Staff Development and Training

Training and development outcomes achieved by institutions tended to focus on programmes such as IiP. A number of institutions have extended their IiP accreditation. Two institutions that had previously lost accreditation were able to invest additional HEFCE money into their various programmes and have subsequently been reinstated as IiP organisations.

Training has been used by a number of institutions to assist and facilitate a strategy of developing internal talent, rather than sourcing this talent externally. Illustrating this strategy, one case study HEI had invested in supervisory skills training and, having developed their staff actively, sought successful internal candidates for assistant manager roles. Without this training few internal candidates would have had the skills necessary for the roles.

Excellent examples of progress are institution-wide development programmes in areas such as leadership.

Equal Opportunities

Many HEIs had or were in the process of developing diversity targets. A number had developed action plans to address specific issues. However, one HEI had achieved the diversity target set for the HR department of the institution within this first year. Another had completed a pay (gender) equity audit, indicating an academic pay differential of less than 1.3% across the organisation. While a third had increased the proportion of people from ethnic minorities in its workforce from 1% to 2.5% .

Despite an unclear national position on job evaluation, a number of institutions had been able to widen participation in job evaluation schemes to include greater numbers of non-academic staff.

Many HEIs have raised their professional capability through the recruitment of specialists in equal opportunities and job evaluation.

Review of Staffing Needs

Reviews of staffing needs have resulted in a number of institutions gaining resource efficiencies. One HEI had implemented a voluntary redundancy programme through HEFCE funding and as a result had made 80 staff redundant over the year. Another was about to enter a planned efficiency exercise reducing clerical and administration staff by 12.5% over the next 12 months. This was anticipated to result in a cost saving to the HEI of £350,000 p.a.

Voluntary redundancy programmes were perhaps not the intended use of funding and might not have been clear in some HR strategies. However, HEIs have reported that such programmes have enabled them to break log jams and introduce much needed changes in organisational structure. The evidence points to the changes having been done in an inclusive manner with stakeholders.

Several case study HEIs provide strong evidence of increased HR involvement in organisational planning. One such institution has implemented a programme of organisational planning involving HR, finance and faculty heads. The planning programme is chaired by the Vice Chancellor.

Annual Performance Reviews and Managing Poor Performance

Few examples of performance review or outcomes from performance-related pay practices could be identified. A notable exception to this was provided by one case study institution that had piloted a bonus scheme within one department. Providing a good example of follow-up evaluation, a post-scheme survey had indicated a positive outcome, with 53% of staff commenting that they were more motivated as a result of the scheme and 94% believing such measures helped improve performance.

5.6 Level 5: Sector

It is too early in the process to assess the impact of this initiative on the performance of the sector overall. Improved sector performance from this initiative is likely to be the result of the aggregate of the improved business of individual institutions. However, there is clear evidence that a significant number of HEIs have made considerable progress in developing HR infrastructure and that some organisational-level outcomes are being achieved.

The signs are that the profession as a whole has made important strides. There is a higher level of professional resource within the sector. This was happening anyway but the process has been accelerated by this initiative. As well as the recruitment of equal opportunities and job evaluation specialists, there is evidence that HR Directors from outside the sector are being encouraged to join it because there are the budgets available to bring about change.

There is also evidence that HRM within the sector is more transformational, more central to business planning, treated more seriously by senior management and contributing directly to HEI performance.

5.7 Risks and Barriers

The evaluation process highlighted a number of risks and barriers to the objectives of the initiative being fully achieved. These risks and barriers remain significant obstacles. They include:

- Decision making within many HEIs remains a slow process with a need for considerable consultation often within and outside the institution. These slow processes impact upon the institution's ability to react to changing market conditions. This feature is exacerbated in older universities which have strong academic governance. However, while this tends to make it difficult for HEIs to act quickly, there is greater inclusivity in the decision-making.
- Within the sector there are areas and topics where resistance is considerable. This is perhaps best demonstrated by the resistance, for instance, to many HR initiatives associated with performance-related pay. Progress is reported within the sector on HERA. However, stakeholders have different levels of buy-in

which means that its introduction is by no means assured. It would be useful to ensure that there is read across between HERA and other systems such as Hay.

- National negotiations and (at the time of writing) no clear outcome on issues such as job evaluation generate uncertainty, which makes decision-making regarding the implementation or widening of such systems difficult.
- There is a risk that if some or all of the funding for the initiative is made core, then it might be diverted into other projects.

6. LONG-TERM EVALUATION OF THE INITIATIVE

Evaluation is the process of assessing the impact of a project while it is in operation, or after it has come to an end. It involves consideration of the economy, efficiency and effectiveness of the project to determine the value for money obtained from intervention, how well it achieved its objectives and whether there were any unintended outcomes. Evaluation brings to the fore the lessons to be learnt for the future which can in turn be fed into future decision taking.

(‘The Green Book’ Appraisal and Evaluation in Central Government, Treasury Guidance)

6.1 Overview

This section of the report provides a summary of long-term evaluation tools available to HEFCE, in order to assess the impact of this initiative. In addition, an evaluation of the strengths and limitations of each option and the describing of a preferred approach has been undertaken. The Treasury Green Book provides a start point.

6.2 Purpose

Long-term evaluation can serve a number of purposes. The longer-term evaluation of this initiative should be undertaken with the following purpose in mind.

- Assessing added value: Assessing if quantifiable benefits have been gained due to funding.
- Identifying needs: Identifying what needs are being met or not being met.
- Pinpointing the problems: Pinpointing what problems require solutions in the short and long-term.
- Demonstrating accountability and transparency: Demonstrating to stakeholders value and providing quality assurance
- Ensuring learning and improving: Ensuring learning and performance improvement is achieved through the process
- Assessing cost effectiveness and outcomes: Assessing project costs against the benefits attained.

6.3 Techniques Available

The options available for long-term evaluation range from simple qualitative measures to complex and sophisticated financial and quantitative analysis models. The most relevant options are discussed in detail below.

Technique 1 – Cost Benefit Analysis

Purpose and Scope of Cost Benefit Analysis

The purpose of cost benefit analysis (CBA) is to identify and value as many of the costs and benefits of a project as possible. CBA commonly focuses upon the financial and or quantitative costs and benefits derived from a project or initiative, although qualitative costs and benefits are also commonly included in any analysis.

CBA Approach - Net Present Value or Discounted Cash Flow Calculations

There are many different models and methodologies for undertaking CBA. Treasury evaluation commonly uses and endorses assessments using net present value (NPV) and or discounted cash flow (DCF) options. NPV or DCF identify yields derived from the greatest net benefits.

Table 2: Strengths and Weaknesses of Cost Benefit Analysis

Strengths	Weaknesses
Highly methodological approach – would provide HEFCE with a logical methodology in tackling long-term project evaluation.	Reliance on NPVs can be misleading in cases where the majority of benefits are of a qualitative nature.
It is the Treasury’s preferred evaluation technique.	CBA via NPV is typically used prior to a project being undertaken rather than post-evaluation.
	Adding money value to non-money items can be not only challenging but present an inaccurate account for HEFCE.

Technique 2: Benchmarking

Purpose and Scope of Benchmarking

The purpose of benchmarking is to improve organisational performance through comparison and shared learning to provide externally robust practices and results. The process of benchmarking involves identifying, understanding, and adapting outstanding practices from other organisations or sectors to help organisations to improve performance. Benchmarking of HR would probably include performance indicators such as staff turnover, staff ratios, diversity, funding allocated and spending ratios (e.g. training costs per employee group).

Benchmarking Approach

The key components of a benchmarking exercise involve:

- data gathering in the form of detailed surveys of measures and processes used
- identification of best performers and best practice
- site visits to those organisations identified as the best performing.

This is, in effect, the process used for this evaluation.

Table 3: Benchmarking Analysis

Strengths	Weaknesses
Technique well known for identifying models of good practice through external comparison.	Benchmarking against a similar organisation may not be useful anyway if organisation is unsuccessful.
Has the facility to assess both quantitative and qualitative data.	Finding relevant comparative sectors for HE may be difficult.

Technique 3: Performance Measures and Indicators

Purpose and Scope of Performance Measures and Indicators

The purpose of performance measures and indicators is to provide a set of instruments through which performance improvement can be monitored and assessed. Not all indicators can be allocated a measurable form. For some issues there may be no substitute for a qualitative judgement. Whenever possible, an evaluation should look for exact measures and, if they are not obtainable, use indicators to provide those aspects with a measurable form.

Performance Measures and Indicators Approach

In deciding on effectiveness and efficiency measures or indicators a balanced approach is required. A combination of the following measures would need to be applied:

- Cost and non-monetary measures: To ensure a balance between financial and non-financial indicators.
- Input and output measures: To ensure both activities (inputs) and outcomes are assessed and connectivity established.

Figure 4: Efficiency/Effectiveness Approach

The diagram below depicts an overall efficiency/effectiveness approach.

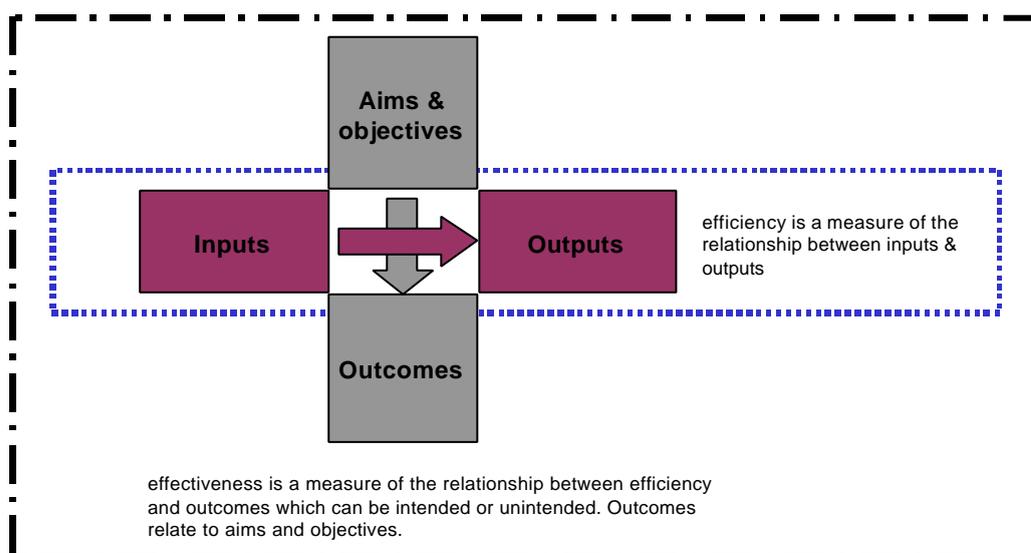


Table 4: Performance Measures and Indicators Analysis

Strengths	Weaknesses
Highly applicable for qualitative and quantitative analysis.	The requirement for relevant performance measures and indicators to the specific case is vital.
Able to ‘think outside the box’ and use other industries’ HR indicators and measures.	

6.4 Preferred Option - Principles

Our analysis indicates that the most suitable approach to the long-term evaluation of the initiative is likely to be achieved through the use of performance indicators and measures. This does not exclude the potential for a combination of techniques being applied to assess outcomes, in particular a combination of performance measures and benchmarking, which may draw upon external sector comparisons to reinforce validity.

CBA and NPV type models are less able to quantify the benefits derived from complex objectives such as diversity. This weakness outweighs the benefits inherent in using the Treasury preferred model of evaluation. While benchmarking is a valuable comparative tool, performance indicators provide a robust method of utilising both quantitative and qualitative analysis. Performance measures and indicator analysis can however be combined with benchmarking to further support analysis.

Other Considerations of Performance Measures and Indicators

If performance indicators are to be used successfully in these ways it is crucial that they are integral to the process by which management links objectives to outputs and outcomes. What they measure must be meaningful and material to the fundamental mission of HEIs and the performance of their HR functions. Each of these issues is considered in the following sections.

1. Indicators to be meaningful: It is important to ensure that indicators are both meaningful and consequential measures of performance and not just convenient or easy indicators. It is also important to recognise the distinction between targets, which can be used to indicate success in meeting defined output or outcome objectives, and performance indicators, which are ratios that can be used as indicators of efficiency or effectiveness.
2. Comparability and consistency: If indicators are going to be used to contribute to the bilateral evaluation of performance then there has to be some degree of comparability both between the institutions being compared and between how indicators are defined and collected. There also has to be an intelligent interpretation of data and an appreciation that indicators are not an end in themselves but should be used to prompt further questions.
3. Question of measuring quality: Many outputs and outcomes are hard to measure (in particular in terms that do justice to quality and value). Also many activities contribute to more than one output or outcome, and input costs are hard to calculate as there is little sophisticated use of costing.

6.5 Proposed Model for Long-term Evaluation Methodology

We advocate the following methodology for the long-term evaluation of the initiative. This is a complex and far-reaching programme and deserves an evaluation approach that uses both quality driven process evaluation and performance driven output key performance indicators (KPIs). The model below summarises our approach and will need a great deal of further development before it is operational. In the following section we give examples of the evidence required.

Figure 5: Proposed Evaluation Model

Level	Input	Process	Output
Reaction and Learning	Stakeholder input	Support infrastructure	Questionnaire feedback
Behaviour	Level of resourcing Quality/Status of strategy Completeness of strategy Use of KPIs	Best practice tools and techniques	Achievement of HR KPIs
Business	Position of HR within senior team HR Balanced Scorecard	HR input to business planning process Degree to which HR technology is integrated with rest of HEI	Achievement of HEI objectives
Sector	Level of funding Numbers of HEIs with full strategies	Involvement of stakeholders Use of audits	Achievement of fundamental change Government targets

Line of Sight

The evaluation model stays faithful to the levels approach taken in this project. The higher the level (sector level is the highest), the more difficult it is to link initiatives directly with changes in performance.

Another key aspect is that in undertaking evaluation it will be important to contextualise results. For instance, a KPI might be reduction in staff turnover. A subsequent decrease in turnover might be as a result of a specific policy or practice change, but it may also be the result of other factors e.g. changes in the local economy and recruitment practice.

Levels of Evaluation

The model addresses different levels of activity and impact. At the reaction level and learning level it is the make-up and impact of the initiative itself i.e. the submission process, advice provided by HEFCE, regional seminars and the good practice guide. At a behaviour level it is the individual strategies and their impact on the six priority areas.

At the business level it is the achievement of HEI business goals. At the strategic level it is the achievement of fundamental change in HR management and government goals on higher education. To a certain extent the achievement of defined outputs at a strategic level is the sum of achievement in all the individual HEIs.

Stages of Evaluation

The model focuses on inputs, processes and outputs, so that it is not just the achievement of targets that matters but how they are achieved.

At the reaction and learning level appropriate evaluation measures will be:

- the degree to which all stakeholders are transparently involved in providing input to design and evaluation of the initiative
- the infrastructure provided to support the initiative. This may be extended beyond the current regional seminars, OPM advice, good practice guide and regional adviser [??]support to include interactive benchmarking for instance
- the use of questionnaires to measure response and opinion. The questionnaire used to date can provide a useful baseline. It might be extended to include responses on specific issues in more detail.

At the behaviour level, evaluation is based on what individual HEIs are actually doing to raise the quality of HR management, and appropriate measures will be:

- in terms of input, the resourcing of the HR function. The past two years, for instance, has seen an increase in capability of the function through the recruitment of equal opportunity and job evaluation officers. Success should not be measured in terms of the numbers within the HR function but in what they can deliver linked specifically to the six priority areas
- in terms of process the quality of HR policies and practices being employed. This is where a benchmarking tool will be valuable. It will enable HEIs to track their own competence related to the best practice within the sector, but also best practice examples from outside the sector
- in terms of outputs, the achievement of defined KPIs related at least to the priority areas. Appendix 3 provides some examples of KPIs that are relevant to each of the current priority areas. These are commonly used in HR benchmarking.

At a business level, the model is concerned with assessing the overall contribution of HR to the performance of the business, and the achievement of HEI objectives. Appropriate measures will be:

- in terms of inputs, the reporting level of the most senior HR person. HR managers cannot influence effectively unless they are part of the senior team. Also important is the presence of an HR Balanced Scorecard i.e. a strategy for HR with objectives that address its financial performance, its clients (the HEI itself), the services it offers and how these are developed and maintained, and the quality/capability of the people within the function. Also important is the quality of HR IT supporting the function and whether this integrates with payroll and other IT systems
- in terms of process, appropriate measures are the degree to which the HR function is central to the strategic and annual planning process and the degree to which it effectively supports transformational rather than transactional activity
- in terms of outputs the achievement of HEI business goals is appropriate, but there would need to be a realistic assessment of HR's contribution.

At a strategic level, it is most difficult to make a robust evaluation. The line of causality will be most difficult to trace between inputs, processes and outputs. Appropriate measures will be:

- in terms of inputs, the level of funding of this initiative and future stages of it, and the number of HEIs with full strategies. In the future it might also be the degree of earned autonomy within the sector
- in terms of process, it will be the transparent involvement of stakeholders across the sector in both design and implementation. Another measure, which might be contradictory, might be the speed of implementation. Also relevant is the monitoring and audit process employed for the initiative in the future, and the feedback of lessons learnt to stakeholders
- in terms of outputs, the achievement of fundamental change in HR management across the sector and the achievement of government targets for the HE sector.

In this way the evaluation model will address both the quantity and quality of what is being achieved. One key issue needs to be dealt with in order to deliver this model. There needs to be a clear definition of 'fundamental change'. This is a goal of the initiative, but has yet to be given clarity. There are a number of elements that have been suggested during the course of the initiative and these include:

- the reporting level of the HR Manager
- whether the HR function is a strategic partner to the business i.e. is central to strategy and planning processes

- the HR function being operationally excellent
- the degree of financial awareness within the HR function. This can include the degree to which the function benchmarks itself to drive improvement
- the closeness of HR's reporting lines to the senior management of the HEI
- the provision of transformational support, and the provision of proactive solutions.

We recommend that these are all part of the definition of fundamental change.

7. FUTURE FUNDING MODELS

Assuming funding is extended beyond the three-year period of this initiative there are a number of options available. These tend to fall into one of the following categories:

- funding is integrated within core funding mechanisms and institutions allowed to spend at their discretion
- funding continues to be allocated as a specific fund for rewarding and developing HE staff, with HEIs undergoing a similar submission process to that currently used
- funding continues to be allocated specifically for the rewarding and developing HE staff initiative and a new allocation process is used.

The background to this is that the sector is under some financial pressure. The view expressed to us is that some HEIs are technically insolvent. There is therefore a pressure in a number of areas to achieve financial stability and react to changing short-term demands. Many heads of HEIs argue for incorporation of these funds into core funding on the grounds that they will be able ensure that spending is in appropriate targeted areas and that if the Government reduces spending, it is unlikely to cut core funding. In this way, the funding for the initiative is to some extent protected.

However, given the historical lack of focus on rewarding and developing staff within the sector it seems unlikely that HEIs would have the same focus on HRM if funding were to be integrated into the mainstream. The overwhelming feedback from HEIs is that the funding to date has either kick-started significant activity in HR from a very low base or speeded up the implementation of HR strategies already agreed.

Another aspect is that this initiative is able to demonstrate appreciable impact in HR management at a behaviour level, but the impact is not yet being felt at a strategic level. The argument would therefore be for earmarked funding for this initiative until impact is felt at a business and strategic level.

In order to maintain and build upon the development of HRM within the sector there is a need for funding to remain allocated specifically to reward and development initiatives, in the medium term. For this reason our recommendation in regard to mainstreaming funding is as follows.

Recommendation

Funding continues to be allocated specifically for the development and implementation of rewarding and developing staff initiatives in the medium term i.e. the next 3 to 5 years, until strategic level impact can be clearly demonstrated.

Many HEIs and other stakeholders are sympathetic to the concept of earned autonomy. This applies both to senior line management, such as Vice Chancellors, and to HR professionals. The process might be that funding allocation becomes more dependent on demonstration of progress than on quality of intent. The application process has been onerous but this year's second round has become easier for HEIs as they are

more used to the process. Two conflicting opinions were expressed to us. Firstly, that the application process is too onerous and bureaucratic. Secondly, that the application process is a necessary discipline that forces both HR and senior managers to focus on how they allocate resources, measure success and ensure that HR impacts the business positively. Certainly, it may be that the application process remains a once every three years process rather than an annual one, but only on the basis of demonstrated success. This, in effect, reflects the current model where if the strategy is awarded 'full' status, the funding is for three years

While the process of application for allocated funding provides focus and rigour it also draws upon considerable HEI and HEFCE resource. For this reason there is merit in exploring alternative methods of allocating funding. Whatever method of allocation is used there is a need to ensure that outcomes are achieved. Operating statements and the potential development of a sector-wide HR benchmarking tool will go some way towards ensuring that this occurs. The annual operating statement might be amended to include a specific requirement to report progress on the six priority areas (and others that will follow) along the lines of the evaluation model. There might also be some independent auditing of these, either on a sample basis or every three years for example. For this reason our recommendation with regard to future allocation of funding is as follows.

Recommendation

HEFCE considers a system of 'earned autonomy', whereby once an HEI has successfully demonstrated it has achieved measurable HR targets funding is readily allocated without the need for annual bidding. This is for discussion at the moment: we need to describe how it might work and compare with similar processes elsewhere in the public sector e.g. in Health.

8. CONCLUSIONS AND RECOMMENDATIONS

The 'Rewarding and Developing Staff in Higher Education' initiative has resulted in improved HRM practices across the sector. In its first year, institutions have implemented a range of solutions to tackle the six priority areas. There is evidence to demonstrate that the initiative has resulted in significant changes being introduced at an institution level – including improvement in HR infrastructure, policies to address recruitment, progression and performance management, initiatives to tackle equal opportunities and job evaluation issues, and measures to improve the level of management skill. These have the potential to raise the performance of institutions and that of the sector as a whole.

We have observed trends emerging that point to the evolution of HR management from a transactional approach focused on administration to a transformational approach focusing more on strategy and change within the sector. There is also a great deal of evidence that the funding has either kick-started fundamental change in HR practice or speeded up implementation of planned initiatives, both with very positive impacts. However, it is too soon for the evidence to be available that indicates a causal link to sector performance as a whole.

Our recommendation is that a similar review be conducted in 2003 and 2004 to establish progress against the baseline established in 2002.

8.1 Submission and Supporting Processes

Evaluation and Feedback

The evaluation of submitted HR strategies resulted in robust assessments that generally reflected accurate and true representations of the strengths and limitations of strategies. The majority of HEIs perceived evaluations to be accurate and the process transparent. However, some did not fully understand the evaluation criteria.

Initial feedback from the evaluation process itself was too generic and short to be useful for many HEIs whose HR strategies had been evaluated as emerging or full. The evaluation roles of OPM and HEFCE Regional Consultants led to some communication issues and duplication of effort in specific areas. These points have already been addressed.

Consultancy Support and Advice

Consultancy support and advice provided to HEIs through OPM was well received. OPM applied a sound understanding of the sector and knowledge of HR strategy. HEIs perceived OPM consultants to be effective at transferring knowledge. However, a number of HEIs commented upon some unease at OPM performing the roles of both evaluating HR strategies on behalf of HEFCE and advising HEIs.

Good Practice Guide on Developing HR Strategies

The good practice guide was used in some form by almost all HEIs (90%). The guide checklist proved particularly useful. However, the timing of publication meant that

many HEIs felt that it did not assist them with the development of their strategy for the initial submission. The guide has subsequently been a valuable resource for HEIs.

Regional Seminars

Regional seminars were well attended and provide an excellent opportunity for networking. HEFCE presentations and practical case studies were of most value to HEIs, while presentations from OPM were commonly considered of least benefit.

8.2 HR Initiatives and Development within the Sector

HEFCE funding has facilitated considerable HRM development within the sector. Funding has allowed some HEIs to speed up the delivery of planned HR initiatives while others have been able to introduce new programmes.

In this first year of funding HEIs have sought to tackle the range of priority areas, principally the first three. They have also been able to develop their HR infrastructure through recruitment of specialists and development of HR management information systems, in order to build their competence to achieve success. It is, though, too early to suggest that 'fundamental' change has been achieved. However, there is clear evidence to demonstrate that the building blocks for measured change are being developed.

The following provides a summary of commonly undertaken HR activities over the past year. For the majority of HEIs, activities have tended to focus on the first three priority areas, namely: Recruitment and Retention,; Training and Development, and Equal Opportunities.

- Introduction of market-related pay supplements, relocation allowances and revised recruitment and retention practices. These initiatives are focused on recruitment hotspots.
- Recruitment of training and development advisors and the implementation of IT, EO, leadership development and supervisory skills training.
- Equity audits and the establishment of action plans - although these activities have tended to focus upon gender issues, as well as the recruitment of job evaluation resources and specialists (HERA and Hay).
- Staff views and headcount reduction exercises often focusing upon voluntary reduction. Some HR functions are now being actively involved in strategic organisation planning.
- Review of performance management policies and, in a small number of examples, the introduction of sophisticated techniques such as balanced scorecard models.
- Performance management systems and managerial training to address poor performance issues.

8.3 Outcomes and Results

It is too early in the process for changes to have worked through and delivered comprehensive measurable change in the sector as a whole. However, a number of case study HEIs and stakeholders were able to describe results in a number of areas. Within the report we specifically identify some of the 'best practice' initiatives we have observed.

- Recruitment and retention difficulties within the sector remain, although some HEI have been able to address issues in specific areas.
- Several HEIs have gained or been reinstated as accredited Investors In People. Others have introduced institution-wide initiatives, on leadership development for instance. However, training outcomes were seldom assessed more rigorously than through feedback from participants.
- Although early in the process, a number of positive EO targets and developments have been made by several HEIs. Many HEIs are awaiting the outcome from national negotiations before undertake job evaluation.
- In terms of staffing needs, many HR functions now play a far more central role in the planning process and are working with senior line management to effect changes in structures. Some of the funding has financed voluntary redundancy initiatives which has facilitated much needed change.
- It is difficult to assess the impact of performance management systems and managing poor performance. Tackling poor performance has tended to become wrapped up in the design and launch of new performance management systems.
- Many institutions have established the data management processes necessary to monitor change during this year.

8.4 Long-term Evaluation of the Initiative

- A form of cost benefit analysis taking into account Treasury Green Book guidelines provides input to the evaluation model.
- Our proposed model provides a basis for evaluation of inputs, processes and outputs for each level – reaction, learning, behaviour, business and strategic. As such it addresses both the quality of processes and quantification of outputs through key performance indicators.
- In order to address the strategic level, it is important to define what 'fundamental change' means for HR management, including a number of indicators such as HR being central to the strategic planning process.
- *We recommend that a long term evaluation methodology along these lines is adopted.*

8.5 Future Funding Models

- Senior line managers such as Vice Chancellors are more keen on funding for the initiative being incorporated within core funding, whilst HR managers would like the funding to remain allocated. There is a belief that any future potential threat to funding would be unlikely to hit core funding and, therefore, if it remains a specific stream it might be less secure.
- Most senior line and HR managers would like to see an end to the application process, but some HR Managers feel it is a very important discipline for HEIs to be able to justify funding, but maybe on a two to three year rather than annual cycle. However, it should be remembered that if an HEI's strategy was evaluated as full, the funding was granted for three years, so that the frustration of an annual submission is only for those who have not achieved a full strategy.
- The concept of earned autonomy has resonance with most stakeholders, particularly with HEIs which value their autonomy. The focus may therefore be shifted from application to auditing over time. There might be specific reporting requirements detailed within the annual operating report in addition to those already stipulated.
- *Our recommendation is that the funding of this initiative should remain a specific stream of funding until institutions can demonstrate the effective implementation of their HR strategies.*

9. APPENDIX 1: GLOSSARY OF TERMS

Terms	Definition of Terms
AUT	Association of University Teachers
CBA	Cost benefit analysis
DCF	Discounted cash flows
EO	Equal opportunities
FTE	Full-time equivalent
HE	Higher education
HEFCE	Higher Education Funding Council for England
HEIs	Higher education institutions
HR	Human resources
HRM	Human resource management
iP	Investors in People
KPI	Key performance indicators
NPV	Net present value
UCEA	Universities and Colleges Employers Association

10. APPENDIX 2 - METHODOLOGY

The methodology used for this evaluation has combined analysis using the following techniques:

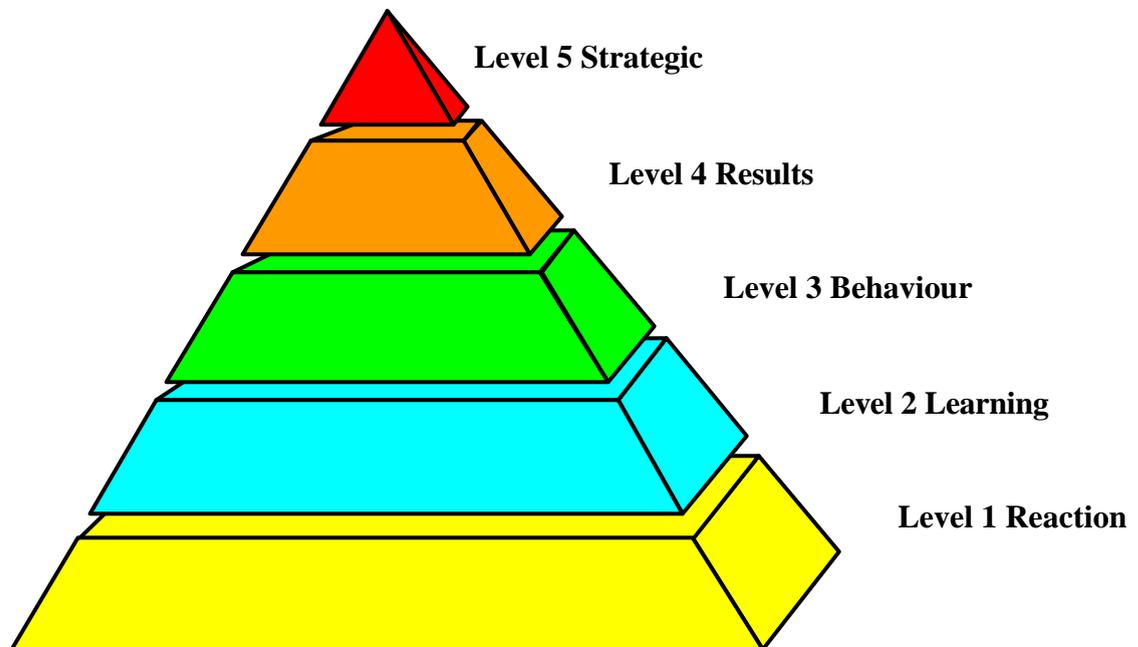
- review of relevant documentation including the HR strategies of each case study HEI (see below)
- web-based electronic survey of HEIs (80% response rate)
- structured interviews and the development of case studies from a selection of HEIs
- interviews with other higher education sector stakeholders.

The key phases and tasks undertaken as part of this evaluation process were as follows:

- project planning and communications delivery
- review of documentation
- design, piloting and refinement of the web-based electronic survey
- posting of surveys and collection of data from the web-based electronic survey
- interviewing of case study HEIs and stakeholders
- analysis of collected data
- presentation of initial findings, analysis and recommendations to HEFCE
- discussion of our findings with two members of the Advisory Panel, John Rea and Geoffrey Copeland
- completion of written report.

A number of data analysis techniques have been used. The analysis of outcomes from HR Strategies has been undertaken using the following evaluation level framework.

Figure 6 Evaluation Model



- Level 5 – Sector: Evaluation of the extent to which the project is impacting upon the overall performance of the sector in terms of both HRM practice and sector ‘business’ performance.
- Level 4 – Results: Evaluation of the organisation results achieved from HR strategies and interventions. This focuses on observable results at an individual HEI level resulting from strategy implementation.
- Level 3 - Behaviour: Evaluation of the extent to which HR strategies have been implemented and behaviours changed due to the HR strategy and interventions.
- Level 2 - Learning: Evaluation of the extent to which HE staff and managers (academic and non-academic) have changed their attitudes, improved their knowledge and/or increased their skills as a result of the HR strategy and interventions.
- Level 1 - Reaction: Evaluation of the reaction of HE sector staff and managers (academic and non-academic), as well as other stakeholders, to the HR strategy and interventions, in particular how the project has been managed and supported.

The analysis framework set out above draws upon components of the conceptual evaluation frameworks of Donald Kirkpatrick¹ and Dr Jack Phillips².

While every attempt to cross-validate data using multiple sources has been used, we have relied heavily upon the opinions and representations made. The collection of different stakeholder viewpoints has been undertaken to further strengthen the validity of our findings. We have every confidence in the validity of our analysis and findings.

Documentation reviewed as part of this evaluation has included the following:

- ‘Rewarding and developing staff in higher education: good practice in setting HR strategies’ (HEFCE 02/14).
- Submitted HR strategies (2001) of case study HEIs (institutions detailed below).
- Evaluation criteria and notes of submitted HR strategies (2001) of case study HEIs.
- Submitted HR strategies (2002) of case study HEIs (evaluated as emerging in 2001, and thus submitted as full strategies in 2002).

Web-based electronic survey of HEIs:

- 132 electronic surveys sent to HEIs
- 80% response rate with 105 returned (84 in full and 21 in part)

Interviews were undertaken with a combination of senior HR practitioners, faculty heads and heads of institution at the following HEIs:

- Bournemouth University
- Buckinghamshire Chilterns University College
- University of Central Lancashire
- Imperial College of Science, Technology and Medicine
- Manchester Metropolitan University
- St Martin’s College
- Sheffield Hallam University
- Trinity and All Saints
- (ALREADY LISTED)University College London
- University of Hertfordshire
- University of Northumbria at Newcastle
- University of Nottingham

¹ Kirkpatrick, D, L., (1998) Evaluating Training Programmes

² Phillips, Dr J., (1996) Accountability in Human Resource Management

- University of Warwick
- University of Sunderland
- University of Warwick
- University College Worcester
- University of West of England

Interviews were undertaken with representatives from the following organisations:

- Association of University Teachers (AUT)
- National Association of Teachers in Further and Higher Education (NATFHE)
- HEFCE - Project Manager(s)/ Project Sponsor(s)
- HEFCE - HEFCE Regional Consultants
- National Group of Registrars
- Office for Public Management
- Standing Conference of Principals Personnel Association

11. APPENDIX 3 – PERFORMANCE METRICS FOR THE HR FUNCTION

These relate to the six priority areas of the Rewarding and Developing Staff initiative, but also to the function as a whole. This is not an exhaustive list.

Recruitment and Retention

External recruitment rate	% = Number of external recruits divided by headcount
Average cost per hire	£ = (External recruiting cost + 10%) divided by number recruited
Acceptance rate	% = Number of offers accepted divided by number of offers made

Staff Development and Training

Average training cost per FTE	£ = Average training cost divided by total FTEs (can be subdivided for internal and externally provided training)
Average training time per FTE	£ = Total number of training hours divided by total FTEs

Equal Opportunities and Job Evaluation

Percentage of staff which is female*	% = Total female staff divided by total staff (the same calculation can be done for ethnic minorities and disabled staff)
Job Evaluation	% of roles that have been evaluated % of role evaluations agreed

Review of Staff Needs

Planning	Frequency of planning and progress review
Costs	Total cost of staff. This can be done on different staff groups e.g. academic, non-academic Average cost of staff per FTE

Annual Performance Reviews

Completeness of process	% of annual and interim appraisal reviews completed
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Managing Poor Performance

Total absence rate	% = Number of days all absence divided by number of FTE workdays
Absence cost per FTE	£ = (Total Absence Rate x Compensation) divided by FTEs
Staff turnover	% = Total number of staff leaving over 12 month period divided by average number of staff (this can be done for different categories of staff)

Overall HR Performance

liP	Award and re-award of liP status
Balanced Scorecard	Achievement of balanced scorecard objectives
Added Value	Turnover – Costs/No FTE