

# THE STUDY OF PERFORMANCE APPRAISAL AND COMPENSATION IN ESTONIAN PUBLIC AND PRIVATE UNIVERSITIES

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## ABSTRACT

*The performance appraisal is a process aimed at determining the results of employee's work. Performance appraisal is regarded as the main component of performance management, which is a much broader concept than performance appraisal. The main purpose of performance management is to create suitable conditions for strategic management and to increase effectiveness of the company.*

*The present paper aims to compare performance appraisal and compensation policies and systems in universities. The first section of the paper is an introduction of literature on performance appraisal and compensation in educational institutions. The paper starts with a literature overview on performance appraisal and compensation in educational institutions. The experiences of European and North American universities are discussed. The theoretical framework in opening section will rely on research articles from leading management journals.*

*The second section of the paper deals with the general features of performance appraisal and compensation systems in Estonian universities. In this section mostly qualitative comparison is used, however, some quantitative measures will be provided as well. The paper uses several sources of both secondary data and primary data, and the empirical analysis is based on survey responses. The author of the paper discusses what implications this study has on the theory and on the appraisal management in the universities. In addition to suggestions for improvements also limitations of the results will be addressed.*

*The analysis process of the performance management system was carried out in two stages. First of all we implemented document analysis and questionnaires, which enabled us to establish the specifics of the performance management system. After that we carried out the individual interviews and the group interviews. The group interviews (focus interviews) were conducted in the groups of five lecturers and concentrated on the most important problems and issues. The focus*

*interview approach was very successful as it enabled us to view the problems from different standpoints and gave better mutual understanding between lecturers as it took into consideration everyone's interests.*

## INTRODUCTION

The universities need to establish performance management systems in order to show clearly defined causality between compensation and performance of personnel. Also, a good and well functioning performance management system would help the educators to make their mark in the organizational setting of their university. The author of the present paper will compare the performance management systems used in several Estonian universities.

By comparing the systems the author plans to determine to what extent are the used systems purely market driven and what is their role in the strategic decisions in the universities. It is important to note here that the public universities are today in many areas as exposed to the market pressures as the private universities. We are facing a situation where the number of state-funded places is decreasing rapidly and the importance of tuition fees at the same time is increasing and thus it is crucial to make the management processes in the public universities more efficient.

In a modern society operational differences between private and public sector might be far less influential than in the past, because public organizations adopt new organization management concepts as well. Performance appraisal and compensation system should help educators to position themselves in the organizational setting of their university. Intention is to determine to what extent this system are market driven and to what extent built on the organizational values.

The performance appraisal and especially the compensation of educators have been major subjects in the public discussions about the future and quality of Estonian education system. The universities need to establish performance appraisal systems, in order to

have clearly defined causality between compensation and performance of personnel. Unlike University of Tartu, as other universities, has longer experience in performance appraisal, as university carry out elections of the academic staff to their posts. The faculty level example should help to understand the disparities of interests.

## **PERFORMANCE APPRAISAL AND BASICS OF COMPENSATION IN HIGHER EDUCATION SECTOR**

The performance appraisal activities enable to determine whether the employees' performance is in accordance with established objectives and it is primarily based on the appraisal of employees' work results and activity (behavior), also competence (skills, abilities and characteristics). In the modern management, performance appraisal is viewed in the broader context of performance management, whereas precision of measurement and accuracy of ratings is accompanied by social and motivational aspects of the appraisal process (Fletcher, 2001). Alongside with task performance, which covers job-specific behaviors and employee's core responsibilities, in the appraisal process more attention has been devoted to non-job-specific behaviors, like cooperation, dedication, enthusiasm and persistence. These aspects form contextual performance, which is, because of increasing organizational and task complexities, becoming more and more important (Boyd and Kyle, 2004).

Employees' compensation is a process of rewarding employees with monetary and non-monetary benefits according to the value of their work, thus compensating them for their efforts. Interestingly, comparative study about HRM functions that private sector companies tend to use skill-based or competency-based systems, while in public organizations dominate more traditional compensation systems (Budhwar and Boyne, 2004). This shows that compensation policies develop faster in private sector. In modern context, external job value does not depend only on local labour market conditions, but also on international market. Bloom et al (2003) have studied the balance between local context and integrated global systems in the setting of multinational companies. Similar international influences have to be taken into account in universities because top researchers and professors are competitive not only in national labour market but also inter-

nationally.

The higher education sector is by its very nature and management style a rather conservative one. This is mainly caused by traditions and academic freedom, and that is why payment-by-results system is still a rather new approach. However, state budget difficulties have determined the need for better management also in the higher education sector, and the need to motivate lecturers and researchers more efficiently. Appraisal and management of performance has recently attracted much attention in European universities and colleges. With increase in the number of students, total costs have risen and, with limited state funding, there is strong competition for money among various social services. Over the last decades, many researchers (e.g. Gatfield, Barker, Graham, 1999; Sinclair, 2003) claim that the issue of quality has become a significant subject and will continue to be one of the predominant points of debate in higher education. Aim to quality is driven by consumer demands for increased standards and performance, and by the needs for organizational excellence.

Some authors (e.g. Stilwell, 2003; Scott, 1999) question the suitability of commercial criteria and economic incentives, which have been popular political choices, in the setting of higher education. They may lead to corporate managerial model that puts too much stress on economic rational, seeing competition and markets as most appropriate means for the achievement of high quality in teaching and research. In order to do that, universities should monitor more closely customers' expectations. Thus, the awareness about these expectations is important even when customer aspect is only one of the several performance appraisal criteria.

Performance in higher education is not necessarily related to academic standards - universities (colleges) must establish procedures to monitor the quality of graduates. This can be done through formal survey processes or informal feedback. For example the evaluation of the education in different universities and colleges does not clarify the reasons why some companies prefer particular graduates. It may be because certain companies need to hire individuals that have received training in a particular academic field. Improvement in the quality of graduates begins with the recognition of graduates' position in the labour market and also the demands of possible employers.

There are numerous criteria for measuring the performance of the education process. These criteria have been brought out by different studies (McNay, 1997; Willis, Taylor, 1999; Mergen et al., 2000; Ashe-Eric,

2001; Mulford et al., 2004; Griffith 2004), and we can divide them into three groups: teaching, research and service. There may be a focus on particular stages of the education process:

- 1) on input e.g. qualification of staff, nature of students and material resources;
- 2) on processes e.g. approaches to teaching, student involvement and feedback;
- 3) on output e.g. qualifications of students, employment rates, staff publications.

Quantitative data such as exam pass rates, citation levels for research articles etc. may be also available. In other cases, survey data from students or employers might be collected. The more criteria presented, even without rigid detailed scoring scales, the better the evaluation will be. Statistical performance indicators should support judgment, not replace it. Quality of performance in teaching at the higher educational institutions would include measures such as alumni feedback. Teaching does not include only what is done, but how it is done. Quality of performance in teaching requires that the higher educational institutions prepare the students for their first position as well as provide the basis for performance in future positions. Part of the quality of performance is to maintain an awareness of the needs of the customer. The challenge to universities is to produce graduates who meet the requirements of employers.

Quality of teaching depends on the qualifications and research potential of the academic staff. Research outputs, as well as successful teaching, are expected of everyone; additionally they help to keep one's employment. This is also important for the future success of a university, as it helps to attract students of different levels. Hence, following new performance targets have become important to the universities: the number of doctoral, graduate and MBA students; the number of research contracts; and of course the quality of research and publications. (Pratt and Margaritis, 1999)

For academic positions, monetary compensation and working conditions form only one aspect of the reward. Study has shown that academic staff values autonomy and flexibility as job characteristics so highly that they tend to remain in the academic sector even when working conditions deteriorate. This autonomy is further reinforced by tenure systems. (Bellamy et al., 2003; Chevaillier, 2001). Additionally, it is important that the academic staff believes in the necessity of research and having higher degrees to get promoted. Also, they need to be confident that that adequate support will be available for research. This leads

to the suggestion that in the academic circles non-monetary compensation like greater autonomy and flexibility retain their importance.

## **PERFORMANCE APPRAISAL AND PAY-FOR-PERFORMANCE OF THE ACADEMIC STAFF IN ESTONIAN UNIVERSITIES**

Performance appraisal of the academic staff (lecturers and researchers) has become increasingly topical during recent years in Estonia. The results of performance appraisal are closely linked with pay-for-performance system, on the basis of which the final salary of an employee is calculated. The impact of performance appraisal results on salaries differs in universities (faculties). For example, performance appraisal results and salaries are very closely linked in the Faculty of Economics and Business Administration in Tartu University, whereas in many other faculties it is not the case and results are taken into consideration mainly when calculating the overall basic salaries and bonuses.

We will analyze the differences in job performance appraisal systems of the academic staff in Estonian leading universities. Several universities, more specifically some faculties in these universities, have implemented particular appraisal systems and improved them over time. In order to investigate the appraisal and compensation systems used in Estonian universities, authors compiled a questionnaire and carried out empirical research in six Estonian universities. The questionnaire consists of 19 questions, including both multiple choice and open answer questions. Majority of the questions were opinion-based and respondents had a four-point scale to use. During the research project, the respondents were asked to describe their appraisal system through an open question. In addition, the information on the university home pages was studied.

The survey was carried out in four public universities and two private universities. Questionnaires were distributed amongst personnel managers or other experts of these universities, who engage in and are responsible for management, appraisal and remuneration of the academic staff. Altogether 41 questionnaires were sent out via normal post. A total of 25 people replied to the questionnaires from six universities: the University of

Tartu (5 respondents), the Estonian Agricultural University (3), Tallinn University of Technology (4), Tallinn University (3), Audentes University (4) and the Estonian Business School (6). The questionnaire was carried out amongst the personnel managers and other experts, which explains the relatively small number of respondents as there are not many experts in the field of performance appraisal and compensation.

Research showed that there are academic staff appraisal systems in place that apply for an entire university or to a specific faculty. In universities, where appraisals are carried out on various structural levels, the appraisal methods, forms and frequency depend on structural levels and vary considerably. Appraisals are carried out also on lower levels, like institutes or departments. 90% of the respondents claim that lecturers and researchers are evaluated during the period between the faculty elections. Many faculties evaluate their lecturers regularly. However, this is still done rather superficially and without sufficient regulation. More unified appraisal system is often still to be developed.

**Tallinn University of Technology** has based its academic staff appraisal system on a work program-report. Lecturers and researchers create their personal work program for each term separately and the department or institute approves this. At the end of each term a report is compiled about the fulfillment of the personal work program, and a direct supervisor, who will carry out an overarching development interview, evaluates its effectiveness. During the development interview the past work period is evaluated and main directions of development are set. The work program-report is the basis for the board and the academic commission and also during regular faculty elections. Tallinn University of Technology uses also student questionnaires, where students are asked to appraise the lecturer. The results of student questionnaires are included in personal work programs. Tallinn University of Technology is now developing a new appraisal system and they are planning to engage the pay-by-performance system into it more efficiently.

**Tallinn University** has based its appraisal system on teaching, research and development, and draws conclusions once a year. The human resource department of the university does not get directly involved with the appraisal of the academic staff. The appraisal system is directly linked to the remuneration system and when determining total salaries, heads of structural units take into consideration the post of the lecturer, results of teaching and research work, and development work done by the lecturer. The head of a struc-

tural unit is allowed to pay bonuses for increased responsibility, fruitful work, extra work, fulfillment of urgent tasks and in other cases. Performance-based bonuses are paid monthly and are awarded to a lecturer or researcher for one term on the basis of the results from the previous term. When determining teaching loads, preparation and exam marking time is taken into consideration. Published articles and study materials form the basis for research evaluation. Faculty deans use the compiled reports for conducting development interviews firstly with the heads of structural units and later on with lower level supervisors. More thorough evaluation takes place in the faculties of philology, social sciences and pedagogy.

**The Estonian Agricultural University** implements academic staff appraisals mainly in the framework of faculty elections and more advanced appraisal is used only in the faculties of veterinary medicine and economics, where appraisal forms also the basis for the pay-for-performance system. Performance-based bonuses can be paid to employees who have performed their tasks very well during the appraisal period. The head of the structural unit, who also has to justify the payments, pays bonuses monthly. Appraisal takes into consideration teaching results, the level of research and teaching methodology and results of development and administration. Appraisal of the academic staff also depends on regular self-analysis, which is mainly based on teaching loads and scientific publications. The results from student and alumni questionnaires are incorporated as well. Student feedback has helped to modify the teaching of subjects. The university plans to systemically develop the internal appraisal system.

**Audentes University** evaluates lecturers in all their faculties. The appraisal components are: lectures and other teaching work (e.g. examinations, research project supervision), research and development and administration tasks. Appraisal is based on individual reports, in addition to which deans and heads of departments carry out annual development interviews. During a development interview, assessment is given to the past period and targets are set for the forthcoming term. The appraisal results are not directly linked to payment-by-result systems, but have a general effect on determining basic salaries and renewing of work contracts.

**The Estonian Business School** applies a work program-report regarding teaching during the last term. Appraisals are carried out in all the institutes. Departments analyze lecturer's work reports and makes plans about how to guarantee work quality dur-

ing the next term. A head of department evaluates work programs and makes a summary for management. At the end of term student questionnaires are carried out via computer, on the basis of which the effectiveness of lecturer's work is assessed. The results of student questionnaires are processed in departments and then forwarded on to the head of department or institute, who in turn compiles the report for the vice rector for academic affairs. The appraisal results are taken into consideration when determining basic salaries and bonuses; however, a systematic approach is still to be worked out.

**The University of Tartu** evaluates its academic staff once a term at most. At the moment there is no unitary and compulsory appraisal system for the academic staff and it differs considerably from one faculty to the other. When evaluating the work of lecturers and researchers, results of teaching, research, teaching methodology, development and administrative work are taken into consideration. According to the university compensation scheme the academic staff will be paid bonuses for very good results during the period evaluated. From the beginning of 2004 development interviews have been recommended, during which employee will have a structured discussion with the head of the structural unit or work organizer. Development interviews enable the exchange of information; clarify goals and aims of the university or specific structural unit and also discuss the role of the individual employee by specifying the aims and priorities of their work. The appraisal results of the development interview are the basis for revision of compensation terms and/or assignment of bonuses according to that scheme.

The appraisal of the academic staff in the University of Tartu is carried out differently in distinct faculties and there is no unified system at present. There are unified requirements for how to compile the yearly reports of lecturers and researchers, which are the basis for their job appraisal and activity planning. Also, regular anonymous student questionnaires are carried out, results of which are communicated to the lecturers, their work organizers and the dean. For example, the Faculty of Economics and Business Administration (FEBA) has implemented a detailed appraisal system, which takes into account a varied mix of work components and where appraisal is directly linked to the pay-for-performance system.

The staff performance quality in Tartu FEBA is controlled by the improved election process on vacancies and by well-documented procedures. The experience of attestation commission has also developed, which

has led to improved decision-making. The quality of staff performance is supported by stimulating remuneration as well as by feedback systems; student questionnaires are also used for that purpose every semester and for all courses. They are processed in the Office of Academic Affairs and not by the Faculty itself. The results of feedback will be disclosed to the employee as well as to her/his direct supervisor. In Open University courses, the employee's salary is dependent on these evaluations; but the most important aspect of questionnaires is still the feedback to the lecturer about her/his own work.

The annual self-appraisal of the entire Faculty is related to the preparation of annual reports and next year's budget. Tartu FEBA has established comprehensive procedures of keeping record about tuition loads and publications by staff members. This annual report of tuition and publications is used for allocating funds for tuition among the institutes and for differentiation of staff remuneration. Staff motivation system is aimed at improving the quality of entire tuition and research process. In order to stimulate staff members by competitive comparison, the formalized performance result (teaching load, publications) are disclosed annually in particular report. Monetary stimulation, like salaries and additional compensation, are based on actual work contribution/performance.

This pay-by-performance system enables the determination of basic salaries and bonuses to each employee separately, depending on her/his performance and such kind of wage policy is directed towards stimulating an increase in the work contribution of employees. Because the wage resources are quite limited, the wages are differentiated to a maximum extent. As a result, considerable differentiation of salaries has emerged: the salary of a lecturer at the FEBA may be higher than of a professor, depending on the workload and productivity. Payment of bonuses presupposes performance of higher capacity and quality from that demanded and/or essential activity in organization, for example the accomplishment of managerial tasks, working during the weekends or evening hours, etc. The salaries and bonuses are appointed to academic staff once a year on the basis on the performance of the previous period and within the boundaries of the institutes' and its subdivisions' budget fund, and also in accordance with the remuneration regulations. Head of the institute may on the basis of development conversation correct the performance appraisal according to the qualitative appraisal of non-formalized aspects of performance.

From the above we can conclude that Estonian univer-

sities do not have a unified appraisal system. The universities and their faculties apply various appraisal systems that are in accordance with their specific needs. The university boards usually approve the procedures and main rules for the implementation of the academic staff appraisal, but in several universities faculty boards establish more detailed systems on the basis of these rules. Human resource departments have in most cases rather minimal role in the process. Although the principles of appraisal vary by universities and their faculties, there are still some common features. The similarities are in the usage of teaching loads in the form of lectures and supervision of papers, scientific research and teaching material publications and results of student surveys, which all contribute to the appraisal of quality of teaching. Relatively less value is given to administrative workloads, negotiated and fulfilled contracts.

The analysis of performance appraisal effects to an organization indicated all respondents' agreement that appraisal of the academic staff is necessary or rather necessary, and that it is possible to evaluate work results of the academic staff. Almost all of the respondents agreed that appraisals would help universities to reach their goals. At the same time appraisal's negative effects to teamwork were noted - 45% of the respondents believe that regular appraisals will not/rather not enhance cooperation. It was indicated that appraisal-based bonuses should form 20 -30% of the total compensation package. Attitudes towards appraisal and development interviews are in general positive and the majority of the respondents believe it necessary to have a link between appraisal and compensation. At the same time, almost half of the respondents believe that the interviews do not have to be official, after which an official form has to be filled. (See Table 1)

Public universities are in turn more convinced that appraisal results should be summarized during development interview (3.7 for public and 3.3 for private universities). In addition, private sector finds it marginally more important that conducted development interviews would be official and well recorded. 60%

of private university respondents find that performance appraisal and compensation should be definitely directly related. Private universities have somewhat higher belief into benefits of appraisal-based compensation.

One question in questionnaire explored the determinants of pay-for-performance bonuses from nine different angles. 82% of the respondents said that bonuses are directly or considerably related to academic qualifications (especially academic degrees). The second most important determinant is the size of the student group. More than a half claims that bonuses are directly or considerably related to the size of groups. The rest of the work components, including the level of teaching and specifics of a student group, teaching language, preparation and marking of test papers and exams, defending of papers and theses, work at admissions committees and advanced training courses are less of a basis for bonus payments.

The majority of the universities carry out student questionnaires for specific courses in order to evaluate teaching quality. The Estonian Agricultural University also carries out questionnaires amongst their alumni, which enables the trustworthiness of results regarding specific lecturers to be increased. Student questionnaires are very popular in the majority of the universities and are one of the most important information sources for academic staff appraisals. It is important to carry out questionnaires amongst alumni more often, as this would enable to determine the influence of the academic staff to the development and careers of the alumni. Student questionnaires have usually two types of questions - multiple-choice questions and open answer questions. Opinions about which appraisal criteria to use were rather different. We can see that the majority of the criteria used in student questionnaires were considered relevant. Only two of the criteria used (co-operation between lecturer and student outside course hours and level of difficulty of the subject) were considered irrelevant by almost a half of the respondents. (See Table 2)

The comparison of universities' attitudes about the

Table 1. The General Importance of Appraisal and Its Characteristics

PROPOSITIONS	R IGH T / RAT-HER RIGHT
Appraisal of lecturers and researchers is necessary	100%
Results of student questionnaires have to be taken into consideration at appraisals	96.5%
Appraisal results should be discussed and conclusions drawn during appraisal-development interview	96.5%
Appraisal-development interview should be official, after which an official form is filled	62%
Job performance appraisal should be directly linked to remuneration	86.2%

Source: The survey of performance appraisal in Estonian universities, 2005; Türk, Roolah, 2005.

Table 2. A Comparison of the Estimations of Suitability of the Evaluation Criteria in Student Questionnaires

	RIGHT / RATHER RIGHT
Subject matter of lectures	93%
Clarity and logical presentation of lectures	100%
Competence of lecturer	86%
Level of preparation for lectures	86%
Responding to student reactions, ability to create rapport	93%
Readiness for discussions with students	75%
Ability to demand maximum deployment of abilities from students	100%
Ability to promote students' active participation in the course	86%
Visual aids were informative and helpful for learning	100%
Subject matter of written teaching material	89%
Relationship between the amount of written teaching material and the need for it	68%
Illustrations and examples to support lectures	100%
Lecturer associates the subject with other subjects and practical life	93%
Lecturer treated students equally and fairly during the course	93%
Cooperation between lecturer and student outside course hours	58%
Keeping to schedule	100%
Level of difficulty of the subject	55%
Overall evaluation to lecturer	96%

Evaluation criteria in student questionnaires: 1 - wrong 2 - rather wrong 3 - rather right 4 - right

**Source:** The survey of performance appraisal in Estonian universities, 2005; Türk, Roolah, 2005.

content of student feedback shows once more higher average positive scores from private university respondents. Ability to demand maximum deployment of ability from students is viewed as very important aspect by private universities, whereas for public universities this aspect is less important. Private universities seem on average to put marginally more importance on interaction with students during the course, as indicated by average scores to 'considering student reactions, ability to create a good contact' and 'readiness for discussions with students', and on illustrative aspects of the lectures. They set higher value also to keeping the work in accordance with announced timetable and to overall evaluation given by students.

In the framework of the questionnaire, the respondents were also asked via an open-ended question to bring out the **pluses and minuses** of the academic staff appraisal (see Table 3).

Performance appraisal of the academic staff has several important pluses, including a rise in the motivation levels of the staff through feedback and acknowledgment. This grants employee development, effectiveness of their work and work quality. The main minuses, however, are the complexity and time consumption of the systems. Also, job performance appraisal does not enhance teamwork and causes tensions and prob-

Table 3. Pluses and Minuses of Appraisal of the Academic Staff in Universities

PLUSES	MINUSES
Feedback about your work; enables self-analysis	Does not enhance team work
Stimulates training and development	Difficult to administrate and record; time consuming administrative side
Students are given an opportunity to express their opinions	Student feedback depends upon course matter, interactive courses get higher marks
Gives an overview of the quality of lecturers	May create tensions between departments
Helps to fulfil the strategy and goals of university	Only works where thorough methodology and appraisal system are in place
Directing lecturers towards results and achievements	Unsystematic appraisals might bring forth more negative than positive results

**Source:** The survey of performance appraisal in Estonian universities, 2005

Table 4. The Comparison of Selected Pay-For-Performance Criteria in Public and Private Universities

	PUBLIC INSTITUTIONS	PRIVATE INSTITUTIONS
Level of study (bachelor, master, doctor)	2.4	2.7
Qualifications (degree, practical experience)	3.0	3.9
Language of instruction (foreign language)	1.5	3.1
Preparation and marking of tests/ exams	1.3	2.3
Defence in front of a board (board membership, reviewing)	2.2	2.7
Number of students enrolled on the course	2.3	2.8
Specifics of the group (full-time or distant learning/ open university)	2.0	1.6

\* Pay-for-performance in university: 1) does not depend; 2) rather does not depend; 3) rather depends; 4) depends on  
**Source:** The survey of performance appraisal in Estonian universities,

lems in departments and institutes.

In public as well as in private universities the appraisal system is not related solely to the election into positions, but takes place also between the elections. Only three respondents from public institutions expressed the opinion that there is no regular appraisal despite elections. From selection of appraisal criteria, private universities are more unified in valuing the feedback from student questionnaires. Respondents from private universities find the appraisal of teaching and research staff definitely important in 9 out of 10 cases, while only 63% of public university representatives were absolutely sure in its importance. However, remaining 37% still considered it rather important than unimportant. Still, this result indicates that private universities are somewhat more interested in appraisal-based feedback. Private universities are in average also slightly more convinced that students' evaluations should be used as a component of appraisal systems.

In comparison of scores attributed to selected compensation criteria, it was revealed, that both university types consider employee qualifications (degree, practical experience) to be most important criterion used for the assignment of pay-for-performance. However, in 4-point scale the average score was 3.90 for private universities and just 3.00 for public universities, which indicates that performance-based pay depends more on staff qualifications in private education. The same trend in responses characterized dependency scores of other pay-for-performance criteria, because private universities consider them to be rather important parts of their systems, while several of them are deemed to be rather unimportant by public university respondents. Especially large difference characterizes the usage of foreign teaching language as the compensation criterion. Two private universities use this as an inherent part of their compensation system, while pay-

for-performance systems in public universities do not considerably depend on that aspect. One compensation aspect more prominent in public sector is the specific form of teaching (stationary, distant or Open University teaching). (See Table 4).

More detailed responses about the role of appraisal process show that public and private universities do not have very differing opinions about the need for appraisal, about the visibility of academic staff appraisal and about the relationship between appraisal function and organization's objectives. Only difference in that segment of questions concerns the relationship between appraisal and cooperation between employees. Answers indicate that both groups do not have very strong impression that regular appraisal facilitates employee cooperation, whereas private university respondents are somewhat more optimistic (average scores are 2.5 in public, and 2.8 in private). It could be cautiously concluded that Estonian private universities have slightly more feedback-based, customer-oriented, and organization-wide appraisal systems than public educational institutions. This might be partially attributed also to the differences in size and profile of these institutions (two private universities included are oriented on teaching business administration).

## CONCLUSIONS

In higher education sector appraisal systems have been implemented on organization-wide level mostly since 1990s. University staff usually accepts appraisal as long as it is oriented towards personal and organizational development and not towards stricter control. There is also a discussion going on, how extensively should staff appraisal in universities be oriented to the student evaluations, and thus to customer-oriented performance quality measures. This is partially related also to public university funding systems that range

from enrolment-based financing to performance-based funding. Faculty compensation systems should strive for procedural, distributive and social justice as well as facilitate not only individual efforts, but also cooperation and teamwork.

In Estonian universities there exist several types of appraisal systems. Although staff attitudes towards appraisal are positive, the systems are often still underdeveloped and not organization-wide. Different faculties in large universities have their own appraisal systems that vary considerably. On the positive side, these appraisal systems give feedback about the performance (including the opinions of students), support the individual development of academics, increase motivation, and help to achieve the quality goals of the university. On the negative side, existing systems do not facilitate teamwork, are too costly and complex to administer, provide possibly biased student feedback, might create tension between departments, and, if improper procedures are applied, even cause more HRM problems.

The comparison of Estonian public and private institutions did not yield very large differences. However, private universities seem to set more importance on student feedback in the appraisal process and value the appraisal function somewhat higher than their public counterparts. Public universities, in turn, see development interviews as more valuable tool for summarizing appraisal results. The appraisal-compensation connection is again more straightforward in private sector. Unlike public universities, private institutions find that teaching in foreign language should be used as an important determinant of the pay-for-performance. Private universities involve also their management more actively into the determination of appraisal system and their appraisal processes are reported to commence with well-set frequency. In general, appraisal systems in private universities tend to be more based on direct feedback, student-oriented, and university-wide. The experience of private sector suggests that coordination helps to create also more unified vision about the nature of appraisal. The managerial implications to be drawn suggest closer cooperation between faculties and human resource department for the establishment of more unified appraisal procedures. This would help to accelerate development processes and applications of pay-for-performance systems in universities, which in turn would help to raise the quality of higher education.

The faculty level example of University of Tartu Faculty of Economics and Business Administration showed that appraisal systems are often perceived

controversially depending on one's placement and job description in the faculty. Very different and conflicting standpoints were pointed out during the interviews. Majority of the universities in Estonia and majority of the faculties in the University of Tartu use considerably less complicated performance management and personnel motivation systems than the ones used by the Faculty of Economics and Business Administration. The less complicated systems have so far given good work results and are thus successful. However, were we to introduce similar systems in the Faculty of Economics and Business Administration it would be a step backwards as it would equalize all employees and the work efficiency would fall? This would decrease staff motivation and would have negative impact on fulfilling the goals of the faculty. So far the management has tried to take into consideration and balance the interests of the different chairs and lecturers and tie these with the overall aims and goals of the faculty. Simplification of the appraisal system and a change towards graded salaries would make management more centralized and might give way to management errors.

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