Key Questions for Administrative Systems: Balancing Cost and Value at AASCU Institutions

Almost all the routine functions of a college or university rely on administrative systems. Those systems support functions such as research administration, student services, and alumni/development, as well as HR, finance, and facilities management. With pressure to reduce costs and improve efficiency, institutions will need to make careful choices as they renew these essential and expensive systems.

Is improving the value of administrative IT a priority for your institution?

Value is a function of cost and worth. One clear strategy to increase value is cost containment or reduction. On average, AASCU institutions spend 2% of their operating budgets on IT functions that support the administrative mission of the institution. Put another way, the administrative areas of the institution account for almost half of all central IT spending, leaving 52% of IT budgets for instruction and research (figure 1).

Another view on IT spending shows that three of every four dollars spent on central IT are devoted to running the institution, with only one dollar left for growth (such as adding students or faculty) and transformative change (such as adding new academic programs or moving to online learning; figure 2).

A second strategy to increase value is to extract additional worth from administrative systems. Analytics applied to the massive amounts of data in these transactional systems can provide higher education leaders with insights, dashboards, and even predictive information to inform and improve decision making. Institutions increasingly view analytics as important for higher education’s success (figure 3). For the past two years, using analytics to improve institutional outcomes has been among the EDUCAUSE top 10 strategic IT issues.
What elements of administrative IT cost containment or value-add do you have in place?

**IT cost containment.** Institutions are pursuing multiple strategies to contain the costs of administrative IT, most notably moving applications to the cloud, sharing services to spread the costs of systems across multiple departments or even institutions, and redesigning business processes to reduce costly customizations of products to accommodate historical ways of doing business instead of critical business needs:

- Less than one in five institutions currently run administrative applications in the cloud, with another 24% implementing or planning cloud implementations (figure 4).

- Sharing services and facilities with other campuses is not common, although one in three institutions use data-hosting services at a shared facility or through a multicampus system or district.

- A recent NACUBO conference presentation highlighted process or productivity improvement as a key cost-containment strategy.\(^1\) Institutions have begun business process redesign, but most do not yet feel they do it effectively.

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\(^1\) Rowan Miranda, "Budget Balancing Strategies for Multi-Year Plans: Case Study of the University of Michigan," presentation at the NACUBO Budgeting Forum, September 24, 2012.

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**Figure 3.** Growing importance of analytics

**Figure 4.** AASCU institutions' intentions for cloud-based administrative applications in 2015
Customization is widespread, but institutions may be reducing the degree to which they customize administrative systems (figure 5). Traditionally, higher education has spent time and money adapting software to conform with local business processes. Now IT and administrative leaders are recognizing that it is often more sensible to adapt business processes to software.

**Value-add through analytics.** Investments in analytics are among institutions’ highest priorities. Using analytics to help drive critical institutional outcomes has been on the EDUCAUSE Top 10 IT Issues list for two years in a row. AASCU institutions are aggressively implementing the technologies needed to support analytics initiatives, and estimates suggest that by 2016–17, these technologies could be deployed at an average of one-third more institutions than they are today (figure 6).

*Figure 5. Customization in administrative systems*

*Figure 6. Implementation baselines and estimated growth for analytics technologies*
What administrative IT applications do you plan to implement in the next 2–3 years?

Systems that need to be replaced can be low-hanging fruit for business process redesign or other cost-containment efforts. Help desk, faculty e-mail, and content management systems are among the administration systems that institutions are most likely to replace in the next 2–3 years.

What is the single most important next step for your institution on administrative IT?

IT service delivery models are undergoing a fundamental restructuring that will not bypass higher education. It is time to understand and then to act. Determine your institution’s strategic goals for administrative IT and support those goals.

Implications

Administrative IT is essential, expensive, and ripe for transformation. Understanding the possibilities and cost drivers can help your institution determine the best strategy. Ensure your initiatives reduce extraneous costs without crippling essential functionality or introducing new risks. Remember the potential of administrative systems to add value through analytics. Most important, have clear goals for administrative IT and marshal the support of the institution around those goals.

About This Brief

This report is one of a series of executive briefs designed to help institutional leaders optimize the impact of IT in higher education. It has been customized especially for AASCU institutions and is part of a series of four such reports to be released in 2015. To read the original, noncustomized briefs and access related resources, go to Resources for Presidents and Senior Executives.