Is **outsourcing** part of the solution to the higher education cost dilemma?

A PRELIMINARY EXAMINATION

By Ronald Phipps and Jamie Merisotis • Institute for Higher Education Policy SEPTEMBER 2005

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Introduction

The national debate over college costs and prices has included extensive analysis and research on the topic of why prices and costs have increased faster than inflation, incomes, and other measures. The factors associated with rising costs and prices are complex, as are the solutions to the dilemma of how to control costs and reduce prices. Some members of Congress, for example, have called for federal intervention to rein in spiraling prices, while many states have worked to reduce costs by eliminating program duplication, increasing faculty teaching loads, and other requirements.

One relatively unexplored method for potentially reducing costs is through what is commonly referred to as the "outsourcing" of various higher education functions and services. Outsourcing is a form of privatization that generally refers to a higher education institution's decision to contract with an external organization to provide a traditional campus function or service. The contractor either takes over the task of compensating and managing the employees of the university, paying the group according to its standards, or replaces the university employees with its own staff. This strategy has been utilized by the business sector for several years, and there is some evidence that higher education institutions are exploring similar types of outsourcing.

One of the difficulties of exploring this issue is that the term "outsourcing" is controversial, both within higher education and in the business sector. In the latter case, outsourcing has come to be associated with the "offshoring" of jobs, a politically charged topic to be sure. However, this is not really the concern in higher education, since most of what is possible to outsource is unlikely to be undertaken by foreign workers. The real issue in higher education is if and how institutions are adequately contending with their own cost structures. In this case, it is clear that all avenues for reducing or managing costs need to be explored.

Yet relatively little has been written about outsourcing in higher education, particularly for broad audiences of readers that may include higher education administrators, policymakers, and students. This paper examines the state of outsourcing in higher education to at least begin the dialogue about this important issue. Key questions explored in the paper include: What are the benefits and limitations of outsourcing? Is outsourcing used as an effective management tool in American colleges and universities? And does the higher education community see outsourcing as a way to reduce cost and/or improve quality?

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What does the literature say about outsourcing?

Virtually all of the literature regarding outsourcing in higher education has been written during the last decade. In fact, most has been written since the year 2000. The following is a summary of the major issues surrounding what many call the privatization of higher education functions and services.

How should an institution decide whether to outsource?

In theory, any function, service, or product can and should be considered for outsourcing. As will be discussed later, food service, bookstore sales, and housekeeping/janitorial services have been outsourced successfully for years. Other candidates for outsourcing include human resource management, financial aid, billing and collection, legal services, endowment fund management, and payroll. Indeed, even the central function of the academy—teaching—is not exempt. On many campuses, growing numbers of part-time and contract faculty are taking the place of full-time, tenure-track faculty. This phenomenon, however, is widely seen as one with complex dimensions and consequences, as suggested by the following observation (Giroux 2002).

> *From a purely financial perspective, it's a no-brainer to outsource teaching, because it saves so much money… But the true costs to higher education—even if hard to quantify—are very high. To rely on contract labor in the classroom creates a cadre of interchangeable instructors with no sustained responsibility for their students, scholars with no attachment to the intellectual life of the institution through which they are passing.*

The research literature offers some specific decision criteria for determining the need to outsource a particular service. Goldstein, et al., (1993) suggest that whether or not to outsource a function is not an institution's most important question. Instead, management should evaluate the full array of options and select the operating approach best for the institution. Focusing on how the functional area in question is currently operated and examining all its strengths and weaknesses enables management to make an informed choice. Subsequently, a core set of issues and questions must be explored when institutional management is deciding to outsource (Rush, et al., 1995). These "decision factors" are grouped into six categories:

- **Human Resources:** How employees will be affected.
- **Financial:** The direct and indirect cost to the institution.
- **Service Quality:** How each alternative will meet campus needs.
- **Legal and Ethical Considerations:** The level of risk and potential liability posed by each option, any tax ramifications, any conflicts of interest.
- **Mission and Culture:** The effects of choosing an option inconsistent with the institution's culture and historical mission.
- **Management Control and Efficiency:** The likely effect of each option on the institution's ability to control the direction and priorities of the functional area.

What does prior research say about the benefits and limitations of outsourcing?

The literature paints a fairly complex picture of the relative benefits and limitations of outsourcing. Kaganoff (1998) and others have articulated a range of these benefits and limitations. On the benefits side, they include:

- Management can structure the outsourcing contract so that a vendor bears the cost of bringing in new equipment and technology. In so doing, the institution introduces new levels of expertise, higher-level capabilities, and business savvy onto the campus through the vendor.

- Outsourcing can enable an institution to gain better control over a function. Through a contract, an administrator can more directly link compensation with the quality and completion of a task. The process of developing a contract compels administrators to clearly spell out their expectations.
- Outsourcing permits campuses to take advantage of economies of scale achieved by vendors. And in cases where there is not a constant or consistent need for a service, the campus does not have to keep staff on hand during down times.
- Outsourcing introduces an element of competition onto the campus. This is in some ways an indirect benefit, since being aware that services or offices may be outsourced could make those on the campus start thinking about saving money and improving efficiency.
- Outsourcing allows higher education institutions to try new things, to test new products and services, to competitively price alternatives, to strengthen their own capabilities, to use other people's capital, and, most importantly, to focus on what they do best (Bartem and Manning 2001).

Kaganoff also suggests that some of the limitations with outsourcing relate to the level of expertise and staffing on campus—which influences the college's ability to manage a contract. Although not an issue for large research institutions, this could be an important concern for smaller institutions. The degree to which the contract office can specify the terms of the contract is crucial. It is important that the contract be crafted to maintain accountability and have an "out" if services do not meet expectations. Thus, outsourcing may place new demands on management—particularly at public institutions, which may face special restrictions on their contracting activities.

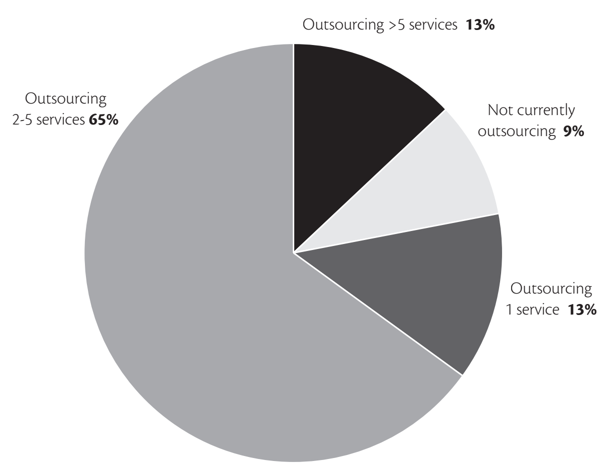
A major concern of outsourcing is that outside vendors may not understand the culture and mission of a higher education institution, which directly influence students, faculty, and staff's experience on the campus. This may translate into a diminution of service quality and customer satisfaction. Moreover, if a college has to lay off personnel, staff may feel resistance to the change and morale will suffer. Layoffs also may engender legal battles and union disputes. All of these effects can threaten the sense of community and identity on a campus.

What services and functions is higher education outsourcing?

The National Association of College University Business Officers (NACUBO) has taken a serious interest in the issue of outsourcing. For example, a recent survey of colleges and universities by NACUBO reveals that outsourcing of services increased significantly over a two-year period from 2000 to 2002 (UNICCO 2002). These data are based on surveys completed by representatives from 152 institutions in 2000 and 112 colleges and universities in 2002 who attended the NACUBO annual meetings.

The data suggest that outsourcing is not an unfamiliar phenomenon in American higher education institutions. In 2000, 82 percent of the surveyed colleges and universities outsourced at least one service; that percentage increased to 91 percent in 2002. As shown in Figure 1, 65 percent of the institutions in 2002 outsourced two to five services and almost one in seven outsourced more than five services.*

Figure 1. Number of services currently outsourced 2002



Source: UNICCO 2002 College and University Outsourcing Survey.

* The reader should be cautioned that the list of 20 services in the survey were identified by UNICCO. Institutions were not given the option to add services or functions that they may consider for outsourcing.

Figure 2. Services you are currently outsourcing

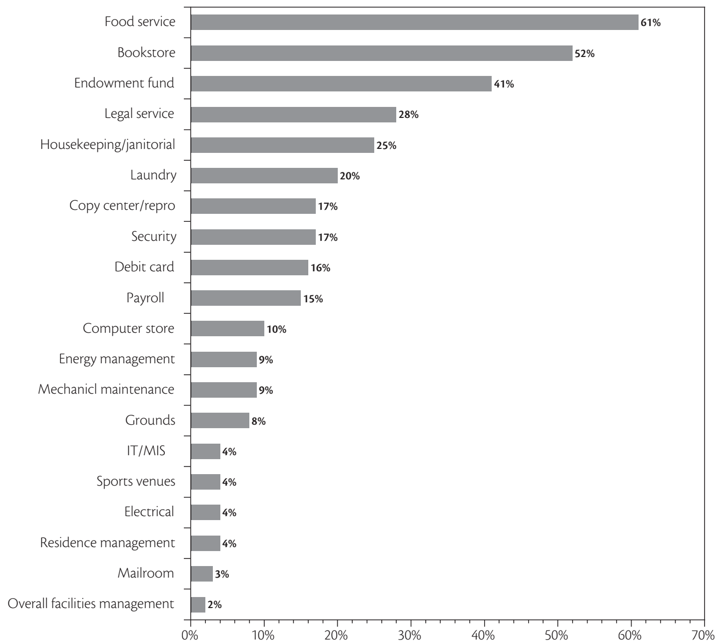


Figure 3. Services you would consider or are already outsourcing

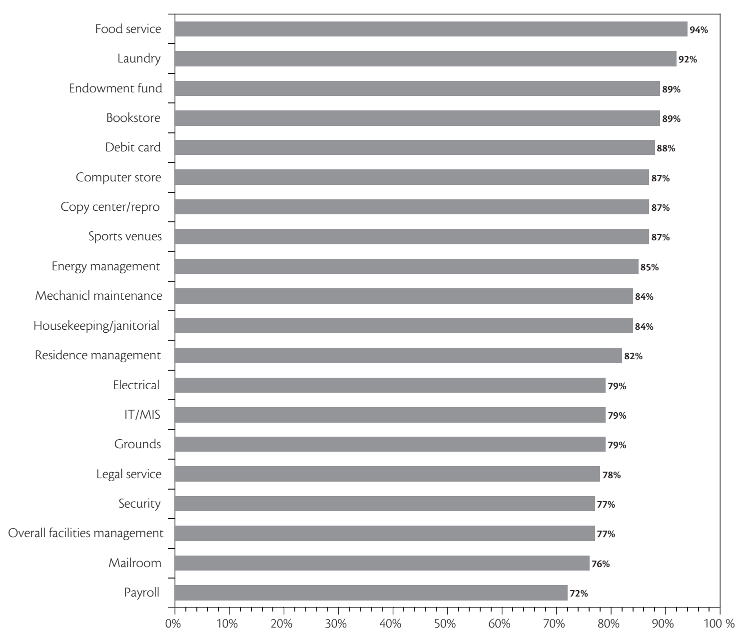


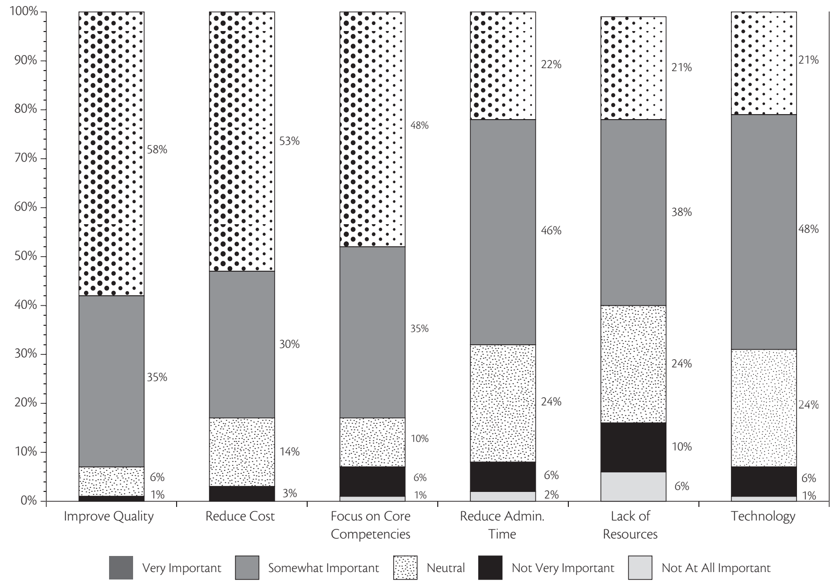
Figure 2 shows that food service and bookstore head the list of services outsourced in 2002; these functions are the only services outsourced by at least 50 percent of the schools surveyed. A wide array of services are outsourced, from endowment fund management to payroll to sports venues.

What services would the surveyed institutions consider for outsourcing? Most respondents said they would consider outsourcing many different types of services, ranging from food service to endowment management to residence management. Even the service with the highest "negative," payroll, was acceptable to almost three quarters of the respondents. In other words, only 28 percent said that they would not consider outsourcing payroll. Figure 3 illustrates that, for all other services, 76 to 94 percent of the institutions would consider outsourcing.

Institutions were asked to identify the criteria they used to make the decision to outsource. As shown in Figure 4, improving quality is the most important criterion, slightly ahead of reducing cost. More than nine out of ten considered improving quality as somewhat important to very important. It is interesting to note that over 80 percent of the respondents considered it somewhat or very important that they wanted to focus on core competencies—teaching, research, and service—and thus outsource other functions.

In the late 1990s, a number of surveys were conducted that captured the state-of-the-art of outsourcing in higher education (Norris and Olson 2003). It may be informative to view the outsourcing of these functions in higher education by examining where the outsourced

Figure 4. Services you are currently outsourcing



Source: UNICCO 2002 College and University Outsourcing Survey

functions fall within the expenditure pattern of the university. Virtually every college and university in the United States organizes its expenditures by functions. These functional categories include instruction, research, public service, academic support, student services, institutional support, plant operation and maintenance, scholarships and fellowships, and auxiliary services (which are traditionally self-supporting). Table 1 presents a list of functions that are either typically outsourced or shown to be outsourced by at least 20 percent of those surveyed. Reviewing these functions within their expenditure category seems to suggest that outsourcing is targeted to those areas that have the least to do with the core functions of the academy—teaching, research, and public service. It is important to note that many of the surveys, or their respondents, do not consider employing part-time faculty as an outsourced function (the previous discussion about part-time faculty notwithstanding). This is because the institution does not contract with an external organization, standards of work are not determined by a contractor, and the individual faculty members are under the direct supervision of the department chair.

Table 1. Outsourcing of services in higher education by educational and general expenditures

Instruction	Research	Public Service	Student Services	Institutional Support	Plant Operation & Maintenance	Scholarships & Fellowships	Auxiliary Services
			Student loan collections, tuition plans.	Worker's compensation, retirement programs, auditing and accounting, employee assistance programs, unemployment compensation, copier machines, printing and publications, trademarks and licensing, physical plant financing, campus future planning, energy conservation, real estate development/ operations.	Asbestos removal projects, refuse and waste management, hazardous waste removal, construction projects, research waste removal, architectural and engineering services.		Campus travel services, drink and snack food machines, video game machines, banking services, food service, student laundry machines, textbook publishing, beauty salon operations, retail store/shopping areas, bookstore, amusement center, golf courses, athletic concessions, housing facility, day care centers, house keeping.

Source: Norris, David M. and Olson, Mark A. (2003)

What do higher education executives say about outsourcing?

In an effort to expand on what has been written and studied thus far regarding outsourcing in higher education, ACS Education Services recently commissioned a survey to gather qualitative information from higher education executives about their perceptions of outsourcing, and to increase understanding of the decision processes, sources of input, and preconceived notions that influence outsourcing (ACS Education Services 2004). Some of the basic questions that guided the survey included:

- Do universities understand and favor outsourcing?
- What are the experiences and expectations of higher education institutions?
- Do universities believe they can realize similar benefits from business process outsourcing as has been done by corporations?
- Can and do large-scale universities operate like businesses or are they too unique?

A cross-section of universities and senior-level executives was identified as the survey respondents, and personal telephone interviews were conducted. Telephone interviews were used to facilitate a dialogue that spanned a variety of topics. One-hundred higher education institutions were selected with student populations of 15,000 to 20,000 and higher. Colleges, universities, community colleges, and community college districts were included, with the list predominantly composed of public universities. It is likely that public universities also represent the majority of large institutions. From the original list of institutions, 35 agreed to participate in the survey. This group came from 20 states representing virtually every geographic region of the country.

The following is a summary of the results of the survey. Statements in "quotation marks" typically represent verbatim comments from specific participants.

Outsourcing definition

When asked what they thought of when hearing the word "outsourcing," the respondents' definitions were consistent and simplistic: "Hiring an outside source to perform a service more efficiently, better, or at a lower cost than you can do it yourself." Most of the respondents said outsourcing was a good thing. The most common examples that were brought to mind were the traditional and conventional applications of bookstore, food service, and custodial services. Despite the heavy press coverage and political controversy surrounding the word "outsourcing," in all of the interview discussions there was only one mention of outsourcing in an "offshoring" context. That respondent was speculating on information technology jobs going to India and China.

Perception of outsourcing

For most of the respondents, outsourcing of business processes was a conceptual idea. They had not thought much about these areas and, therefore, many speculative answers were given. A few suggested that: "It probably makes more sense for smaller institutions." A common perception was: "We already operate at the lowest cost; where is the provider's margin?"

Three major areas were targeted in the questions—information technology, human resources, and finance and accounting. The following is a summary of the executives' responses.

- **Information technology:** This area was most likely to be considered because respondents believed there was a higher likelihood that providers would deliver new or added expertise. The respondents expressed high expectations that enterprise-resource-planning (ERP) programs will take care of their problems and inefficiencies. Some are using consultants to solve information technology inefficiencies and a few are having a hard time staffing this area with qualified people.

- **Human resources:** Many of the participants were anxious about putting someone in between the university and its employees. Most confessed that there is a strong belief that this area is not an area for change. A few noted that there may be some opportunities for outsourcing in benefits administration, or hiring temporary help.
- **Financing and accounting:** This function received a variety of negative comments. Most of the respondents simply could not imagine who could do this for them. Varied and strict state reporting requirements were seen as too complicated and some felt that they are just part of a much bigger system and don't have the autonomy. Some also were protective of their proprietary information. Another barrier was that many universities have disconnected or dissimilar internal systems. On a few occasions, payroll was mentioned as a possibility.

In sum, these three areas appear to be immature segments of the outsourcing market. Outsourcing has hardly penetrated the administrative, technical, and financial functions among university survey participants. They were not aware of others where outsourcing has been deployed except in a very few business process areas. Some of the verbatim comments illustrate the challenges to outsourcing in this area:

- "This would be like having someone else brush your teeth."
- "There would be too much difficulty bringing it back in if it doesn't work."
- "We'd expect resistance to change from the academics."

Outsourcing experience

The participants were asked about their experience with outsourcing. Three of the most frequent outsourcings are revenue generators with well-known and validated brand name providers. They include: Bookstore (Barnes & Noble and Follet), Food Service/Dining (Aramark, Sodexho), and Vending/Pouring (Coke, Pepsi). In many applications, these also were favored because they shift some of the universities' capital needs to the vendors. The competition among these popular areas seemed to have worked in favor of the universities. Providing up-front cash is not uncommon and vendors invest in the infrastructure of the institutions. One respondent cited a 15-year food service agreement that included the provider's commitment of a $35 million investment over the contract's term.

Several relatively minor mentions of outsourcing included: buses, telecommunication, student loans, Perkins loans, physical plant maintenance, HVAC, elevators, online hiring, security, office/maintenance supplies, sports facilities, long-term investment, tuition payment plans, and payroll.

Functions or services that might better lend themselves to outsourcing

The participants were asked if there were areas that might be good candidates for outsourcing, and, conversely, if there were functions that would not be a good fit for outsourcing. Respondents mentioned several ideas that have been explored, but not on any widespread basis. They include: copy centers, student health centers, print shop, parking, groundskeeping, mail service, research chemicals/storage, and transit buses/vehicle fleets. Several respondents whose institutions are not located in a metropolitan area said that they were too "rural" and there were not providers available within any reasonable proximity. Hence, it would not be possible for a firm to provide acceptable service from 30 or more miles away.

A wide array of barriers to effective outsourcing were mentioned.

- Perception of risk
- Assumption that ERPs are the solution to technology concerns
- Complex state regulations
- Decentralized and fragmented systems
- Perception that their low costs cannot be reduced
- "Confinement" in a much bigger state system
- Fear of failure and re-starting
- Resistance to change

- Loss of control
- Lack of providers
- Protection of proprietary information
- Concern over fate of employees
- Lack of autonomy
- Skepticism

Cost and service as factors in outsourcing

What part does cost savings play in the decision to outsource? And what part does service improvement play? These two questions elicited the frequent response that outsourcing can't all be measured in dollars and cents. Respondents noted that cost is important in today's environment, but not exclusively. Some suggested that they would not consider outsourcing if cost savings were not a part of it. Most qualified that statement by insisting that service improvement also is expected, but they were anxious about how a provider can pay the people less and get them to perform better. Many indicated that service improvement can stand alone as a reason for outsourcing, but cost would generally need to be at least equal to current cost. For some, cost savings make it much easier to sell an outsourcing program internally. Others talked about "soft savings" such as the relief for management that the outsource assumes.

Benefits and disadvantages of outsourcing

Who benefits from outsourcing and how does it impact students and employees? In general, expectations were that everyone needs to benefit—students, faculty, process owners, staff, and the university. As one respondent said, "If it's done right, everyone benefits." This expectation of campus-wide beneficiaries fits with the consensus cultures of the universities surveyed. The union and civil service issue regarding people and their jobs was a very significant consideration for many. This is one of the political realities about which the universities agonize.

There are several concerns regarding trade-offs with outsourcing. For most of the respondents, these trade-offs are not "deal-breakers" but must be addressed by any provider. High on everyone's list was the perception that their service in most areas is now considered good by stakeholders and that an outsourcing entity must recognize its role in protecting the university's image and relationship with its community. As one respondent remarked, "It's not just a transaction, it's our reputation." Another noted, "The supplier has to be involved in our culture."

Standardization of services was seen by some respondents an issue for the business process areas. They felt an outsource would not provide the specific or tailored services needed by some of the institution's many constituent groups. Many were not willing to make any service sacrifices to gain a lower cost position. Oversight was seen as a critical component of an outsource. Many were quick to note that the institution cannot assume that the provider is solely responsible or can be left unmanaged. Indeed, loss of control was cited as a concern by most respondents in several areas, including: flexibility, employees, costs, quality, priorities, loyalty, and responsiveness. Finally, many suggested that there were challenges and difficulties, as well as significant switching costs in reversing an unsuccessful outsourcing venture.

Who are the decisionmakers in the academy with regard to outsourcing?

In all of the surveyed campus environments, the process for decision-making is heavily dependent on collaboration and consensus. "Why are we doing this?" is the fundamental question. Multi-layered influences include affected stakeholders/users, process owners, divisions and departments, technical experts, leadership, and boards. Faculty groups are very influential—even in business decisions. The notion of individual silos is evident in this multi-functional approach as divisions, departments, and schools become protective of their campus turf and autonomy.

In the case of an initiative such as outsourcing, it appears most issues are framed by gatekeepers who shepherd the consensus process and who are overseen by administrators at the vice-president level. The outsourcing champions are often associate or assistant vice-presidents, sponsored by their bosses. By the time senior executives, chancellors, presidents, cabinets, and boards get involved in the final decision-making, the proposals are usually fine-tuned and vetted. Thus, many suggest that approvals are a "courtesy," "blessing," or a "rubber stamp." Boards often are involved in outsourcing areas due to the overall dollars involved, or because of the people/political impacts.

How difficult is it to make the decision to outsource?

Most respondents felt that outsourcing decisions are difficult because of the displacement or replacement of university employees. This concern was expressed not just because of unions and collective bargaining agreements, but also because of the paternal nature of the university as an employer. New untested ideas meet resistance, and there is a reluctance to pioneer—"It's stressful to change the way we do business." The challenges include:

- Campus decentralization
- Bureaucracy
- Due diligence – "You can't just rely on promises."
- Time of year – busy periods during the academic year
- Amount of buy-in needed
- Complexity of the criteria and process
- Closeness of the service to the core mission
- Priority of the initiative on a long list of "To-dos"

What does the institution need to know to make a decision to outsource?

An initiative with the impact and scope of outsourcing a business function or service receives considerable scrutiny. In addition to the fundamental business proposition, universities' evaluation of these proposals are both broad and deep. As one respondent said, "We learn a lot about ourselves in the process and often solve problems." As discussed earlier, important among the exploration is determining the fate of employees. Many respondents said this issue becomes part of the Request for Proposal (RFP) questions to be answered, and they negotiate new jobs for their "former" employees. RFP processes are common and usually mandated. The process includes a financial proposal, credentials regarding the company viability, competitive bid, presentations, interviews, time commitment, price stability, and client references.

It is important to understand that the university community in the United States is in many ways rather "small" and collegial. For example, it is not uncommon for administrators in colleges and universities to develop networks with their colleagues in peer institutions across the country. Virtually every function in a university has an association that represents its interests. Prominent among these is NACUBO. Therefore, it is extremely easy for any university to reach out and check references—but more importantly, to learn from other's experiences. Unlike most corporations and businesses where competition and "trade secrets" are more prevalent, the opportunities with universities for information sharing are extensive, and they even share contracts. In some cases, respondents indicate that the networking and a vendor's examples of success with others can often be very influential in selling a project's merits inside the university as a part of the consensus process. Several indicate that even though an individual, proactive provider may bring forth a specific and innovative proposal, it would not go forward unilaterally, but would be opened up to all qualified bidders in an RFP process.

How long does the decisionmaking process take?

The intense scrutiny and consensus driven approach adds significant time to the process. It is a lengthy process from idea to contract to implementation. About two-thirds of the procedure is process and about one-third is dedicated to analysis and decision-making. Components include brainstorming, consensus input, peer experiences, references, site visits, RFP design, process, and evaluation, team interviews, presentations, more site visits, fine tuning, leader reviews, implementation, and transition.

Since the magnitude of outsourcing business processes is perceived as major, very few respondents felt an outsourcing decision could be made in as little as three months. Six months to one year was common. "Authority in a university equates to your ability to convince people your idea is the right thing to do."

Holding an outsourcing position is far easier than getting one. A renewal is faster because a new bidder must demonstrate a discernable difference to unseat an incumbent in an outsource. The trauma of a transition is too daunting.

The difference between universities and corporations

Respondents saw important differences between the university and corporations. The public/state universities typically feel very regulated, controlled and limited in what they can do and how they must comply with laws. Many also see themselves as only part of a big system and not empowered to effect "localized" change.

Most respondents clearly tried to inject more corporate-like best practices into their business processes, but they were also very cognizant of how they differ. A number of respondents come from a business background. "We are a large business. But academics are a key part of our business." No one underestimates the power and influence of university faculty and their tendency to challenge and push back on any proposed changes. In their commitment for protecting academic freedom, changes in business processes often create threats or conflicts with the status quo. This accounts for most of the resistance, consensus building, and longer times to decision.

The biggest difference respondents see between the academy and the business world is the absence of the profit motive in academe. Respondents acknowledged that there is no bottom-line mentality in most areas but there often should be. Some have speculated that the way they do business, change moves in such fits and starts that it will take many years and another generation to effect substantial change. "We will lose money on something if it means doing the right thing."

Summary and discussion

So what is the state of outsourcing in higher education, and can it be at least part of the solution to the complex issue of rising college costs and prices? First, it seems clear that outsourcing is ubiquitous in colleges and universities. Nevertheless, there is an apprehension among decisionmakers in the academy regarding outsourcing that is perhaps not evident in the corporate sector. This apprehension is caused by at least four major concerns about outsourcing on the campus. They are:

(1) loss of control and ability to manage the contractor,

(2) service quality and customer satisfaction inconsistency,

(3) employee displacement or morale, and

(4) impersonal nature, loss of identity, community, culture, and collegiality (Norris and Olson 2003).

The first three of these concerns are issues that would be found in any organization to some degree—whether public or private, small or large, business or university. It is the fourth concern—loss of identity, community, and collegiality—that is particularly unique to the academy.

Colleges and universities simply have different ways of getting things done than businesses. In addition to encouraging, indeed mandating, a consensus approach to decisionmaking, the protection of shared governance and academic freedom is paramount. In short, a major barrier to outsourcing in higher education is the very essence of the organization. Unlike business, the academy is not a top-down entity. Moreover, it is not influenced by the profit motive. Most important, the faculty play an extremely influential role in the decisionmaking apparatus of the organization. As one wag put it, "Academics think they run the university—and they do!" In large part, many university faculty regard the corporate culture as a corrosive influence on the academy and tend to resist efforts to privatize. This perspective is expressed in rather stark terms by Henry A. Giroux (2002).

> *Colleges and universities do not simply produce knowledge and values for students, they also play an influential role in shaping their identities. If colleges and universities are going to define themselves as centers of teaching and learning vital to the democratic life of the nation, they are going to have to acknowledge the danger of becoming corporate or simply adjuncts to big business. At the very least, this demands that they exercise the political, civic, and ethical courage needed to refuse the commercial rewards that would reduce them to becoming simply another brand name or corporate logo.*

This sentiment by Professor Giroux poignantly suggests that the academy is not easily amenable to change and, indeed, may resist change with zeal. By and large faculty, who have a considerable (some might even say inordinate) amount of influence, show little inclination to modify the way they do "business." At most colleges and universities, shared governance and academic freedom are essential to the ways in which the professorate defines and administers its qualitative standards. These core values that permeate the academy can, therefore, be at odds with good business practices.

What, then, has to be in place at a college or university to increase the probability that a function or service could be outsourced? That is, what are the components of a threshold conducive to outsourcing? The list is rather daunting. First, the outsourced function would have to benefit, or at least not harm, virtually all of the constituencies of the institution. In particular, the faculty would need to give their blessing or at least tacit approval. In general, no harm would come to the personnel who were affected by the outsourced function. Also, the outsourced function would have to be at least equal in cost, but with better service. If the cost was less, the service would have to be at least equal to that previously provided. Finally, the organization proposing to outsource a function would have to submit to a lengthy RFP process of up to a year.

In summary, in part because of the nature of the academy, few universities have an outsourcing vision or strategy. Outsourcing is an initiative that is somewhat on the periphery of decisionmaking activities. Decisions always result from a consensus and team approach, and in many cases, the process is as important as the result. Also, a wide and deep span of influences affects the process and the ultimate decision.

Nevertheless, as has been shown in this paper, a number of services and functions have been outsourced by colleges and universities across the country. Moreover, to a large extent, the services and functions that are outsourced are indirectly related to the core raison d'etre of the academy—teaching, research, and public service. Therefore, the question is not if higher education institutions outsource—they certainly do—but to what degree can and will they outsource administrative and operational functions and services that heretofore have received little attention?

As has been demonstrated in this paper, not nearly enough is known to be able to make a reasonable judgment about the potential of outsourcing to significantly reduce college and university costs. And yet, the answer to the question of whether institutions can and will outsource will have an important impact on the ongoing debate over college costs and prices, because the extent to which outsourcing can and will be used will inevitably become a part of the overall cost debate. It is thus clear that this issue deserves further consideration as discussion and debate about college costs and prices continue to advance.

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