THE IMPACT OF HIGHER EDUCATION PERFORMANCE-BASED FUNDING (PBF) ON
MARKETING DEPARTMENTS AND BUSINESS SCHOOLS AND HOW THE MARKETING
DEPARTMENT CAN BE A HERO WHEN IT COMES TO PBF

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Abstract

When it comes to Performance based funding for higher education, there are only two types of
States; those that have already implemented the Performance Based Funding model and those
that will be implementing it soon. Eventually all state subsidized Colleges and Universities will
be affected. Terms like retention, progression and graduation rates will become common terms
in the campus vernacular.

What is PBF?

The continuing national and mostly state level debates on higher education funding has lead a
number of states to adopt various performance based funding models (Center for American
Progress 2012). With Performance Based Funding, some portion of the state’s allocation of
each college/university is awarded based on institutional outcomes rather than inputs. That
means that states are no longer funding based on inputs such as enrollments, but rather on
performance outcomes such as retention, progression, and graduation rates. Performance base
funding differs from performance based budgeting. While performance-based budgeting
employs performance indicators along with other factors to influence funding decisions,
performance based funding relies on a predetermined formula using specific performance
indicators to determine actual funding amounts (Friedel et al 3013; Rabovsky, 2012). The key
difference is that performance based budgeting is indirectly tied to funding, while performance-
based funding (PBF) is directly tied to funding as “a system based on allocating a portion of the
state’s higher education budget according to specific performance measures (Miao, 2012, p. 1).

The second generation of this PBF is often referred to as PBF 2.0. These newer versions of PFB
seek to improve upon the negative outcomes and pushback at the university level. One failure
of past approaches was the exclusion of the stakeholders in the planning phases. Thus, an
important characteristic of the 2.0 model is a joint planning process by which policymakers and
other constituents (e.g. faculty) to insure that that the measures match the state’s agenda for
higher education, while providing alignment with institutional priorities,” (Blankenberger, 2011;
Miao, 2012; Shulock, 2011). Many new PBF 2.0 models include intermediate measures, greater
portions of state funds distributed on performance, and stakeholder input.

In 2007, officials from the Higher Education Funding Council for England (HEFCE) came to the
U.S. to share their approach to funding colleges and universities: The approach was to focus on
how many students a school graduates instead of how many students a school enrolls. It was,
in short, performance based funding for higher education. Fast forward to the fall of 2013 and
you find that a total of 22 states have adopted Performance Based Funding (PBF) while an
additional 7 states are transitioning to PFB. Add to that another 12 states that are having formal
discussions pertaining to PBF, and you can see that the concept has swept the nation. See the
table below.

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How will this new funding model based on retention and graduation impact the faculty at state
universities? At a minimum, this funding model creates pressure on the university to increase
the percentage of students that are retained, progressed and graduated. This in turn puts
pressure on faculty members to pass students and make sure they graduate. In general the
faculty at these schools have approached the concept with skepticism and trepidation. The
Chronicle of Higher Education does not support the concept. The AAUP has come out with a
statement of policy regarding this initiative, suggesting that, "

The presenters will take a more proactive and positive approach, suggesting that this is
represents a chance for marketing faculty to provide both direction and strategies to help the
Universities to be successful in this type of environment. We will discuss the concepts of PBF
and PFB 2.0. Jack Schibrowsky will introduce the topic and present his research on CRM
principles applied to Student retention. Ludmilla Mills will discuss ways to engage students in
the classroom and with international study abroad programs. Micol Maughan will discuss
mentoring and coaching programs that can be used to increase student success and retention.

Jim Cross and Gillian Naylor will discuss this topic from the Department chair’s perspective
paying particular attention to the way this initiative impacts scheduling, the curriculum, hiring,
and faculty assessment. Richard Lapidus and Stuart Van Auken will discuss this topic from a
Dean’s perspective paying particular attention to the way this funding initiative changes the
interface between the administration and its publics. Steven Hartley will provide insight from the
private school perspective, since it can be argued that private schools have been following this
model for the past 25 years or more. Gail Ball will discuss the theory and practice of rewards
and incentives to get faculty on board with this initiative. Alexander Nill will discuss the potential
ethics and moral dilemmas that is initiative creates for faculty and administrators.
References


