

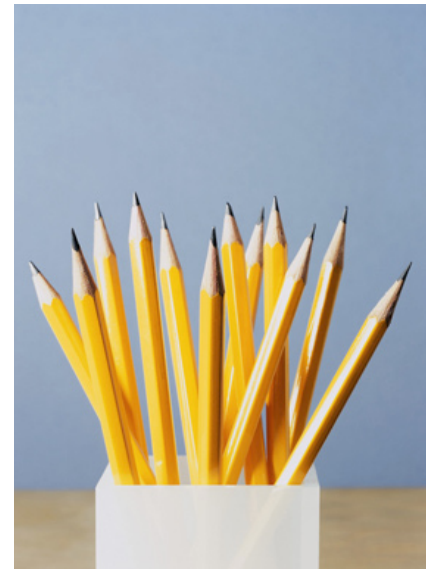
## The Data Imperative: Forecasting the University Budget



It was Forbes magazine Editor Jerry Flint who remarked, "Competition is a painful thing, but it produces great results." Welcomed or not, competition creeps its way into most areas of life, and the world of higher education is no exception. Universities are vying for bright, talented students, prestigious faculty and the funding to make it all happen.

Funding sources, however, are becoming increasingly scarce, with U.S. institutions hit hard by the economic crisis. The Brown Daily Herald, a campus paper at Brown University, in Providence, R.I., reported that education gifts drop 1.1 percent in recession years, compared to an increase by 4.6 percent in non-recession years.<sup>1</sup> The current situation, however, is unprecedented in modern education.

To persevere during tough financial times, innovative institutions must find previously untapped funding sources, leaving no rock unturned, in order to reallocate their budgets and make more accurate planning projections.



### **Simply complex**

University data sources are spread out – not only across departments and campuses, but in many cases across the state or country. Being multi-locational can make consolidating data a logistical nightmare. When information is collected, it is often in the form of spreadsheets or other one-dimensional tools that are error-prone and contain no analysis. Once this data is present in one pool, universities are often so pressed for time and money that they don't use the information for forecasting and budgeting purposes. If data is collected but not analyzed, it is difficult for the organization to keep up with fluctuating revenue streams and changing economic conditions.

With universities facing these unique issues and complexities, they require performance management solutions tailored specifically to their organizational structure. Traditional business management systems are often outdated and cannot respond to the latest technologies and trends. Performance management software can provide the tools universities need to transform mountains of data into clear, actionable information so they can identify cost versus value.

### **Enterprise planning**

Businesses have long used enterprise planning to define their goals and effectively implement strategic and tactical plans. Enterprise planning is important for universities because they are constantly asked to react and respond to change. Institutions can come under scrutiny from a variety of groups – state-funding agencies, governing boards, parents and students – if they can't quickly and accurately assess marketplace conditions and the likely performance of business, instructional, research or service units. Performance management software can support enterprise planning in a number of ways, allowing users to: share secure Web-based information with all stakeholders; monitor ongoing performance against stated goals; and track critical performance metrics.

### **Forecasting**

The practice of forecasting – or using data from the past to predict future events – such as enrollment, financial profitability, alumni support and budget numbers can also be supported with performance management software. Forecasting is crucial for universities to be able to make budget and enrollment projections and to gauge whether they are making the right decisions. The more concrete numbers at a school's disposal, the more accurate the decisions will be regarding students, courses, budgets and goals.

### **Budgeting**

An essential task for universities is producing accurate – and often innovative – budgets. Budget cuts in education have caused schools to search for alternative or nontraditional funding methods to make sure they can still meet their financial objectives. Armed with the most current figures, schools can often analyze budgets and identify areas from which money can be taken as well as more effective places for the funds to go. Performance management software allows users to: collect, analyze and report on revenue and expense data from different departments and systems; identify new revenue models; and improve efficiencies.

*Schools and school districts use Cognos performance management software to improve student performance, deliver on performance mandates, improve financial performance and enhance advancements management.*

## Case Study

University of North Texas, Denton, Texas

Students: 34,795

The University of North Texas is a student-centered, public research university and the flagship of the University of North Texas system. One of Texas' largest universities, UNT is the choice of 34,795 students. It has 11 colleges and schools offering 96 bachelor's, 111 master's and 50 doctoral degree programs in the Dallas-Fort Worth region. Like many universities, UNT found itself in a position to streamline its cumbersome budgeting and planning processes.

Robert Jones, assistant director of UNT's Computing and Information Technology Center, recalled that the university's past budgeting process included generating spreadsheets of the current year and disseminating them to the department heads, who would make adjustments and send them back. It was an inefficient, one-dimensional process.

According to Jones, the school looked to improve planning and budgeting by seeking performance management tools to streamline the process in several ways. Ultimately, they chose Cognos Enterprise Planning to be able to pull the data that supports the budgeting process directly from school systems to Cognos Analyst for modeling. Then they used the Web-based Cognos Contributor for input and update by department heads. With the Web-based interface, data can be viewed and updated in real time to ensure accuracy and responsiveness. The current information is then loaded back to the Enterprise Resource Planning system to update next year's budget.

In addition to streamlining the planning and budgeting process, performance management solutions have enabled UNT to examine, in minute detail, the way money is spent and directed. Web-based software can show budgeted amounts versus actual amounts and allow department heads to see what they've spent month by month. The software can analyze the details of what they've spent so they can see what their salary hit has been from a monetary perspective for a given month.

"Department heads have real-time access to how their money is being spent," said Jones, "so if they see unusual trends, they can actually drill down and see if it's something appropriate or inappropriate that made up that figure. From an accountability and auditing perspective, it has helped tremendously. In making plans for the coming year, if departments can look back and see how they've spent money this year, they can use the data to plan for future years and future purposes."

Overall, the implementation of performance management solutions helped UNT make the processes of budgeting and planning simpler and more efficient.

"Performance management has been effective for us because we have been able to get the data out of our enterprise systems in a quick and painless way," Jones said. "It has streamlined that process for us, eliminating some of the manual steps such as extracting information, compiling it into separate spreadsheets and dispersing the data through e-mail. Now, there is a central place for all of that communication about budgeting to take place within one planning and administration product."

## **Case Study**

**Northern Michigan University, Marquette, Michigan**

**Students: 9,400**

Northern Michigan University, located in Michigan's unique Upper Peninsula, is a dynamic four-year, public, coeducational university that offers 180 degree programs to nearly 9,400 undergraduate and graduate students.

According to Sherri Towers, budgeting director for the university, the school was looking for ways to make the budgeting and planning process simpler and faster so the school could be more responsive to budget fluctuations.

"Time management is one of our big considerations," Towers said. "Previously, a lot of our budgeting was done in the departments. It was a lot of sending things back and forth. It was also difficult to make sure all the data traveled through the right supervisory approval process."

The university made the transition to Cognos Web-based performance management solutions, and it has made a significant difference in how they operate. Being Web-based allows the central budget office to view the progress of each department's budget and have the oversight to ensure timely completion.

In addition, the planning solution helps the budget office be more responsive to changing financial needs within departments.

"We can input specific scenarios, such as when an employee group needs a certain percentage increase in their budget," Towers said. "We have one place where people enter budget information, which can be adjusted to accommodate different scenarios so we can account for that in our figures."

With this added information, it is also easier for the university to forecast based on the data at its disposal. Budgeting personnel can analyze the current financial situation, compare it to where they want to be and figure out what they need to do to get there.

"We can also build in variances and say, 'Here's where we currently are,' and we can easily go through and see what's causing it," Towers said. "That's much easier to do when it's all in one place, and we can actually have our own calculations built into the overall picture."

## Conclusion

Academic “belt-tightening” has become the rule rather than the fashion. Due to the size and scope of universities, the practices of enterprise planning, budgeting and forecasting can be daunting at the very least.

With the time of economic recovery of the United States lying uncertain, universities must do as much as they can with what they've got, transforming their data into valuable information that can drive better decisions.

Performance management solutions provide higher education institutions with the tools they need to produce great results in a dynamic, competitive environment.

## About IBM Cognos BI and Performance Management

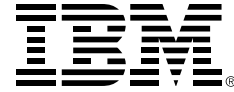
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## Endnotes

- 1 <http://media.www.browndailyherald.com/media/storage/paper472/news/2008/10/08/CampusNews/Economic.Crisis.May.Affect.U.Fundraising-3476121.shtml>