The 2015 Enterprise Application Market in Higher Education

Financial Management Systems
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Authors

Leah Lang, EDUCAUSE
Judith A. Pirani, Sheep Pond Associates

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What You Need to Know

Financial management systems are one of those essential, meat-and-potatoes systems that support the routine functions of a college or university, but most of them do not significantly differentiate one institution from another. On average, these systems have been in place since 2002, and considering the opportunities for more innovative uses of money that directly support student success, institutions seem to be staying the course on their existing financial management systems unless significant efficiencies can be gained by making a switch. These factors place the financial management system area toward the bottom of the pack in terms of system rate of change (figure 1).

*Rate of change is an indicator of how rapidly a system area is changing. It is a composite score based on year of current implementation and on plans to implement new systems or replace existing ones. Systems with the highest rate of change typically have been implemented recently or are expected to be implemented or replaced soon.

Figure 1. Characteristics of core information systems
Financial management systems are typically provided by a central IT department, and few institutions have implemented a solution in the past three years or plan to replace their system in the next three years (figure 2).

**Figure 2.** System provision and plans for change for financial management systems
Market Share

With four-fifths of the market (85%) using a solution from one of the top 5 vendors—Ellucian, 45%; Oracle, 30%; Jenzabar, 4%, SAP, 4%; and Kuali Financial System, 2%—the financial management system market is fairly homogeneous (figure 3).

Figure 3. 2015 financial management system market
Market Shift 2011–15

Slight changes in market share occurred between 2011 and 2015; these changes appear to reflect shifts in product focus, not transitions to new vendors. For example, slight growth in Oracle PeopleSoft Financial Management was mirrored by a slight decline in the use of Oracle E-Business Suite Financials (figure 4).

Figure 4. 2011–15 financial management system market (top 4 solutions)
Management Strategy

Although most institutions (80%) opt for an in-house implementation, alternative software management strategies are also being used. Nearly one-tenth of institutions using Oracle E-Business Suite Financials have a SaaS implementation; nearly one-third of institutions using Oracle PeopleSoft Financial Management have a system that is being hosted or managed by another institution (figure 5).

Figure 5. Management strategies in use for top 4 financial management solutions
Deployment Strategy

Used by nearly one-half of institutions, the most common way of accessing financial management systems is through web-based applications. Institutions with Oracle E-Business Suite Financials are more likely to access financial information through a web-based application than institutions using other solutions (figure 6).

Figure 6. Deployment strategies in use for top 4 financial management solutions
Case Study: Eliciting Maximum Strategic Impact from an Essential System

Although financial management systems do little to differentiate an institution from its competition, finding cost efficiencies in these systems can free up resources for areas that more directly impact institutional strategy. The Changing for Excellence initiative at the University of Kansas (KU) is a poster child for this concept; it’s a university-wide review of administrative processes for inefficiency and duplication, with the goal of reinvesting savings to support mission-advancing teaching and research activities. KU’s new financial management and budgeting system implementations have helped move this initiative forward.

KU is a primarily an Oracle shop for its enterprise systems and uses Oracle’s financial management system along with a homegrown budgeting system to manage the institution’s fiscal activities. Both systems became unsupportable over the long term. The financial management system was several versions behind and was no longer supported by the vendor. “We needed to find new systems that would stretch the imagination of our team, with an eye on moving away from our homegrown analytic budget system, which was ‘best of class’ when we developed, and replace it with a ‘best in class’ solution for the future,” stated Bob Lim, KU’s chief information officer.

KU Information Technology (KU IT) evaluated on-premise, homegrown, and cloud replacement strategies and opted for the cloud. Lim and Diane Goddard, vice provost for administration and finance, followed the evolution of cloud systems for years and decided the time was right to move in that direction. “Cloud-based financial-systems functionality has really matured,” explained Goddard. “Financial management is an extremely important system, but it is also a very basic system. It’s a good system to cut our teeth on cloud systems, with the intention of eventually moving most of our enterprise systems into the cloud.” KU IT is a few months into Oracle Financials Cloud and Hyperion web-based budgeting solution implementations, with an anticipated go-live date of July 2017.

A key component of the Changing for Excellence initiative is business process evaluation and redesign, which is integral to these implementations. “Before, we’d go to great lengths to modify an on-premise system to support our business processes,” explained Goddard. “We needed a way to break the ‘business as usual’ cycle, and there is no better way to do that than by moving our new financial management and budgeting systems to the cloud and not modifying them. It’s forcing us to develop best practices and figure out how to use the systems in the way they were developed by the vendor.”
Accomplishing this takes a lot of communication and change management. KU IT involved the functional community from the project’s inception; 70+ people are organized in various workgroups such as financials and budgets to discuss not just features and functions but long-term goals and outcomes for the systems and the system data. In this way, everyone understands the project’s ultimate goals.

Among the anticipated benefits are better end-to-end functionality, operational efficiencies, and data transparency across the university. The new systems integrate with KU’s current human resource and student information systems and are part of a broader data management strategy that includes an institutional data warehouse and a cloud-based business intelligence (BI) solution. “We’re moving from a homegrown system to a modern enterprise system that enables us to use data to help us drive KU’s strategic mission and institutional goals,” stated Lim.

The data warehouse and BI tools will help KU use its data stores in new and more strategic ways. The financial management system is a straightforward first step in the data management strategy before tackling the complexities of the data warehouse and BI tool implementations.

Another important benefit is the anticipated long-term cost savings derived from more efficient business processes and the move to cloud-based systems, which aligns with the Changing for Excellence initiative’s strategic goals.

When reflecting on their experiences, Goddard and Lim offer these lessons learned:

- **Consider all the pieces:** KU IT put a lot of thought and planning into the new system investment. They regarded the new financial management and budgeting systems as pieces in broader university puzzles. For example, the Changing for Excellence initiative prompted the creation of shared service centers across the Lawrence campus, which, in turn, centralized all financial transaction processing and changed the user experience. The forthcoming data warehouse and BI tool implementations have significant data management ramifications. Both factored into the business process redesign and the financial management and budgeting systems’ configuration.

- **Consider how to fit the pieces together:** As an Oracle shop, KU considered system integration to be a significant factor in its vendor selection. “All these enterprise systems have to be integrated,” stated Goddard. “When you
take that first step, be certain that you evaluate all of a vendor’s enterprise business systems—student, HR, financial—development paths.” The key is to embark on your single or multivendor path with a full understanding of the implications.

- **Don’t underestimate change management**: Change management factors into all major IT projects, but the cloud transition, the lack of system modifications, and the business process redesign that were part of these implementations made KU IT especially cognizant of user involvement in the project. “Early on we made sure our customers understood what we were trying to do together, and we constantly remind them how the new system will help them achieve their goals,” stated Lim. KU IT got institutional buy-in and commitment at the highest levels. A project charter outlines project strategy and verified everyone’s roles and responsibilities. Workgroups provide an ongoing communications channel, as well as a day-to-day project activity perspective for users.

KU is still in the initial phase of implementation and looks forward to reaping long-term benefits. “It’s forcing us to really evaluate how and why we currently do things,” stated Goddard. “I think we will come out on the other end with much better processes and systems.”
Conclusion

Transitioning a backbone system such as financial management can be complex and costly. Institutions may choose this route, however, if significant efficiencies can be gained by implementing a new system. Institutions considering making such a switch will find a relatively stable, homogeneous market with traditional management and deployment strategies. When the project moves from selection to implementation, lessons learned from the University of Kansas suggest that projects should be planned carefully, with an eye to mapping system complexity and focusing on change management.

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Notes


2. Ibid., 5.

About the Enterprise Application Market Series

The Enterprise Application Market report series from the EDUCAUSE Center for Analysis and Research focuses on data from the EDUCAUSE Core Data Service (CDS) to better understand how higher education institutions approach various information systems. Market share and system rate of change are among the metrics highlighted in this series. Information provided for this series was derived from the Information Systems and Applications module of CDS. For reports in the 2015 series, responses from 510 institutions were analyzed. Only U.S. institutions are represented in this series.