



# New Trends and Issues Proceedings on Humanities and Social Sciences



Issue 3 (2017) 263-270

ISSN 2421-8030

[www.prosoc.eu](http://www.prosoc.eu)

Selected paper of 5th Cyprus International Conference On Educational Research (Cyicer-2016) 31 March-02 April 2016,  
University Of Kyrenia, Kyrenia North Cyprus

## Performance-Based Budgeting on Strategic Planning: The Case Study in Turkish Higher Education System

**Mehmet Emin Altundemir<sup>a\*</sup>**, Sakarya University, Public Finance Department , Turkey  
**Gonca Gungor Goksu<sup>b</sup>**, Sakarya University, Public Finance Department , Turkey

### Suggested Citation:

Altundemir, M. E. & Gungor-Goksu, G. (2017). Performance-Based Budgeting on Strategic Planning: The Case Study in Turkish Higher Education System *New Trends and Issues Proceedings on Humanities and Social Sciences*. [Online]. 03, pp 263-270. Available from: [www.prosoc.eu](http://www.prosoc.eu)

Selection and peer review under responsibility of Assist. Prof. Dr. Cigdem Hursen, Near East University  
©2017 SciencePark Research, Organization & Counseling. All rights reserved.

### Abstract

Many important changes such as institutional autonomy, performance highlighting, a high level of responsibility or quality assurance etc. have occurred since the implementation of new public management in corporate governance area around the World. So notion of performance has become significant in public sector, and performance success levels of public institutions and corporations have started to play important roles while allocating treasure grants to them. Thus Performance-based budgeting method is preferred in many developed and developing countries. To ensure compliance with global changes, Performance-based Budgeting Based on Strategic Planning has been applied to Turkish public institutions and corporations since the adoption of Public Financial Management and Control Act No. 5018. Performance tables with indicators, strategic plans or activity reports have become to be taken into consideration while providing treasury grants to Turkish public institutions and corporations. In the context of higher education, similar implementation is valid, and performance goal tables, strategic plans or activity reports etc. are prepared regularly every year by higher education institutions. However, there are serious problems in Turkish higher education system, when it is compared to higher education systems in developed countries. This study reviews the literature comprehensively. This paper presents an overview of the current state of performance-based budgeting in Turkish higher education system and emphasizes its deficiencies. Accordingly, the aim of this study is to examine Performance-based Budgeting Based on Strategic Planning in Turkish higher education system, and to perform a comprehensive analysis.

**Keywords:** Performance-based budgeting, strategic planning, performance indicators, higher education

---

\*ADDRESS FOR CORRESPONDENCE: **Gonca Gungor Goksu**, Sakarya University, Turkey.  
E-Mail Address: [goncagungor25@gmail.com](mailto:goncagungor25@gmail.com) / Tel: +90 264 295 54 54

## 1. Introduction

Nowadays, many changes have been implemented because adapting new public management and financial methods to public institutions and organizations are differed. Especially a new trend which supports improving performance has been a matter of public administration, so performance indicators, performance agreements and strategic plans have been preferred in the public sector context in different countries. The performance-based budgeting implementations are given wide publicity in developing and developed countries. While implementing related budgeting technique, it is aimed that higher education institutions should give better performances. According to this budgeting, the better performance a higher education institution shows, the more government funds it receives. Thus receiving more funds causes an increase in the institution's performance. This cycle will continue, scientific research quality quantity will increase.

In this study, while examining the performance based budgeting, the existing state in Turkish higher education system is analyzed. Performance-based budgeting on strategic planning in Turkish higher education system generates the subject of study, and it is targeted that problems and deficiencies are revealed. The first part of present study includes literature review; the second part is about performance-based budgeting on strategic planning in Turkish higher education system and its implementations. The aim of this study is to examine performance-based budgeting based on strategic planning in Turkish higher education system, and to perform a comprehensive analysis.

This study targets to answer the following questions; (i) What does the performance based budgeting on strategic planning mean? (ii) How does it affect success of institutions and organizations? (iii) How does it work in higher education system, (iv) Since when has it been valid in Turkish higher education system? and (v) Does it incorporate problems or deficiencies or does it have enough infrastructure for being implemented to Turkish higher education system?

## 2. The conceptual framework of Performance-based Budgeting and Its Use in Higher Education

Many important changes such as institutional autonomy, performance highlighting, a high level of responsibility or quality assurance etc. have occurred since the implementation of new public management in corporate governance area. So performance-based budgeting implementation has been approved and is valid in many countries nowadays. In this method, the important point is that treasure grants to public institutions are allocated, according to their success in achieving the agreed upon goals or outcomes.

Performance-based budgeting was first applied in Australia and New Zealand. The countries which use this new budgeting method consider quality, efficiency, effectiveness indicators during preparing government budgets. Performance-based budgeting collaborates with federal governmental agencies to point out how treasure grants can be allocated on public services and products, and to ensure how effectively and efficiently this budgeting system works (Alkarann & Jaba, 2011). The reason of Performance-based budgeting is improving and supporting the dialogue of accountability between government agencies and higher education institutions. Higher education institutions are autonomous to succeed their predetermined targets. In this way, the efficiency of system and incentives can be improved, and universities can be more responsive. Briefly, providing treasure grants to higher education institutions by using this method causes an improve in the equity of spending (Alshamy, 2011).

Higher education institutions report their annual performance reports, and related budgeting system enables universities and colleges to be managed effectively through an agreement (Sporn, 2003). In this budgeting system, a formula is used during allocating treasure grants to institutions which succeed predetermined goals or outcomes, such as citation number, student number, passing exams, the number of women academic staff or satisfaction level of staffs or students (Alshamy, 2011). Limited public money is enabled to universities and colleges more efficiently and professionalism, initiative and innovation in federal ministries and autonomous agencies are supported by Performance-based budgeting system (Alkaraan & Jaba, 2011).

Some standards are accepted on how predefined performance indicators are evaluated. Related standards are divided into three groups: (i) The improvement of higher education institution in a

certain time, (ii) The comparison of current performance level of institution with another equivalent institution, (iii) In order to eliminate possible problems which may occur, some measures should be taken. According to ( Dougherty & Reddy, 2011), the first of these measures is diminishing performance finance obstacles, the second is the development of indicators and criteria, the third is providing more performance, the fourth is removing performance funds from the government revenue cycle, the fifth is the improvement of corporate capacity, the sixth is eliminating unintended negative impacts, the seventh is reducing compliance costs and deception, the eighth is protecting academic standards, the ninth is struggling narrowing of institutional mission, the tenth is consulting with institution broadly, and the last one is preventing of disincentives to student who are disadvantageous.

While implementing performance-based budgeting, performance indicators have important roles. Briefly, performance indicators are data elements which measure core inputs, outputs, and outcomes, include a higher institutions' strategic plan and core business, reflect the high priority operations of institution, evaluate important and meaningful institutional characteristics to stakeholders, and emphasize institution's successful performance points to survive and competitiveness with other institutions (Seybert, 2012). Indicators are related with to goals and objectives. In a manner of speaking, they can be thought as yardsticks to measure the success level of a higher education institution. Also, performance indicators are quantitative tools as a rate, ratio or percentage.

The first purpose of education performance indicators is to contribute the strategic control and development of higher education institutions' business processes. The efficiency of studies is improved. Students to work in different sectors are prepared better by monitoring the performance aim, at the same time student and teaching staff satisfaction is increased. For creating a better ranking and reputation of the institution they contribute in Long-term improvement of the teaching process. Another benefit is to provide the prosperity of the local community, the region and the state. (Serdar, 2010). A Performance indicator has an important role to decide the goals or behavioral standards of a higher education institution, and also is a quantified tool which reflects the critical success factors of institution (Wu & Chen, 2012).

Indicators are very important for complying with the mission of the university, so they should have some features: (i) they include the main activities of the universities in education and research areas; (ii) they should be specific, quantifiable and standardized to compare with different universities or to make internal comparisons between higher education institution's departments; (iii) they should be simple and coherent with the activities for which they will be a reference for a decision; (iv) they should be acceptable and true; (v) they include information about the activities and operation of the universities (Margues, 2004). Indicators are quantitative. However, an aggregation qualitative, value and policy-oriented attributes are in the context of indicators. Indicators are vice versa interdependent; also a useful indicator should be an integral part of indicator system (Kanaev & Tuijman, 2001).

Performance indicators have benchmarks for a higher education institution, and they ensure targets and assessments for the institution. They include data and insight of institution's parts which are most effective and productive, and which parts or activities need additional resources. They are as yardsticks for accountability to external stakeholders (Lewis, Hendel & Kallsen, 2007). Performance indicators should be quantitative, content validity, face validity, reliability, timeliness and feasibility, a set of indicators (Bunting & Cloete, 2004). While developing performance indicators of the educational process, there should be the following steps (Serdar, 2010). :

- i. While identifying and analyzing performance indicators, collecting and examining relevant information are necessary,
- ii. Collecting existing data by using previous measurements is important,
- iii. The intended purpose of performance indicators, their perspectives, areas and levels of performance should be determined,
- iv. Preliminary list, evaluation and final selection of performance indicators should be obtained,
- v. While collecting data of predetermined indicators, methods which will be used should be prespecified,

- vi. The selected indicators should be documented.

There are discussions on some benefits of performance indicators. These benefits are (Markic, 2014):

- i. Performance indicators reveal the strengths, weaknesses and effectiveness of a higher education institutions,
- ii. Performance indicators bring benefit to generate the self-understanding of institution, the establishment of its objectives, the priorities and evaluation of its work,
- iii. Programs and operations are managed more effectively by performance indicators,
- iv. Institutional results can be communicated by using performance indicators,
- v. Current favorable performance is related to performance indicators, and they help Finance Ministry to allocate budget funds to institutions.
- vi. While deciding and comparative judging, performance indicators give comprehensive information,
- vii. Performance indicators form critical questions about exploration of an issue,
- viii. Performance indicators help experts to have additional information about institution, and to provide peer review's shortcomings,
- ix. Performance indicators give information about the changes of an institution's identity over time, and the changes of income and expense structures.

### **3. Performance-Based Budgeting on Strategic Planning in Turkish Higher Education System**

According to the adoption of Public Financial Management and Control Law No. 5018 on 10.12.2003, performance-based budgeting on strategic planning was started to be implemented, while generating the budgets of public institutions in Turkey. So transferring allowances to public institutions and organizations is allocated by performance indicators determined through strategic goals with objectives. While preparing the budgets of higher education institutions in Turkey which is evaluated as special budgeted institutions, performance-based budgeting method has been accepted.

According to Performance Program Preparation Guide written by General Directorate of Budget and Fiscal Control (2009), strategic plan, performance program, and activity reports constitute the main features of performance-based budgeting system. The Finance Ministry and the Ministry of Development are responsible for making arrangements specifying and determining the principles and procedures (Tugen, Gursoy & Ozen, 2011). While the Ministry of Development is given regulatory role to make strategic plan, the Finance Ministry is given a mission to regulate performance-based budgeting (Cetin & Tas, 2012).

Strategic planning is a guide for determining performance indicators, and also it has an important position in the determination of corporate activities. Besides, strategic plan identifies performance that has to be measured, and performance measurement provides feedbacks to evaluate strategic plan's targets. In other word, strategic plan forms the basis of an effective performance measurement system (Acar, 2011). The strategy departments in which the institutional assessment and evaluation can be done were established in the context of higher education institutions with the adoption of Public Financial Management and Control Law No. 5018 (Cetin & Tas, 2012).

Public Finance Management and Control Law No.5018 includes some principles to apply during preparing strategic plans by public institutions: (i) Deciding missions and visions, (ii) Constituting strategic goals and measurable targets, (iii) Measuring performances by predetermined indicators, and (iv) Monitoring and evaluating the results (Kahveci & others, 2012).

While determining objectives for actions which will be done towards goals and objectives mentioned in strategic plan, performance program is a program that includes the resources needed to realize costs and activities or for the expression of these targets as numerically (Badem & others, 2013). However, performance program provides performance information with fiscal information to be included in budget documents, and brings a results-based budgeting with an output forefront. In addition to this, it brings financial transparency and accountability principles into force in public financial management (BUMKO, 2009).

The principles of strategic planning were determined in strategic planning guide for public Institutions written in 2006 by The Ministry of Development (Sezgin, 2011). The public institutions prepare and send strategic plans to the Ministry of Development. These plans are examined and the informational feedback is provided to the public institutions. The institutions report the degree of implementation of the goals and objectives determined in the strategic plan and their budgets are reported annually through the Budget Performance Program to the Ministry of Finance. The other feedback mechanism of strategic plan is the Administration Activity Report prepared by the public institution in accordance with the Law 5018 (Kahveci & others, 2012).

A higher education institution shall follow some steps under mentioned in the context of performance budgeting (YODEK, 2007):

- i. To determine and evaluate mission and vision,
- ii. To determine and evaluate main values and policies,
- iii. To assess institution (Self-assessment and environmental assessment),
- iv. To determine strategies and objectives for short, middle and long periods,
- v. To determine the targets and performance indicators of higher education institution for implementation of strategies,
- vi. To determine activities and projects of units,
- vii. To provide resource planning and the objectives / activities / projects to be budgeted.

According to Article 41 of Law No.5018, "Within the framework of accountability, the top managers and authorizing officers to whom appropriations are allocated in the budget shall issue accountability reports each year. On the basis of unit accountability reports prepared by authorizing officers, the top managers shall prepare and publicize the "administration accountability reports", which present the activity results of their administrations. Public administrations within the scope of central government and social security institutions shall submit a copy of their administration accountability reports to the Court of Account and to the Ministry of Finance".

Some innovations on the financial states of universities have been accepted with the Law No. 5018. These innovations are (YOK, 2007):

- i. Public funds which are spent, accounted and budgeted within the framework of various regulations have been evaluated in the context of the same law (such as student social services, social facilities, and the revolving fund resources).
- ii. The concepts such as financial transparency, accountability, fiscal discipline, analytical budgeting system, performance-based management and control were accepted in Turkish public finance literature.
- iii. Multi-annual budget implementation has been accepted and, the medium-term opinions have been started to be taken into consideration during preparing budgeting.
- iv. The different perspectives have been started to be implemented in control of expenditures.
  - i. The definition of responsible officials has been defined once again, and more responsibilities have been landed with responsible officials. Also, deans have been accepted as chief of disbursement of relevant department.
  - ii. Some units as the Office of the Chief of Budget and Accounting Directorate in the context of Public Finance Ministry were abolished. So Strategy Development Authority has been established to perform their duties instead of them.

With the adoption of the Law No. 5018, the general foresight of medium-term program is the development of administrative and financial autonomy and the transformation of a competitive structure of universities by specializing (Acar, 2011). According to 2004 Program and Macro Framework Decision of Fiscal Year Budget, Strategic planning studies in eight pilot institutions were started in Turkey. So Hacettepe University was the first higher education institution in this concept. Thus, the first strategic plan which is the element of performance-based budgeting on strategic planning was the strategic plan of Hacettepe University (2005-2008).

While allocating funds to Turkish higher education institutions, institutions' performances are taken into consideration, and allocation amounts change with reference to performance indicators. During evaluating the performance indicators of institutions, institution's development within time, comparison between present and past situations of institution, and achieving of its objectives are important (Uluturk, 2012). However, public funds to universities are still determined with the negotiation which is between government agencies and university administration, and the bargaining process is put into use by determining appropriations on the basis of previous year's budget (Uluturk & Dane, 2008).

In Turkey, performance-based budgeting on strategic planning which contains more than one year should be adopted, rather than one year budget method which is approved of negotiation and agreement method. The majority of funds transferred to universities should be determined by taking into consideration some performance indicators such as the strategic plan of university, the numbers of academic staff and student, scientific studies, and projects etc. Also, output measures should be considered rather than input measures (Kurt & Gumus, 2015). Though the performance-based budgeting has been approved with Law No.5018, it cannot be said that this new budgeting method is implemented in strict sense in Turkish higher education financing.

According to Badem and others' study (2013), the reasons why performance-based budgeting method in higher education cannot be implemented are:

- i. The first reason is continuing previous practices of experience. In other words, firstly budget needs are decided, and then this system is set by using these numbers.
- ii. The second reason is that top executives cannot understand the importance both of strategic plan and performance plans, and they cannot support enough experts and staffs in institutions.
- iii. The Third reason is that the distancing from reality during choosing strategic plans and objectives, and the services which are not possible for costing don't reflect reality.
- iv. The fourth reason is that there is not still reward and punishment system which depends on performance.
- v. The fifth is that the approach of expenditure-based budget which was implemented in the long years and its routines are not still left, and the top managers and authorizing officers think performance-based budgeting as unnecessary workload.
- vi. That disbursement authority of the tables in the plans, programs and reports cannot be interrogated by the accounting unit is, though partially, affecting accountability.

According to (Tugen, Gursoy & Ozen 2011), during implementing performance-based budgeting in higher education institutions the deficiencies are:

- i. In universities, the performance programs and budgets are prepared as 2 different documents. It is a problem encountered during preparing a performance program in theory.
- ii. In the last years, legal documents (Medium Term Program, Medium Term Fiscal Plan, Budget Call and Preparation Guide) which regulate the budget preparation progress are not published in legal periods determined in Law No.5018 or published later than legal periods.
- iii. In addition, staff deficiency is another problem.
- iv. In universities the lack of management information equipment, the deficiencies in measuring the results of performance program, the compilation of data, evaluation, and the completion of necessary preparatory process are problems encountered during reporting activities.

#### **4. Conclusion**

Performance-based budgeting on strategic planning in Turkey started to be adopted after Public Financial Management and Control Law No. 5018. While transferring allowances to public higher education institutions, their budgets are evaluated as performance-based budgeting. According to Performance Program Preparation Guide, strategic plan, performance program, with activity reports constitute the main features of performance-based budgeting. Also, the strategy departments in which the institutional assessment and evaluation can be done were established in the context of higher education institutions with the adoption of Public Financial Management and Control Law No.

5018. Another important point is that the Finance Ministry and the Ministry of Development are responsible for making arrangements specifying and determining the principles and procedures. The Ministry of Development is given regulatory role to make strategic plan, and the Finance Ministry is given a mission to regulate performance-based budgeting.

Strategic planning studies in eight pilot institutions were started in Turkey. Hacettepe University was the first higher education institution in this concept. The first strategic plan which is the element of performance-based budgeting on strategic planning was the strategic plan of Hacettepe University (2005-2008). While allocating funds to Turkish higher education institutions, institutions' performances are taken in consideration, and allocation amounts change with reference to performance indicators. However, public funds to universities are still determined with the negotiation which is between government agencies and university administration, so the bargaining process is put into use by determining appropriations on the basis of a previous year's budget. All of the universities decide their own performance indicators by determining their needs. It means that there is not the same performance indicators, performance objectives and strategic plans for Turkish higher education system. Performance indicators and its objectives are prepared according to the budget in this case but, in fact, the budget should prepare according to performance indicators and objectives. Finally, although the performance based budgeting is valid in Turkish higher education system, more important problems and challenges are encountered to be solved.

## References

- Acar, I. A. (2011). Plan-Butce ilişkisi ve üniversitelerde stratejik planlama. *Kamu Mali Yonetimi ve Denetimi Sempozyumu Kitabı*, 85–97.
- Alkaraan, F. & Jaba, A. (2011). Higher Education Budgeting Reform: Towards Efficiency, Effectiveness and Economy. In *International Higher Education Congress: New Trends and Issues*, 2, 5, 1135-1141.
- Alshamy-Alsaeed, A. S. (2011). *Funding mechanism and quality assurance systems in higher education in Egypt in comparative perspective*. Phd. Thesis. the Degree of Doctor of Philosophy. Department of Professional Education School of Education College of Social Sciences. The University of Birmingham.
- Badem, A. C., Kilinc, Y. & Kavas, T. (2013). Performance-Based budgeting process in Turkey: Kocaeli University case. *Kocaeli University, Social Science Journal*. 26, 77-104.
- Bunting, L. & Cloete N. (2004). *International perspectives on performance indicators. Developing performance indicators for higher education South African case study*. Creda Communications. CAPE Town. South Africa.
- Cetin, H. & Tas, S. (2012). Comparison of model with higher education institutions in the Mediterranean region strategic plans DPT. *International Journal of Alanya Faculty of Business*. 4, 2, 57-67.
- Dougherty, K. J. & Reddy, V. (2011). The Impacts of State Performance Funding Systems on Higher Education Institutions: Research Literature Review and Policy Recommendations. CCRC Working Paper No. 37. *Community College Research Center, Columbia University*.
- Kahveci, T. C., Uygun, O., Tekez, E. K., Sevincli, A., Kilicarslan, A. G. & Dulger, E. (2012). Evaluation of public strategic planning models for Turkish Universities. *Procedia-Social and Behavioral Sciences*, 58, 138-148.
- Kanaev A. & Tuijnman A. (2001). *Prospects for selecting and using indicators for benchmarking Swedish higher education*. Swedish Institute for Studies in Education and Research Drottning Kristinasväg 33D. ISSN 1650–3821.
- Kurt, T. & Gumus, S. (2015). Trends of financing higher education in the world and recommendations for Turkey. *Journal of Higher Education and Science*. 5, 1, 14-26.

Altundemir, M. E. & Gungor-Goksu, G. (2017). Performance-Based Budgeting on Strategic Planning: The Case Study in Turkish Higher Education System *New Trends and Issues Proceedings on Humanities and Social Sciences*. [Online]. 03, pp 263-270. Available from: [www.prosoc.eu](http://www.prosoc.eu)

Lewis, R. D., Hendel, D. D. & Kallsen, L. (2007). Performance indicators as a foundation of institutional autonomy: Implications for higher education institutions in Europe. *Tertiary Education and Management*. 13, 3. 203-226.

Margues, M. C. C. (2004). *Key performance indicator in Portuguese public universities*. <http://www.aabri.com/manuscripts/09240.pdf>, Access Date: 25.10.2014.

Markic, D. (2014). A review on the use of performance indicators in the public sector. *TEM Journal*. 3, 1, 22-28.

Serdar, A. M. (2010). Performance management and key performance indicators for higher education institutions in Serbia. *Perspectives of Innovations, Economics and Business*, 6 (3), 120-124. Seybert, A. J. (2012). Identifying key performance indicators: The foundation of an institutional dashboard. <file:///C:/Users/aidata/Downloads/seybert2.pdf>. Access Date: 09.12.2014.

Sezgin, A. (2011). Hesap verilebilirlik ve ozerklik dengesinin universiteler acisindan degerlendirilmesi. *Kamu Mali Yonetimi ve Denetimi Sempozyumu Kitabı*, 226–230.

Sporn, B. (2003). *Convergence or divergence in international higher education policy: Lessons from Europe*. Forum for The Future of Higher Education. <http://www.educause.edu/ir/library/pdf/FFFP0305.pdf>. Access Date: 09.12.2014.

The Republic of Turkey, General Directorate of Budget and Fiscal Control\_ (2009). *Performance program preparation guide*. Ankara.

The Republic of Turkey, General Directorate of Budget and Fiscal Control\_ (2003). Public Financial Management and Control Law No: 5018. 24.12.2003 Date ve Number: 25326.

Tugen, K., Gursoy, G. & Ozen, A. (2011). Performance based budgeting system and assessment of the application in Dokuz Eylul University. *Butce Dunyasi Dergisi*. 35, 3-18.

Uluturk, S. (2012). Yeni kamu isletmeciligi yaklasimi, performans esasli butceleme ve universitelerde performans uygulaması. *7. Karaburun Bilim Kongresi*. Izmir.

Uluturk, S. & Dane, K. (2008). Financing higher education; Neo-liberal transformation and Turkey. *Educational Science Society Journal*. 6, 22, 108-129.

WU, C.S. & Cheng-Chen, R. J. (2012). *A study on key performance indicators (KPIs) for basic education in Taiwan*. International Conference: Innovative Research in a Changing and Challenging World. December.

Yuksekogretim Akademik Degerlendirme ve Gelistirme Komisyonu (YODEK), (2007). *Yuksekogretim kurumlarında akademik degerlendirme ve kalite gelistirme rehberi*. Ankara.

Yuksekogretim Kurulu (YOK) , (2007). *Turkiye'nin yuksekogretim stratejisi*. Ankara.