



Bringing Business Analytics to the College Campus

Using Fiscal Metrics to Steer Innovation in Postsecondary Educations

Jane V. Wellman and Louis Soares September 2011

Introduction and summary

Business analytics are the use of quantitative measures of past financial performance to inform future planning and decision making. These are the data tools many private-sector firms use every day to get a return on the investments they make in people, technology, and processes to keep per unit costs down, improve efficiency, enhance quality, and drive competitiveness. It's safe to say that most spending decisions by higher education institutions are not guided by business analytics. Colleges and universities boast neither common language about costs and prices nor well-established metrics for evaluating how resources are used within their institutions or across the higher education landscape.

This leads to confusion about revenues and spending and cost structures inside the institutions, in dialogue with public policymakers, and with the general public. It also contributes to weak use of fiscal data to inform planning, and to poorly informed decision making about how to match spending with priorities, whether for academic programs within a single institution or to advance public goals for higher education. The result is that it is difficult for policymakers and college leaders to even think about how to increase return on investment or target resources to problem areas.

Better business analytics will not, on their own, solve our higher education funding problems, but they would certainly help address some of the most dysfunctional aspects of higher education finance, including:

- The endless search for revenues that causes colleges and universities to drift away from their core mission and competencies
- Rapid increases in tuition driven by subsidy shifts, or losses in general public or institutional resources that pay for core programs
- The chronic underfunding of entry-level courses and developmental education that gets students up to the writing and reading skills to take college courses
- No sense of the best ways to target public funds recognizing that colleges and universities are increasingly funded by tuition dollars

Applying business analytics, with a particular focus on matching spending to public and institutional priorities, and with better attention to subsidy levels, net revenues, marginal costs, and spending against outcomes, would by itself constitute disruptive innovation in most public and nonprofit institutions.

This would be disruptive because it would represent a different way of doing business for most colleges and universities, a new business model. The Center for American Progress recently detailed this model in a paper titled “Disrupting College: How Disruptive Innovation Can Bring Quality and Affordability to Higher Education,” which uses data to focus on spending and results, rather than the current practices, which focus almost entirely on revenues and on inputs such as enrollments.¹

The purpose of this report is to provide an overview of how business analytics could be used to improve the return on investment in higher education instruction. First, we will place business analytics in the broader context of public higher education goals and the emerging debate regarding learning outcomes as measures of institutional performance. Second, we explore a core set of issues in how we finance higher education that arise because of the lack of business analytics to help make transparent where money is well-invested and ill-spent.

Third, we discuss how business analytics can be incorporated into key policy measures in higher education including institutional governance, state budget reform, funding allocations between two- and four-year schools, and linking school finances to academic program design. Fourth, we provide a short primer on resources where institutions and policymakers can find data to develop appropriate business analytic tools.

Improving access and performance in higher education is a national imperative. The days when colleges and universities could expect to receive generous public subsidies without much questioning about value or effectiveness are over. To maintain public investments in higher education, and to use increasingly scarce resources to improve educational performance, we need better ways to understand the relationship between spending and outcomes, and to use that data to guide how resources are allocated. Business analytics are a key tool in achieving this goal.

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