The Value of Administrative IT: Getting It Right

In late 2013, EDUCAUSE and NACUBO (the National Association of College and University Business Officers) convened a joint working group to explore how best to maximize the cost-effectiveness of administrative systems and services. Below are highlights from the group’s final report.¹

Colleges and universities confront an array of challenges to the ways in which they have traditionally operated. Major stakeholders view higher education as increasingly unaffordable, with cost structures that students, families, and the public cannot sustain. They watch with rapidly growing concern as aggregate student loan debt moves beyond the $1 trillion mark, leading to questions about whether students’ debt burdens will limit their career options and serve as a drag on national economic growth. And they openly wonder if institutional performance on learning outcomes and student success justifies the level of resources they provide to achieve it.

These pressures have clear implications for instruction and research, but their potential impact on administration and the technology that supports it is no less significant. As demands grow to reduce the cost and improve the outcomes of higher education, institutions must face these challenges in an environment of unrelenting resource constraints. This pressure has heightened interest not only in bolstering administrative efficiency and effectiveness but also in realigning, to the academic mission, the resources freed through such improvements.

Defining and Maximizing Value

The working group determined that the value of administrative services and systems equates primarily to the value of “doing business right.” In other words, such services and systems are central to how institutions operate and how they continually strive to improve their operations, comply with legal and regulatory obligations, and enhance strategic decision-making—so central that effective institutional leadership/management requires these services and systems. Failing to appropriately invest in and maintain administrative services and systems could result in potentially crippling breakdowns and missteps that institutions simply cannot afford.

However, this view does not tell the complete story. To fully assess the value that administrative services and systems provide to the institution, one must evaluate them in relation to two primary factors: the extent to which they help differentiate the institution in the competitive higher education marketplace (i.e., market differentiation); and the degree to which they are critical to supporting the institutional mission (i.e., mission criticality).

As colleges and universities consider how best to maximize the value of administrative systems and services, the following recommendations may prove useful:

- **Clarify costs and their drivers:** Higher education institutions should develop effective, appropriate data and metrics for administrative services and systems costs to support strategies for improving cost-effectiveness.
- **Minimize customization:** Institutions should seek to reduce cost and improve performance through standards-based process reengineering and shared services.
- **Get analytic:** Institutions should implement analytics to enhance the capacity of administrative systems to support core mission objectives (e.g., student retention, learning outcomes).
- **Share knowledge:** Institutions should work individually and collectively to more effectively capture, document, and disseminate best practices and shared services opportunities.²

Top Priorities

Considering the critical value of administrative services and systems as well as the opportunities and issues involved in maximizing that value, the working group identified a set of broad proposals that EDUCAUSE and NACUBO might pursue to advance progress in this area. It listed the following as the priority next steps that EDUCAUSE and NACUBO might undertake in an ongoing partnership:

1. Develop general and, where appropriate, institutional-category-specific models, metrics, and best practices, including
   - models, based on best practices, for the standardization of administrative services and related information technology,
   - benchmarking data and metrics for the costs of administrative services and related information technology, and
   - case studies and guides, based on best practices, for initiatives in business process reengineering (BPR) and shared services, analytics, and knowledge-sharing processes.

2. Clarify and promote “market differentiation versus mission criticality” as a core concept for understanding and managing the administrative services and systems environment. EDUCAUSE and NACUBO should create a comprehensive framework to help colleges and universities make comparative decisions about service/system value and investment, as well as where BPR or shared services may be warranted.
3. Convene NACUBO and EDUCAUSE member representatives to inform and support the development of collaborative efforts to address shared services and systems challenges, such as engaging system providers on common systems development concerns.

Conclusion
As NACUBO and EDUCAUSE plan and implement relevant initiatives, the working group proposed that the two associations look for ways to support the development of a shared lexicon, data definitions, and process landscape related to administrative services and systems. In addition, the group suggested that EDUCAUSE and NACUBO strive to help their members and other stakeholders understand the intersection between potential changes in the higher education business model and administrative services and systems.

CIOs and CBOs alone cannot drive the level of transformation needed in administrative services and systems. Key institutional decision-makers and stakeholders, including other senior administrators and governing board members, must actively embrace the process. Thus, the working group emphasized that NACUBO and EDUCAUSE should strive to generate a critical mass of support for administrative transformation among presidents, provosts, and other major stakeholder communities. With the full commitment of these stakeholders, colleges and universities can realign processes and systems to significantly improve not only administrative efficiency and effectiveness but also institutional capacity to achieve core mission objectives and adapt to the trends shaping the future of higher education.

Notes

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See also “The EDUCAUSE Administrative and Enterprise IT Program,” on p. 12.
The EDUCAUSE Administrative and Enterprise IT Program

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Administrative systems undergird virtually all of the routine functions of a college or university, including the essential systems that handle HR, finance, and student services, as well as research administration, alumni management, and development. Of the 58 administrative systems assessed by the EDUCAUSE Core Data Service (http://www.educause.edu/cds), the typical institution has 40. Many of these systems also need to interconnect to exchange data. The result is a complex and resource-intensive matrix of systems at a typical college or university.

These systems are essential to institutional operations, yet most do not significantly differentiate one institution from another. The strategic value of administrative systems stems from the data they contain. As institutions implement analytics initiatives, they can mine that data for key indicators of mission performance, including progress on short-term goals as well as long-term strategy. This expands the value proposition of administrative systems from essential operational infrastructure to key strategic asset. In addition to the strategic value that administrative systems provide through their analytics potential, value can also be maximized through efficiency measures that may allow some cost savings or other resources to be reallocated to the institutional mission.

EDUCAUSE is building a new administrative and enterprise IT program that will address these issues. The program will focus on helping colleges and universities support institutional strategy by defining and maximizing the value of administrative systems and services and by increasing the efficiency of these systems. The EDUCAUSE administrative and enterprise IT program will address issues in five areas.

Costs, cost drivers, and value. Colleges and universities need to understand and define the costs and cost drivers, as well as the value, of the institution's suite of administrative systems and services. These costs are hard to calculate. In addition to the hardware, software, and staffing costs required for purchase and maintenance of the systems, there are unseen or ongoing costs that are often harder to take into account. For example, costs need to include ongoing configuration and customization, integration with other systems, IT staff time over the life of a system, staff time in functional units required for testing upgrades, and associated infrastructure costs. A value assessment should include analytics and business intelligence as well as the functionalities and efficiencies provided by various systems.

Business intelligence and analytics. Business intelligence and analytics initiatives increase the degree to which administrative systems and the data they generate can inform academic and operational decisions. Business intelligence gained through analytics transforms the raw data from administrative systems into meaningful information that can be used to meet compliance and regulatory needs, monitor progress on short-term goals and long-term strategy, and make strategic decisions related to institutional mission (e.g., progress in enrollment management, graduation rates, cost savings, grant funding, and development campaigns).

Business process reengineering. BPR looks at the analysis and design of business processes, with the goal of helping institutions rethink operational work by focusing on defined business outcomes. Most administrative systems are critically important to the operational work of the institution, but they do not provide a market-differentiating function. For example, hiring and paying employees, handling procurements, and managing budgets are all important functions, but they do not influence a student's decision to attend an institution. Efforts to customize these systems and then maintain those customizations can add to system costs without adding value. The process of examining and redesigning work processes through BPR can uncover opportunities for greater efficiency of administrative systems and processes.

Effective sourcing strategy. For any institution, determining the right mix of hosting solutions—whether cloud services, shared services, or on-premise services—is an important decision. An institution's sourcing strategy is influenced by a variety of factors, from existing IT infrastructure and investment to institution size and funding approaches. An effective sourcing strategy, in support of the overall institutional culture and strategy, will increase efficiency as well as meet users' needs for functionality and operational effectiveness and may lead to cost savings or avoidance, increased agility, and better focus on mission.

Knowledge sharing. Most institutions manage the same types of administrative systems and services. Learning from each other's successes and failures, sharing best practices, and comparing experiences can help institutions save time and resources.

Through the new Administrative and Enterprise IT Program, EDUCAUSE will build resources that will help higher education institutions make progress on the issues in each of these five areas.