



Enterprise Resource Planning

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Is Open Source the ERP Cure-All?

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Conventional and hosted applications thrive, but open source ERP is coming on strong. Here's how to choose the best type of solution for your own institution.



Campus CIOs John Bielec and Bradley Wheeler are IT experts with strikingly similar missions: They want modern enterprise applications to manage their respective universities' critical information. Ultimately, Bielec and Wheeler took divergent paths to ERP (enterprise resource planning) success. Importantly, each CIO carefully assessed campus need and the most current options available, before committing to an ERP solution or solutions. Wheeler, VP for IT and CIO of **Indiana University**, has focused his efforts on open source ERP. In contrast, Bielec, **Drexel University** (PA) CIO, is leveraging closed source ERP software, but in a hosted model.

Evolution of Options

In many ways, the evolution of the ERP market is littered with ironies. When [Oracle](#) began buying up customer relationship management (CRM) and ERP companies, some universities worried that they would be left with fewer choices and higher prices. Yet, the rise of open source-coupled with the advent and growth of software as a service (SaaS)-has created a whole range of new ERP options. In addition to Oracle, today's options include [Jenzabar](#), [Campus Management](#), [Datatel](#), [SunGard Higher Education](#), and numerous others.

For instance, 20-plus universities have joined the [Kuali Foundation](#), a nonprofit organization driving open source ERP forward. Bigname Kuali backers include **Cornell University** (NY), **Carnegie Mellon University** (PA), the **Massachusetts Institute of Technology**, and **Indiana University**. Additional Kuali investors and backers are to be announced May 13 during the Kuali Days VI event in Chicago, according to Wheeler. (Go [here](#) for information.)

The rise of open source ERP does not, however, spell certain doom for traditional closed source offerings. Commercial software companies from Oracle to SunGard have evolved their offerings to help universities march forward with their ERP initiatives. And SaaS providers such as [RightNow Technologies](#) have quietly carved out a niche for themselves in higher education.

Still, choosing an ERP system is no simple task. In addition to the financial and product feature considerations, another factor plays a growing role in the ERP selection process: culture. Universities that prefer established, reliable, profitable software partners continue to consolidate their ERP systems around Oracle, [SAP](#), SunGard, and several other well-known

options. On the other hand, some universities are willing to take a few risks in order to gain complete control over their ERP code. That's where open source enters the picture.

For a predictable monthly fee, SaaS-based apps allow universities to **access hosted ERP and CRM applications over the internet**. Some schools offer their own ERP applications as SaaS arrangements to 'partner' universities.

If It Ain't Broke...

Sometimes, the press goes overboard pitting open source solutions against traditional closed source applications. While the popularity of open source continues to grow, sales of traditional applications also continue to accelerate.

Consider the situation for Oracle customers. In March, the [Oracle Higher Education User Group](#) assembled in Las Vegas to discuss the evolution of ERP within university environments. The event attracted more than 5,000 attendees, notes Thomas Scott, past president of the HEUG board and a senior ERP strategist for the **University of Wisconsin-Madison**. Scott notes that HEUG now has roughly 18,000 members.

Eeny Meeny Miny...

Three options now dominate ERP application discussions. Here's your rundown.

1. **Traditional on-premises applications.** [Oracle](#), [SAP](#), and [SunGard](#) continue to attract new customers, especially as universities seek to standardize on fewer providers to reduce redundant costs and establish clear relationships with preferred application providers.
2. **Hosted applications.** The software as a service (SaaS) model means that instead of forking over sizable investments to own ERP software, universities pay predictable monthly fees to access hosted ERP systems. Some institutions, such as **Drexel University** (PA), actually host ERP applications for partner universities and colleges. The hosted applications can be closed source (such as Oracle) or open source (such as [SugarCRM](#)).
3. **Open source applications.** Software companies such as [Openbravo](#) now promote open source ERP solutions to universities, and major nonprofit organizations also are developing open source ERP systems. The most notable is [Kuali](#), which is backed by more than 20 leading universities.

"A lot of the pundits who talk about universities moving away from traditional closed source applications are just plain wrong," asserts Ed Golod, president of [Revenue Accelerators](#), a technology consulting firm in New York, well-versed in both closed and open source implementations across [Windows](#) and [Linux](#) environments. "Traditional ERP continues to be a solid choice for higher education."

Just ask administrators and technologists at the **University of Alberta** (Canada), which has more than 9,000 faculty and staff members. In order to accept electronic invoices from its vendors, in 2006 the university deployed an Oracle/PeopleSoft EDI (electronic data interchange) interface. At the same time, U of A deployed PeopleSoft Finance version 8.9. The project, overseen by [Ciber](#) (a prominent Oracle partner), helped the institution "streamline operations and reduce costs, eliminating the tedious manual tasks our staff dreaded," says Shelagh Holm, director of administrative information systems at U of A.

Hosted Alternatives for Campuses

Still, many universities are open to ERP alternatives. In fact, more and more universities are giving SaaS a try, and with good reason: Though traditional ERP applications are deployed on-premises within a university's data center, ensuring the university can closely monitor and manage its own ERP systems, the on-site approach may not be ideal for smaller and midsize colleges with limited staff and budget dollars. That's where SaaS comes in. For a predictable monthly fee, SaaS-based applications (which can be closed source or open source from vendors such as [SugarCRM](#)) allow universities to access hosted ERP and CRM applications over the internet—assuming those universities are comfortable letting their data reside off-site on a partner's servers.

In fact, some universities offer their own ERP applications as SaaS arrangements to "partner" universities. Drexel University, for instance, hosts SunGard SCT Banner software for **Cabrini College** (PA) and **Medaille College** (NY), according to Drexel's Bielec. Drexel also hosts a complete suite of Microsoft productivity applications for Philadelphia's High School of the Future, he adds.

Drexel's partner schools are "able to leverage Drexel's applications, and they receive the same level of IT support as would a large comprehensive research university, [only] on a small college IT budget," notes Bielec. On the flip side, he says, his own institution "benefits from an additional income stream and is able to apply additional resources to core Drexel IT services."

Bielec reports that the ERP SaaS solution now includes the latest [Blackboard](#) Vista upgrades and enhancements, and he adds that Drexel has experienced "no technical challenges" with the SCT Banner system. "SunGard also has been supportive of this endeavor and recognizes the move to software as a service, and the opportunities such arrangements can bring to small colleges," he explains.

Meanwhile, the **Minnesota State Colleges & Universities** system, which spans seven state universities and 25 community and technical colleges, increasingly leverages SaaS capabilities from RightNow Technologies. Todd Digby, director of libraries for the Office of the Chancellor, says the SaaS approach offers the MNSCU system several clear benefits. For starters, he says, the hosted service requires no additional IT personnel to support hardware or software. "It helps create an environment where students and faculty have one place to seek information and get answers." Digby continues, "In a well-managed knowledgebase, students can find answers to their questions more easily and at their convenience, given the 24/7 nature of the software." Yet the power of SaaS also introduces some new challenges into university settings, he concedes. "Due to the highly customizable nature of the Right-Now platform, some campuses may want to implement features and services that can stretch their abilities, from a local staffing perspective," he says. The trick, he maintains, is to keep pumping fresh information into the knowledgebase so that campuses can focus more on knowledge sharing and less on infrastructure issues.

Your Five-Point Checklist

Scan these key questions you need to consider before your institution makes an ERP move. How many can you respond to?

- **Infrastructure.** Which ERP applications are you currently running, and how easy or difficult would it be to migrate those applications to a standard, single-vendor solution?
- **Control.** Are you willing to "hand over" your university data to an off-site software provider? Yes, the data will be kept private, but is your university comfortable with the concept of software as a service, where student and benefactor information may

reside outside of your data centers?

- **Risk.** Is your university willing to experiment with new software concepts? Does the idea of collaborating and contributing to an open source ERP project sound intriguing- or does it evoke fear in your IT staff and faculty members?
- **Cost.** Does your university have ample budget for long-term upgrades or do administrators prefer predictable monthly costs?
- **Innovation.** Do your university technologists want tried-and-true applications, or are they willing to experiment with emerging technologies, and perhaps even fill in the gaps if an application lacks a key feature or function?

SaaS: Beware of the Silver Bullet

To be sure, SaaS has received its share of hype lately. From Wall Street to Main Street, financial pundits insist that SaaS software providers will be immune to economic slowdowns because customers don't mind paying monthly fees for (rather than making huge lump-sum investments in) ERP applications. The logic is flawed, however.

"You can't assume that SaaS is a silverbullet solution," says Revenue Accelerators' Golod. "Just as in any other industry, there will be SaaS companies that are successful and some that will certainly fail." Golod therefore recommends that universities ask probing questions about a SaaS company's profits, customer base, financing, cash flow, and ownership status, before signing any type of deployment contract.

Open Source: Getting a Foothold

Meanwhile, open source ERP applications are starting to get some traction with certain segments of academia. Few higher ed technology watchers are willing to predict a wholesale shift to the open source software model, but several major universities are helping to raise open source's visibility within academia. And there's a track record here: In the spirit of open collaboration and research, major universities were among the early adopters of LAMP (a software stack comprised of Linux, the [Apache web server](#), [MySQL](#), and [PHP](#), now enjoying widespread commercial acceptance).

Positive experiences with LAMP- and some frustration with traditional ERP applications- have inspired many universities to seek out open source ERP options. A number of companies, including [Openbravo of Spain](#), are developing and selling open source ERP applications. However, several major universities are now working together to develop open source ERP solutions. One prime example (mentioned previously): the Kuali project, which began in 2004 as a cooperative effort among seven partners, and which was launched with a grant from the [Andrew W. Mellon Foundation](#), to develop an open source, community-owned financial system. Success with the joint development of the Kuali Financial System has led to three other pooled-investment projects coordinated by the independent, not-for-profit Kuali Foundation.

Today, Kuali software is available under the Open Source Initiative's [Educational Community License](#), fee-free to anyone, for any use or modification. Universities therefore can use existing Kuali software components without charge, and they can make modifications without worrying about pushback from software vendors, notes IU's Wheeler, an outspoken Kuali proponent.

Kuali Considerations

Although universities can share Kuali components with one another, some colleges have been slow to embrace the open source ERP model because it still requires paying open

source talent. Plus, the open source model lacks a network of certified integrators and consultants who know how to work with the code. But that's gradually changing. The [rSmart Group](#), for one, is an open source consultancy created to serve higher education. The company is working with [Sun Microsystems](#) to develop certified, turnkey Kuali-based solutions, the first of which will be a Kuali Financial System that runs on Sun hardware.

"Perceived lack of support is often cited as a primary reason why colleges and universities do not consider adopting open source software solutions like Kuali," concedes rSmart CEO Chris Coppola, in a prepared statement about the Sun relationship. "With this collaboration, schools no longer have this barrier to worry about. Sun and rSmart together will support entire Kuali solutions, from the hardware all the way up to, and including, the Kuali application."

In mid-2007, The rSmart Group assisted **Strathmore University** of Kenya with the first deployment of the Kuali Financial System. According to John Robinson, chairman of The rSmart Group, the rollout confirmed that the Kuali Financial System is relatively easy to deploy, and scales to meet the needs of major universities. What's more, Kuali isn't limited to financial applications; it also includes open source software components for research administration, endowment management, enterprise workflow, and student information systems. (More Kuali milestones are forthcoming. The first research module is scheduled to be released in July, and additional projects will be announced during the May Kuali Days VI event.)

The Final Analysis

Despite Kuali's growing momentum, it's important to keep the effort in perspective, say ERP market watchers; the "winner take all" mentality simply doesn't apply to the ERP industry. In reality, universities are pressing forward with traditional, hosted, and open source ERP systems, much in the way that server administrators still prefer Windows while others push for [Unix](#), Linux, or [Mac OS X](#). "When you're making an ERP system decision, you have to tune out the hype," says Golod. "Open source is like a religion: People will evangelize their solution to you, and open source may indeed be a good path for many universities. But it's certainly not the *only* ERP path."

::WEBEXTRAS ::

[Dare to Share](#) Pressed for dollars and resources, smaller institutions of higher education are pooling resources to gain access to sophisticated ERP systems, online course management systems, and data warehouses.

[Stay on the ERP Treadmill!](#) Enterprise resource planning systems are not easy to evolve, but regular upgrades will pay big dividends.

[Mount Mercy College \(IA\) Bolsters Executive Management With ERP Solution.](#)

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