

Achieving Financial Sustainability in Higher Education

MARKET BRIEF

Higher Education organizations are complex and dynamic. The environment they operate within is proving to be even more dynamic – pressures on research funding, international competition for students, accessibility of online education and unstable economic conditions. The scope and magnitude of these pressures is unlikely to abate. But through all this college and university leadership must ensure the financial sustainability of their institutions.

Old Approaches Hamper Decision Making

The tools of choice to assess financial sustainability have ranged from the opaque accounts and reports provided by Enterprise Resource Planning (ERP) or standard accounting packages through to the complexity and error-prone detail of spreadsheet analysis. Neither approach delivers the insight nor the answers university administrators require.

Limited Defensibility and Transparency

Sound financial decision-making requires cause and effect relationships between inputs, operations and performance to be teased out and made clear. But too often, Higher Education leadership must fall back on partial analyses and assumptions to make decisions that may ripple consequences through the institution. Each time teaching, research, infrastructure or cost priorities change, these decision-making uncertainties, and their consequences, return.

Inaccurate Data

Too often the disbursement of revenues and costs across the various operational areas of a university has been clouded by expedience. The pragmatic drive for account simplicity can compound the consequences of decisions based upon misleading data.

Limited Flexibility

The tools available to assist financial decision-making are inherently inflexible. Finance staff resort to compiling a “mash-up” of disparate data sources to create a usable data set. The result is usually delay, compromise and uncertainty, and when management asks for a re-calculation of the numbers the result is often frustration for both parties.

A Better Approach

The Pilbara Group solution combines **ACE for Higher Education** with extensive knowledge of the operation of Higher Education organizations around the world. Utilizing international best practice, a full Higher Education model can be implemented in only six weeks, dependent on the data quality of the existing management systems, and then refined over time. The software, ACE, is very flexible and can be used for both historical analysis and forecasting.



Gone will be the days of waiting for data to be extracted from a range of ERP and legacy data sources. College and University leadership and management can now use a single source of truth to base their decisions on, and not a jigsaw puzzle of disparate information and spreadsheets.

ACE for Higher Education

ACE for Higher Education - a powerful and easily deployed cost modeling system backed by extensive knowledge of the operations of Higher Education organizations in the United States.

ACE for Higher Education provides a single source of truth and ends the jigsaw puzzle of disparate information and spreadsheets. With the deep university domain experience and support of Pilbara Group, it typically takes as little as six weeks to build and deploy a full university model and start making decisions with confidence.

Using this methodology, you will be able to determine not only the direct costs of your College or University’s teaching and research outputs and, where applicable, commercial entities, but also the fully absorbed cost (indirect costs and overhead costs).

“Administrators see little option except to respond to the marketplace, for if their institution does not react effectively, it will not have the necessary resources to offer high-quality and diverse academic programs”.

An overview of Higher Education in the United States / Peter D. Eckel and Jacqueline E. King / American Council on Education

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Pilbara Group's **ACE for Higher Education** enables you to link disparate data sets with ease and flexibility.



Common Financial Sustainability Requirements

ACE for Higher Education has been deployed at numerous universities, where it has allowed management to confidently answer some very challenging and insightful question.

Margin Analysis

- Which areas (schools/disciplines) offer the most attractive margins when expanding into new or existing space?
- What programs/units/courses are running at a loss?
- What is the fully burdened cost of Federal and State Grant Research, Commercially Funded Research or Internal Research?
- How are our international campuses performing compared to our domestic campuses?
- What are margin differences between offering a certain course / program on campus versus on-line?
- What fees should be associated with new courses or programs to ensure that we aren't making a loss?
- What is the minimum number of students required to break even?

Predictive Analysis

- How many students do we need to break even:
 - College/University-wide?
 - In this School or Faculty?
 - In this Program, Unit or Course?
 - By type of funding source?
 - By Student type?
- Where is there currently under-utilized teaching space?
- Where can the institution grow to utilize its existing resources?
- Given current and future growth trends, where will capacity need to increase?
- Will the cost of expanding capacity be met by the growth in revenue/margin?
- Which areas (schools/disciplines) offer the most attractive margins when expanding into new or existing space?

Benefits of ACE for Higher Education in Financial Sustainability

Colleges and Universities in the United States, like their counter-parts around the world, face a new paradigm of change and diversity. **ACE for Higher Education** provides you with a proven platform, allowing you to model your current and future operations. Doing so at a granular level will ensure that leadership decisions are based upon accurate, transparent, timely and defensible information.

Financial sustainability in the Higher Education sector has never been more important – are you prepared?

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