3 Things I Don't Know about the Datatel and SunGard Deal

By Joshua Kim August 8, 2011 9:00 pm EDT

"Under a new agreement, the private equity firm Hellman & Friedman, which owns Datatel, plans to buy SunGard Higher Education from its parent company, SunGard Data Systems, for $1.775 billion. Hellman & Friedman would then meld Datatel and SunGard Higher Education into one company under a new, yet-to-be-decided name."

--A Back-Office Deal August 8, 2011 by Steve Kolowich

3 Questions:

1. Can the S.I.S. (Student Information System) market be disrupted by an inferior (for now) but significantly cheaper and simpler competitor?

The incumbent S.I.S. market appears to be relatively mature in terms of both corporate (ownership) and product evolution. We like our S.I.S. systems (can you tell me differently?), and we like the companies that provide them (again, please disagree). What we worry about is the cost, and we would like it if our academic tech dollar could be spent on teaching and learning needs rather than administrative needs. Are there platforms, products and companies ready to disrupt this market? Who are you? What are your plans? Will the new "SunAtel" or "DataGard" (or whatever) be smart enough to try and disrupt itself, offering a cheaper, simpler (and worse) product under a different brand to compete with its own offerings?

2. When will the S.I.S. migrate to the cloud?

At some point, all of our mission critical campus systems (from the S.I.S. to the LMS to the ERP etc.) will evolve away from applications that we run and into services that we rent. The real question is not if, but when? Today, we are simply not comfortable with our most treasured and protected and valuable data living in the cloud. But the economics of multi-tenancy, a model in which multiple customers share a single infrastructure, will eventually win out. Renting applications as a service from the cloud will be cheaper, better, and more secure than local, distributed hosting. How will the new merged Datatel/SunGard owners accelerate this trend? Where do we stand now with cloud based S.I.S. systems?

3. Will a merged Datatel and SunGard be able to move up the educational value chain, and greater margins from selling services, by focussing on analytics, reporting, prediction and retention?

The S.I.S. market, like all mature markets, will eventually bifurcate into a low-end value sector and a high-end premium sector. To keep earning high margins, the S.I.S. providers need to push into business intelligence, analytics, predictive data mining, reporting, and compliance. They will need to demonstrate a clear value proposition of higher retention through prediction of at-risk students. Mobile services, and other client facing (consumer like) applications out of the core S.I.S. will also be key. Will a merged Datatel and SunGard invest the resources necessary to lock-in the premium market? Who will be the main competition (Blackboard Analytics or others?). What premium services can the S.I.S. providers up-sell from the standard student information system?

What are some of the things that you don't know (or that you do know) about the S.I.S. market?

Comments on 3 Things I Don't Know about the Datatel and SunGard Deal

Alternatives

Posted by Paul Jacobelli , President at EdTek Services, Inc. on August 9, 2011 at 7:45am EDT

Hosted alternatives do exist in the form of companiers like Genius SIS or TopSchool.

My educated guesses

Posted by sibyl on August 9, 2011 at 9:00am EDT

1. Generally speaking, your assessment of how we feel about SISes is accurate. Based on my experience I strongly doubt that leaders on the Datatel side have the wisdom to look ahead and disrupt themselves, and I'm not optimistic about Sungard either. If they are smart, they will start a disruptive team with some of the better development brains. The biggest problem facing SISes is that they have been built from the outside in: build a billing module, then build a student module, then build enrollment and development modules, then figure out how they can work together. If a disruptive team could start from scratch and build something that would work for everyone, even if customers didn't purchase every module, then there would be the potential for inexpensive improvement.

2. The SIS will be slow to migrate to the cloud because the SIS is designed to be rock-solid and secure, not nimble. Those most likely to vouch for the security and solidity of the cloud (the IT folks) will be the least interested in making the move, in order to protect their infrastructure. And yes, the world will have to get more comfortable with the idea of "cloud = security" in other ways. I suspect that after every other kind of tech moves to the cloud -- including email, LMS, and library catalogs -- the SIS will be the last through the door.

3. To date Sungard has been partnering with vendors who provide analytics modules. I assume that eventually they will try to buy the best spin-offable module and bring it in house. (For example, one of the better analytics modules is Cognos, an IBM product; if IBM won't sell it Sungard would pursue someone else.) The problem here is not supply-side but demand-side: relatively few institutions believe that there is a need for analysis, let alone analytic software. Still, as you say, this would be part of the high-end market.

Posted by Dori on August 9, 2011 at 11:45am EDT

Josh, as to point #1 - let's hope a whole new solution comes forward. Can't believe this one is going through - do we even have anti-trust in the US anymore???

A "disruptive" Student Information System

Posted by Jim Farmer , Researcher at instructional media + magic inc. on August 9, 2011 at 3:15pm EDT

There are essentially three limitations with today's Student Information Systems:

- The systems were designed more than two decades ago for term-organized instruction of full-time resident or near-by commuting students.

- To accommodate unsupported needs EDUCAUSE research shows 26% (Baccalaureate General) to 63% (Doctorate Intensive) of colleges and universities have modified the underlying code and 70% (Associates Colleges) to 87% (Doctorate Extensive) have added external code which makes "cloud computing" challenging.

- None have a flexible SOA (service-oriented architecture) that supports integration or real-time electronic communication among institutions and with agencies, businesses, and consortia.

Now most students work and need instructional offerings to match their schedule. These are not fully supported. Rio Salado College has 26 terms and permit students to move from one term to another to accommodate work, family responsibilities, and rate of learning. Executive MBA programs have non-term complex schedules to accommodate both students and guest instructors. More than 30% of students are simultaneously enrolled at two or more colleges or universities—which requires real-time coordination and systems that incorporate those more complex business processes. Most students now need financial aid and increasingly federal and state funds are not sufficient. Offering courses at other locations with compressed or extended schedules and non-term online courses are often served by a second student information system with a different architecture or more manual "work-arounds". This limitation also applies to medical and nursing instruction and others that have an in-service component.

The next generation of student information systems will support these differing instructional processes without "work around" or imposing additional administrative burdens on students. While cloud computing by third-party services has some economic and operational advantages, this implies accommodation of the needs of users with a limited set of options as contrasted to institution-specific code. The instructional and business processes are not yet well enough defined to permit cloud services to offer service without either specialized integration or limited exchange of data with other systems. Remote-learner and Moodlerooms are examples of both the value of cloud services and the limitations. (A standard service oriented architecture of student systems would resolve interoperability issues and meet forthcoming privacy regulations). As Paul Jacobelli points out there are examples, but likely support only a few of the business processes of current student

information systems. They may, through development become the disruptive system. Sibyl implies another limitation from traditional software suppliers—intimate, broad and effective knowledge of instruction and administrative processes. And, of course, resources available for a major investment in new software.

Colleges and universities are different. Technology is making available a number of instructional methods and business processes that were previously not available. An institution needs to "assemble" its information systems from a number of components and to be able to change quickly (as compared to the past). This "agile development" is best supported by service-oriented architecture that uses modules and the Web to communicate with cloud-servicers and research, instruction, and administrative partners.

Analytics is always valuable if (1) used by those with knowledge of the processes, (2) has metrics appropriate to the questions, and (3) available and understood by those who can implement the results. Currently higher education fails on all three even though there is sufficient research to know what metrics to use and what the range of values should be. For example, which instructional methods should be used by student X?

A newly-developed system could be "disruptive." The business issue is not cost, but value.