PRESIDENTIAL PERSPECTIVES

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– ESSAY 10 –

Campus Outsourcing—A Decision-making Model

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I. Introduction

Within the past decade, the global business market has seen a significant rise in the practice of outsourcing functional services. Today's colleges and universities are also experiencing this trend. Since I first arrived as President of Keuka College in 1997, our campus has outsourced our bookstore, dining services, facilities management (including custodial services, as well as buildings and grounds maintenance), printing and mailing services, and overseas program management.

The reasons behind the growth in outsourcing are primarily economic; however, the consequences of the decision to outsource can dramatically affect the mission, people, and structure of an institution. This essay will discuss the outsourcing decision process. Candidates for outsourcing will be identified, and an outsourcing decision-making model will be offered, including process, decision criteria, and strategic and cost-benefit considerations. I hope that this essay will provide useful guidelines for campuses considering future outsourcing.

II. Consulting Versus Outsourcing

A basic difference exists between the use of consultants and outsourcing. Consulting involves a contractual relationship that is advisory in nature. Examples include the use of an individual or firm to advise your campus on improving admissions, marketing, retention, fundraising, or technology functions. Consulting engagements tend to cease after recommendations are provided.

Conversely, outsourcing involves a long-term partner relationship that involves providing actual services that the institution might have previously provided itself. Specific examples of outsourcing will be provided in the following few paragraphs.

III. Categories of Outsourcing

In theory, almost all campus education and support activities can be outsourced. However, campuses have been reluctant to outsource what they consider core mission activities. Yet rising employee benefit costs and competitive market pressures are forcing colleges and universities to look for savings and improvements in all areas, even those previously held sacrosanct.

Outsourcing functions can be divided into three basic categories, depending on frequency within higher education. The first category, the most commonly outsourced functions, are bookstore, dining services, facilities management, custodial services management, and endowment management.

The second category includes functions that are less frequently outsourced. This category includes the management and conduct of financial services, financial aid, campus administrative and instructional technology services, summer sports camps, non-traditional domestic degree completion programs, and overseas programs.

The third category consists of those functions rarely outsourced. These include marketing, public relations, and advancement functions (including fundraising campaigns), and the management of student support programs such as residence halls, and campus ministry, the registrar, and human resources services.

Others may view this categorization of outsourced functions differently. However, the point is that great diversity exists across the country regarding functions to outsource. Why is this?

IV. Implications of Complexity

The decision to outsource entails a highly complex set of considerations: long term and short term, human and financial, and present-versus-future costs and benefits. Compounding the decision is that the cost-benefit calculations within these different areas might yield widely different results and recommendations. Furthermore, as people's livelihood and jobs are involved, passions and emotions—as well as logic and reason—come into play.

This complexity carries several implications. First, multiple stakeholders will always be interested in the final campus decision. Consequently, institutions must create a decision process that includes each stakeholder group at the appropriate time. A supporting communication plan that provides stakeholder groups with regular decision-status updates is essential. Do not underestimate this task. The communications plan must be well designed in advance and integrated with the decision process.

Secondly, the decision involves quantitative as well as qualitative measurements. With this in mind, selection criteria must be clearly identified,

articulated, and communicated early in the process. Symbolism is an important element in the outsourcing decision. Those campus functions selected for outsourcing reflect on the campus-wide perception of the importance of those functions to the institution's core mission. This selection must be addressed during the decision process. A well defined and integrated communications plan will help alleviate negative consequences.

Finally, and most importantly, all of the above implications demonstrate the need for detailed planning, data-driven analysis, and sound communication with all stakeholders throughout the process. The use of an experienced and objective consultant to facilitate the process might be well worth the investment.

V. Strategic Questions

It is essential to discuss and resolve several strategic questions with both the Board of Trustees and senior staff before considering outsourcing. Such questions involve mission and institutional efficiency. Questions about mission include the following:

• What are our core missions?

• Which functions contribute directly to our core missions?

• Can we afford to outsource either our core missions or functions that support our core missions?

• Are we limited to considering only outsourcing non-core missions or support functions?

• Is there a limit to how much we are willing to outsource?

• What are the favorable and unfavorable effects of any outsourcing decision on our core missions and other elements of our strategic plan?

• Are there other alternatives to outsourcing that can be considered?

Once these questions are addressed, consider the following institutional efficiency questions:

- Is the function we are considering for outsourcing one that we do well ourselves?

- Are there other functions that should be considered for outsourcing before we consider this function?

- Is quality of performance a criteria for our decision to outsource?

Once these strategic questions are satisfactorily answered, development of an action plan to evaluate specific functions can proceed.

VI. Stakeholder Considerations

The stakeholders involved in any outsourcing decision include trustees, senior staff, faculty, employees (both in the affected areas and others), students, and the surrounding community. To successfully involve all stakeholders, four questions for consideration are offered:

- What is the role of each stakeholder group? Examples include approval, advice, data provision, and information only.

- When in the decision process will each stakeholder group be asked to perform its role?

- How will each stakeholder group fulfill its role in the process?

- What will be the integrated communications plan to ensure that all stakeholders, regardless of their roles, are kept informed as the process proceeds?

Each outsourcing decision likely involves different groups in different roles at different times throughout the decision-making process. For example, the institutional Board of Trustees may have an approval role at the end of the process and an advisory role during the process. However, they must be kept well informed throughout the process. Employees of the affected area may fulfill advisory

and informational roles during the process but also must be kept informed during the process. However, the level of information provided to these groups will vary. Thus a well-designed process and communications plan is essential.

The key to success when dealing with stakeholders is threefold:

- First, ensure that each stakeholder group clearly understands its role early in the process. For example, sometimes employees, senior staff, or maybe even faculty might confuse their role as being one of approval, when it is really one of consulting, advising, or providing information. Role confusion will bring frustration and dissent later in the process.

- Second, ensure that the entire campus understands the decision process and criteria as early as possible. Establish and publicize key benchmarks so people know when to expect the final decision.

- Finally, develop as soon as possible an integrated decision-making and communications plan. Time invested early in this area will avoid problems later in the process.

VII. Decision Criteria and Importance of Strategic Linkage

Next, identify and prioritize the decision criteria. They should be both empirical and qualitative and should include both short- and long-term considerations.

Possible criteria categories include the following:

- Effect on educational quality (instruction and learning)

- Effect on students (and, consequently, admissions and retention)

- Effect on faculty and staff

- Effect on annual budget and long-range cost projections

- Effect on relationship with local community

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VIII. Cost-benefit Analysis

In this phase of the process, specific cost-benefit calculations are considered. The analysis should be tailored to the unique mission, history, geographic location, and culture of an institution. For each of the criteria listed above, variations of the following likely will be present:

- Long-term versus short-terms costs and benefits of outsourcing the function under consideration.

- Projected up-front costs of moving to an outsourcing operation.

- Alternate outsourcing options available and how they compare cost-wise and benefit-wise.

- Input from other campus presidents and their experience with outsourcing this function.

IX. Putting It All Together

To succeed, stick with the plan and process agreed on, in spite of unexpected pitfalls that might arise along the way. Avoid any recommendations that eliminate certain steps in the process. Each is critical for a successful outcome.

Anticipate resistance to change, especially among those whose jobs will be most affected by the decision. People fear the unknown. Expect to encounter resistance among key staff members and stakeholders. Stay the course and be patient. Make sure that people see the institution's commitment to the process. If they sense any lack of commitment, they will swarm in defense of the status quo.

Keep an open mind, listen to all arguments, and invite questions throughout the process. Encourage the same behavior of senior staff and trustees. The more questions asked early on, the fewer headaches experienced later in the process. Raising and answering questions helps demonstrate objectivity in the decision process.

Take your time in making the decision. Don't rush a conclusion. However, demand that the necessary data, calculations, and recommendations are provided with ample time to conduct a final deliberation.

Leverage existing personal and professional networks. Don't hesitate to talk to other presidents about their experiences with outsourcing. Find other campus leaders who have been through the same experience. Their advice will prove invaluable.

Finally, do not expect that the decision ends with a yes or no. Once a decision has been made and a partner selected, an institution must adjust itself to a new method of operation and some new players on campus.

A plan should include some follow-up actions (maybe another plan) to ensure a smooth transition. Every outsourcing decision will have winners and losers, regardless of what the marketing brochures say. Some long-term campus employees might be forced to choose to work with the new vendor or to leave. They will view this as if they lost. Some campus organizations that had great working relationships with the former employees will also feel like losers.

Therefore, remember the importance of symbolism and celebrate the performance of the old organization as you welcome in the new. Campus ceremonial activities are key to any successful transition, be it the passing of presidential administrations or the passing of organizational banners.

X. Summary

I hope that I have provided some insight into a very complex campus decision-making process—a process that will be full of passion and emotion as it can affect the lives of many people on your campus.

The outsourcing decisions we have made at Keuka College were difficult yet essential for the future well-being of our college. They streamlined our operation and allowed us to concentrate on our core educational missions. Yet, we also decided to retain

certain other functions in-house, such as campus technology, financial services, and summer camp management. Remember, not every process will result in a positive decision to change.

In discussions with my fellow presidents, I have found that the decisions I made at Keuka College might not have been the best at other locations. College and university presidents today lead highly diverse institutions with a wide range of differences in history, culture, size, and mission. By working through the process and considerations outlined, you will have a far better chance to arrive at the right decision for your campus.

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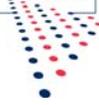
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