

## The Myth about Saving Money

*“IT Investments Will Save the Institution Money.”*

Claims that investing in information technology will save money for a college or university have rarely proven true. In fact, realizing the promised dollar savings is so rare in higher education that the credibility of many IT professionals has been jeopardized by making the claim. Not producing promised savings only exacerbates the sense, among many higher education executives, that IT is a “black hole” for institutional funds. Indeed, the truth is that the vast majority of IT investments *add* cost; they do not generate savings.

Is it the implementation in higher education that is at fault, or are expectations flawed? Business has claimed that it generates cost savings from IT investments. Since most trustees—at both private and public colleges and universities—come from a business environment, it is increasingly important for those in higher education to clarify the IT cost-savings conundrum.

In all areas—business, government, and higher education—IT investments yield few benefits without simultaneous investments in process redesign. If a higher education institution installs a multimillion-dollar financial system but the cashier’s office continues to process travel reimbursements using a calculator, cost savings are highly unlikely. If a process remains the same and the only change is to add IT, savings are beyond reach. Process redesign is essential if an institution hopes to capture savings from IT investments. Implementation matters.

Expectations matter as well. Is the college or university hoping to save dollars—

or to avoid future costs? By investing in IT and automating processes, can the institution avoid hiring more staff who would perform a task by hand? There are numerous higher education examples of IT investments that help slow the growth rate of specific expenditures or even decrease them. Yet cost avoidance is seldom part of the equation, since it cannot be measured.

Whether prompted by the president, the CFO, or a board member, colleges and universities are increasingly asking business questions that are appropriate when making IT investments:

- What is the return on investment?
- What value will be accrued?
- What is the cost-benefit ratio?
- How is the value of this investment determined and by whom?

The responses to these questions tend to be expressed in economic metrics, which are a challenge for higher education. Institutions may be able to identify costs, but articulating clear, measurable, and objective outcomes is more difficult. For example, how does IT contribute to a student’s education? What is the value of the student’s degree?

Even when there are cost savings, finding them can be another challenge. Many IT investments are made centrally; however, the savings may be realized in an individual unit far from the CIO’s office.

Neither the CIO nor the CFO is likely to know if an investment in a financial system saves a portion of an FTE in the Department of Fine Arts or in the Civil Engineering Department.

Finally, are we even asking the right question? Most institutional investments are made to support the mission and operation of the college or university; they are not money-saving strategies. Investing in a parking garage or constructing a new classroom building doesn’t save an institution money; but both will enable the institution to fulfill its mission. Institutions—not just IT units—should focus more on strategic, qualitative outcomes and then illustrate how IT enables (or hinders) those outcomes.

When these core outcomes are articulated and related to teaching and learning, research and discovery, or service and engagement, educators can defend the investments—whether or not they cut costs.



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Higher education can also make a far more persuasive argument to governance bodies. Although the temptation is to focus on input measures, adding more on the input side of the equation does not automatically result in better outcomes. But sidestepping outcomes is not the answer. The perceived avoidance of accountability by American higher education invites criticism. Educators must be better prepared to demonstrate how the investments in higher education—and the IT infrastructure that supports it—can be justified.

A strategy to ensure that IT investments are valued is to tie them to the campus strategic plan and priorities. Although many institutions have developed IT strategic plans, these may be perceived as being separate from the overall institutional strategy. Placing IT in the context of campus priorities and needs signals its fundamental value. According to the 2003 EDUCAUSE Core Data Service, more than three-fourths of survey respondents noted that their campus strategic plan included strategies and directions for IT.<sup>1</sup> Other research, such as the EDUCAUSE Center for Applied Research study on IT funding, illustrates the importance of alignment between institutional directions and IT.<sup>2</sup>

Thus, rather than asking whether an IT investment will save money, higher education executives should be asking questions that will help them determine the strategic desirability of an IT investment. The CIO and the executive team would be well advised to thoroughly discuss and come to a consensus on the following questions.

*Does the campus have a strategic plan that places IT in the context of what the institution seeks to achieve?* With finite resources, colleges and universities must make the most strategic investments, including the most strategic IT investments. Strategic priorities should emanate from the president's cabinet or another executive council, not from the IT team in isolation.<sup>3</sup>

*What outcomes are desired? How can they be measured?* Have the campus leaders (or key stakeholders) defined their objectives? Although dollars are relatively easy to count, other—often more ambiguous—outcomes should be defined and agreed on ahead of time. These objectives

should have both qualitative and quantitative measures, enabling the institution to assess a full range of outcomes.

*Is it most important to save money, to increase capacity, or to enhance core functions?* Saving money from an IT investment usually necessitates that units outside of IT revise business processes, eliminate personnel, or make other functional changes. Ensuring, in advance, these units' willingness to make such adjustments and their understanding of the implications is essential. However, saving money may not be the most important goal. The value of an IT investment may be to serve more students or to provide students with better and more timely service. Or the value may hinge on enabling better teaching or better research or increasing institutional capacity. When planning IT projects, everyone involved should understand the goals, agree on the implications, and define an assessment strategy.

*What is the result of doing nothing?* Higher education leaders should consider the implications of *not* making an IT investment. Will competitiveness decrease? Will key constituencies be adversely affected? Will

capacity be so limited that the institution will be unable to pursue a given initiative? All actions—and inactions—involve costs and consequences.

Saving money for the institution is always a laudable goal. But there may be more important reasons to invest in IT—and more important benefits to be gained.

#### Notes

1. Brian L. Hawkins, Julia A. Rudy, and Joshua W. Madsen, *EDUCAUSE Core Data Service, 2003 Summary Report* (Boulder, Colo.: EDUCAUSE, 2004), 10, table 1–15, <<http://www.educause.edu/ir/library/pdf/pub8001c.pdf>>.
2. Philip J. Goldstein, "Information Technology Funding in Higher Education," *EDUCAUSE Center for Applied Research (ECAR) Study*, 2004, vol. 7 (key findings available at <<http://www.educause.edu/ResearchStudies/1010>>).
3. This argument is made in David Ward and Brian L. Hawkins, "Presidential Leadership for Information Technology," *EDUCAUSE Review*, vol. 38, no. 3 (May/June 2003): 39, <<http://www.educause.edu/ir/library/pdf/ERM0332.pdf>>.

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**Brian L. Hawkins is President of EDUCAUSE. Diana G. Oblinger is Vice President of EDUCAUSE, where she is responsible for the association's teaching and learning activities and the direction of the National Learning Infrastructure Initiative (NLII).**