The Higher Ed Cost Crisis and What CFOs Are Doing about It

Thursday, October 18, 2012

It's no secret that costs are a major concern for most colleges and universities. In fact, costs in higher education are exceeding the rate of inflation—while operating budgets are shrinking.

Given this financial squeeze, many executives are being asked to run the college or university more like a business and come up with ways to enhance the bottom line. While the claim can certainly be made that running a corporation and running a college or university have different priorities and working environments, proven business practices such as short and long-term planning, looking to cut costs and increase revenue on a continuous basis, and instituting business process management principles to increase performance and eliminate inefficiencies are all sound methods for any organization.

With an eye on better business practices and a focus on addressing this cost crunch, CFOs are looking for creative solutions to cut costs, while keeping expenditures intact for its core competency: educational services.

With the maturation of cloud computing and related technologies such as web applications, networking, and virtualization, many CFOs are implementing cloud technology— with the intent of cutting costs—in the areas of e-learning and research, to name a few. And while these areas are utilizing cloud technology, one area that has gained widespread adoption by CFOs across the higher ed industry is in the re-engineering of admissions operations, and its supporting functions, such as housing and financial aid.

Traditionally, CFOs in higher education have closely guarded their purse strings regarding new capital outlays and expenditures with their past experience of huge capital outlays for administrative technology. But now, given the said financial concerns, progressive thinking CFOs and CIOs are looking at cloud-based solutions, not as a restrictive option due to cost, but rather as a device for cutting costs, improving efficiencies, and even as a revenue enhancer.

For example, historically, the business model for admissions, financial aid, and student advising has been to collect all incoming documents from applicants and try to organize all the records in a physical folder (manila folder, boxes, and file cabinets). This manual, paper intensive workflow has significant cost impact to an institution:

- Large amounts of storage space for physical documents at a rate per square foot on urban campuses that rivals or exceeds the housing market are required and expensed.
- In the case of admissions, data entry operations that often run to second shifts for larger institutions, creating significant overtime for much of the academic year.
- Human resources are focused on the process of information assembly and entry, when service expectations from families and their students are more in line with personalized service and immediate response to inquiries. This can be an expensive disconnect.

Moreover, many IT shops in higher ed have aging data centers whose origins hearken back to the days of the monolithic mainframe. Often, these data centers “grew in place” as technology evolved and can have a high risk of damage from natural events such as floods. In addition to this inherent risk, there are several costs associated with these environments.

- The cost of air conditioning, fail-over, lighting, and physical space are all burgeoning for these data centers even as better technologies are replacing the need for them.
- More and more, human resources in IT are supporting aging, unpopular ERP systems that create professional backwaters. Agile, forward-thinking technical staff “vote with their feet” creating not only a loss of business resonance, but also a drain of institutional knowledge and efficiency. In some cases, by the time a resource has been trained well enough to support the system, they’ve moved on.
- Some attempts at process efficiency, such as in-house document imaging, which was once a manual effort, have merely shifted onto the IT area, further challenging already strained technical resources.

With these cost challenges in place, many forward looking CFOs – in collaboration with their CIO – are making use of cloud-computing and remotely hosted solutions and services and are realizing strong, tangible results in cost cutting, while appreciating an impressive ROI on the technology infrastructure put in place. Below are specific examples of how that is occurring.

- Physical space has been reallocated to essential classroom and lab space, addressing the need for additional real estate and allowing the institution to utilize space previously allocated for papers for new or other initiatives.

- When document imaging, IT functions, and hardware are outsourced for more volatile front-end marketing/contact applications, IT resources are able to enhance the more static central core systems that serve the majority of campus users.
- Costly second shifts have been eliminated even as credential response times have decreased from weeks to days. Although technology is implemented to remove manual functions, IT support by the institution is minimal.
- Web self-service has virtually removed the need for staff to respond to routine questions about the receipt of documents.
- Data security has been enhanced, while disaster recovery becomes implicit in the model at little to no extra cost. In some cases, costly off-site disaster recovery services are no longer needed.
- Job satisfaction has increased significantly as work shifts from traditional data assembly to a more flexible, mobile service paradigm.
- Capital outlay has decreased as scanners are no longer necessary and hardware maintenance and upgrade become the responsibility of the hosting partner. Electricity and cooling costs can be lowered when certain data center components are outsourced.

These bottom-line results have a significant impact on business cycles as manual assembly of data has been removed. Information is more readily available and is less cumbersome to share with “downstream” users. With automated collection and more rapid response times, cycles have flattened and are completed sooner, allowing several opportunities.

In addition, a better predictive awareness of final outcomes to mitigate is available if needed, such as significant increases in float as application, tuition, and orientation fees are paid sooner, and improved and more consistent data capture, which allows for high-grade analytics that more accurately assign discounts and help meet institutional goals.

Let the buyer beware

While there is significant cost evidence to clearly indicate how a higher ed institution can dramatically cut operational costs and improve workflow efficiencies in admissions and other functions by going to the cloud, there are a few inherent risks that any CFO should be aware of and address before committing to a cloud initiative.

The creation of a comprehensive strategic plan is essential to develop a baseline of expectations, opportunities, and standards. Most of these items can be addressed and planned for by the formulation of a blueprint up front that addresses the following considerations:

- Development of a coherent and comprehensive plan that outlines expected performance, value statement, goals and objectives, and desired benefits and results.
- Spelling out the financials. The CFO should identify the ROI opportunity and outline the cost/benefit by taking admissions operations to the cloud. Look to use cloud technology to cut costs while enhancing workflow. Outline how cloud technology can become a tool to increase revenue such as the opportunity to increase application volume.
- Identify products, services, applications, and solutions that will be integrated into the institution and that will overlap with current IT infrastructure. Explain how necessary support functions will be managed, such as help desk, upgrades, and maintenance. Account for contingencies such as disaster recovery, outages, and maintenance.
- Safeguard for privacy, security, administration, information deletion, data governance, remote access, identity management, regulatory compliance, control, and oversight.
- Create a roadmap. University officials should have a visual understanding of how the cloud technology will be dispersed across the institution (both inside and outside) and how it will impact all stakeholders. A short- and long-term blueprint would outline the utility of the technology along an ever-changing IT landscape.
- Highlight how cloud computing can now strengthen transparency vs. consumption. Further, highlight how overall IT costs will now shift from fixed costs (hardware and infrastructure) to variable costs (pay-as-you-go services).

Through the cloud, stakeholders at the college or university would now use only those services that are needed, enabling the institution to highlight what resources are used and not used. This transparency will allow the organization to make better use of financial, physical, and computing resources for IT sourcing. Agility and scalability is enhanced as the institution can easily change and modernize over time, without having huge capital expenditures in place and committed to extensive hardware that will become antiquated in short time.

While security is a major discussion point when analyzing to go to the cloud, in many instances, security can actually be strengthened as cloud computing experts have placed heavy emphasis on safeguards in the cloud environment. Here again, this is an opportunity for improving efficiency across the organization.

This enhanced level of competency also carries over to support, maintenance, disaster recovery, and overall administration and support. IT efficiency can actually be improved, not only by the modern cloud infrastructure, but also by taking advantage of the cloud vendor's expertise. That being said, giving up management and control of all institutional IT functions is always a concern, but IT can and should still oversee and have full management and control, supported by management control systems to assess, monitor, and analyze how services are deployed and used.

Despite the tremendous challenges higher education faces today, there are remedies that directly impact the cost-value equation. It is possible to enhance service and job satisfaction while reducing cost. With the glaring focus on the cost of higher education, it should come as no surprise that some institutions are already practicing what they teach.

Bob Burke is president of Massachusetts-based FolderWave, Inc. (www.folderwave.com), a cloud-based solution provider offering products and services designed to significantly improve complex, high-volume, time-dependent process and data management operations in many operational areas in higher education. Bob can be reached at bob@folderwave.com.