

Hallmarks of Higher Education's Most Strategic Finance Functions

Higher education finance leaders must build strategic finance functions, operating in parallel with transactional functions, to prepare their institutions to effectively respond to external threats and market pressures. EAB has identified five characteristics—or hallmarks—of higher education's most strategic finance functions, illustrated below, as well as twelve trends that finance leaders are pursuing to transform their functions to achieve these five hallmarks. Finance leaders should use this information to evaluate their own adoption of the trends to identify areas of underinvestment in financial planning.

1
HALLMARK

Central Data Infrastructure Supports Strategic Decision-Making

Finance functions possess mature data infrastructures and employ data-savvy staff who drive better planning decisions. Finance is the institutional hub for financial data, dashboards, and reporting.

TREND 1 Executive Level Data Governance Oversight

Committees of select senior leaders and campus stakeholders create and enforce policies and processes that drive consistent, complete, and accurate data usage across campus. Senior leaders own data governance vision setting and hold unit directors accountable for executing data priorities.

TREND 2 Data Refinement for Academic Program Analysis

Financial data systems are configured to generate academic cost data at a sufficiently granular level to understand program-level costs. Academic and finance leaders then use academic cost data to analyze program margins—either direct margins or fully loaded margins with agreed-upon indirect cost allocations.

TREND 3 Business Intelligence Teams

Senior leaders dedicate central staff to business intelligence (i.e., collecting, reporting, and analyzing data to make business decisions). Business intelligence staff may report through the CBO, CIO, or provost. Business intelligence staff generate reports and analyses to support strategy conversations, and leaders deploy them to support high priority unit-level decisions.

TREND 4 Academic Financial Dashboards

Central finance teams generate regular reports for academic unit leaders to monitor and analyze key unit financial performance indicators, such as faculty salaries by type (e.g., full-time, contract, fees, summer pay). Central finance may create reports manually (e.g., in PowerPoint or PDF) or work with business intelligence teams to develop self-service reporting capabilities.

2
HALLMARK

New Technology and Organizational Models Maximize Operating Efficiency

Finance teams deploy automation, process improvement, and shared services to minimize manual transactions and improve operating efficiencies.

TREND 5 Technology-Driven Planning Process Redesign

Budget and planning teams use Enterprise Performance Management (EPM) solutions to automate data consolidation and workflows, enhance reporting, and expedite planning processes.

TREND 6 Scaled Budget and Planning Services

Finance leaders reorganize staff and/or reallocate transactional process responsibilities to achieve scale in transactional work. By minimizing analytical staff's routine transactional responsibilities, leaders maximize their capacity for financial analysis and planning.

3
HALLMARK

Long-Range Financial Plans Consider Future Revenue Threats

Finance functions conduct long-range financial planning and scenario modeling to project the impact of investments and to anticipate revenue threats. Leaders reorganize central budget, planning, and financial analysis teams to coordinate budget planning, modeling, and analysis.

TREND 7 Long-Range Financial Modeling and Scenario Planning

Central finance teams build financial models to demonstrate the financial impact of both planned strategic investments and potential future revenue risks. Models use research-backed assumptions—not straight-line forecasts—to project multiple potential future states. Finance leaders use scenario models and planning exercises to generate consensus around response plans for future operating risks.

TREND 8 Functional Redesign to Expand Budget and Planning Scope

Finance leaders revamp budget and planning functions to optimize strategic resource planning. Depending on institutional context, leaders reorganize teams to better integrate short- and long-term planning, add or elevate planning staff profiles to increase capacity for modeling and analysis, and elevate functional leadership to signal importance of planning in long-term strategy and financial sustainability.

4
HALLMARK

Professionalized Staff Support Ongoing Academic Resource Planning

Finance is embedded in academic decision-making. Professionalized finance staff provide analysis to guide academic leaders' resource planning decisions. All academic stakeholders—staff and leaders—possess the financial acumen to make informed planning decisions.

TREND 9 Embedded Analytical Support in Academic Units

Dedicated professional finance staff analyze academic budgets and help academic leaders use financial data in resource planning. Financial analysts may sit centrally or in the academic units, depending on degree of centrality of resource planning.

TREND 10 Financial Upskilling Programs for Academic Stakeholders

Finance leaders create formal training programs for academic stakeholders to improve financial acumen and drive better resource allocation decisions. Leaders create one or more training programs to address the skills needs of different audiences—in particular, academic budget staff and academic leaders (i.e., deans and department chairs).

5
HALLMARK

Central Finance Provides Just-in-Time Consultation on Unit Planning and Strategy

Finance functions provide more intense support for unit initiatives, when needed. Finance intervenes if units' financial performance falters and offers financial and project management support to further units' strategic initiatives.

TREND 11 Metric-Driven Intervention in Unit Performance Issues

Finance and academic leaders define thresholds for satisfactory financial performance for each major operating unit. Leaders use dashboards or other reports to regularly monitor unit performance metrics. When unit performance falls below pre-defined thresholds, leaders promptly intervene to help unit leaders strategize cost-cutting or revenue growth opportunities.

TREND 12 Internal Financial Consulting Teams

Central finance leaders oversee internal teams that provide technical financial and project management support for unit initiatives. Leaders may hire new teams of dedicated full-time staff to support initiatives or may convene on-demand project teams of existing staff as initiatives arise.