

## Kuali Tries to Compete

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By **Ry Rivard**

Times are already tough, but colleges will likely spend billions in coming years to upgrade the administrative computer systems that make them tick.

Kuali, an ambitious nonprofit created by a group of colleges nearly a decade ago, is trying to get a big piece of the action. In order for it to become a major player, Kuali's supporters must convince college officials they are wasting money when they buy software from traditional for-profit companies, including Oracle, Ellucian, Campus Management Corp. and Jenzabar, as well as new entrants into the field of campus software, like Workday.

The argument will be played out in coming years at colleges across the country as aging software systems wear down and institutions have to decide how they go about upgrading multimillion-dollar systems that are prone to delays counted in months and sometimes years and cost overruns counted in the millions. Colleges spent at least \$5 billion on the first wave of campus management software in the 1980s, 1990s and 2000s, according to a widely cited study.

Kuali grew out of a 2004 effort to build software "for higher education, by higher education."

For Kuali Foundation board of directors President Brad Wheeler, the reason to abandon corporate providers is simple: Kuali is a way for colleges to save money on technology, and saving money for better uses is a moral imperative.

"We don't have another \$5 billion this decade to take out of scholarships," said Wheeler, who is also the chief information officer at Indiana University. "Should a middle-class family go and take out a mortgage on their homes to fund the next wave of these systems?"

Wheeler said Indiana University saved \$20 million by going with Kuali. Other Kuali supporters argue the software has also saved money at colleges that use it, though it's perhaps too early to say what will be typical for institutions. Kuali software is free for everyone, but colleges still have to spend significant amounts of money to install, customize and run it.

The Kuali Foundation receives money to develop the software from about 70 institutions that have paid to join, Wheeler said. The foundation claims net assets of about \$29 million.

Kuali's various software systems, some which are still unfinished, have only been installed about three dozen times so far, according to the Kuali Foundation's executive director Jennifer Fouty. Just about every American college -- and plenty abroad -- relies on such software, so the embrace of Kuali has been relatively modest.

Part of the reason for the low adoption rate is Kuali itself, which has yet to finish work on key elements of the suite of software packages modern colleges need to operate. The full systems, known as enterprise resource planning programs, or ERPs, usually have three parts used by campuses: software to manage finances; software to manage human resources, including leave and payroll; and software to track student information from application through graduation.

Colleges can use software from different developers. Kuali's financial software, for instance, is used by 17 institutions, but the organization is two to three years away from finishing both its human resources and student systems, Foutty said. Kuali is also working on or has released software to manage grant funding, libraries and risk.

Still, some colleges don't want to get into a massive project with a company that doesn't offer all three major legs of the ERP tripod.

"To be a viable competitor in a lot of people's minds, we need the whole suite," Foutty said.

Kuali supporters say the software faces other obstacles besides time, including closed-minded purchasing and IT officials who write bid requests that exclude Kuali from being considered.

The demand for new ERPs may be on the uptick, said Vicki Tambellini, a consultant who is the author of an [extensive annual report](#) on the market for student information systems.

"There's definitely an appetite in the market for change, and a lot of activity -- a lot of institutions either have RFPs out or they are looking for or planning for new systems," Tambellini, said, referring to requests for proposals, the method most colleges use to seek bids for software projects.

The question is whether Kuali can compete now and over the long haul, say industry observers.

In the short term, Kuali could have trouble without a track record, said Brian Parish, the president of iData, a consulting firm that helps colleges install and customize commercial ERP projects.

"Most schools don't want to be the first do something," Parish said. "So this could be the beginning of a trend and it's going to have a small set of early adopters."

But it will take five years or so before other colleges will be able to judge how things went at the early adopter schools, he said. Systems can take up to two years to install and get up and running, so newer systems are at a disadvantage because it takes a while for them to prove themselves. This could be true for Kuali and Workday, which already has a human resources system but is now beginning work on a student system.

The [University of California at Berkeley](#), for instance, was interested in using Kuali's student system but, for perhaps various reasons, [decided to go with a commercial software system](#).

There are also [longer-term questions about Kuali's sustainability](#).

Parish said he understood the drive to eliminate perceptions of profiteering by commercial software vendors, but Parish said the competitive market for ERPs does a lot to control price and to ensure quality.

"In theory it makes sense, and so does communism. In practice though, it's difficult," Parish said. "There's a reason that third parties exist and get created to develop tools. You could make that same comment about almost anything – Sodexo, admissions systems, textbook publishing – everything is, 'Boy there's a lot of companies doing this, if we cut out the middle man we would do it much better.' I would look at some of the struggles that came with community purchases of products or community development of things."

Wheeler said the debate should be over, given Quali's success so far at the institutions where it being used.

"There's no debate," he said. "The evidence is just overwhelming that it is there and it is being used for big complicated places like a multi-campus Indiana University or a Michigan State."

Wheeler said instead of worrying about Quali's future, it's time to "call the question" on whether universities should continue planning to spend millions with outside companies or whether they will attempt to save money by working together.

Quali and any other new player in the market, like Workday, faces a fiscal hurdle: switching from one system to another is a big expense.

The University of Minnesota, for instance, is in the midst of an [\\$83.5 million major upgrade to its ERP](#), which runs on PeopleSoft, an Oracle product.

There, officials decided to embark on an extensive re-implementation of its aging system using new Oracle software rather than move away from Oracle entirely. They found going with a different product would cost two to three times more, said Minnesota chief information officer Scott Studham.

The institution also [didn't have the patience to wait years for new products from Quali or Workday](#).

"We couldn't take that wait of the promise of some other project," he said.

To pay for the upgrade, Minnesota is charging its departments a fee of 1.75 percent of their payroll, part of a gradual rise from the 0.7 percent fee the university began charging in the 1998 budget year.

Studham said he is among the college officials who support Quali and Wheeler's efforts in theory but not in practice.

"It's good there are folks like Brad who are always exploring new ways of doing things. At a philosophical level, I completely agree with the approach that," Studham said. "On a practical level, I see what the private sector can do in terms of pace, delivery and I always want to go with the best value," he said, adding, "and right now the best value is continuing to partner with the private sector. They just develop code faster."

The expensive upgrade at Minnesota is [partly the result of the heavy customization Minnesota had to do to PeopleSoft to make it work for the university](#), according to university officials.

Customizations increase the cost to colleges over the long haul because they have to be maintained even as the software being customized is being upgraded, too.

"Customization of an ERP system is the worst of both worlds," Parish said.

Chris Coppola is president and CEO of rSmart, a company that charges colleges to help them install and customize Kuali and other open-source education software. He said customization costs will go down for Kuali users because Kuali software is being designed specifically for higher ed.

"You have systems that are not designed for higher education that have to be customized significantly to work," he said. "Kuali doesn't have that burden."

Kuali supporters claim they are not yet on a level playing field with standard companies because of views like this.

Kuali doesn't bid on projects – commercial affiliates, like rSmart, do. Bids for complex software projects are expensive operations for companies. Kuali, of course, is giving the software away from free, which Fouty tries to explain to colleges as they issue RFPs asking for traditional bids.

But Kuali also struggles mightily against RFPs that specifically ask for one of the existing commercial solutions or tailor the software requirements in a way that excludes Kuali, its supporters said.

"We lost before the RFP," Coppola said of one recent example. "Kuali typically loses when an institution goes through a very typical procurement process and looks for what they believe to be the safe choice – 'Nobody ever got fired for buying IBM' syndrome -- rather than detailed analysis of cost savings."

Spokespeople for the leading commercial ERP vendors Oracle, Campus Management and Ellucian did not respond to requests for comment.

### 3 comments

Added 17 October 2013



**Paul Dempsey** 2 days ago

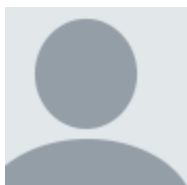
An additional component of campus ERP systems is alumni relations and advancement. In a best-of-breed approach, schools can use different systems for each component or go with an integrated ERP that handles everything. I think having a strong student system would be key to Kualii's adoption by more institutions.



? **University of Hawaii faculty** a day ago

Although it makes sense to use a non-profit, the problem is Kualii is a nightmare to use as it is extremely user unfriendly. My university forced its adoption on the campus before it was ready and this has led to much anger and from my perspective, a major drop in Faculty productivity. The system needs a lot of work to make it user friendly, right now it is one of the most counter intuitive pieces of software I have seen. You have to wonder who the developers were talking to when they designed it, I suspect it was probably just administrators, no faculty, always a problem.

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**University of Maryland faculty** ® University of Hawaii faculty 10 hours ago

Actually, faculty at my institution WERE consulted in design of the component of Kualii with which I am most familiar, the curriculum management component. (I don't know the financial components.) I agree it is complicated - but I have worked with MUCH less user-friendly software in various settings. Learning something new is always difficult, especially for faculty who have many other competing demands. We recently adopted a new learning management system (not from Kualii) to replace Blackboard. Faculty were consulted in choosing the replacement, but that doesn't mean they are happy with the result. No product will make everybody happy, and every product will require time and effort to learn. Time and effort are scarce resources, and how to economize is not an easy problem to solve.