

8 Benchmarking as reality conjuncture

‘Where do we stand?’ as a problem for management

Although managers have deep and detailed knowledge of their own organisations and are usually very perceptive about the strengths and weaknesses of their performance, they often struggle to get a sense of where they stand relative to their competitors, or those whom they would like to be their competitors. Of course, if they ask (and they do), they can find out what their customers think; they can consult public documents such as financial accounts, and they can hold focus groups, run surveys, and so on. From the manager’s point of view, all these are good mechanisms for ascertaining what others think of your performance. What customer surveys, focus groups and public accounts cannot tell you is anything about the effectiveness of your organisation as an organisation compared to that of others. Are they more efficient? Is their structure more complex? Is the balance of their resource distribution similar to yours? Answers to these questions will prompt management reflection and, depending on the estimation of the degree of variance from what ‘the best’ are doing and its import, a range of management action might be initiated.

Benchmarking is a standard way of generating this kind of ‘global view’. As with all management action, carrying out a benchmarking exercise is motivated. The purpose in finding out where you stand is to see if there is anything you should do to improve your performance (and hence your place in the ordering). Gaining the global view is the means and the end is management action, which, naturally, is itself a means to getting closer and closer to ‘the best’ or even being ‘the best’. The logic at work here is something like: ‘The more we do what they do, the more we will achieve what they achieve.’

Benchmarking involves assembling a set of comparator organisations – the ones you think you are like and a few of the ones you would like to be like, and then compiling a list of descriptors of your own and those organisations on which comparisons can be made. For the most part, the descriptors are first and second order direct and indirect measures.¹ The assemblage of the measures provides a synoptic view of each organisation and hence an aggregated composite picture of where everyone stands. Of course, in unifying the descriptors into a single overarching picture, managers face the task of calibrating the measures as well as the pictures which emerge of each organisation. Only when measures and pictures are

well calibrated can the composite *rendering* be taken to approximate to reality and so provide a reasoned basis for intervention in your own organisation. Or, at least, that is the working theory. The example we examine is contained in the document CEO216_Benchmarking_final, provided in the Appendix to this chapter.

The provenance of CEO216_Benchmarking_final

The provenance of the benchmarking document will be examined as an ‘analytic object’ later in this chapter. Here we simply set out some background to enable the reader to follow the discussion with relative ease. This background is part of what was commonly known by the intended readers of the document. How that detail becomes visible in the document is the analytic issue:

The document was written by the CEO as a ‘backgrounder’ for the ‘kick off’ meeting inaugurating an annual planning round. It was circulated to the management team and shared informally with the universities and HEFCE. It did not appear as a formal item at the Board. It was written following an email exchange between the CEO and the Regional Advisor for HEFCE in which concerns expressed by financial planners at HEFCE were shared. For some time prior to this event, HEFCE had been collecting data on various aspects of the institutions it funded (the annual HESA survey). The results of the survey are published. Given the difficulty of forming equivalence classes across HEIs (the usual apples and apricots problem), HESA data is not widely used by universities themselves. However, HEFCE does use the data to monitor the progress of institutions. A quick ‘eyeballing’ of CU’s cost base compared to institutions thought to be very similar, revealed it to be out of line. The question was raised in an informal manner so the concern was not an ‘issue’ in the sense of a first step in a potential escalation process. All that was being offered was a ‘heads up’ on the surprise at HEFCE at the differences and all that was being asked for was (re-assuring) feedback. The CEO responded with a high-level discussion of the ‘distinctiveness of CU’ (a localised version of the difficulty of comparing apples and apricots) and outlined the ‘platform costs’ (mostly to do with IT and expectations concerning the quality of ‘the student experience’) which a modern HEI no matter what size had to accept. Although the query and its response were known to the management team, they had not been party to the exchanges. The response appears to have been sufficient since, at least for the moment, the matter was dropped.

If the question was dealt with, why engage in a benchmarking exercise? There were two interrelated reasons. Both shape the way the exercise was framed. First, CU was now ‘live’. It was a medium-sized organisation. Although the team’s competence was not actually being questioned, nonetheless given the rapid growth and the continuing (indeed escalating) risky nature of the overall project, the management team felt the question of their performance was always open and hence there was a permanent need to reassure key players that the project was under control.²

Every opportunity was being taken to give that reassurance. The general view at HEFCE was that appropriate use of business practices was innovative in and positive for Higher Education institutions. Universities had to become more ‘business-like’ in their operations. In part, the CEO had been recruited because he had an industrial as well as academic background and was expected to introduce management practices used in business. Carrying out benchmarking would be just the sort of thing HEFCE and other stakeholders would be looking for.

The second reason was internal. The management team was new and some of its key figures came from one of the predecessor institutions. The CEO wanted to change some of the operational practices which had been transferred into CU when it became operational.³ Because it is a well-known business practice, benchmarking would have credibility with stakeholders and be something the team would accept. This allowed it to be used to try to engineer change. Demonstrating the exercise could give a ‘fair’ and ‘objective’ view of the challenges facing the organisation, and would allow it to act as a lever for change. As well as reassuring key partners as to the competence of the management team, then, the benchmarking exercise would help initiate change – or so it was hoped.

The problem

We have said that CEO216_Benchmarking_final is a motivated document. In writing it, the CEO wanted to achieve a set of outcomes. To achieve these outcomes, readers have to find the conclusions the CEO wants them to find in the document and those conclusions have to be credible — ones they will accept as necessary and appropriate. This is the recipient design problem of closing the praxeological gap between adopting the findings of benchmarking and the formal account presented in CEO216_Benchmarking_final. To do what the CEO wants it to do, the document has to be designed to achieve its intended effect. It is shaped for ‘just these’ readers and not, as are some of the other documents we examine, for some set of broadly designated readers and anyone else who happens to come across them. Philosophers such as H.P. Grice (1981) and Nelson Goodman (1974) have discussed the challenge of providing a philosophical account of the fixing of meaning or descriptions. The CEO’s problem was its real-world practical complement – how to make it happen.

The character of CEO216_Benchmarking_final

This analysis aims to show that the establishing of the authoritative character of the benchmarking exercise and the followability of benchmarking document are a lebenswelt pair. To bring this out, we make use of a term introduced by John Austin (1962) and talk of the CEO216_Benchmarking_final as a ‘performative’ document. That is, rather than treating it as a retrospective description of the exercise (a process description perhaps, or an action record, set of minutes, information report, or whatever), we treat CEO216_Benchmarking_final as the benchmarking exercise. We need to be careful here. Although undoubtedly the CEO talked

with lots of people about the exercise, asked others to gather the numbers, called meetings to look at the numbers and argue about them, and from the records, we know the document passed through several drafts, we are not treating CEO216_Benchmarking_final as a record of that process. Of course, it is an outcome of some process, and if we have some understanding of the organisation, it might tell us a lot about the way the organisation was operating at the time. But to do that, we would have to read back from the benchmarking-as-accomplished-in-the-document to the organisation-as-we-know-it. Our question is a prior one: how is the followability of benchmarking-in-the-document accomplished and how does that followability enable its authoritative status? CEO216_Benchmarking_final was written to be read as a lebenswelt pair, namely an authoritative benchmarking exercise. The corollary of this (and this is the point we are labouring) is that co-producing authoritative organisational descriptions is a practical management skill. Describing that skill is what we want to do here.

The social construction of authoritativeness

Most routine problems are solved using standard solutions with standardised components. Standardisation is what makes them routine. Deploying the components properly and hence solving the problem is an ordinary competence. In the case in hand, the problem is a management one and the solutions are managerial, as are the competences. In 'bringing off' the authoritativeness of the benchmarking exercise, the CEO has to undertake a number of interrelated tasks. These can be summarised as the ensuring of authoritativeness of:

- 1 The objective;
- 2 The logical grammar of the narrative;
- 3 The evidence;
- 4 The transformations of form; and
- 5 The interpretation of the composite description.

The objective

The ostensible reason for the benchmarking is the assessment of 'Where do we stand?' as step in the qualifying of the development plans. 'Qualifying' is a semi-technical term and in this instance does not mean 'expressing reservations about' but 'ensuring approximate fit for purpose'. Are the plans covering everything they need to? Are the elements in the plans realistic and likely to be effective? Is there evidence of over- or under-resourcing in any area? Are there actions that need to be taken now to put the plan back on track? If we ask about the reasons for choosing this mechanism as the device for framing some of these questions, light is shed on some of the other reasons for undertaking the exercise and how the management team is responding to them. These reasons are the commonly known but unremarked background to the exercise. They are what anyone who is an intended reader of this document will know and understand. In the rest of

this discussion, we will spend a lot of time talking about how the document is designed for its readership. Right now we are highlighting how that readership is constituted through the knowledge at hand which readers are presumed to have.⁴

The motivated character of the exercise is thematised in the first paragraph and drawn out in the rest of the document.⁵

Rationale:

During the planning for (last year) and the early stages of this year's planning round, concern was expressed over the kinds of expectations it would be appropriate to have for UCS, and in particular the UCS Hub, as an operating organisation. Comparisons with the previous regime at the College would not be helpful because of both the relative sizes of the organisations and their educational mandates and mix. Equally, comparison to the sponsoring universities would not provide appropriate guidance.

This paper offers an initial, and it must be stressed very preliminary, first pass at a benchmarking exercise. It seeks to raise a number of questions for consideration in the light of data for a number of comparator institutions. These questions are offered as prompts for the discussions to be carried forward from 15th April and into the next planning round. The ambition is to open discussion up not to close it down, and certainly not to provide a definitive set of answers to some of our planning dilemmas

Two important resources are used for thematisation. First, reference is made to a specific date (15th April) and the related discussions to be carried on. That is, these discussions are co-selected with discussions at a meeting on that date. As we have already discussed, this was to be the kick-off meeting for the planning round, a meeting which only the senior managers would attend. The two, then, are tied together. The pairing of date as proxy for the meeting and the binding of the discussions to that meeting and its participants, defines both the management team as the primary intended readership and the rationale of this document. The document is to be read against the planning process which starts then. However, the term 'expectations' plays a critical role here. Each manager would be bringing forward plans for their own groups constructed in terms of their expectations of what they would be doing and the resources needed to do it. It is conventional for these to be 'over-built'. Managers ask for more, knowing that whatever they ask for will be whittled down. The 'expectations' of CU could be read as raising questions about the expectations which CU has of its activities, as well as questions about the expectations others should have of it. The designed ambiguity introduces ~~into~~ the possibility that the expectations managers hold for their organisations will be one of the things the benchmarking exercise will question. Managers should read the exercise not as a simple description of where things stand but as indicating implications for their own planning.

Second, reference is made to anonymous 'concern' being expressed about 'the CU Hub, as an operating organization'. Those who are the 'designed readership' of the document (that is, the managers going to the kick-off meeting) know who

can properly express concern about CU and the core organisation – that is, who can express concerns which will require a response. Of course, the man in the street, the local press, students, staff, and many others can express ‘concerns’ about anything connected to CU, but these concerns would not be expected to surface as a background feature of the forthcoming planning exercise. They might be addressed but not through planning. So, who can express concerns which would need to be addressed through planning? The obvious answers are the Board, the partner universities and HEFCE. Why? Simply because these are the people who will see and approve the plans. Any and all of these groups can expect a clear response to concerns they might raise. If you know who these groups are and why they need a response, then you are a proper reader of the document.

Thematisation is achieved by a combination of a designed ambiguity in defining the ‘rationale’ and a binding of that rationale to the need to create a different management culture. If the benchmarking exercise is successful and provides sufficient grounds for a set of actions, then the binding will have been secured. At the same time, the structuring of the readership also tells us about the document’s design intent. And the design intent tells us about who the readership is. The resulting combination of intent and readership is visible throughout the document in the mechanisms used to secure the authoritativeness of the exercise.

The logical grammar of the narrative

Narratives have a logical grammar. That is, they have a set of conventionally defined proper parts and associated rules for their positioning and use. When telling a joke, for example, it is conventional to place ‘the punch line’ last. Placing it first would be inept, a misfire. Equally, a conventional biography begins with family background and childhood, traces the individual through adolescence and maturity and closes with old age and death. Lifetime phases provide the biographer with recognisable logical grammar. In both joke and biography, the use of the logical grammar make the narrative’s trajectory recognisable.

In organisations, the various types of management document have their own narrative structures. Minutes follow the order of the agenda; Financial Statements have a recognisable structure of Balance Sheet, Income and Expenditure and Cash Flow sheets; Task and Finish Reports are usually set out as Problem Statement, Problem Description, Problem Resolution Options and Recommendations. When skimming through minutes, financial statements and reports from task and finish groups, a reader can use the conventional logical grammar – the parts and their ordering – to determine the completeness and the *prima facie* quality of what has been provided. Financial statements without cash flows, task and finish reports without recommendations are both incomplete and incompetent, or fishy in some other way.

With benchmarking, things are not quite so straightforward. Benchmarking is not a routine practice in HE and certainly was not routine in CU’s predecessor institutions. In addition, apart from the CEO, none of the team had been involved in a benchmarking exercise before. Although they knew ‘roughly’

what such an exercise was about, they had only general expectations of how the exercise would be carried out and the outcomes presented. In addition, unlike the conventions of financial reporting, there is no standard process for undertaking and reporting benchmarking. Lots of consultancies and ‘gurus’ promote their own models, all of which include the obvious steps: defining the scope, choosing the methods, selecting the data, compiling the results, summarising the analysis, and setting out the actions. Constructing the document around these steps, or something like them, provides a recognisable ‘common sense logical grammar’ for the narrative. The format of CEO216_Benchmarking_final with its structure of rationale, data, comparator institutions, analysis, discussion and next steps follows this grammar. When ‘eyeballing’ the exercise, those reading the document will have to decide if the set of components is ‘possibly complete’. Does the set appear complete? Are there obvious lacunae? If all the appropriate elements seem to be in place and in the right order, even those who have no prior experience of benchmarking can recognise the format as the sort of structure a benchmarking exercise should have. The format, then, has a clear self-explicating character. Using the format makes the exercise appear recognisable and authoritative, even for those who don’t know what the format should actually be. If it looks right, it must be right.

The power of the format in constructing the plausibility or authoritative nature of the exercise is also evident within sections. This is particularly so in the analysis section. Here data are gathered under several heads: size and scale, sustainability, and efficiency. This selection and its ordering is not random. Selection and placement reinforce the theme. Can CU grow sufficiently to become sustainable? What would sustainability look like? Is its organisational structure a barrier to this? All are interlinked key issues which CU’s stakeholders have raised. They are the known unknowns of the organisation which, of course, doesn’t make them any less critical nor any easier to answer. That *these* are the components of the analysis provides first designed reassurance that the management team is focused on them and understands how they are related. It also provides an indication that organisational structure and sustainability will be the focus of planning.

The evidence

The thematisation of the document provides a first writing/reading interpretive problem for the construction of the document. What kind of evidence would bear upon the theme and provide authority for the set of actions to be undertaken in the planning process? Call this the ‘data authority’ problem. Somehow, whatever data was available and however good it might be, that data has to be shaped up to give authority to the actions. Its relevance and interpretation must be secured. A second interpretive problem is the selection of comparator institutions. Unless these are found to be reasonable, no matter what the data says, its relevance will be compromised. Call this the ‘reasonableness of comparisons’ problem. If solutions to these two problems are not found, then the whole exercise is in jeopardy. This is not a matter of plausibility, but of conviction. The data and the comparisons must be convincing to do the work that they do. The document provides an

elegant solution to both these problems through *achieved representativeness*. The institutions and the data are representative of the Higher Education type which CU is to be a member of and the measures given for them provide good representations of likely sustainability.

Achieving representativeness involves a number of strategies by which the data is produced as relevant evidence. 'For all practical purposes', we might say, the resulting evidence is just the benchmarking data to be used. To bring out their character, we will cast these strategies as a set of preferences.:

Prefer data sets that have external authority. That is, use data someone else has collected and used for similar exercises. The data is drawn from HEFCE published sources. The data has not been collected for CU's purposes but is being *re-purposed* here. Re-purposing accomplishes representativeness.

If at all possible, disregard the incompleteness of the sets. The data is derived from exercises HEFCE undertook for its own purposes and so whatever is in those published sources is all that can be used. Given HESA is a standardised process, the data published will be in the same 'output form'; that is, each measure for each institutions will be ostensibly 'the same'. But of course there are only very light controls over how the input data is selected and constructed. This is the usual problem of 'big data' exercises. That there will be incomplete data, missing data, or differentially compiled data, all of which might impact the reasonableness of the representations, is known and disregarded. The incompleteness of the comparator set is also disregarded. This is a list of 'new' institutions but by no means all the new institutions which could be said to be like CU. That list might have included another dozen or so institutions. Finally, the possibility that other measures might have been used is disregarded. There is no weighing of the advantage and disadvantage for each measure. These are the measures and these are the institutions to hand and so these are the ones to be used.

Try to ensure the depictions are standardised. We have said the list of comparator institutions is potentially incomplete. It is also potentially highly differentiated. Many of the institutions are very different to CU on some key dimensions. A number were created out of pre-existing single independent institutions. Some were Church of England teacher training institutions. All have their own histories, subject mix, and so on. None of these characteristics is deemed relevant for the benchmarking. Standardisation of depiction by suppression of differentiation achieves a thematic unity for the comparator set. They are treated as the same 'for all practical benchmarking purposes'. The standardisation of depiction is achieved through infilling and shaping the data. None of the published data matches the data to be used for CU. The published data is therefore shaped so that a common base for the measures is achieved. The key criterion of reasonableness becomes visible here. The one piece of data for each institution which is not 'normalised' to the base year by the use of a set of inflators is enrolled student numbers. There are no

external guides for the relative growth of student numbers by type of institution. It would be possible to use the national mean (or some other measure of average growth), but to do so would have compromised reasonableness. The closeness to the average of any of the institutions in the set on that measure would be an obvious and important question. Acknowledging the limitation and underplaying its implications is an important mechanism by which the reasonableness of the set and the representativeness of the data is secured. The reasonableness of the forms of qualification reinforces the reasonableness of the exercise.

Analysis by transformation of form

A number of devices are used to secure the authoritativeness of the analysis. All involve transformation of form. These transformations are used in conjunction with a self-explicating unfolding analytic logic: size and scale, sustainability, and efficiency. For managers, this is a natural causal chain. Size and scale make sustainability more likely through economies of scale, but can also lead to diseconomies with inefficiencies in resource distribution. Weighing the balance between the economies and diseconomies being gained by the comparator institutions and likely to be gained by CU is the core of the benchmarking exercise. The structure of the analysis and hence its followability as a narrative grammar turns on borrowing the format of the natural logic of organisational causation. Since sustainability and efficiency are omni-relevant categories of possible risks for managers (not only in CU and start-ups generally), and risk is what managers manage, then this is just the logic they would expect to see used and these, and not the subject spread, the course sizes, the TLA strategies, library spend, etc. etc., are the things they would expect to see included.

A cursory look at the analysis will reveal a number of writing/reading devices:

- 1 Modal transformation of measures: We have already seen modal transformation of data in the brigading of the comparators with reference to the baseline. In the analysis, it appears in the calculation of data on sustainability, the input and output measures for efficiency, and so on. What is interesting about these derived measures is that both the untransformed data and the logic of transformation are to be taken on trust. There is no explication of how the transformations occur. Third, the transformations are to be assumed to be 'methodical' and 'systematic' in the sense that one modality of transformation is not used on one institution and another on a second. An horizon of relevances for the reader is being assumed and the analysis is being written in the context of that horizon. The reader is assumed not to be interested in the mechanics of calculation but only in the output. Unless otherwise caused to do so (see the point about student numbers above), readers will take the methodicalness and systematicity of the calculations for granted.

- 2 Ad hoc generalisation: The data presented is recast as sets of discursive summary generalisations which can be derived from them. These generalisations provide readings of the data. There is an recursive interpretive reciprocity at work here. The meaning of the numbers is explicated by the generalisation and the meaning of the generalisation is explicated by the numbers. Together they provide the elements of the assembled kaleidoscopic colligation of data about the comparators and CU. This emerging pattern is critical to the provision of a composite picture or rendering.
- 3 Incongruity procedures: At several points in the analysis, but especially with regard to the measures of efficiency, the untypical or outlier character of CU is brought out only to be explained away by data adjustment on the basis of accounts of the reasonableness of the incongruities and hence their relative unimportance. This is most stark in the re-framing of the input and output measures for efficiency (income/member of staff). The run of data show CU underperforming, in some cases by a considerable margin. The text offers ways of reading some of this underperformance as perfectly expectable and perhaps even appropriate (academic staff costs) or as indicating deep-seated problems which will need to be solved through planning (for instance, the cost of central administration).

The devices used produce an assemblage, a pattern, from the colligation of direct and derived measures. As each run of data is introduced, it is fitted into the emerging pattern. This fitting of data into the pattern and constructing the pattern from the data (patterning the data) is a practical solution to the synecdoche problem. Without the whole picture, you cannot see where any particular part fits but without all the parts you cannot see what the picture is. The kaleidoscopic colligation of data as a self-explicating emergent pattern is the solution to achieving the written/read acceptance of the benchmarking exercise.

Conclusion: the authority of composite depiction

The section labelled 'Discussion' renders the emerging pattern in terms of the objective of the document, namely the upcoming planning process. The pattern is configured as a series of issues to be discussed and addressed through that process. To use a phrase we use elsewhere, this rendering is in terms of 'the agenda in the agenda' of planning. The resulting configuration provides the practical management solution to the praxeological gap closing problem we started with. The configured rendering takes what is *said* and fixes what is *implied*. These implications are the need to change in order to address the challenges faced and the need to undertake the series of next steps to ensure this happens. The picture of CU as presented in the benchmarking exercise is a picture which has been put there to be found and its interpretation is fixed through its emergent configuration. The authoritativeness of this configuration is what mandates the actions to be taken.

Notes

- 1 Direct and indirect measures are as standardly conceived. So are first order measures. Second order measures are transformations of one or two first order (direct or indirect) measures of a set of processes or outcomes to give an indirect measure of a third. Measures of efficiency are classic second order indirect measures.
- 2 'Key players' here means the Board, the university partners and HEFCE.
- 3 You might ask why, given it was a new start, these practices had to be transferred. The simple answer is a practical one. You can't change everything at once. That is both a 'practical impossibility' and a good piece of management wisdom. Trying to change everything will severely threaten the integration of the organisation.
- 4 It is also constituted by the circulation list for the document. This was very restricted.
- 5 The complete document is presented in the Appendix to this chapter.

References

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Taylor and Francis
Not for distribution

Appendix

NB This document has been lightly edited to preserve anonymity.

An initial benchmarking exercise for CU

Rationale

During the planning for last year and the early stages of this year's planning round, concern was expressed over the kinds of expectations it would be appropriate to have for CU, and in particular the CU Hub, as an operating organisation. Comparisons with the previous regime under The College would not be helpful because of both the relative sizes of the organisations and their educational mandates and mix. Equally, comparison to the sponsoring universities would not provide appropriate guidance.

This paper offers an initial, and it must be stressed very preliminary, first pass at a benchmarking exercise. It seeks to raise a number of questions for consideration in the light of data for a number of comparator institutions. These questions are offered as prompts for the discussions to be carried forward from 15th April and into the next planning round. The ambition is to open discussion up not to close it down, and certainly not to provide a definitive set of answers to some of our planning dilemmas.

Data

The data used have been drawn from the HEIDI data base which is managed by HESA. The available data is for the academic year 2003/04. This data was supplemented by data for 2006/07 published by THES/Grant Thornton on 3/11/07. Where data was not available in the THES/Grant Thornton data set, the base HEIDI data have been inflated to bring them into line with CU 2007/08 data. The following inflators were used:

Income 1.4

Staffing costs 1.35

Other costs 1.17

Overall cost 1.3

It is recognised that these assumptions must be approximate. HR, in particular the Staff cost data may be too low. Salaries, overall, have probably increased by more than 40% in the relevant time frame. However, the data do facilitate general comparisons. No attempt has been made to scale up student FTEs. Undoubtedly, this will impact on some of the ratios based upon student FTEs – however, this is likely to have made the comparisons more favourable to CU rather than less, overall.

Comparator Institutions

The following institutions have been chosen for this exercise:

Bishop Grosseteste University, Lincoln

Buckinghamshire New University

Canterbury Christ Church University

University of Chester

University of Chichester

University of Cumbria

University of Winchester

These institutions were chosen for a number of reasons. First, they are nearly all in their early stage of development and so might be expected to share some of the start-up challenges that CU has. Second, they are roughly of a similar size to CU now or are within our target growth range. Third, many are multi-campus. Fourth, they have similar regional backgrounds to CU, at least in general terms. That is, they are based in small or medium-sized towns and have a rural hinterland.

Two other institutions were considered: the University of Cornwall and the University of the Highland and Islands. The former was set aside as its operating model is very different to CU. Being a Scottish institution, it was felt the latter operated on too different a basis for useful operational comparison. Comparison on other dimensions of start-up has, of course, already taken place with these institutions.

Analysis

Size and scale

Table App.8.1 summarises some basic population data for each institution.

Clearly all the institutions except Bishop Grosseteste are bigger than CU, but they are of a scale which encompasses our growth targets. This implies first that CU is unlikely as yet to be gaining any economies of scale that should be returned to these other institutions for a number of central and corporate costs, and second that we should manage in order to capture these economies as the institution grows.

Table App.8.1 Population data (FTE)

<i>Institution</i>	<i>Student FTEs</i>	<i>Staffing</i>		
		<i>Academic staff</i>	<i>Total staff</i>	<i>Staffing ratio</i>
Bishop Grosseteste	1190	49	140	0.38
Bucks New	7424	343	841	0.41
Canterbury	10238	481	1108	0.43
Chester	7081	353	939	0.37
Chichester	3962	185	369	0.5
Cumbria	7097	358	904	0.39
Winchester	4214	223	514	0.43
CU 2008/09	2456*	166.8	318	0.52

* Marketing Targets

The staffing ratios are interesting and indicate, broadly, the smaller the institution, the greater the preponderance of academic staff to other staff, which is not surprising, although Bishop Grosseteste does appear to be an exception. A clear implication is that central and support services tend to be reinforced with growth in student numbers at a faster rate to academic delivery. This implies increases in staff/student ratios. (See below.) The reasons for this may be readily understandable (increased scale of demand) but nonetheless that tendency should not be without challenge – at least in the CU context.

On the assumptions built into the modelling, the comparator institutions are in surplus on operating costs, even those of an approximate scale to CU. However, a further 5% added to the staffing costs would eradicate this level of surplus. Second, given that a number have more ‘other income’ than CU, some of which might be from streams such as student accommodation and commercial operations which might be taxable, we might expect the actual ‘bottom line figure’ to be somewhat smaller. Even so, the consistency in financial performance (apart from Bishop Grosseteste which must be operating in exceptional conditions) is interesting and indicates what CU should strive for. The question to be resolved

Table App.8.2 Financial data (£k)

<i>Institution</i>	<i>Income</i>	<i>Expenditure</i>	<i>Surplus</i>	<i>Surplus as % of income</i>
Bishop Grosseteste	10815	86307	2184	20
Bucks New	64460	59478	4967	7.7
Canterbury	88942	82890	6051	6.8
Chester	56278	51851	4426	7.8
Chichester	29369	26353	3015	10.27
Cumbria	59932	53615	6316	10.5
Winchester	31707	28483	3224	10.1
CU Hub 2008/09	21584	22059	(475)	(2.21)

here is how long we can continue to explain our deficits in terms of ‘start-up’ and similar costs on the one hand, and the legacy of The College on the other. A critical piece of comparative data might be the level of debt that each is servicing and the cost of awarding their own degrees. As we know, both debt and validation are quite a significant burden for CU.

Sustainability

A single measure has been used in this context: ratio of Funding Council grant to total income. This measures diversification of income streams, and hence the relative dependency on a single customer.

The data demonstrate that many comparator institutions appear to have moved further toward diversification than CU. However, we must be careful. The data do not allow us to unpick the number of ‘Other Income’ contracts. It could be that some (or all) are simply more dependent of their SHA contract (or a similar arrangement) than CU. However, equal dependency on two sources rather than one *does* spread risk.

An alternative measure of risk or ‘precariousness’ would be ‘Liquidity Days’. HEFCE has a good practice guideline of 40 days’ cash burn held in reserves. CU intends to adhere to this guideline.

Efficiency

Input factors

The ratios in Table 4 show relative levels of input factors in the delivery of provision.

The cost-based ratios offer a divergent set of signals. The total cost per student for CU is above the mid-range but not exceptionally so, indicating the CU provision processes students broadly in line with its comparator institutions.

Total cost per academic and total cost per member of staff are measures of economies of scale. In both, the larger the ratio the more efficient the organisation (i.e. fewer staff deployed relative to the cost base). Here, CU is clearly

Table App.8.3 Sustainability

<i>Institution</i>	<i>Ratio of funding council grant to total income</i>
Bishop Grosseteste	0.64
Bucks New	0.44
Canterbury	0.42
Chester	0.47
Chichester	0.62
Cumbria	0.5
CU Hub 2008/09	55.67

Table App.8.4 Input measures I

<i>Institution</i>	<i>Total cost/ student</i>	<i>Total cost/ academic</i>	<i>Total cost/member of staff</i>	<i>Staff/student ratio</i>
Bishop Grosseteste	7.25	176.13	61.6	25.5
Bucks New	8.01	173.4	70.7	21.4
Canterbury	8.07	172.3	74.8	20.7
Chester	7.32	146.8	55.22	20.0
Chichester	6.65	142.4	71.42	21.6
Cumbria	7.55	149.7	59.31	21.9
Winchester	6.76	142.4	61.5	21.9
CU (Hub)* 2008/09	7.73	129.48	67.66	14.72

* This is preliminary data from the initial financial plan.

failing to gain economies of scale, certainly with regard to academic staff and, to a lesser extent, all staff. This signal is reinforced by the staff/student ratios. The CU teaching and learning model consumes more academic resource than might be expected. However, in coming to conclusions about academic staffing and the efficiency of our use of this resource, we need to compare student progression, achievement and retention. We might feel the high resource input justified if the levels of these key outputs were also high.

A second set of input measures throws some light on the drivers of CU's heavy resource usage.

It is clear from the comparison of average academic staff costs that the CU total remuneration package is at the lower end of the spectrum. This data, though, is in advance of the JE Project which may have a significant impact on salary levels. Without access to comparative demographic and post-profile data, it is impossible to determine if this is the result of CU having a younger staff base (intuitively, this seems unlikely), a greater preponderance of senior academic posts in comparator institutions, or simply that CU pays less.

Table App.8.5 Input measures II

<i>Institution</i>	<i>Staff cost/ total cost</i>	<i>Academic staff cost/ total cost</i>	<i>Central admin staff cost/total cost</i>	<i>Central admin cost/ total cost</i>	<i>Average academic cost</i>
Bishop Grosseteste	63.9	32.9	0	24	58
Bucks New	64.7	32.5	1.59	22.5	56.4
Canterbury	61.1	33.7	1.28	14.5	58.1
Chester	67.63	37.2	1.41	16.6	54.6
Chichester	60.62	34.9	0.68	17.39	49.8
Cumbria	67.92	37.6	0	17.01	56.3
Winchester	60.32	30.54	0.57	19.59	43.7
CU Hub 2008/09	61.3	35.1	12.6	28.6	46.3

Not surprisingly, the proportion of cost devoted to academic staff shows a similar pattern, with CU at the low end of the spectrum. The same holds for all staff costs.

Where CU does appear to be out of line with comparators is in the cost of its central administration. (Here, comparisons will turn on precisely how senior academic managers are categorised. For the CU data, I have excluded Academic Development but included all other non-Faculty staff.) Progress on resolving this issue will have to await the CU HESA return and hence, the application of standard criteria to CU.

The whole issue of staff costs gains extra weight when we take into account the dynamics of the pension burden. This will only escalate, particularly if the requirement to show the share of deficit in multi-employer schemes on the balance sheet is implemented.

Output measures

In this preliminary analysis, a single output measure is used. For a complete analysis, reference would have to be made to student progression and achievement alongside pure income earned. However, acceptable retention data are not available either for CU or comparator institutions at this point.

This output measure confirms, in a somewhat startling way, the picture emerging from the input measures. In staffing terms, CU is relatively inefficient. A larger body of academic staff is employed than might be expected for the relative size of the institution. Or, to put it another way, the level of staff base is not generating the income streams which might be expected, be it through student numbers, research, consultancy, or any other income source.

Discussion

We need to step carefully here. Further analysis is required before firm conclusions can be arrived at. However, three major messages do emerge from the data.

CU is slightly more 'risky' from a financial point of view than its comparators. It is planning deficits and is more dependent than most on the HEFCE contract.

Table App.8.6 Output measures

<i>Institution</i>	<i>Income/member of academic staff (£k)</i>
Bishop Grosseteste	220.7
Bucks New	187.8
Canterbury	184.9
Chester	159.4
Chichester	158.7
Cumbria	158.5
Winchester	141.86
CU Hub 2008/09	129.6

The CU staffing model seems to be over-resourced. That is, it requires a greater staffing input than other providers. This might be a scale problem; it might be a start-up problem, but that is unlikely; or, as is most likely, this may be a consequence of *an inefficient teaching and learning model*.

The academic staffing base is relatively under-rewarded. Whether this is simply a consequence of historical accident (and to be resolved by the JE Project) or a reflection of relative fitness for an HE environment is, perhaps, a question for debate.

CU appears to be spending more on central administration than might be expected. However, this can only be confirmed after the HESA survey. Should this be the case, one explanation might be the need to underwrite start-up 'platform costs' in the first few years.

For me, this all adds up to three major implications.

- 1 In planning for and resourcing growth, we have to build in drivers of increased efficiency in teaching and learning. This will force us to make some difficult choices and to ask questions about some of the fundamental propositions underlying our T&L strategy. We simply cannot afford to grow to the levels we need for academic sustainability with staff/student ratios of at 15:1 or thereabouts.
- 2 In underpinning growth, we have got to expect and manage for economies of scale in our support services, both centrally and in the Faculties. There will be some significant challenges here. Both of our core non-administrative services (IT services and Estates) are below minimal levels for effective functioning. All administrative services could make good use of more resource. But unless we take cost out of non-staffing budgets in Estates and IT, we cannot grow the staffing bases without wholly unbalancing our business model. Such choices also will have an impact on that shibboleth 'the student experience'.
- 3 Finally, we have a key opportunity to start thinking through and addressing some of these issues when we consider the operation of our processes. Reducing process cost, either in human or cash terms, releases that resource to drive growth.

Next steps

Table App.8.7 Next steps

1	Define final list of comparator institutions	ASAP
2	Initiate institutional relationships with comparators to facilitate detailed data exchange	ASAP
3	Join HEIDI	ASAP
4	Complete HESA return	Autumn 2008
5	Undertake full benchmarking exercise using HEIDI and other data	Spring 2009